



Ministry of Forests and Range

2009/10–2011/12 Service Plan

February 2009



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Message from the Minister and Accountability Statement



The Ministry of Forests and Range delivers programs that help British Columbians realize benefits from our forests today and tomorrow. The Ministry is an advocate for forestry.

Since being appointed as Minister of Forests and Range in June 2008, I've been focusing on four key areas:

- To make British Columbia a world leader in growing trees by strengthening our investments in silviculture, tree improvement and reforestation.
- To maximize the value we get from our forests and reduce the amount of waste left on the forest floor. We can do this by taking advantage of emerging opportunities, such as using roadside residue as a source of bioenergy.
- To expand the use of wood in commercial and institutional construction by working in partnership with the Ministry of Housing and Social Development to increase the maximum height of wood frame buildings from four to six storeys.
- To expand international markets for our world class wood products, especially into China. In November 2008, I led a six day trade mission to China that resulted in 83 million board feet in new orders for B.C. wood products. On an annual basis, that's close to 1 billion board feet – or equivalent production from four large B.C. sawmills.

I continue to be optimistic about forestry's future, even though I recognize that 2009 will continue to be a challenging year since the forest sector is experiencing its worst cyclical downturn in 30 years. However, forestry is a business that needs a long term outlook. Trees planted today will be ready for harvesting 40 to 80 years later. And the trees planted today must not only be suitable to today's growing climate, but the warmer climate we're expecting.

This spring, I look forward to receiving the report from the Working Roundtable on Forestry working through their recommendations.

During the year ahead, I intend to continue to focus on the key areas mentioned above, without forgetting that whatever we do must be done with an eye to safety. We will continue our work with other ministries, agencies and industry in making forestry operations safer.

I truly believe if we all continue to work together British Columbia's forest sector will continue to thrive and prosper, though it may look somewhat different than it did in the past.

The Ministry of Forests and Range 2009/10 - 2011/12 Service Plan was prepared under my direction in accordance with the *Budget Transparency and Accountability Act*. I am accountable for the basis on which the plan has been prepared. All material fiscal assumptions and policy decisions as of February 10, 2009 have been considered in preparing the plan and I am accountable for achieving the specific objectives in the plan.

A handwritten signature in blue ink, appearing to read 'Pat Bell', is positioned above the printed name.

Honourable Pat Bell
Minister of Forests and Range
February 10, 2009

Table of Contents

| | |
|---|-----------|
| Message from the Minister and Accountability Statement | 3 |
| Purpose of the Ministry | 6 |
| Strategic Context | 7 |
| Goals, Objectives, Strategies and Performance Measures | 10 |
| Ministry Resource Summary | 22 |
| Forest Practices Board Resource Summary | 24 |
| Ministry Contact Information | 25 |
| Hyperlinks to Additional Information | 26 |

Purpose of the Ministry

The Ministry of Forests and Range, also known as the Forest Service, is an advocate for forestry in British Columbia. It is the main agency responsible for protecting the public interest in the use of the province's forest and range lands. More than 90 per cent of British Columbia's forest and range lands are publicly owned and managed by the provincial government on behalf of the public. Working with all stakeholders the Ministry pursues policies that encourage investment in the forest sector, while realizing that forest practices need to be sustainable to ensure future generations can enjoy the benefits of B.C.'s public forests.



*A proud tradition
of Service since
1912*

As outlined in the *Ministry of Forests and Range Act*, the Ministry manages, protects and conserves forest and range resources to achieve long and short term economic and social benefits for all British Columbians. The Ministry encourages maximum productivity of forest and range resources in British Columbia and vigorous, efficient and world competitive forest and range industries. It sets the revenue from the use of public forest and range lands.

The Ministry pursues its mandate and goals in a fair, open and consultative manner with the public, forest and range industries and other Crown agencies, while recognizing the unique interests of Aboriginal people. Natural resource values, such as timber and forage, are coordinated and integrated in consultation and cooperation with other ministries, government agencies and the private sector.

The Ministry has a significant role in supporting the Ministry of Environment on government's response to climate change through the Future Forest Ecosystems Initiative. The Ministry continues to work with other ministries and the federal government to mitigate the environmental impacts of the mountain pine beetle infestation, with a renewed focus on overall forest health. The Ministry has a leadership role in public safety emergency management using an integrated model to address major events such as fire and flood.

To address emerging priorities and issues, the Ministry pursues increased cross agency collaboration and alignment on land use planning, research and resource management. Work continues in adapting British Columbia's forest and range management practices to a changing climate, improving safety in the forest industry and working closely with First Nations to increase their participation in the forest sector. The Working Roundtable on Forestry gathered input from First Nations, industry, communities and the public on how to address the unprecedented socio-economic challenges currently affecting the forest sector. The Roundtable's mandate is to provide recommendations to government to make British Columbia's forest industry the most competitive, successful, sustainable, and productive in the world.

Strategic Context

Socio-economic Trends

Socio-economic and environmental trends are intrinsically linked and profoundly affect employment across B.C.'s communities. Many Aboriginal communities are located in forested areas and have active claims for ownership and jurisdiction of land and resources allocated for forestry. Through its New Relationship with First Nations, government remains committed to constructive consultation with Aboriginal peoples on socio-economic issues and opportunities, such as traditional forestry. For example, although First Nations' forest tenures have been increasing, less than one quarter of this timber volume has been harvested. The Ministry is also committed to strategic engagement with First Nations, with a focus on recognizing Aboriginal cultural values and heritage resources.

B.C.'s forest sector is currently experiencing one of the deepest cyclical downturns in history. Producers are challenged by volatility in the Canadian dollar, a weak housing market in the United States, lower lumber prices, and softwood lumber duties. However, the forest sector is encouraged by the latest trade statistics indicating that British Columbia softwood exports to China will set a new record in 2008. Forest sector economic activity totaled \$10 billion GDP in 2007 and showed a decline for a second year by 7.1 per cent.

B.C. is facing increasing turbulence in world capital markets and the Canadian industry is strongly affected by the U.S.-Canadian dollar exchange rate. Market concerns about world growth are pushing oil prices down and if commodity prices continue to decline, the Canadian dollar will remain weaker relative to the U.S. dollar into 2009. In normal market conditions this weakening would benefit B.C.'s lumber exporters, but this may not occur with low U.S. market demands. However, B.C. is a world leader in forest certification, demonstrating high standards in resource management, and some markets in Europe favour forest products from certified forest operators.

Forest products are among B.C.'s most important exports. Over the past two decades traditional forest exports have declined as energy exports have increased, so the Ministry is evaluating new forest resources such as biofuels. The B.C. wood pellet industry is growing with the increase of fossil fuel prices, and increased use of wood pellets by Korean and Scandinavian plants converting from coal. More than 80 per cent of B.C. forest industry sales are destined for non-Canadian markets, so there is continuous pressure to improve competitiveness. PricewaterhouseCoopers estimates the return on capital employed for B.C.'s forest sector fell below zero in 2007 – well below the target of 10-12 per cent. Forest capital investment is limited and not expected to change. Lumber prices are expected to continue to trend downwards into 2009 as a result of the U.S. market.

B.C. pulp and paper faces increasing global competition – in particular from Latin America – and internal competition for available and affordable fibre as newer products, such as wood pellets, compete for the same fibre source. Pulp prices have been declining due to weak demand and rising inventories. Newsprint mill closures have reduced B.C.'s newsprint supply and have led to increasing prices even though North American demand for newsprint is waning due in part to the Internet. Demand for newsprint from Asian markets is expected to stay strong. Despite closures and declining

fibre supply, the industry is transforming itself by developing diversified goods and better value from products.

The mountain pine beetle epidemic has created a short term increase in allowable annual cut levels in the Interior to make use of the commercial value of beetle killed trees before they decay. A reduction in the timber harvest is expected, starting around 2012, as the epidemic runs its course and dead trees lose their economic utility.

Resource development activities on the land base among the energy, forests and range sectors present both challenges and opportunities. The challenge in managing multiple products from the land also presents opportunities for innovation and transformation of the industry. There are emerging economic values from the forest such as carbon credits and new areas of business, diversified forest products and possibilities for new timber and management models. Rising energy prices are both a challenge and an opportunity as B.C. explores new potential in bioenergy.

Dollar volatility and high operating costs with continued restrictions on the export of market cattle continue to challenge the ranching sector. Beef cattle inventories and the number of ranching operations are declining, reflecting reduced profitability. Despite these challenges, opportunities are being pursued with industry to increase beef markets in the U.S. and Europe.

Environmental Trends

Around the globe, deforestation and forest degradation have been identified as important sources of greenhouse gas emissions. Canada retains 91 per cent of its original forest cover, more than any other country, and its rate of deforestation has been virtually zero for more than 20 years. B.C. has almost 60 million hectares of forest and less than 0.5 per cent of the forest is logged each year. The overall B.C. timber harvest in 2008 of 62 million cubic metres was 18.5 per cent lower than 2007 harvest, continuing a downward trend since 2004. However, the reduction in timber harvest could be mitigated and mid-term harvest levels improved through good basic silviculture practices, and increasing intensive silviculture practices, such as additional planting of fast growing improved seedlings, fertilization, commercial thinning and spacing. In early 2008, in an effort to build on B.C.'s strong legacy of reforestation, the province committed to a goal of zero net deforestation by 2015.

Anticipating and addressing the long term environmental consequences of climate change continues to be a key challenge at the provincial, national and international levels. The degree and rate of change is highly uncertain but future environments are expected to be very different. In B.C., climate change may alter forest and range productivity in certain areas. It may also cause adjustments in watershed hydrology, have implications for vegetation composition and could increase the frequency and severity of forest damaging events such as wildfires, ice storms, floods and droughts.

The implications of climate change to forest and range management in B.C. are significant. Overall forest health is a predominant challenge as climate change contributes to conditions that foster insect and disease outbreaks. Foreseeable changes include tree species becoming increasingly maladapted to their environment; less productive and increasingly susceptible to insects and disease. However, B.C.'s high quality forest resources present an opportunity to manage greenhouse gas emissions by sequestering atmospheric carbon and by providing a clean, renewable energy source. Proposed cap-and-trade systems are an opportunity for the B.C. forest sector to generate carbon offset projects like forestland protection, high intensity silviculture and afforestation.

Most of Canada's rangeland is contained in the four western provinces and supports vegetation suitable for grazing by cattle, other livestock and wildlife. Range covers over 10 per cent of British Columbia's land base and is mostly forested with some grassland. In B.C., about 85 per cent of the land area used by the ranching industry is Crown land. Cattle ranching and guide outfitting industries depend on having access to Crown range and to water. Challenges in B.C.'s management of rangelands resulting from climate change include potential loss of rangelands from the introduction and spread of invasive plants and shortages of water and forage. Along with shortages, broader water implications involving cross Ministry collaboration include drinking water quality, community watersheds and human health related issues. Rangelands management is also challenged by loss of productivity from forest encroachment and ingrowth, the loss of fencing due to damage from falling dead pine, and increased off-road vehicle damage.

Goals, Objectives, Strategies and Performance Measures

To ensure healthy forests, a healthy forest industry and healthy communities, the Ministry of Forests and Range pursues two long-term outcomes or goals: sustainable forest and range resources; and sustainable socio-economic benefits from forest and range resources.

The Ministry's long term goals are strategic. In effect, they encompass strategies that consider past, present and foreseeable impacts on attaining the desired long term results. Within the context of the longer term, priorities for the three year service plan period are established. For 2009/10-2011/12 and for the foreseeable future, the key Ministry priorities are to:

- become a world leader in growing trees;
- increase the utilization of fibre once considered waste or debris;
- promote the use of wood in commercial and institutional construction; and
- expand B.C. forest product exports to Asia.

For 2009/10 - 2011/12, the Ministry selected six performance measures to represent progress towards its two goals. As a result of changes to Cabinet and a reorganization of Ministry accountabilities in June 2008, the Office of Housing and Construction Standards' goals, objectives and performance measures are no longer presented in the Ministry of Forests and Range Service Plan as responsibility for the Office has moved to the new Ministry of Housing and Social Development. In addition, the Ministry of Community Development assumed responsibility for economic recovery plans for communities affected by the mountain pine beetle epidemic.

Consequently, the Ministry of Forests and Range lost one performance measure related to communities affected by mountain pine beetle, and has added two new performance measures that address Ministry priorities. The suite of performance measures include assessments of forest health, reforestation, compliance with sustainable forest practices, revenue generated for the public from forest and range resources, forest sector competitiveness and First Nations' participation in the forest sector.

Forests for Tomorrow

The Forests for Tomorrow program was set up to respond to deforestation that resulted from catastrophic wildfires and the mountain pine beetle epidemic.

The program is aimed at improving the future timber supply and addressing risks to other forest values through the re-establishment of young forests on land that would otherwise remain under-productive.

For more information visit:
www.forestsfortomorrow.ca/

Goal 1: Sustainable forest and range resources.

The current Ministry focus under this goal is to maximize the growth opportunity from forests by growing more trees—and growing more resilient trees. Climate change has compelled government to think differently about land use and its products, such as carbon. A collaborative approach is necessary among all ministries involved in making decisions that affect the land base.

The Ministry has a key role in helping government define new and emerging uses of land. The economic value of forests and range, tenure reform, timber and the Ministry management model, carbon credits, and new areas of business all factor into a changing culture. Our challenge is how to capture these emerging policy issues and adjust our thinking about the land and its future uses and products. The Working Roundtable on Forestry is one forum looking at ways to address these emerging issues.

Objective 1.1: Well managed, healthy, productive forest and range resources.

This objective describes the one- to three-year results the Ministry seeks to achieve that will ensure forest and range resources are sustainable in the long term.

Well-managed resources result from the effective regulation of forest and range practices, compliance and enforcement of laws, the determination of sustainable harvest levels, the effective allocation, administration and management of range and timber tenures, and maintenance of a safe and environmentally-sound resource road network.

Healthy ecosystems are those which are protected from unwanted wildfire and pest outbreaks, and where invasive plants and endemic insects and disease are managed. Managing healthy ecosystems entails having robust strategies for conserving biological diversity and protecting species-at-risk, First Nations' cultural values and critical habitats for fish and wildlife.

Ecosystem restoration and reforestation ensure that land and timber productivity and carbon sequestration are restored or maintained. The Ministry leads provincial rangeland restoration activities and enhances forest productivity through silviculture, forest gene resource management and both applied and long term research.

The Future Forest Ecosystem Initiative

The Ministry established this initiative with the goal of helping to ensure forest ecosystems that are resilient to stress and continue to provide basic services, products and benefits to society.

Activities include research, forecasting, monitoring, policy evaluation and change and extension initiatives.

For more information visit:

www.for.gov.bc.ca/hts/Future_Forests/

Challenges associated with achieving Objective 1.1 include:

- Natural and changing environmental conditions, such as: continuous hot, dry weather, contributing to extreme wildfire; expanded severity and range of insect infestations, disease infections and invasive plants; severe weather conditions and landslides which impact resource road access and safety as well as cause environmental damage.
- Adaptation to ensure the right standards and trees are in place to increase ecosystem resilience.
- Increased stakeholder and public pressure for use of forest and range resources.

Assisted Migration Adaptation Trial

The trial seeks to find solutions to foreseeable changes to forests due to climate change, such as tree species becoming increasingly maladapted to their environment, less productive and increasingly susceptible to insects and disease.

Ministry scientists are establishing a series of field tests at 48 sites throughout B.C. and the western states to better understand the climatic tolerance of all species used in reforestation. Test results will be used to develop reforestation strategies that ensure trees in future plantations are healthy, productive and above all adapted to current and future climates.

For more information visit:

www.fgcouncil.bc.ca/Tictalk-2007-Final-web.pdf

The above challenges are mitigated through effective fire preparedness, reforestation, research, inventory and education programs, regular road and bridge maintenance and repairs, collaborative and inter-agency partnerships and consultation with First Nations and the public.

Strategies

The following strategies are intended to address key Ministry priorities over the next three years:

- Anticipate and manage impacts on forest and range resources from pests and fire.
- Manage and mitigate the resource impacts from the mountain pine beetle epidemic.
- Utilise cross agency collaboration and alignment on First Nations relationships, land use, and research and resource management.
- Adapt British Columbia's forest and range management practices for a changing climate.

Ecosystem Restoration Program

Decades of wildfire suppression have led to adverse ecological effects on native grasslands and in the formerly open forests of the Interior.

To mitigate these effects, the Ministry started an Ecosystem Restoration Program to restore a more resilient landscape better able to support the native and historical mix of trees, plants and animals in light of climate change.

For more information visit:

www.for.gov.bc.ca/hra/Restoration/index.htm

Performance Measures

Three key indicators of well managed, healthy productive forest and range resources are fire protection, reforestation, and forest operator compliance with resource management laws. All three measures are commonly used in other Canadian jurisdictions.

Performance Measure 1: Fire Protection.

| Performance Measure | 2008/09 Forecast | 2009/10 Target | 2010/11 Target | 2011/12 Target |
|--|---------------------|-------------------|-------------------|-------------------|
| Per cent of wildfire contained at less than 4 hectares (on a 5-year rolling average) | 93% | 92% | 92% | 92% |

Data Source: Ministry of Forests and Range Fire Reporting System.

Discussion

The Ministry's detection and management of wildfire is critical to successfully managing forests and maintaining healthy ecosystems. While the B.C. Forest Service manages wildfire to protect lives and government assets, including Crown timber, healthy forest and range ecosystems are subject to natural fire and pest cycles. Ecosystems are thus managed in keeping with natural disturbances where possible.

The Ministry's success rate for initial attack on wildfires is tracked by this measure. Every fire is assessed to determine whether action is taken, and what kind of suppression action will take place. If values at risk are low, a decision may be made to allow for the natural role of fire in maintaining healthy ecosystems, rather than undertaking fire suppression. Where a decision to act is made, the goal is to keep the final size of the fire at less than four hectares, to minimize damage and costs for fire suppression.

Both Alberta and Ontario track success of initial wildfire attack. While the information cannot be compared directly due to differences in land ownership, policy, access, forest type and climate conditions, British Columbia, Alberta and Ontario all set targets for and report on initial wildfire attack success rates with results between 90 and 96 per cent.

Performance Measure 2: Reforestation.

| Performance Measure ¹ | 2008/09 Forecast ² | 2009/10 Target | 2010/11 Target | 2011/12 Target |
|--|-------------------------------|----------------|----------------|----------------|
| Ratio of area reforested to area harvested or lost to fire and pest (unsalvageable losses) | 0.77 | 0.82 | 0.86 | 0.89 |

Data Source: This ratio uses data from the past five years (a five year rolling average), submitted by licensees and the Ministry, to RESULTS (Reporting Silviculture Updates and Landstatus Tracking System).

- ¹ The ratio, "area reforested" includes planting or natural regeneration. "Area harvested" is the net area harvested, excluding roads, landings, and reserves. "Areas lost to fire and pests" refers to unsalvageable timber on land presenting a viable opportunity for planting. An area is not tallied as "lost to fire and pest" until it has been surveyed and deemed to present a viable opportunity for planting.
- ² Data is submitted, according to legislated requirements, before June 1 each year for the previous year ending March 31. The detailed information used to calculate the ratio is found in: Table 1: Changes in Not Satisfactorily Restocked Crown Land, posted at: www.for.gov.bc.ca/mof/annualreports.htm

Discussion

The ratio of area reforested to area harvested or lost to fire and pests is a high level indicator of stewardship of forest resources and ultimately, of sustainable timber productivity. A ratio of 1.0 indicates that areas being reforested are in balance with those being harvested or lost to fire and pests. A ratio of less than 1.0 reflects a trend towards increased Not Sufficiently Restocked area, with more productive area being harvested or lost to fire and pests than reforested.

The ratio combines data from all Crown land areas to be reforested. This includes:

- Areas on which licensees have basic silviculture obligations. On these areas, the ratio tracks close to 1.0 as a steady state, indicating that industry is meeting its basic silviculture obligations; and
- Areas on which no one has legal obligations for basic silviculture. These areas result from unsalvageable fire and pest losses and

The Forest Investment Account

The purpose of the Forest Investment Account is to assist government to develop a globally recognized, sustainably managed forest resource.

Administered by government or government agents, the Forest Investment Account provides funding for tree improvement, fertilization, resource inventory, mountain pine beetle treatments, aquatic restoration, market development, research and other programs to support sustainable forest management practices, improve the public forest base and promote greater returns for the use of public timber.

For more information:
www.for.gov.bc.ca/hcp/fia/

from pre-1987 logging. Reforestation on these areas is funded through the Forest Investment Account or through the Forests for Tomorrow program.

Projections

Harvested areas comprise the largest part of the measure. For these areas the ratio is currently projected to remain close to 1.0, reflecting that licensees will continue to meet their legal basic silviculture obligations.

The area impacted by mountain pine beetle is expected to continue to increase. In 2008/09, an additional small scale salvage Not Sufficiently Restocked area was identified. Trends for this area are difficult to identify and subsequent increases in Not Sufficiently Restocked areas from small scale salvage areas may impact the ratio downward further than projected. Starting in 2009/10, silviculture surveys of productive forest areas within the timber harvesting land base are expected to identify an additional 20,000 hectares of Not Sufficiently Restocked areas each year.

Forests for Tomorrow anticipates planting an estimated 16,500 hectares in 2010/11. The Forests for Tomorrow program will increase reforestation rates in 2009/10 to 2011/12 and result in an improvement in the provincial reforestation ratio.

Backlog Not Sufficiently Restocked areas (denuded more than 21 years ago) will continue to be surveyed and it is forecast that many of these areas will be determined to be satisfactorily restocked. This is expected to have an upward impact on the provincial reforestation ratio.

Performance Measure 3: Forest operator compliance with resource laws.

| Performance Measure | 2001/02 Baseline | 2008/09 Forecast | 2009/10 Target | 2010/11 Target | 2011/12 Target |
|--|---------------------|---------------------|-------------------|-------------------|-------------------|
| Per cent of forest and range operator's compliance with statutory requirements that regulate forest and range practices. | 90% | 98% | 95% | 95% | 95% |

Data Source: Ministry of Forests and Range Compliance Information Management System.

Discussion

This is a measure of how well forest and range operators are complying with their statutory obligations under the *Forest Practices Code of British Columbia Act*, the *Forest Act*, the *Range Act*, the *Wildfire Act* and the *Forest and Range Practices Act* and their associated regulations. Forest and range operators include all licensees (major industry and small business).

This indicator is measured as the number of inspections completed without any non-compliance that lead to a determined or prosecuted enforcement action against the total number of inspections completed. The sites chosen for inspection are selected based on an assessment of risk to environmental, social and economic values. The baseline was established in 2001/02, the first year

this statistic was reported in the Ministry's Service Plan. Actual performance has exceeded 90 per cent for the past 10 years.

Although achievement is anticipated to be at 98 per cent for 2008/09, there are emerging factors that lead to the target for the service plan period to be set slightly lower, at 95 per cent.

First, the forest and ranching industries are still transitioning from the Forest Practices Code to the *Forest and Range Practices Act*. There continues to be a learning curve for both industry and Ministry staff with respect to Forest Stewardship Plan results and strategies, particularly those that are measured at the landscape level as opposed to the site level, and those that are measured over a long period of time. Second, compliance levels may be impacted by the move towards an integrated compliance and enforcement model, whereby the Ministry's compliance and enforcement officers will be working with staff from other natural resource ministries to conduct inspections of a broader range of activities, including oil and gas exploration and development, mineral exploration and development, and commercial tourism operations among others.

In effect, amid the Ministry's strategies to improve compliance overall, there will be variations over the years in compliance levels, so to maintain a constant level at 95 per cent in itself represents a considerable achievement.

Goal 2: Sustainable socio-economic benefits from forest and range resources.

Competitive forest and range industries are necessary to sustain the socio-economic benefits from forest and range resources for the foreseeable future. The current Ministry priorities relating to this goal are to promote utilization of fibre once considered waste or debris, promote the use of wood in commercial and institutional construction, and expand B.C. forest product exports to Asia.

The revenue that accrues to Government from competitive forest and range sector industries contributes to a healthy economy, thus generating revenue in support of all British Columbians. Gross revenue from Crown forest and range industries is a measure of the benefit that the public receives from use of its forest and range resources.

Performance Measure 4: Crown forest and range gross revenue.

| Performance Measure | 2008/09 Forecast | 2009/10 Target ¹ | 2010/11 Target | 2011/12 Target |
|--------------------------------------|------------------|-----------------------------|----------------|----------------|
| Crown forest and range gross revenue | \$ 0.597 B | \$0.587 B | \$ 0.667 B | \$ 0.650 B |

Data Source: Ministry of Forest and Range Harvest Billing System

¹ Forecast and Targets are based on January 2009 Treasury Board Revised Forecasts.

Discussion

The total revenue realized by the Ministry and collected by the Government of British Columbia during each fiscal year includes revenue from stumpage (timber tenures and BC Timber Sales), other forest revenues (i.e. Softwood Lumber Export Tax, rents and fees, etc.) and other non-forestry revenues.

This indicator is a barometer of what the Ministry can expect to collect as revenue based on in-depth analysis of forest sector activity under prevailing economic conditions. It is not an attempt to measure the Ministry's influence on revenue generated.

In the U.S., the housing market collapse is expected to continue well into late 2010 before any signs of recovery emerge. A significant reduced demand for lumber production, resulting from the global/North American economic downturn and troubled U.S. housing market is primarily responsible for the declines in both lumber prices and overall production.

Exchange rate volatility and uncertainty will continue to suppress stumpage revenues and harvest levels which will further impact government revenues. The effect of reduced stumpage rates due to the mountain pine beetle harvest in the Interior, coupled with the overall reduction of total harvest due to the economic downturn, will continue to impact revenues significantly. Stumpage revenues are forecast to remain depressed through 2011/12. Current economic predictions suggest that reasonable recovery is expected to be slow and is anticipated to improve marginally in the short to mid term.

However, the latest trade statistics indicate that British Columbia softwood exports to China set a new record in 2008 as B.C.'s market share of imported products and total consumption increased. With limited alternate sources for logs, it is expected that Chinese demand for imported lumber (softwood in particular) has future growth potential.

Objective 2.1: Fair market value for the use of public forest and range resource.

The Ministry has a legislative responsibility to assert the financial interests of the Crown in its forest and range resources in a systematic and equitable manner. The revenue collected from the use of public forest and range resources becomes available to fund government priorities each year. In this way public forests contribute to the overall health, education and well-being of all British Columbians.

The Ministry continually reviews and modifies revenue policies and procedures to ensure that fair value is received. New market-based pricing systems were introduced on the Coast in 2004 and in the Interior

BC Timber Sales

BC Timber Sales is testing ways to improve utilization and minimize waste of timber through a new timber sale licence.

"Through the innovative timber sale licence, we're exploring more effective ways to market timber and re-defining value-added by exploring the potential for new and non-traditional uses for timber such as biofuels, pulp as well as higher value products."

Forests and Range Minister Pat Bell

BC Timber Sales Service Plan

Goals, objectives and performance measures are available on the Ministry's website at: www.for.gov.bc.ca/bcts/

in 2006. These changes continue to be integrated and implemented by the Ministry.

BC Timber Sales, a division of the Ministry, markets Crown timber to establish market price. BC Timber Sales has a target to auction 20 per cent of provincial allowable annual cut each year.

Challenges associated with achieving the objective include:

- BC Timber Sales' ability to achieve its targeted volume auctioned each year can be impacted by market conditions. The collapse of the U.S. housing market, the volatile Canadian dollar and a continued decline in the average quality of timber due to the pine beetle epidemic in the interior of the province continue to have major adverse impacts on the whole forest sector – including BC Timber Sales.
- BC Timber Sales' ability to establish a market price can be impacted by sales and harvest levels, which in turn are influenced externally by the number of bidders and market conditions.
- Forest crimes including theft and fraud related to timber pricing. These are mitigated through the Ministry's Compliance and Enforcement program.

Strategies

- Monitor and enhance market-based pricing systems for the Coast and Interior regions.
- Enhance systems and processes to improve efficiency and ensure complete, timely and accurate pricing and billing.
- Pursue innovative practices that promote the greater utilization of forest resources and values.

Objective 2.2: Conditions that promote safe and competitive forest and range sectors that contribute to sustainable forest and range based economies.

Competitiveness is supported by an environment that encourages investment. This, in turn, is supported by the government working toward certainty on the land base and ensuring that regulation and policy support competitiveness.

The Ministry works with the federal government and industry associations on international and trade agreements such as the 2006 Softwood Lumber Agreement. The Ministry also works with Forestry Innovation Investment Ltd. on market access and acceptance issues to build new markets and grow existing markets for B.C. forest products. The Ministry supports government's bioenergy strategy by identifying wood-based biofuel supply policy impediments and opportunities, supporting the BC Hydro call for bioenergy, and modelling forest woody biomass supply based on the existing forest cover inventory.

Forestry Innovation Investment Ltd.

FII is a Crown agency that leads work to expand and maintain international markets. FII also supports innovation and research in forest product development.

More details can be found in the FII Ltd. Service Plan at: www.bcfii.ca/

Many rural B.C. economies depend on healthy and competitive forest and range industries. These in turn provide employment, community investment and other socio-economic benefits to British Columbians. With many First Nations living in forest-based communities, the government continues to promote opportunities for First Nations' participation in the forest and range sectors.

Challenges associated with achieving the above objective include:

- Macro-economic considerations such as commodity prices and exchange rates.
- Trade-offs between socio-economic benefits. Two examples of trade-offs are (1) balancing maintenance and improvements to the resource road network between industrial, commercial and public access, and (2) balancing the economic interests of First Nations, industry and other stakeholders.

Strategies

- Encourage research, industry innovation, quick adaptation and development of marketing strategies, as well as improve communication of customer needs with industry.
- Support development and implementation of the B.C. beef industry strategy.
- Support development and implementation of the forest component of the B.C. bioenergy initiative.
- Promote opportunities for First Nations' participation in the forest and range sectors.

Performance Measures

The extent to which the Ministry is achieving Objective 2.2 is measured by two key indicators: forest sector competitiveness and First Nations' participation in the forest sector. Both measures describe intermediary outcomes that the Ministry endeavours to influence by providing the right environment in which all forest sector participants may thrive.

Performance Measure 5: Forest sector competitiveness.

| Performance Measure ¹ | 2008/09 Forecast | 2009/10 Target ² | 2010/11 Target | 2011/12 Target |
|--|------------------|-----------------------------|----------------|----------------|
| Real \$GDP per hour worked by industry | 57.4 | 56.1 | 56.4 | 56.6 |

Data Source: Statistics Canada CANSIM Table 379-0025: Provincial Gross Domestic Product (GDP), by industry; British Columbia; Chained 2002 dollars (dollars - millions) and Table 383-0009: Labour statistics consistent with SNA, by NAICS; British Columbia; Business sector; Hours worked for all jobs (hours - thousands)

¹ "Labour productivity" is defined as "Real \$GDP per hour worked by industry" or the "value produced per worker-hour."

Productivity gains occur when the production of goods and services grows faster than the volume of work dedicated to their production.

² The targets for this measure are based on past seven year moving average data. A forecast is provided given current knowledge about the state of the economy and other factors affecting the forest sector.

Discussion

Assessing and tracking labour productivity as measured by 'real \$GDP per hour worked by industry' provides the Ministry with an indication of its influence on the forest sector, and ultimately its ability to compete in world markets. Government puts policy in place to provide a climate conducive for industry to be productive; this measure in part indicates the extent to which industry has responded. However, although it is an indicator of the hosting condition government creates, it is also an indicator of investment within the industry, labour contracts and a host of other influencing factors. Various input factors affect labour productivity including: changes in technology, innovation and efficiency; cultural beliefs and values; and individual attitudinal, motivational and behavioural factors. The wider economic, social and political environments, levels of flexibility in labour markets, and individual reward and payment systems will also influence productivity.

The measure reflects an outcome at the provincial level for the entire forest sector; however, there are regional variations, such as differences between the coastal and interior sectors, which are not captured by this province-wide estimate.

Meeting customer need is an incentive to innovate, research and development drives innovation and innovation in turn drives productivity. As demand for more valuable products increases, industry productivity will increase. Anticipating changing customer demands and meeting those demands with improved products and enhanced productivity (increased value produced per worker-hour) improves competitiveness. If the share of market demand increases, B.C.'s forest sector industry will be more competitive compared to other jurisdictions in the global market.

Coastal Forest Action Plan

The Coastal Forest Action Plan outlines B.C.'s vision for a competitive coastal forest sector that contributes to prosperous communities, First Nations, stable employment and sustainable forest practices.

A five-year, comprehensive research and development program, the Plan aims to ensure trees are manufactured into the right product and delivered to the right market. The Plan builds on previous actions and focuses on changes needed to enable the sector to adapt to current and emerging issues.

For more information visit:

www.for.gov.bc.ca/mof/coastalplan/

Performance Measure 6: First Nations' participation in the forest sector.

| Performance Measure ¹ | 2008/09 Forecast | 2009/10 Target | 2010/11 Target | 2011/12 Target |
|--|---------------------|-------------------|-------------------|-------------------|
| First Nations' forest tenure volume harvested relative to all forest tenure volume harvested in British Columbia | 0.840 | 0.865 | 0.890 | 0.915 |

Data Source: Aboriginal Affairs Branch, Revenue Branch and Resource Tenures & Engineering Branch

¹ The data for this performance measure are defined as: per cent of Timber Harvested by First Nations on their Direct Award Forest Tenures in relation to the per cent of Timber Harvested by all clients in B.C. The indicator is expressed as a ratio.

Discussion

This measure was selected as an indicator of First Nations' participation in the forest sector to track the provincial outcomes of harvesting resulting from the Ministry's interim measure agreements and their associated tenures. The indicator is expressed as a ratio to compare the performance of the First Nations forest sector to the rest of the forest industry. If the ratio is less than 1.0, then on a relative scale the First Nations forest sector is underperforming relative to that of the rest of the industry and, if above, is outperforming.

The Ministry has generally been successful in awarding timber to First Nations through interim measures agreements, but First Nations have advised the Ministry that they are having difficulties across the province in actualizing these opportunities. The B.C. forest industry is struggling on a number of fronts, worldwide economic slowdown, slumping prices and demand in the U.S. market, and a mountain pine beetle generated log surplus. These issues also affect First Nation licensees but some face additional barriers to successfully managing the forest tenures awarded through these interim measures agreements due to lack of forestry and business experience, small scale of operations, and a lack of start-up capital and capacity. As a result of these challenges, the ratio is 0.840 as of September 30, 2008, which demonstrates an underperforming portion of the forest sector. The Ministry is actively working with the First Nations Forestry Council to determine new approaches to create successful business opportunities.

Resource Summary

Ministry Resource Summary Table

| Core Business Area | 2008/09 Restated Estimates ¹ | 2009/10 Estimates | 2010/11 Plan | 2011/12 Plan |
|--|---|----------------------|-----------------|-----------------|
| Operating Expenses (\$000) | | | | |
| Forest and Range Resource Management | 397,487 | 399,864 | 345,356 | 344,692 |
| Pricing and Selling Timber | 48,629 | 50,444 | 44,628 | 42,515 |
| Compliance and Enforcement | 28,903 | 26,326 | 23,323 | 23,320 |
| Executive and Support Services | 55,654 | 54,017 | 53,775 | 53,378 |
| Direct Fire | 56,226 | 61,720 | 51,720 | 51,720 |
| BC Timber Sales Special Account | 219,200 | 175,300 | 173,500 | 180,400 |
| Total | 806,099 | 767,671 | 692,302 | 696,025 |
| Full-time Equivalents (Direct FTEs) | | | | |
| Forest and Range Resource Management | 1,668 | 1,649 | 1,629 | 1,629 |
| Pricing and Selling Timber | 279 | 279 | 276 | 238 |
| Compliance and Enforcement | 292 | 229 | 229 | 229 |
| Executive and Support Services | 679 | 667 | 667 | 658 |
| Direct Fire | 130 | 130 | 130 | 130 |
| BC Timber Sales Special Account | 669 | 650 | 650 | 650 |
| Total | 3,717 | 3,604 | 3,581 | 3,534 |

Ministry of Forests and Range

| Core Business Area | 2008/09 Restated Estimates ¹ | 2009/10 Estimates | 2010/11 Plan | 2011/12 Plan |
|--|---|----------------------|-----------------|-----------------|
| Ministry Capital Expenditures (Consolidated Revenue Fund) (\$000) | | | | |
| Forest and Range Resource Management | 16,451 | 13,151 | 13,107 | 1,508 |
| Pricing and Selling Timber | 999 | 240 | 230 | 442 |
| Compliance and Enforcement | 1,548 | 247 | 234 | 365 |
| Executive and Support Services | 5,672 | 2,947 | 3,859 | 9,749 |
| BC Timber Sales Special Account | 48,204 | 48,497 | 50,867 | 49,749 |
| Total | 72,874 | 65,082 | 68,297 | 61,813 |
| Other Financing Transactions (\$000) | | | | |
| Pricing and Selling Timber (BC Timber Sales) Disbursements | 19,200 | 102,300 | 102,100 | 102,100 |
| Forest and Range Resource Management Disbursements | 0,000 | 0,000 | 0,000 | 0,000 |
| Total | 19,200 | 102,300 | 102,100 | 102,100 |

¹ Amounts have been restated, for comparative purposes only, to be consistent with Schedule A of the 2009/10 *Estimates*

Forest Practices Board Resource Summary

The Forest Practices Board is an independent watchdog for sound forest and range practices in British Columbia's public forests and rangelands. It informs both the British Columbia public and the international marketplace of forest and range licensees' performance in carrying out sound practices and complying with legal requirements. It also ensures that resource ministries are appropriately monitoring and enforcing forest and range practices legislation.

The Board audits tenure holders and government ministries for compliance with forest and range practices legislation, carries out special investigations and issues reports as appropriate, investigates concerns and complaints from the public, and participates in appeals to the Forest Appeals Commission. The Board's mandate is provided by the *Forest and Range Practices Act* and the *Wildfire Act*.

While the Board operates independently from the Ministry of Forests and Range, its budget vote is the responsibility of the Minister. The Board independently reports its accomplishments and priorities through an annual report found at: www.fpb.gov.bc.ca.

| Forest Practices Board | 2008/09 Restated Estimates ¹ | 2009/10 Estimates | 2010/11 Plan | 2011/12 Plan |
|--|---|----------------------|-----------------|-----------------|
| Operating Expenses (\$000) | | | | |
| Total | 3,808 | 3,857 | 3,869 | 3,866 |
| Full-time Equivalents (Direct FTEs) | | | | |
| Total | 27 | 27 | 27 | 27 |
| Ministry Capital Expenditures (Consolidated Revenue Fund) (\$000) | | | | |
| Total | 125 | 25 | 25 | 25 |

¹ Amounts have been restated, for comparative purposes only, to be consistent with Schedule A of the 2009/10 *Estimates*

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Southern Interior Forest Region

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Hyperlinks to Additional Information

Ministry website:

www.gov.bc.ca/for

Glossary of Forestry Terms in British Columbia:

www.for.gov.bc.ca/hfd/library/documents/glossary/index.htm

The legislation which is administered by the Ministry of Forests and Range:

www.for.gov.bc.ca/tasb/legsregs/comptoc.htm

Forest Investment Account:

www.for.gov.bc.ca/hcp/fia/

Wildfire Prevention:

www.bcwildfire.ca/ BC Wildfire Prevention (Ministry of Forests and Range Protection Branch)

www.bcwildfire.ca/Prevention/Property/FireSmart.htm FireSmart (Ministry of Forests and Range)

Fuel Management:

<http://ground.hpr.for.gov.bc.ca/> (Ministry of Forests and Range and Union of BC Municipalities)

www.bcwildfire.ca/Prevention/fuelmanagement.htm (Ministry of Forests and Range)

www.fness.bc.ca/Mt_Pine_Beetle/beetle.htm (First Nations Emergency Services Society)

Crowns, Agencies, Boards and Commissions associated with Forests and Range:

Crowns:

Forestry Innovation Investment Ltd. and Forestry Innovation Investment Consulting (Shanghai) Company Ltd. (subsidiary): www.bcfii.ca/

Major Commissions and Boards:

Forest Appeals Commission: www.fac.gov.bc.ca/

Forest Practices Board: www.fpb.gov.bc.ca/