

**VANCOUVER ISLAND NORTH WOODLANDS ADVISORY GROUP
(VINWAG)**

**Western Forest Products Inc.
Community Advisory Group
Minutes of Meeting June 14th, 2012**

Attendance:

Jeff Houle, Small Contractors	Tom Doak-Dunelly, General Public
Jon Flintoft, WFP	Patrick Donaghy, Local Government
Mike Pitre, WFP	Linda Philipp, Tourism and Recreation Alternate
Mac Willing, Fish and Game	Ian Roberts, Aquaculture
Ray Harper, Labour	Fred Robertson, Youth and Education Alternate
Vadim Stavrakov, Large Contractors	Steve Lacasse, Environment

Presenter: Gord Glover, Glover Resource Management Ltd., North Island Community Forest Limited Partnership

Regrets: Dale Dorward, Small Business, Roland Emery, Youth and Education, Clint Cadwallader, WFP, Brian Smith, WFP

Observers: Dave Steele, WFP, Ralph Wallas, Observer, Ed Jackson, Observer, Paul Barolet, MOFLNRO, Stu Ellis, North Island Community Forest Limited Partnership

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, noting that Jon would outline additional safety precautions that had to be considered with the temporary power outage that the group was experiencing. Annemarie reviewed the objectives of the meeting, namely to review the minutes and action items from the previous meeting, hear a presentation by North Island Community Forest consultant Gord Glover (including mandatory discussion items under Criterion Five, namely benefits for local communities and Aboriginal peoples), hear a summary of the results of the recent external audit in Holberg, review updates to the SFMP and indicators in the context of a review the 2011 annual report, review and adopt the terms of reference and confirm the date of the next meeting and field trip.

Annemarie introduced Linda Philipp as Dave Trebett's tourism sector alternate, noting that Dave had asked Linda to sit in for him, as he is not able to attend meetings consistently during the months of June through to September, due to the nature of his touring business.

She noted that Jon had asked that an additional item be added to the agenda, namely a review of the recent external audit in Holberg, presented by Mike Pitre. She suggested that this additional agenda item be placed after Gord's presentation.

2.0 REVIEW OF LAST MEETING MINUTES AND ACTION ITEMS

Minutes of last meeting were reviewed.

Annemarie reviewed outstanding action items 44-120 with members and the results of the discussion are summarized in the table below, along with the addition of five new action items developed during the course of this meeting. Action items that were completed or changed were dropped from the list.

ACTION ITEMS					
#	Item	Responsibility	Initiation Date	Target Date	Completion Date
44	On-going review of discussion items	All Members	May 4, 2009	Ongoing	
69	Ask MOFLNRO appraisal staff to provide a presentation or information on how stumpage and royalties are calculated	Jon Flintoft	October 14, 2010	Darren Rowsell, Sometime in 2013	
84	Provide an update on the status of carbon trading and carbon credits (M. de Bellefeuille)	Jon Flintoft	December 2, 2010	Sometime in 2013	
91	Bring the discussion of the purpose of VINWAG forward on a regular basis	Jon Flintoft	February 24, 2011	Ongoing	
106	Carry over old Indicator 38, number of new hires as a locally developed indicator and make the target a reporting out initially	Jon Flintoft	September 22, 2011	Next SFMP Update	
108	Further investigate a new target for woody debris	Jon Flintoft	September 22, 2011	September 13, 2012 (requested through the recent external audit)	
113	Review and refine locally developed indicators	Jon Flintoft and members of VINWAG	November 24, 2011	Ongoing	
118	Add sentence under Strategies and Implementation to Indicator 5.2.5 and amend target as discussed	Jon Flintoft	April 26, 2012	Next draft of SFMP	
119	Ask Neil Smith to recommend some possible energy sector representatives for VINWAG	Patrick Donaghy	April 26, 2012	For September 13th meeting	
121	Discuss removal of BCTS blocks from DFA	Mike Pitre	June 14, 2012	September 13, 2012	
122	Bring someone in to discuss local government planning process and private lands in the DFA	Mike Pitre	June 14, 2012	September 13 or November 8, 2012	
123	Confirm whether Bk 4, TFL 39 has its own AAC	Jon Flintoft	June 14, 2012	September 13, 2012	
124	Draft new target for volume of wood sold locally, for Indicator 6.3.1	Jon Flintoft	June 14, 2012	September 13, 2012	
125	Circulate revised and adopted current version of TOR to members	Jon Flintoft, Annemarie Koch	June 14, 2012	With circulation of June 14 th minutes	

The minutes were accepted as circulated.

Jon asked if Actions Items 69 and 84 could be deferred until sometime in 2013 and members of VINWAG agreed to this.

Annemarie asked the group, and Steve in particular as he is a member of the committee reviewing Indicator 27, whether they were satisfied that Action Items 105 and 111 could be considered completed with the discussions related to Indicator 27 (awareness of or by WFP of or by local suppliers and opportunities for local suppliers) and it was agreed that these action items could be taken off the list as completed for now.

Annemarie noted that Mike had informed her that the more detailed descriptions of the revisions to the SFMP were contained in the SFMP/Annual Report document that had been circulated to members at the meeting and so asked VINWAG members if they would agree that Action Item 117 had been completed and they agreed that it had and that the item could be taken off the list.

Patrick noted that he had asked Neil about a possible representative from the energy sector and that he would follow up again on this and report back at the September 13th meeting. He added that the International Power Project was moving ahead and Paul noted he had heard that some of the blades for the towers would be brought up the highway in the hours between midnight and 4 am, sometime in the near future.

3.0 NORTH ISLAND COMMUNITY FOREST INITIATIVE: GORD GLOVER, GLOVER RESOURCE MANAGEMENT LTD. AND DIRECTOR, NORTH ISLAND COMMUNITY FOREST LIMITED PARTNERSHIP

Gord noted that he had brought along Stu Ellis, a fellow director on the NICFLP. He provided some background on himself, noting he was born in Alert Bay, got his first job in Hyde Creek babysitting fallers, and worked in Woss, WFP Holberg, was divisional forester for TimberWest for 14 years and started a consulting company in 1992. Gord noted he was currently chair of the NICFLP.

Gord defined what community forests are and noted there are 47 in the province and 9 in the application process. He noted that the Burns Lake community forest was the first community forest under the legislation and is now in dire straits.

Gord reviewed the various sizes of community forests and noted that the limited partnership form of ownership is a significant designation for tax purposes. He noted that the NICFLP is a private company owned by the communities of Port Alice, Port McNeill and Port Hardy and that he could not answer questions about the private business nature or activities of the group. Gord noted the shareholders are responsible for a number of duties, including reporting financial results annually. Gord noted that the community forest is run as a business and is not a political entity. He noted that the shareholders are elected representatives, e.g. Mayor Parnham in Port Hardy and Mayor Jan Allen in Port Alice.

Gord listed the other directors of the NICFLP, including Ione Brown, RPF, Stu Ellis, RPF, Gord Glover, RPF, Paul Grier, lawyer, Derek Koel, businessman, Jonathan Lok, RFT and businessman, Irene Paterson, CGA, and Dennis Swanson, logger.

Gord noted that there was a vacancy for a director for Port Alice currently.

Gord reviewed the history of the community forest on the North Island, noting that the Forest Act was amended in 1998 to include a new forest tenure, the Community Forest Agreement. He noted the District of Port Hardy submitted an application in 1999 under this program, but that it was not successful. He noted that in 2002, the Mayor of Port Alice inquired about a community forest as a means to address the economic downturn in the community.

In 2004, the provincial forests minister asked the three communities on the North Island whether they wanted a community forest. By 2006, the communities had not proceeded with this initiative, as there was a concern that the venture would not be able to operate profitably. Gord explained that the start-up costs

seemed prohibitive to the elected representatives. Gord noted that after three years and multiple meetings, the communities finally were convinced by ministry officials and others to proceed.

Gord noted that in March, 2010, a 276 page application for a community forest was submitted to the ministry, mostly through the work of Ione Brown and at no cost to the local taxpayers. Gord noted that a woodlot application is much less complicated than a community forest application.

Patrick asked whether private land had to be contributed for a community forest as it is for a woodlot. Gord noted that there are three criteria for a woodlot now, including private land and cash, leaving no subjectivity in the application. It was noted that a Woodlot License application is 20 pages and, though similar to a community forest in structure as a tenure, attained through a much less complicated application process.

Gord referred to the issues covered at the community meetings and brought up in consultation with First Nations. He noted it took over a year and considerable political pressure to have the ministry review the application and allow it to move forward, as the CFA tenure was small and not a high priority in the bureaucratic scheme of things.

Gord reviewed the location of the community forest, including three separate blocks at Alice Lake, Marble River and Quatse Lake, all from WFP's tenure. He noted that the Alice Lake site includes a number of unauthorized recreational site that need to be dealt with.

Gord noted the tenure is about 2,400 hectares, and the AAC is 10,400 cubic metres a year or about 200 logging truck loads a year. He compared the NICFLP AAC to WFP's AAC on the North Island at 3,000,000 cubic metres a year and the Namgis First Nation at 45,000 cubic metres a year, and the Quatsino First Nation's woodlots at 10,600 cubic metres a year. He added that the Bella Coola CFA AAC is 30,000 cubic metres a year.

Gord noted that the goal of the NICFLP is to generate maximum benefit for the communities. He noted an initial goal was not to lose money.

Gord reviewed some of the challenges of the operation, stressing that the CFA is not a licence to print money. He noted that many people have come forward wanting to know how they can personally benefit from the CFA. He added that some people have asked for the warm and fuzzy but not the logging. He added that different people expect different things of a community forest, and that this makes it challenging for the directors.

Gord reviewed some of the things the NICFLP has achieved to date, including pro bono work involved in putting together the application, award of the licence in May 2011, and a website up and running at www.nicf.ca.

Gord noted that the group held its first AGM in February 2012 in Port Hardy. He noted there were some interesting inquiries on the operation to date.

Gord noted that some blowdown had been cleaned up in the CFA. He noted that the group was hopeful to have its first timber sale in 2012, but that this depended on the markets in China.

Gord noted that the group had started work on their Forest Stewardship Plan. He noted there were some concerns on how much this would cost.

Ian asked what had been the drive behind the community forest initiative, if it wasn't going to be a huge economic generator. Gord noted the original impetus came out of Port Alice. He added that the initiative was meant to create more than just economic benefits for communities.

Linda asked about the size of the block they hoped to harvest this year and Gord noted he could not comment on this.

Steve asked whether the community forest was going to seek certification. Gord noted that his directors were discussing this, but he noted that there was a large supply of certified wood on the market already.

Gord noted that they hoped to be logging every four to five years and would keep the overhead costs as low as possible.

He noted that the NICFLP has allowed limited logging in the CFA to date, as there had been some previous commitments made to logging in the area and some requirements to clear out blowdown.

Fred noted it was important to generate local jobs and encourage local purchasing of goods, as is expected to WFP in its DFA. He asked whether there was a plan for the CFA to supply fibre locally. Gord noted that, if it made economic sense, the group might consider selling locally, but he added that the group is still examining policies such as the sale of fibre locally. Fred asked about supplying small mills. Gord noted that, down the road, the group would likely look at the best price for the product. Steve noted that there were other benefits to providing local fibre.

There was a suggestion of placing conditions on sales for local benefits. Gord noted this was a slippery slope and said that the directors would have to consider such requests very carefully. There was a general discussion of 'willing buyer, willing vendor' and the issues involved with this exchange.

Linda asked about issues that might present challenges internally to directors, e.g. when a shareholder suggests that there be no logging at all or when a shareholder wants all of the AAC logged to generate immediate cash flow. Fred added that it was important to have transparency on these issues so that the electorate could make the decision ultimately at the polls on who gets to be a shareholder in the CFA.

Mac asked why it was called a community forest if there is no ability to share information with the community. He asked how the group serves the community.

Fred noted that marching orders come from elected councils and that they can make decisions ultimately on how the resource is used, but that this requires transparency. Gord noted that the group has already said if the venture loses money, they will turn it back.

Mike asked where profits might be invested, e.g. investing in local infrastructure. Gord noted that the mandate was to generate revenue and that it would be up to the councils to decide how the funds should be invested.

Patrick asked whether there was consideration for including other areas of the region in the CFA. Gord noted not at this time. He noted that every effort was being made to keep costs down as much as possible.

Gord noted that, if a community wanted land under a licence, there was very little to no unallocated crown land left. He noted that there was generally nothing out there. He noted that Woss would like a CFA, but that it would be very difficult to remove forest from TFL to accommodate this.

Ed asked about piggybacking on WFP's FSP rather than re-writing one. Gord noted that anything was an option. It was noted that piggybacking in this way might trigger a requirement for certification but Jon noted this wasn't the case.

Mike asked about the harvesting strategy. Gord noted that the group hadn't got far enough to make this decision yet. He noted that the communities want their investments back relatively soon. Stu noted that the AAC can be accumulated in a CFA, which allows a larger block to be cut at some stage. Gord noted that the group was under pressure to pay off debt.

Gord reviewed Criterion 5 and noted that the NICFLP is not subject to certification, but noted that WFP has a mutually beneficial business relationship with the NICFLP. He noted that the CFA area was formerly in WFP's TFL 6 and 39 and WFP maintains the road permits within the CFA. Gord noted that the CFA wants the roads for fire protection, fertilization, and other forms of management 'if you can't get to it, you can't manage it'. He noted WFP still has some outstanding silviculture obligations, has done some danger tree removal, fertilization treatments and has purchased wood from the DFA.

Gord reviewed where the CFA is going. He noted the group was looking at expanding, but that there was nowhere to go at the moment to obtain additional AAC. He noted that it was hoped the first timber sale would pay off existing debts to the communities. He said much depends on the Chinese markets. He added that the marketing of timber is a very tricky business. Gord noted that it was hoped to set up an operating fund for future costs such as engineering. He referenced the possibility of future improvements, but that trails were not a high priority.

Steve asked about the CFA operating within the DFA. Jon noted it has been removed from the DFA. Steve asked whether there was an opportunity for WFP to show it was providing a benefit for the operation within its DFA as part of its certification process.

Gord noted that WFP would have a huge advantage in bidding on the timber sales. Steve noted this was a potential benefit to the communities and therefore part of the benefits that WFP provides to communities.

4.0 REVIEW OF EXTERNAL AUDIT IN HOLBERG: MIKE PITRE, WFP

Mike reviewed some of the findings of the Holberg external audit, noting there were no non conformances, some areas of concern, including 7 of 14 trucks inspected had tidy tank infractions (only one from Holberg). He noted there was an action plan in place to ensure this doesn't happen again.

Mike continued to review some areas of concern, including some performance records that hadn't been completed in time. Mike noted that a prime falling contractor was not registered as safe certified (under the BC Forest Safety Council) and that there wasn't a process in place to ensure that all contractors were currently registered as safe-certified. He noted that there is now a monthly check to ensure that all contractors are currently safe-certified.

Mike reviewed some opportunities for improvement, including inviting members of VINWAG to join the audit in the field. Mike noted that there were some phone interviews and that this was greatly appreciated. Mike noted that the audit found that there were some BCTS blocks not under the certification plan and that these would have to be removed from the DFA. He noted this discussion would likely take place at a future meeting.

Mike reviewed the requirement to remove sediment from bridge decks. He noted that a system would be put in place to ensure that no sediment entered the streams off bridge decks. He noted that this particular stream had been subject to an enhancement initiative and so likely had received a net benefit from the work done in the area.

Mike noted some other reporting areas that needed to be improved e.g. the need for a revised target related to woody debris. He noted that this requirement would be addressed at a future meeting under Action Item 108.

Mike noted that the auditors had pointed out that pre-scheduling of VINWAG meetings was positive and productive and that the ongoing attendance of managers was noted as positive. He added that the free to growing record was commended. He added that the track record with karst was seen as positive, e.g. leaving higher stumps around the sinkholes so that they are more visible and stop the flow of debris and logs into the holes.

Mike noted that it was overall a good audit. He noted that it was beneficial to have people with an outside view come in and review how the company does business.

Patrick noted that he had asked about involving local government more in planning processes, such as the removal of private land from the TFL. Mike noted that this matter had been addressed in the audit report and that he was committed to bringing someone in to address this.

Jon noted there is an internal audit coming up in October of the Jeune Landing and Port McNeill operations with Michel de Bellefeuille, and an external audit following that in the third week of April 2013, to which he extended an invitation to VINWAG members to attend.

5.0 REVIEW OF UPDATES TO SFMP PLAN AND INDICATORS & 2011 ANNUAL REPORT RESULTS: MIKE PITRE AND JON FLINTOFT, WFP

Jon reviewed the some of the more strategic indicators in the SFMP, starting with 1.2.2. He moved on to 1.1.3, with a discussion of age class, including baseline information and the targets.

Jon reviewed Indicator 1.1.4, noting the target under the Western Forest strategy was met overall in the DFA in 2011.

Steve asked about the level of the target. Jon noted he had taken what was in the old plan, but noted that if there was a feeling that the targets should be adjusted, he was open for discussion, as he noted some of the targets were quite old.

Jon reviewed Indicator 1.2.3 around native tree species. He noted that he had referred to the DFA species profile and that all of the species planted in 2011 show up in the profile. He noted that shore pine is planted in harsher sites. Other miscellaneous species include mountain hemlock and noble fir.

Jon noted more Sitka spruce was planted in 2011, as more of the weevil resistant stock was available.

Jon reviewed Indicator 1.4.3, the protection of identified karst features and noted this target had been met in 2011. Fred asked what defines 'significant feature'. Mike noted that it was basically size of the feature and Jon noted it was defined further in the document.

Jon reviewed Indicator 2.1.1, a two-target indicator. He noted that both targets had been met, noting target two had been reviewed during the recent external audit in Holberg. Jon noted the various factors affecting this calculation of average time to reforest. He noted that the company was still on top of the NSR and within variance on the target. He added there was an increased reliance on natural regeneration. He noted the free to grow target had been met. Patrick asked about the NSR. Jon noted that some areas were being left a little bit longer to see what happens naturally. Patrick asked whether there was a point where natural regeneration would replace planting. Jon noted that natural regeneration would be given a chance, but that the WFP would always keep an eye on its regeneration and planting requirements.

Jon reviewed Indicator 2.2.1 and two targets on additions and deletions from the forest area. He noted that both targets had been met in 2011. Jon reviewed the footnote around standards used in the target, and reviewed some of the surveys on amount of permanent access. He noted that generally there were no additions to TFL's.

Jon reviewed Indicator 2.2.2, noting that the target had been met with cut compliance. He pointed to some of the challenges of meeting cut controls.

Jon reviewed some of the issues around operability. Fred asked about the calculation of an average cut level. Jon noted it was not a rolling average, but starts again every five years. Gord noted that undercut can be taken away and awarded elsewhere. He noted that, because of this, it was important to have an accurate AAC.

Jon noted that the AAC has been revised for TFL 6, and that there is a Timber Supply Analysis (TSA) going on for TFL 39 Block 4 and he forecast that this AAC would likely decline as well.

Steve said he could see how reduction of AAC relates to ecosystem productivity but asked how it relates to economic productivity. Mike noted that he could see reductions levelling off after a certain period of time but that the AAC needed to be adjusted to be sustainable for the economic benefit of future generations.

Patrick asked how second growth will impact this AAC calculation. Jon noted that, especially if it is accessible, second growth should have a net positive benefit on this calculation. Gord pointed to the effects of the price of oil and the price of wood. Fred asked whether there was any use of minimum or maximum cuts anymore. Gord noted that there were penalties for overcutting, but that minimum cuts still exist over the five years.

Ed asked about TFL 39, Block 4 and whether the block has its own AAC. Jon noted he thought that the AAC calculation was for TFL 39 in total but said that he would confirm this for Ed for the next meeting.

Patrick asked about the other blocks in TFL 39. Tom asked who has the oversight for all of the various blocks throughout the TFL on the coast for WFP. Jon noted there was an Inventory and a Planning forester in Campbell River keeping an eye on this.

Steve asked how to determine whether WFP was in compliance. Jon noted that number for this target come from the MOFLNRO.

Jon reviewed the targets around Indicator 2.2.4 on withdrawals from the TFL, noting that, while there had been no actual withdrawals from TFL, WFP had responded to a number of inquiries related to potential withdrawals from the TFL. He noted, for example, that a local business had made an application for a LOO for a gravel quarry and the business was now permitted and in operation.

Jon reviewed Indicator 4.1.1 around net carbon uptake. Fred asked whether WFP was going to sell carbon credits. It was noted that the interest in this was not currently high.

Jon reviewed Indicator 5.1.1, noting there were six measures of timber and non timber benefits, including timber quantity from the DFA, EBITDA, net road access on the DFA, recreation sites managed, trap lines maintained and number of limited entry tags issued. He noted that all targets had been met or were within variance. Jon noted he was proposing to change the target for recreation sites to 27, down from 30. It was noted that the recreation site that was sold as part of the private land was the one in Rupert Arm.

Jon pointed to recreation site maintenance and work done in salmonid enhancement, including Cordy Creek and Marble River. He pointed to contributions to the Holberg Fire Department, and benefits generated from firewood cuts using wood from the DFA.

Jon referred to Indicator 5.2.3 around the level of direct and indirect employment. He noted that the target was within variance for this indicator. He noted there were 613 FTE's on the DFA and the target was 663. He noted that he was proposing a lower target, using an average over the last 6 years of performance, to bring the target down to 579. The group generally agreed with trying this new target.

Jon reviewed Indicator 6.3.1 around strengthening the local economy, including targets for wood sold locally. He noted that WFP did not meet the target or variance for volume of wood sold locally. He added that half of the volume sold locally was in minor products and the rest in small logs for local mills. He referred to the amount of pulp logs sold to Neucel.

Patrick suggested that WFP consider changing the target to reflect changes in the local economy. Steve suggested tying the target to requests for wood in the DFA. Jon noted this would be difficult to track. Fred suggested tracking down requests for fibre that had been turned down.

It was agreed to draft a new target for this indicator for discussion at the September 13th meeting.

Linda asked how Jon was going to consider reducing the number of recreation sites. Jon noted that some of the sites no longer exist or have been lost from the DFA (as in the case of Rupert Arm). Jon noted that three would be dropped for sure. Mike invited members to call or email with any questions.

Jon noted that the new SFMP included the performance and results, and that he was effectively combining the SFMP with the annual report. He noted that every year then the performance would be reviewed in the context of the SFMP. He noted that any changes such as targets would then be included in the full report.

Ed asked about putting operational maps on the website, as NWAC does with TFL 37. Jon noted that WFP was looking at this for TFL's 6 and 39.

6.0 ANNUAL REVIEW AND ADOPTION OF TERMS OF REFERENCE: JON FLINTOFT

Annemarie reviewed the revisions to the TOR with members of VINWAG, noting the only significant change from the TOR presented at the April 26th meeting was the addition of a revised attendance policy. She asked VINWAG members for further input on the TOR and it was agreed to adopt the document, in the form presented at this meeting, for 2012.

7.0 NEXT MEETING AND SEPTEMBER FIELD TRIP:

It was agreed that the next meeting would take place on Thursday, September 13th as per the proposed schedule of meetings reviewed by the membership. Annemarie noted that Jon Flintoft was presently scheduled to discuss the proportion of naturally disturbed area that is not salvage harvested, unless someone could be brought in to discuss local government planning processes, as per Action Item 122. Annemarie asked members to send any further suggestions for the agenda to her prior to the next meeting.

Annemarie reminded everyone about the proposed field trip in September and asked whether members preferred the 7th or 14th of September. It was agreed that the 14th was the preferred date and that members would like, if the schedule permits, to see cave and karst features, harvesting techniques, former FRBC stream restoration sites and bridge-building. Jon noted that the number of these items that could be included in the tour depended on where the machinery is and how close together the features are.

Annemarie, Mike and Jon thanked everyone for coming.

When: SEPTEMBER 13th, 2012
Dinner: 6:30 p.m.
Meeting: 7:00 p.m.