

# Timber Sales Advisory Council (TSAC) Meeting

## Minutes

December 5, 2013

9:00AM-3:00PM

Skyview Room – Executive Airport Plaza Hotel

7311 Westminster Hwy, Richmond

Conference Call 1-877-353-9184 ID: 5545002

**Participants:** Mike Falkiner (BCTS - Chair), Graham Archdekin (BCTS), Rob Bigalke (BCTS), Shawn Hedges (BCTS), Duncan Chisholm (ITMA), Barry Simpson (TLA), Wayne Lintott (ILA), Russ Cameron (IWPA – Coast), Jim Hackett (ILMA), Adam Wunderlich (CILA), Brian Markin (Coastal Pulp Sector), Les Kiss (CFPA), John Hatalcik (COFI – North), Dennis Cook (ILA), Dyon Armstrong (COFI – South), Clint Parcher (Rotary MFG), Warren Carter (IWPA – Interior), Keith Eslinger (VIAWP), Ken Houlden (NWL) and Andrea Dixon (BCTS – Secretariat)

**Regrets:** Tom Jensen and Murray Stech

**Guests:** John Allan, Tom Jackson, Craig Tilander, Cameron Simpson, Tom Lewis and Tony Buckley.

	Topic	Time 9:00 – 3:00	Lead	Category	Reference Material & Comments
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### Adoption of Agenda and Safety Briefing




A	<p><b>Executive Update</b></p> <ul style="list-style-type: none"> <li>• TSAC members were welcomed and the agenda was reviewed. The evacuation route was also reviewed.</li> <li>• Tom Jensen was unable to attend the TSAC meeting today as there was a conflict with the BC Forest Safety Council (BCFSC) meeting.</li> <li>• The government wide staffing restrictions are still affecting BCTS' ability to hire and it is becoming increasingly challenging to meet market demands.</li> <li>• BCTS continues to develop options and partnerships to enable them to deliver on their goals and objectives.</li> <li>• John Allan has been working on the BCTS Role and Effectiveness Review (RER). Through discussions with industry and government, he has heard a variety of views and has gained a good understanding of the issues.</li> <li>• The recommendations and options from the RER will be sent to a Cabinet Committee for review and approval. This will define the role of BCTS.</li> <li>• TSAC discussed the deposit scheme for companies that re-register with BCTS. As per the tiered deposit scheme, all new registrants must pay the second tier deposit level for the first Timber Sales Licence (TSL). However, they will soon be eligible for first tier deposit level rates if they perform well on the TSL.</li> </ul>
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B	<b>Action Items Review</b>
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- Action (B93):** Carl to present the concept paper regarding credit worthiness to be brought back to the POITT for further discussion. Shawn will follow-up.
- Action (B94):** Shawn will look into the timing between appraisal and advertising TSLs and report back to TSAC.

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	<b>Action (B95): Shawn will bring this item back to the Timber Sales Leadership Team to ensure that Road Use Agreement details are consistently included in TSL packages and report back to TSAC.</b>				
C	Waste Bill, Extension Fee and Deposit Forfeiture Waiver Ledger				<ul style="list-style-type: none"> <li>• The Extension Fee Waiver and Deposit Forfeiture Ledger was reviewed by TSAC.</li> <li>• There have been fewer requests over the past year, and currently five requests are pending.</li> <li>• TSAC members asked what happens in regards to extension fee waiver requests for licensees with outstanding debt.</li> <li>• The BCTS regulation and legislation is specific to TSLs. A TSL will not be extended without an extension fee.</li> <li>• Bad debt and collection is a different set of issues and policies that is administered through the Ministry of Finance.</li> <li>• There is no update for the Waste Bill requests.</li> </ul>
D	Quarterly Update				<ul style="list-style-type: none"> <li>• Rob gave a presentation on the BCTS Quarter 2 results. A copy of the Quarter 2 results has been posted to the BCTS website <a href="http://www.for.gov.bc.ca/bcts/about/serviceplan.htm">http://www.for.gov.bc.ca/bcts/about/serviceplan.htm</a>.</li> <li>• Development contracts are not advertised equally throughout the year and will mostly show up toward the last few quarters.</li> <li>• It was requested that net revenue be broken down by Coast and Interior split.</li> </ul>
	Break (10:15 – 10:30)				
E	Role and Effectiveness Review Update				<ul style="list-style-type: none"> <li>• John Allan joined TSAC to provide and update on the BCTS RER</li> <li>• John has been very active on the project and has spoken to many different groups.</li> <li>• On December 20, 2013, John will report out the result of Phase 1. The report will be a forward-looking piece to provide future direction for BCTS.</li> <li>• Phase 1 is focused on the BCTS' role, which is represented by the goals.</li> <li>• The conversations, comments and suggestions will be balanced to help BCTS achieve larger government goals.</li> <li>• If anyone would like to discuss the RER further with John, please feel free to connect with him.</li> </ul>
F	New B2B Regulation & Policy Update				<ul style="list-style-type: none"> <li>• BCTS is performing a Lean exercise to improve the efficiency of the Environmental Management System with the goal of obtaining internal benefits and may prove beneficial to clients.</li> <li>• The Resource Stewardship Branch is leading a continuous improvement process to review the <i>Forest and Range Practices Act</i> (FRPA) and there will be an opportunity for external input.</li> <li>• BCTS will continue to work to find the right balance between results-based FRPA and TSL management.</li> <li>• Shawn Hedges will co-chair a task team with Les Kiss to begin work to identify the challenges and impediments</li> </ul>

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	<p>associated with the development and auction of the Allowable Annual Cut (AAC) within the Pacific Timber Supply Area. The task team will endeavour to develop options to decision makers so this issue can be resolved.</p> <ul style="list-style-type: none"> <li>• BCTS has recently received approvals from Treasury Board to put forward the proposed amendments to the BCTS Account Regulation. This would allow BCTS to enter into agreements with third parties to access incremental volume for auctions.</li> <li>• Although BCTS is not actively pursuing third party agreements, this Regulation change assists BCTS' ability to build relationships with communities and First Nations and auction third party volume to provide more fibre to the market and additional MPS data points.</li> </ul>				
G	<p>Unused Volume Disposition Plan Update</p> <ul style="list-style-type: none"> <li>• The final Unused Volume Disposition Plan (UVDP) report and options were presented to TSAC. This project has now been completed.</li> <li>• Any decisions made based on the options presented in the UVDP will be linked to the results of the RER.</li> </ul>				
H	<p>Feedback regarding proposed changes to the SAFE Companies certification system</p> <ul style="list-style-type: none"> <li>• The BCFSC has been revising the SAFE Company certification system.</li> <li>• Rob Moonen has been traveling around the province providing information and soliciting for feedback. Feedback can also be provided via the BCFSC website.</li> <li>• TSAC discussed the motivation and proposed changes to the SAFE Company certification system outlined in the discussion paper. Attached is the link to the BCFSC Prequalification Renewal webpage <a href="http://www.bcforestsafe.org/prequalinput">http://www.bcforestsafe.org/prequalinput</a> as well as the link to the discussion paper <a href="http://www.bcforestsafe.org/files/Prequalification%20Discussion%20Paper%20Final%20Nov%2008,%202013.pdf">http://www.bcforestsafe.org/files/Prequalification%20Discussion%20Paper%20Final%20Nov%2008,%202013.pdf</a>.</li> <li>• The only impact to BCTS is the type and frequency of audit activity.</li> <li>• The goals for these changes were provided by the Steering Committee, but the changes to the SAFE Company certification program were developed by the working group.</li> <li>• An issue regarding the change to Emergency Transport Vehicle standards was brought forward.</li> <li>• It was suggested this issue be brought to Tom Jackson for discussion. He is one of the ministry representatives on the BCFSC and could raise it with the BCFSC members.</li> </ul>				
	Working Lunch (Provided)	12:00 – 12:30			
I	<p>Road Amortization Policy Explanation</p> <ul style="list-style-type: none"> <li>• Rob gave a presentation outlining the method BCTS uses to amortize road costs.</li> <li>• Concerns previously raised by TSAC regarding the road amortization policy were brought forward to the Timber Sales Leadership Team for discussion and analysis.</li> <li>• If the road amortization policy changes it could lead to an increased amount of unintended future costs, so it was decided that the BCTS continue using the current road amortization policy. Any anomalies that cause unrealistic upset rates will</li> </ul>				

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	<p>be referred to the Executive Director of BC Timber Sales for consideration.</p> <ul style="list-style-type: none"> <li>• BCTS is unable to increase number of years a road can be amortized over and are waiting for future Cengea updates to enable improved road planning methods.</li> <li>• BCTS has the ability to offer TSLs with undeveloped roads to allow the bidder to undertake this work.</li> <li>• For financial reporting, the estimated useful life of the road (BCTS using it to access and harvest timber) is used for the amortization period.</li> </ul>				
J	<p><b>Stuart-Nechako Business Area Update</b></p> <ul style="list-style-type: none"> <li>• Cameron Simpson, Timber Sales Manager, Stuart-Nechako Business Area gave the attached presentation regarding the background, current year activities, successes and challenges for the Stuart-Nechako Business Area.</li> </ul> <p> Stuart-Nechako Business Area TSAC U</p>				
K	<p><b>Chinook Business Area Update</b></p> <ul style="list-style-type: none"> <li>• Tom Lewis, A/Timber Sales Manager, Chinook Business Area, gave the attached presentation regarding the sales plan and emerging issues in the Chinook Business Area.</li> </ul> <p> Chinook Business Area TSAC Update.pr</p>				
L	<p><b>Kamloops Business Area Update</b></p> <ul style="list-style-type: none"> <li>• Tony Buckley, Timber Sales Manager, Kamloops Business Area gave the attached presentation regarding the background, current year activities, successes and challenges for the Kamloops Business Area.</li> </ul> <p> Kamloops Business Area TSAC Update.pr</p>				
M	<p><b>Impacts of Hiring Restrictions</b></p> <ul style="list-style-type: none"> <li>• BCTS is being impacted by the government-wide hiring restrictions that have lead to staff reductions.</li> <li>• BCTS has been focused on the development of volume so that it is available to the market, but is starting to see impacts on other areas of their business.</li> <li>• There are less people pursuing forestry as a career and the difficulty to recruit and retain employees, especially in the northern interior of the province.</li> <li>• TSAC members discussed the potential need to change the way we do business, the processes and equipment used, and the increasing importance and role of technologies (i.e., LiDAR) to delivering the volume.</li> </ul>				

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N	<p><b>Forestry Company Bankruptcy</b></p> <ul style="list-style-type: none"> <li>• TSAC members discussed the recent bankruptcy of a forestry company on the Coast.</li> <li>• The Ministry of Finance and BCTS need to work together on this issue.</li> <li>• The TSAC task team and the Ministry of Finance can work to improve sections 130 and 131 of the <i>Forest Act</i>.</li> <li>• The Ministry of Finance is also looking at ways to improve their ability to recover debt.</li> <li>• The Ministry of Finance has been working well with BCTS and developing a better understanding of BCTS business.</li> </ul>				
O	<p><u>Cruise Standards</u></p> <ul style="list-style-type: none"> <li>• BCTS uses the same cruising as industry as much as possible; however, there are times when the standards will be different.</li> <li>• In some areas the timber is of low value and the cruising costs would make the timber uneconomical.</li> <li>• It was requested that the cruising issue be discussed further at a future TSAC meeting.</li> <li>• The Timber Pricing Branch is working on amendments to the Cruising Manual amendment. When the amendments are made this could be brought to TSAC for discussion as well.</li> </ul> <p><u>Access Costs</u></p> <ul style="list-style-type: none"> <li>• TSAC discussed the application of access costs in the development of upset rates. There should be specific guidelines that determine how and when these costs are applied.</li> <li>• TSAC discussed the timing between advertising and date of auction as well as the timing between appraisal and advertising.</li> <li>• There are regulations that outline the timing between advertising and auction date.</li> <li>• <b>Action (B94): Shawn will look into the timing between appraisal and advertising TSLs and report back to TSAC.</b></li> </ul> <p><u>Road Use Agreements</u></p> <ul style="list-style-type: none"> <li>• It was requested that details regarding Road Use Agreements be included this TSL packages.</li> <li>• <b>Action (B95): Shawn will bring this item back to the Timber Sales Leadership Team to ensure that Road Use Agreement details are consistently included in TSL packages and report back to TSAC.</b></li> </ul> <p><u>Water Sustainability Act</u></p> <ul style="list-style-type: none"> <li>• Ministry of Environment has been working on this legislation for some time now.</li> <li>• They are soliciting feedback. If you would like more information or to provide feedback it is available through the website. <a href="http://engage.gov.bc.ca/watersustainabilityact/">http://engage.gov.bc.ca/watersustainabilityact/</a></li> <li>• There could be implications to forestry related operations, so TSAC members should be aware of this issue.</li> </ul> <p><u>Length of Time Available to Provide Security Deposits</u></p> <ul style="list-style-type: none"> <li>• It was taking some additional time for financial institutions to issue letters of credit.</li> <li>• This turned out to be an isolated incident and no discussion was needed.</li> </ul> <p><u>2014 TSAC Meeting Dates</u></p>				

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	<ul style="list-style-type: none"> <li>The 2014 TSAC meeting dates may change due to conflict with the BCFSC meetings. In the New Year a schedule will be determined and shared with TSAC.</li> </ul>				
	Future Agenda Items <ul style="list-style-type: none"> <li>Credit Worthiness</li> <li>Lean presentation</li> </ul>				
	<u>2014 Meeting Dates:</u>				
	March 20, 2014	June 19, 2014	September 11, 2014		December 4, 2014