

**VANCOUVER ISLAND NORTH WOODLANDS ADVISORY GROUP
(VINWAG)
Western Forest Products Inc.
Community Advisory Group
Minutes of Meeting April 23rd, 2015**

Attendance:

Jon Flintoft, WFP	Katherine Dolmage, Aquaculture
Fred Robertson, Education	Jeff Houle, Suppliers
Ione Brown, NICFLP	John Tidbury, Port Hardy
Patrick Donaghy, Local Government	Dale Dorward, Small Business
Graham MacDonald, Port McNeill	Gunnar Wigard, Small Contractors
Janet Dorward, Business	

Presenter: Kevin Laird, Stumpage Appraisals Supervisor, WFP and Jennifer Bendickson, Stumpage Appraisals Administrator, WFP

Regrets: Gaby Wickstrom, Port McNeill Chamber of Commerce, Ray Harper, Labour, Dave Trebett, Tourism and Recreation, Steve Lacasse, Environment, Paul Barolet, Stewardship Officer, MOFLNRO

Observers: Roger Briscoe, Operations Manager, Holberg and Quatsino Dryland Sort, WFP

Advisors:

Chairperson and Facilitator: Annemarie Koch

Minutes taken by: Jon Flintoft and Annemarie Koch

1.0 SAFETY AND INTRODUCTIONS

Annemarie welcomed everyone to the meeting, stressed the importance of safety in WFP's operations and reviewed the procedures to follow in the event of an emergency. Annemarie reviewed the objectives of the meeting, namely to review the minutes and action items from the February 26th meeting, hear a presentation by WFP representatives Kevin Laird and Jennifer Bendickson on stumpage calculation and where it goes (general information for Criterion 5, Economic and Social Benefits), review the terms of reference, review the results in the 2014 annual report on the SFMP, and set the date of the next meeting.

Annemarie reminded everyone to take a look at the operational map that Jon had brought for members to review and comment on, and then invited those present to introduce themselves for the benefit of the presenters. Annemarie noted, that, in order to give Jon more time to review the results in the annual report, Kindry's update on the recreational map had been postponed to the June 4th VINWAG meeting. She noted that, due to a scheduling conflict, proposed June 4th speaker Doug McCorquodale had asked to make his presentation at the September 10th meeting. Annemarie noted that she had asked Paul Barolet to help her switch September 10th speaker Leah Malkinson's presentation to June 4th but noted she had not heard back from Leah, so she had proceeded to ask Kindry Mercer to expand her presentation on the recreational map initiative to a broader presentation on WFP's recreation initiatives in the DFA.

2.0 REVIEW OF LAST MEETING MINUTES AND ACTION ITEMS

Annemarie asked if there were any comments on the minutes of the February 26th meeting and reviewed action items requiring updates or immediate attention with members, and the results of the discussion are summarized in the table below, along with the addition or modification of five action items developed during the course of this meeting. For the benefit of new or recent members, Annemarie noted that she would be assuming all members had read their minutes and would not be taking additional time to go through them at the meeting, other than to deal with questions, changes and action items. Action items that were completed were dropped from the list and revised action items were retained as modified.

ACTION ITEMS					
#	Item	Responsibility	Initiation Date	Target Date	Completion Date
140	Follow up on engaging youth in SFMP	Fred Robertson/Jon Flintoft/Kindry Mercer/A. Koch	June 27,2013	Ongoing, in 2015	
156	Update on producing a map for recreationalists	Kindry Mercer	April 24,2014	June 4,2015	
163	Provide an update on the Pacific TSA Timber Supply Review	Jon Flintoft	September 11,2014	Later in 2015	
172	Enlist an energy sector representative	Dale Dorward	February 26,2015	June 4,2015	
173	Dedicate the April,2016 meeting to a review of the 2015 annual report	Annemarie Koch	April 23,2014	April,2016	
174	Include cutblock 63514 used as example for stumpage presentation in September 11 th field trip and invite Kevin and/ or Jennifer to participate	Jon Flintoft	April 23,2015	September 11,2015	
175	Dedicate a future meeting to a presentation on stumpage by a government and a WFP representative	Annemarie Koch	April 23,2015	Sometime in 2016	
176	Revise date on Terms of Reference and distribute to members and post on PAG website	Annemarie Koch	April 23,2015	April 30,2015	
177	Review the wording for the target related to Target 2 of Indicator 3.1.1,number of slides treated so that it is clearer and more easily measured and tracked	Annemarie Koch/Jon Flintoft	April 23,2015	For 2015 annual report	

Annemarie noted that action item 156 had been postponed to the June 4th meeting in order to give Jon more time to review the 2014 annual report. She suggested that, in future, it would be probably be best to dedicate the entire April meeting to discuss the annual report, in order to give Jon time to review the indicators more thoroughly and to give members more time to ask questions. Members agreed this would be a good idea.

Annemarie noted that Jon would be addressing action item 164 during his review of the annual report later in the meeting. Annemarie pointed out that action items 170 and 171 had been completed. Dale noted that he was still looking into finding an energy sector representative for VINWAG (action item 172) and would try to report back sometime in 2015. Annemarie added that the remaining action items were ongoing.

Annemarie added that, unless members of VINWAG wished to discuss any of these items, and unless there were any comments or changes, she would ask members to adopt the minutes of the previous meeting. The minutes were accepted as circulated.

3.0 CALCULATING AND DISTRIBUTING STUMPAGE REVENUES: KEVIN LAIRD AND JENNIFER BENDICKSON, WFP

Annemarie introduced Kevin and Jennifer and provided some background on their academic and working history and community involvement.

Kevin provided an overview of the presentation, noting he and Jennifer would be touching on history and basics of the stumpage system, the current stumpage system, and a case study in calculating stumpage.

Kevin defined stumpage and noted that it is something that WFP takes very seriously and so dedicates a department to the subject. Kevin provided a history of stumpage, noting that the number of trees harvested was traditionally tracked by the number of stumps left in the forest.

He noted that the forest industry is heavily regulated and that stumpage/appraisals are actually included in the Foresters Act and the Forest Act. He referred to the Coast Appraisal Manual and noted that it has the full force of legislation and must be followed.

Kevin reviewed the various forms of stumpage calculation, including the tabular method defined in the Coast Appraisal Manual. Kevin reviewed some of the rates, noting for example that deciduous trees are \$1.00 per cubic metre, except X and Y grades.

Kevin reviewed some sample rates for damaged timber and trees in Community Forest and Woodlot licences.

Kevin reviewed the stumpage revenues that go to government from the shake and shingle industry, through the licence holder.

Kevin reviewed the appraisal method of stumpage calculation, noting it was a much more detailed procedure than the tabular method.

Kevin reviewed the trade interplay between Canada and the U.S., e.g. the Softwood lumber dispute, and how this has influenced stumpage policy. He noted that stumpage policies were a huge factor in the lumber softwood lumber dispute in the 1990's. Kevin reviewed the timeline and the nature of the ongoing dispute between Canada and the U.S. over softwood lumber trade, including the 1996 five year agreement and the imposition of U.S. duties on Canadian softwood in 2002. There was a discussion of how the difference in dollar value affected the negotiations. It was noted that Americans pay taxes on property and have difficulty dealing with the fact that much of the forest land in B.C. is Crown. It was noted that there is now a trend toward market pricing. The current Softwood lumber agreement expires October 2015.

Kevin reviewed the modified Rothery Formula that was in use from the 1940's until 1987. He noted that it was an intuitive system, based on the products that could be obtained from a stand, with an allowance for profit and risk for the Licensee. He noted that it was eventually eliminated because of the perception by the Americans that it was a form of subsidy.

Kevin reviewed the system of comparative value pricing that was used to realize a pre-determined revenue target. He pointed out that this method was used up until 2004. Kevin noted this system became known as the 'waterbed system,' because of the effects of fixed revenue targets.

Jennifer noted that in 2003 the market pricing system officially came into effect following the Forestry Revitalization Plan. She noted that part of the plan was to free up more volume for the BCTS and other licensees.

Jennifer then reviewed how timber auction based pricing works, using auction of Timber Sale Licences. She noted that the market pricing system was tested under a pilot in 2000 and is now in place. She

reviewed how market based pricing is calculated, including use of timber characteristics and market data and final estimated winning bid which is the basis for an upset stumpage rate.

Jennifer reviewed an example of timber sale bid results. She pointed to the information that is used to derive the market price system, including location, and then gave an example of the regression equation that is used.

Jennifer reviewed the impact of some of the variables on the equation, including average log price, second growth fir component, cedar/cypress fraction of the coniferous volume, slope, volume per hectare, piece size, helicopter yarding, and location as the distance from the nearest major centre.

Jennifer noted that more bidders on a sale generally means that competition is higher and prices are generally higher, and that this is reflected in the equation.

Jennifer reviewed some of the fixed value coefficients used in this calculation. She explained how the estimated winning bid is not the final figure, and that specified operation adjustments are made, including inland water transportation, and tree crown modifications. She reviewed the various Tenure Obligation Adjustments and noted that these numbers are based on surveys carried out by the Ministry.

Jennifer reviewed some of the tenure obligation adjustments incurred by the Licensee (that the Ministry does not have to cover), including forest planning and administration, road management and basic silviculture.

There was a discussion of how much and what profile BCTS harvests and how this affects the market costs that are calculated.

It was noted that it's common for WFP and others in the Coastal Forest Industry to pay 25 cents per cubic metre presently, but that further increases are anticipated.

Kevin reviewed in detail how stumpage is calculated on cutblock 63514 in TFL 6, starting with a timber cruise and then culminating with the stumpage equation. Kevin noted that the timber cruise is the most important part of the assessment.

It was noted that LiDAR can be used in the timber cruise for stumpage calculation but that field work still needs to be done, so LiDAR doesn't really add value at this time.

Kevin reviewed the cruise compilation process, including determining species composition and slope. He pointed to the impact of price schedules determined by the Vancouver Log Market. Kevin noted how log grades are based on a two year billing history. Kevin showed how the average log price is determined. He showed an appraisal map, showing methods of harvesting. Kevin reviewed how development costs are determined, including different road construction types. Kevin then showed the impact of the various variables on the Estimated Winning Bid.

Kevin described how cutting authority composition is determined under the Coast Appraisal Manual. He noted that the historically established points of origin make management of these sites more complex.

Kevin noted that TFL 37 has one point of origin and this conveys a tremendous advantage.

Jennifer concluded the presentation by reviewing stumpage for an off highway truck. She gave an example of a logging truck load currently providing a stumpage of around \$800. She reviewed total stumpage generated on the coast, including about \$1 million from TFL 6 in 2014.

It was agreed to visit the cutblock that was used as an example of stumpage calculation at the September 11th field trip and to bring a government representative together with an industry representative to a future VINWAG meeting and dedicate an entire meeting to a presentation on this subject.

4.0 ANNUAL REVIEW OF TERMS OF REFERENCE: ANNEMARIE KOCH

Annemarie noted that there had been no suggested changes in the participant satisfaction survey to the Terms of Reference adopted in 2014, but asked members if they had any wish to amend the current Terms of Reference, particularly around meeting attendance or replacement of sector representatives. She noted Jon had noted there was no reason to amend the map describing the DFA.

It was agreed to adopt the Terms of Reference as revised by changing the date, and to post and circulate the terms of reference as revised.

5.0 REVIEW OF 2014 ANNUAL REPORT RESULTS: JON FLINTOFT, WFP

Jon noted that he would be reviewing some of the indicators using photos, starting with the indicator related to retention. He explained that retention is used, among other reasons, to provide sources of habitat for wildlife. He reviewed an elk release and noted that one of the indicators related to tracking the number of limited entry draws and whether their relative increase or decrease is related to forest management.

Jon discussed regeneration and how the spruce weevil had caused problems with regeneration in the past. He noted that, through tree breeding and the development of weevil resistant spruce, more spruce was being planted on the DFA. Jon noted that white pine was being planted in anticipation of climate change in future.

Jon showed a plank tree logged by First Nations out in the Varney area, and how the features are protected through buffers, for example. Jon showed a photo of a karst feature in the Marble area and how this sinkhole had been protected, using high stumps. He noted that high stumps are not subject to higher stumpage.

Jon showed how rock pits are valuable for road construction. He showed an example of high elevation road construction. He noted that these roads are taken out of production for awhile. Jon showed an example of windthrow in the Marble area and how the downed trees had been harvested and the area planted. Jon showed how tree topping is used to help reduce windthrow.

He noted that topping is also used to protect features such as culturally modified trees. He showed an example of how a slide took out a bridge on a road to Atluck. Jon discussed how slide areas are re-vegetated using grass seed and/or trees.

Jon reviewed some of the recreation sites managed by WFP. He noted that the Marble site is closed during the winter due to potential danger tree damage and vandalism. Jon showed a slide of a new piece of equipment purchased by WFP recently from a Vancouver Island based company.

Jon reviewed the special products industry, noting that some of the butts from the dryland are stockpiled for sale to a local shake and shingle producer. He noted how the availability of these materials to local processors is one of the indicators in the SFMP.

Jon noted there were two indicators on safety and that safety was the number one priority for WFP. He noted that safety procedures are practiced annually.

Jon noted that public outreach is also under the SFMP and showed how WFP had participated in a student career fair at NISS. He also reviewed photos from FNIEG and VINWAG field tours.

Jon noted that of 59 indicators, only one target was not met: slides seeded and or planted, under the permanent access indicator. He discussed the background on this indicator and explained that it was tough to track and report slides over a two year period, particularly if a slide occurs late in the year. He suggested that the wording for the target be changed to eliminate this difficulty. Jon noted that part of the challenge was also that there were a significantly higher number of slides reported in 2014 than in previous years. Jon noted that sometimes they cannot physically get to a slide, if there are no roads in the area, and if safety is an issue.

It was agreed that the measurement for this target should be reviewed, for example, taking an average of slides treated over a two or three year period.

Jon noted that he had put in more detail on this indicator and that revisions might be incorporated into the 2015 annual review.

Jon reviewed Indicator 5.2.6, new hires that are local. He noted that this was a revised indicator and that the target had been met. He noted that he had referenced the Logging Fundamentals and the high school program that Fred has been spearheading.

Jon reviewed Indicator 5.2.5, opportunities for local suppliers. Jon noted that the percentage of money spent on goods and services tended to go up and down in the DFA. He referred to a pie chart showing where funds are invested, noting there was 41% expended outside the Regional District in 2014.

Jon reviewed Indicator 2.2.2, percentage of long term harvest taken. He noted that, overall, the target had been met. He noted the effect of removing Block 4 from TFL 39 and amalgamating it with TFL 6.

Jon reviewed the effects of various factors, including visual impact requirements on harvest levels.

Jon pointed to a trend where the amount for permanent access is increasing. He noted that logging on steeper slopes is one potential reason behind this trend.

It was noted that more roads might not necessarily be a bad thing in the long term for the North Island.

There was a discussion of the relative benefits of building more roads.

It was noted that there is a stumpage rate associated with road right-of-way.

There was a discussion of why old roads aren't used anymore. It was noted that many don't meet current code requirements, e.g., in riparian areas or in reserves. It was suggested that old roads that aren't used should be rehabilitated as tree growing sites, where possible.

It was noted that ballast from old roads is often recycled.

Jon reviewed the indicator related to investment in community stability, noting the variance had been met for this indicator. He pointed to investments in Holberg Volunteer Fire and Rescue and the Cordy Creek Hatchery, firewood cuts for the Royal Canadian Legion and NISS grads, logging truck loads of wood to First Nations communities, road maintenance to recreation sites and to Winter Harbour, and sponsorship of NISS bursaries.

Jon reviewed the indicator around level of investment in training and skills development. He noted that the reference to CommFor had been removed as the program had not been in existence for over five years. He noted that ten summer student positions had been provided in the DFA, and that the training targets had been met. It was noted that a number of summer students end up in industry jobs locally.

Jon reviewed the indicator targets related to harvest level, EBITDA, net road access and recreation sites managed. He noted that the EBITDA was \$108.5 million, and 183 kilometres of new road was created on the DFA, and 23 of 27 sites had been maintained on the DFA. He noted that a number of the sites were closed due to loss of good road access or de-commissioned road. Jon reviewed the targets related to limited entry hunting opportunities.

Jon reviewed the target related to full time employment on the DFA. He noted that the number of FTE's has been climbing since 2008, and that the target had been met in 2014.

Jon reviewed the indicator related to educational outreach, including the number of tours and production of an updated recreation map. He noted that four tours were offered in 2014, including one for a group of NISS students and one for a group of retired chief foresters.

6.0 NEXT MEETING:

It was agreed that the next meeting would take place on June 4, 2015. Annemarie noted that, due to a scheduling conflict for the originally proposed speaker, who would now be presenting at the September 10th meeting, the proposed topic was now Western Forest Products' Recreational Initiatives – “Come Play in the Working Forest,” with WFP’s Community Engagement Liaison Kindry Mercer (Criterion 5, Economic and Social Benefits).

Jon reminded everyone that the external audit would be taking place May 4-5 in Port Hardy and Holberg. He asked anyone who might be interested in participating to let him know.

Annemarie and Jon thanked everyone for coming and wished them a safe journey home.

When:	JUNE 4, 2015
Dinner:	6:30 p.m.
Meeting:	7:00 p.m.