

## **MEMORANDUM OF UNDERSTANDING**

**BETWEEN:**

### **FORESTS FOR TOMORROW (FFT) PROGRAM AND BC TIMBER SALES (BCTS)**

**With Respect to the Cooperative Use of Innovative Timber Sales Licences  
in Conjunction with FFT Stand Rehabilitation**

**WHEREAS the Ministry of Forests and Range, BC Timber Sales (BCTS)  
and the Forests for Tomorrow (FFT) program seek:**

1. The most effective use of fibre associated with FFT rehabilitation blocks;
2. To facilitate the achievement of FFT reforestation goals by removing dead, dying, or infected timber so that land that is not satisfactorily restocked due to mountain pine beetle or fire damage can be site prepared and planted;
3. To increase the amount of fibre that is utilized from rehabilitation sites;
4. To provide information on the market value of marginal timber stands (i.e., low quality fibre); and
5. To provide a supplementary supply of low quality fibre to existing and emerging markets.

### **Purpose**

This Memorandum of Understanding (MOU) sets out the roles and responsibilities with respect to how BCTS and the FFT program will collaborate in the use of Innovative Timber Sale Licences (ITSLs) in conjunction with FFT forest rehabilitation activities. It also provides general operational procedures for the major phases of the development of rehabilitation areas.

### ***Overlap of Interests***

This partnership offers BCTS and FFT some compelling benefits that will enhance the public interest and maximize the area FFT is able to reforest and the amount of low quality fibre that BCTS can market by:

- accessing BCTS's marketing expertise and customer base thereby reducing rehabilitation costs and improving revenue return;
- improving land use planning by integrating treatment areas within BCTS Forest Stewardship Plans (FSP);

- improving the marketability of low quality timber by lowering variable costs as a result of the assumption of reforestation costs by FFT;
- improving FN relationships with the combined opportunities that both BCTS and FFT are able to create; and
- realizing administrative efficiencies through BCTS/FFT synergies.

### *Priorities*

The initial priority for BCTS and FFT will be to target ITSL development opportunities within FFT eligible management units and existing BCTS operating areas. Subject to funding availability, mandate alignment and other business imperatives, it may then be possible to rehabilitate stands in other management units or stand types. If additional opportunities are identified outside of existing BCTS operating areas then further engagement with any holders of tenure rights within these areas must occur prior to ITSL development.

With respect to FFT scale, scope and mandate it is anticipated that partnering with BCTS offers substantive opportunities. However, it is recognized that ITSLs may only be a part of the solution for the delivery of FFT reforestation goals.

It is very important that the efforts of both parties be directed to utilizing the BCTS ITSL program in conjunction with FFT activities to make the most efficient use of resources committed to stand rehabilitation.

### **General Operational Procedures for Forests For Tomorrow staff, FFT recipient agreement holders and BCTS staff regarding the Implementation of this MOU**

#### *Basic Procedures*

1. **Planning:** Joint discussions will occur between BCTS, FFT staff and recipient agreement holders to identify potential rehabilitation areas. Based on joint discussions, silviculture surveys of these areas will be carried out by BCTS or FFT as appropriate to determine stand eligibility.
2. **Data Collection:** For operational efficiency, discussions should be held between the parties in order to ensure that appropriate data is collected for the evaluation of candidate stands. This will benefit both parties in determining whether an ITSL or FLTC is best suited for the rehabilitation.
3. **Collaboration:** Once the field data has been collected FFT and BCTS staff, will collaboratively determine whether an ITSL or FLTC should be used based on:
  - FFT eligibility criteria;
  - An estimate of the Variable Cost Upset (VCU) rates for the timber (outlining the rates inclusive and exclusive of the silviculture costs for the area) completed by BCTS staff.

4. Right of First Refusal: In accordance with this MOU, BCTS will have the first right of refusal of all candidate areas within their operating areas and on candidate areas outside of their operating areas that other forest tenure holders have indicated they have no interest in harvesting. If suitable to BCTS, then BCTS will proceed with development and auctioning the timber under an ITSL.
5. If the area does not meet BCTS requirements, FFT has the option to proceed and complete a rehabilitation plan for the area using a FLTC and following the established procedures of the FFT program.
6. Standard ITSL: If BCTS determines that the bid price for the timber will likely cover their total costs, including those attributed to headquarters and business area overhead, sales, access and silviculture (TCU), and BCTS chooses to develop the area as an ITSL or a scale-based TSL, FFT will have no further involvement.
7. FFT/ITSL: If BCTS determines that the bid price for the residual timber will likely not cover the TCU then the rehabilitation area is a candidate for reforestation by the FFT program. BCTS confirms with FFT and the recipient agreement holder that FFT will reforest the area once harvested and develops the area as an ITSL as per BCTS standard operating procedures. If the decision is made to pursue a FFT/BCTS ITSL then, to provide for operational efficiency, this method of disposal of the overstory timber will be irrevocable, subject to the successful sale of the ITSL and the conditions within this MOU. If the ITSL does not sell, BCTS and FFT staff will consider whether the sale should be re-auctioned or converted to a FLTC.
8. Notification for principle #7: Once the ITSL is awarded, BCTS notifies FFT staff and recipient agreement holders of the term of the ITSL to allow for reforestation activities to be built into long term plans. BCTS will also notify FFT when harvesting commences and when obligations related to the ITSL are complete including waste pile disposal.
9. The sale information is to be used to "calibrate" future cost estimates and will assist in future decision-making on eligibility. This will facilitate a continuous improvement cycle for both programs
10. Reforestation Responsibilities: For any ITSLs subject to this agreement the FFT program will be responsible for reforestation activities consistent with any site plans for the area.

## **Roles and Responsibility of the Parties**

### **Shared Responsibilities of BCTS and FFT:**

- Preparation of briefing notes and facilitating any legislative change that may be required to address issues identified as this MOU is implemented;
- BCTS and FFT will identify project leads within Timber Sales Offices, FFT management units and FFT will also identify recipient agreement holders;
- Project leads and recipient agreement holders will hold joint discussions to identify potential rehabilitation areas and to coordinate their respective planning efforts;
- Following surveying of candidate areas by FFT, joint decisions will be made as to the suitability of areas in terms of both BCTS and FFT requirements. BCTS will have first right of refusal to develop a candidate area as an ITSL, but the stand will only be included in the FFT reforestation program if it fits within the FFT program's requirements;
- BCTS and FFT will ensure that both RESULTS and GENUS record keeping systems are current and reflect the status of any areas subject to this MOU; and
- BCTS and FFT will cooperate in working with the appropriate Statutory Decision Maker regarding the most appropriate approach for addressing any Free Growing (FG) obligations.

### **BCTS Responsibilities:**

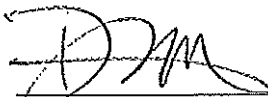
- Exercising the first right of refusal on the development of candidate areas as ITSLs subject to this MOU;
- The development and auctioning of ITSLs, including operational planning, layout, administration and reporting;
- BCTS will initiate any required FSP or other operational plan amendments needed to initiate the advertising of any candidate areas as an ITSL. While BCTS will take the lead with respect to the development or changes to any applicable Site Plans (SPs), BCTS staff will consult with the FFT project leads regarding site plan content;
- BCTS will be responsible for leading block-specific First Nation consultation in addition to other routine forest planning related activities;
- Maintaining communication with FFT staff and recipient agreement holders regarding status of ITSLs from auction of timber through to completion of harvest; and
- If agreed most suitable by the parties, survey candidate areas to determine suitability for 'rehabilitation' by BCTS as an ITSL.

**FFT Responsibilities:**

- If agreed most suitable by the parties, survey candidate areas to determine suitability for 'rehabilitation' by BCTS as an ITSL;
- Confirming that candidate areas meet FFT eligibility requirements including a return on investment (ROI) calculation.
- Providing input into ITSL development when needed;
- Reviewing the completed cut block and site plan and advising BCTS if any alterations to the plan are needed to facilitate FFT activities;
- Assuming the responsibility for reforesting harvested areas and managing openings consistent with any site plans for the area. This includes all administrative activities; and
- For areas subject to this agreement that have stocking standards prescribed by FFT, FFT will ensure that they comply with all legislative requirements, specifically section 26(5) of the FPPR.

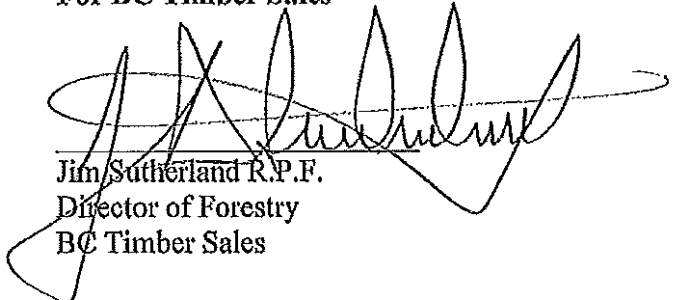
This Memorandum of Understanding shall serve as the whole agreement between the parties and is subject to amendment with the agreement of both parties.

**For Forests for Tomorrow**

  
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Diane Medves R.P.F.  
Director  
Forest Practices Branch

10/08/09  
Date:

**For BC Timber Sales**

  
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Jim Sutherland R.P.F.  
Director of Forestry  
BC Timber Sales

09/09/25  
Date:

**MINISTRY OF FORESTS, LANDS AND NATURAL RESOURCE OPERATIONS  
DECISION NOTE**

Date: February 17, 2012

File: 151-20/5509F-FFT/BCTS MOU

CLIFF: 184632

**PREPARED FOR:** Jim Sutherland, Director, Resource Practices Branch and Mike Falkner, Executive Director, BC Timber Sales

**ISSUE:**

Revision to the BC Timber Sales and Forests For Tomorrow Memorandum of Understanding

**BACKGROUND:**

BC Timber Sales (BCTS) and Forest For Tomorrow (FFT), a sub program of the Land Based Investment Strategy, have been collaborating for several years now on the development and auction of timber that, but for the opportunities for shared costs under this MOU, would be uneconomic and go undeveloped or rehabilitated.

The Memorandum of Understanding (MOU) between the two parties sets out the roles and responsibilities with respect to how BCTS and FFT will collaborate in the use of Innovative Timber Sale Licenses (ITSLs) in conjunction with FFT forest rehabilitation activities. It also provides general operational procedures for the major phases of the development of rehabilitation areas.

Basic procedure #7 in the MOU states:

*"If BCTS determines that the bid price for the residual timber will likely not cover the TCU then the rehabilitation area is candidate for reforestation by the FFT program. BCTS confirms with FFT and the recipient agreement holder that FFT will reforest the area once harvested and develops the area as an ITSL as per BCTS standard operating procedures. If the decision is made to pursue a FFT/BCTS ITSL then, to provide for operational efficiency, this method of disposal of the overstory timber will be irrevocable, subject to the successful sale of the ITSL and the conditions within the MOU. If the ITSL does not sell, BCTS and FFT staff will consider whether the sale should be re-auctioned or converted to a FLTC."*

It is understood that this MOU will be subject to revision, from time to time, based on the needs to both signatories to the MOU.

**DISCUSSION:**

The current MOU requirements stipulate that a candidate ITSL would only qualify for FFT silviculture funding where there is a reasonable expectation that the ITSL would sell for no more than the BCTS Total Cost Upset (TCU)\*. To provide additional benefits to both programs as described below, BCTS and FFT would like to change the FFT funding threshold to 20 percent above the overall tendered bid received for the ITSL when bids received unexpectedly exceed TCU. To date the Kamloops Business Area (KBA) is the only business area that has experienced bid prices for ITSLs that meet the FFT eligibility criteria and have exceeded TCU.

Sales schedule auction results will be reviewed on a quarterly basis to ensure that the overall tendered bid for all sales funded by FFT under the MOU continues to be below the TCU costs to BCTS.

The effective date for this change will be April 1, 2011.

\*Total Cost Upset (TCU). Both TCU and VCU contain development costs, access costs and silviculture costs. TCU also contains the Timber Sale Office overhead and headquarters overhead costs.

**RATIONAL:**

- Provides program flexibility and certainty of planning for both programs;
- Increases the amount of Mountain Pine Beetle (MPB) damaged timber to be marketed by BCTS, allowing BCTS to potentially conserve its short and mid-term timber supply in MPB impacted operating areas;
- Enables FFT to take on the silviculture responsibilities in the circumstances where bids unexpectedly marginally exceed TCU;
- Will not result in any changes to the way BCTS markets its ITSL's and will not have any foreseeable impacts on the bid prices received; and
- No impacts regarding the Softwood Lumber Agreement file were noted from a review of the proposed change by legislative analysts (see attachment below for reference).

**RECOMMENDATION:**

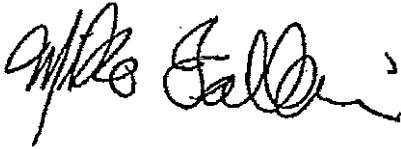
Approve: Amend the eligibility criteria under Basic procedures #7 to read:

*“If the tendered bid for the ITSL (stumpage plus bonus bid) received for an awarded ITSL is less than TCU or covers TCU plus an allowance up to 20% of TCU, then the option is available that the ITSL is subject to this MOU.*

*If this option is applicable, subject to the successful sale of the ITSL and the conditions within this MOU, then:*

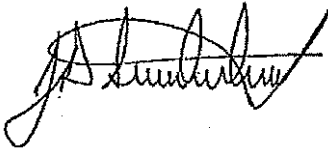
- *FFT agrees that it will be responsible for reforestation of the area once harvested;*
- *BCTS agrees that it is responsible for development of the area as an ITSL as per BCTS standard operating procedures; and*
- *This method of disposal of the overstory timber and assignment of reforestation responsibility will be irrevocable.*

*The effective date for this change will be April 1, 2011.”*



**DECISION & SIGNATURE**  
Mike Falkiner  
Executive Director  
BC Timber Sales

March 9, 2012  
**DATE SIGNED**



**DECISION & SIGNATURE**  
Jim Sutherland  
Director  
Resource Practices Branch

June 22, 2012; email approval  
**DATE SIGNED**

**Attachments:**

1. Current MOU between BCTS and FFT.
2. Email dated January 11, 2012, from Adria Fradley to Rob Bowden.
3. Email dated January 11, 2012, from John Hopper to Rob Bowden.

**Prepared by:**

*Name: Rob Bowden, Policy Forester Forest Stewardship  
Branch/Region: BCTS HQ  
Phone: 250-387-4142*

Reviewed by	Initials	Date
DM		
DMO		
ADM		
Dir./Mgr.	Email	June 22/12
Author	RB	Feb 23/12