

# Timber Sales Advisory Council (TSAC) Meeting

## Minutes

February 26, 2015  
9:00AM-3:00PM

Executive Airport Plaza Hotel  
7311 Westminster Highway, Richmond  
Conference Call 1-877-353-9184 ID: 5545002

**Participants:** Mike Falkiner (chair), Rob Bigalke (BCTS), Shawn Hedges (BCTS), Duncan Chisholm (ITMA), Barry Simpson (TLA), Wayne Lintott (ILA), Shane Garner (ILA), Russ Cameron (IWPA – Coast), Jim Hackett (ILMA), Brian Markin (Coastal Pulp Sector), Les Kiss (CFPA), John Hatalcik (COFI – North), Dennis Cook (ILA), Dyon Armstrong (COFI – South), Jay McGeachan (Rotary MFG), Warren Carter (IWPA – Interior), Scott Marleau (COFI – South) and Andrea Dixon (BCTS – Secretariat)

**Regrets:** Tom Jensen, Graham Archdekin,

**Guests:** Murray Stech, Steve Kozuki, Don Hudson, Tom Lewis, Cameron Simpson, Paul Kennedy, Rebecca Ewing, Elizabeth Fontes and Keith Tudor

	Topic	Time 9:00 – 3:00	Lead	Category	Reference Material & Comments
	<b>Adoption of Agenda and Safety Briefing</b>				
	<ul style="list-style-type: none"> <li>The evacuation route for the facility was reviewed.</li> <li>TSAC reviewed and adopted the agenda.</li> </ul>				
A	<b>Executive Update</b>				
	<ul style="list-style-type: none"> <li>BC Timber Sales staff continue to work towards meeting the new goal, objectives and performance measures.</li> <li>TSAC briefly discussed the temporary closure of Neucel Specialty Products mill.</li> <li>There is some uncertainty on how the low snow pack will impact harvesting activities.</li> </ul>				
B	<b>ACTION ITEMS REVIEW</b>				
B	<p><b>Action (B98): Invite a guest speaker to join TSAC to provide an update on the Softwood Lumber Agreement.</b></p> <p>✓ <b>Completed – Rebecca will be joining us by phone to provide TSAC with an update on the Softwood Lumber Agreement.</b></p>				
C	<b>Waste Bill Waiver Ledger</b>				
	<ul style="list-style-type: none"> <li>Since the last TSAC meeting there has been 3 decisions made regarding waste bill waiver relief.                             <ul style="list-style-type: none"> <li>A request for relief for standing and decked timber was made. Relief was granted for the standing timber, but not for the decked timber.</li> <li>The holder of licence A78216 applied for waste relief, but the request was not approved.</li> <li>The holder of licence A83289 applied for waste relief, but the request was not approved.</li> </ul> </li> </ul>				

	Topic	Time 9:00 – 3:00	Lead	Category	Reference Material & Comments
	<ul style="list-style-type: none"> <li>• A few other requests have been made and are awaiting decision.</li> <li>• If anyone has questions or concern on waste issues please connect with Keith Tudor.</li> <li>• TSAC briefly discussed concern around removal and re-definition of waste bench marks and the potential impacts to the allowable annual cut (AAC) and overall sector competitiveness.</li> <li>• Keith Tudor, Manager, Timber Measurements, Timber Pricing Branch will be joining TSAC later in meeting by phone to discuss the waste issue.</li> </ul>				
D	<p>Quarter 3 Report Out</p> <ul style="list-style-type: none"> <li>• Rob gave a presentation on the BCTS Quarter 3 results. A copy of the Quarter 3 results will be 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>• TSAC discussed how the indirect revenue figure is calculated.</li> <li>• <b>Action (B99): Invite Peter Jacobsen to join a future TSAC meeting to explain how the indirect revenue figure is determined.</b></li> <li>• TSAC discussed the inconsistent timing of timber sales licenses (TSLs) over the past fiscal year.</li> <li>• BCTS acknowledged the inconsistency, which was in large part due to the impacts of the T'silhqot'in Decision.</li> <li>• BCTS also recognizes the vulnerabilities in the current design inventory.</li> <li>• In an effort to meet the performance measures around volume BCTS was required to offer more TSLs in the last 2 quarters than usual; however BCTS is working to change these going forward to provide a more reliable supply of volume.</li> <li>• BCTS is still experiencing some challenges in addressing the low value timber stands with the current set of tools.</li> </ul>				
	Break (10:30 – 10:45)				
E	<p>2015/16 Business Plan Overview</p> <ul style="list-style-type: none"> <li>• Rob provided TSAC with a brief overview of the 2015/16 Business Plan. A copy of the Business Plan will be posted to the BCTS website <a href="https://www.for.gov.bc.ca/bcts/about/serviceplan.htm">https://www.for.gov.bc.ca/bcts/about/serviceplan.htm</a>.</li> </ul>				
F	<p>Business Area Discussion</p> <p>Strait of Georgia Business Area (SGBA)</p> <ul style="list-style-type: none"> <li>• The SGBA is focusing on meeting the targets regarding volume sold and is working on the 5 year plan with the goal of offering 100% of their apportionment over the business cycle.</li> <li>• SGBA will require increased staffing resources to meet this goal. Once the additional staffing resources are in place, SGBA plans to increase their percentage of road building to reduce the risk to bidders.</li> <li>• The Pacific Timber Supply Area (TSA) Timber Supply Review (TSR) is underway, and the determination should likely be made by March 2016.</li> <li>• SGBA is realigning the Business Area boundaries with the Chinook Business Area for more equitability distribution of volume and workload.</li> </ul>				

	Topic	Time 9:00 – 3:00	Lead	Category	Reference Material & Comments
	<ul style="list-style-type: none"> <li>If there are any concerns or feedback on the issues and operations of the SGBA please connect with Don Hudson.</li> </ul> <p><b>Kamloops Business Area (KBA)</b></p> <ul style="list-style-type: none"> <li>The KBA has also been working hard to meet their targets regarding volume sold and are on track to do so.</li> <li>It has been a challenging year due to the active fires season and the impacts of the Tsilhqot'in decision.</li> <li>Competition remains strong within the KBA.</li> <li>Many of the TSLs were pre-advertised before the winter season so bidders could walk the blocks.</li> <li>KBA is creating a plan to develop more ADV to enable a more robust and strategic sales plan.</li> <li>There will be a TSR in Kamloops and Merritt this year.</li> </ul> <p><b>Cariboo-Chilcotin Business Area (CCBA)</b></p> <ul style="list-style-type: none"> <li>Although there have been some challenges, which were noted by the KBA, CCBA is committed to meeting the goal.</li> <li>CCBA is working to develop more ADV to provide a more consistent supply of TSLs, and to develop more strategic road planning and access systems.</li> <li>CCBA is also pursuing business efficiencies through the use of technologies like LiDAR.</li> <li>A TSR was recently concluded for the Quesnel TSA and has led to a reduction in AAC as well as a partition for non-pine species.</li> <li>Like the other BAs CCBA is facing some challenges due to the impacts of the Tsilhqot'in decision, but they continue to work through those issues.</li> </ul> <p><b>Stuart-Nechako Business Area (SNBA)</b></p> <ul style="list-style-type: none"> <li>With the assistance of First Nations Relations Branch and the Ministry of Aboriginal Relations and Reconciliation, SNBA has been working through the strength of claim process and related issues as there 8 First Nations within the Business Area. At this time there is no perspective timeline for resolution on some of these issues.</li> <li>This creates challenges and potential increase risk to bidder, but SNBA staff are meeting individually with clients to discuss the issues related to the impacts of the Tsilhqot'in decision.</li> <li>SNBA will underachieve their volume sold target this year due to impact related to the Tsilhqot'in decision, but plans to offer additional volume in the following year to ensure the achievement of the volume sold target over the 5 year business cycle.</li> <li>At the request of licensees, SNBA will be offering longer terms on their TSLs due to some uncertainty regarding civil disobedience and access.</li> <li>SNBA is currently awaiting recent TSR results, which may lead to an AAC reduction.</li> </ul>				
	<b>Lunch (12:15 – 12:45) Provided</b>				
<b>G</b>	<p><b>Softwood Lumber Agreement</b></p> <ul style="list-style-type: none"> <li>Rebecca Ewing, Director, Softwood Lumber Unit, Timber Operations, Pricing and First Nations Division joined TSAC by phone and provided a brief update on the status of the Softwood Lumber Agreement negotiations.</li> </ul>				

	Topic	Time 9:00 – 3:00	Lead	Category	Reference Material & Comments
H	<p><b>Aged Accounts</b></p> <ul style="list-style-type: none"> <li>Elizabeth Fontes joined TSAC by phone to provide a brief update to the changes to the Aged Accounts System.</li> <li>TSAC requested that a clause or consent form be included in the TSL packages authorizing third parties to access licensees' account information and to make payments on their behalf.</li> <li>Before any clause or consent form could be included in TSL package, BCTS would need on consult with legal counsel.</li> <li>If anyone would like to know the accounts receivable status of a licensee's account, they can call into the Revenue Branch of the Ministry of Finance. However, callers must have the licensee's consent to receive this information.</li> <li>The replacement system will be up in running in about 6 months.</li> </ul>				
I	<p><b>130/131 Discussion</b></p> <ul style="list-style-type: none"> <li>TSAC members requested more information to gain an understanding on the mechanics of sections 130 and 131 of the <i>Forest Act</i>.</li> <li><b>Action (B100): Add Section 130 and 131 of the <i>Forest Act</i> to the December TSAC meeting agenda for information and discussion.</b></li> </ul>				
J	<p><b>Fibre Utilization</b></p> <ul style="list-style-type: none"> <li>Paul Kennedy joined TSAC and provided them with an overview of the Secondary Fibre Utilization initiative and the Forest Fibre Working Group (FFWG) mandate and process.</li> <li>In the June 2014 mandate letter to the Ministry of Forests, Lands and Natural Resource Operations (FLNRO), FLNRO was tasked with exploring the enhancement of security of fibre supply for secondary and non-lumber users of lower quality and residual fibre.</li> <li>As a result of this mandate, FLNRO has developed working groups, one internal to the ministry and one with industry and ministry representation to complete this work.</li> <li>TSAC also discussed how the liabilities are issued and shared when entering into these types of agreements.</li> <li>There might be some opportunities to connect sawlog users with secondary and non-lumber users.</li> <li>Paul requested input or feedback from TSAC on the Secondary Fibre Utilization initiatives.</li> <li>TSAC members felt this work to be unnecessary as they already engage in partnerships with secondary and non-lumber users.</li> </ul>				
K	<p><b>Waste</b></p> <ul style="list-style-type: none"> <li>In the most recent update to the Provincial Residue and Waste Measurement and Procedures Manual (the Manual), the waste benchmarks were only extended to April 30, 2015.</li> <li>As discussed previously in during the meeting, the mandate letter to FLNRO includes direction to explore the enhancement of security of fibre supply for secondary and non-lumber users of lower quality and residual fibre.</li> <li>In addition to work being done by the FFWG, a group of FLNRO and industry representatives have met to discuss the possibility of removing or redefining the waste benchmarks.</li> </ul>				

	Topic	Time 9:00 – 3:00	Lead	Category	Reference Material & Comments
	<ul style="list-style-type: none"> <li>• A discussion paper is being drafted to examine the key issues and options related to the removal or redefinition of waste benchmarks.</li> <li>• TSAC member raised concerns around changes or the removal of the current waste benchmarks and felt that more information and discuss on this topic is needed before any decisions could be made.</li> <li>• The soonest any changes would be made to the Manual would be in July 2015, and would correspond with the Interior MPS update.</li> <li>• A technical waste working group is also being formed to improve accuracy and process around waste measurements.</li> <li>• Improved accuracy of waste measurement information would help to support cut control and AAC decisions, as well as improve fibre utilization overall.</li> <li>• The Take or Pay policy would not change as a result of any of these updates to the Manual.</li> <li>• If and when changes are made to the Manual a grandfather clause would be included.</li> <li>• TSAC support the further investigation and analysis on waste issues. However, concern was raised again regarding implementing changes or the removal of the current waste benchmarks before further analysis has been conducted.</li> <li>• If anyone should like to discuss these issue further, or provide feedback, please connect with Keith Tudor.</li> </ul>				
L	<p>Cut to Cruise Report and Dual Cruising</p> <ul style="list-style-type: none"> <li>• In September 2012 a cut to cruise analysis on scale-based TSLs was presented at to TSAC.</li> <li>• The analysis showed that generally the cut to cruise variance was low; however there was geographically specific exception.</li> <li>• The results were reviewed by an industry and ministry task team, and a waste pilot in the south of the province was conducted.</li> <li>• The idea of increasing the sample size for the cut to cruise comparison, and including other types of tenure, could be beneficial.</li> <li>• The process for waste measurement was also discussed as there is some concern that waste volume is being underestimated.</li> </ul> <p>Dual cruising</p> <ul style="list-style-type: none"> <li>• An analysis of the call grade and net factor cruising was completed for the BCTS data set and a comparison between BCTS and major licensee has been conducted.</li> <li>• A draft report will be shared with industry regarding call grade and net factors. The Timber Pricing Branch is hoping a decision will be made in the next update to the cruising manual on whether or not to keep or remove these.</li> <li>• The decision maker for this issue will be the minister.</li> </ul>				
M	<p>TSL First Nations Clause</p> <ul style="list-style-type: none"> <li>• In a recent TSL package, a clause was added suggesting bidders connect with the local First Nation as there was a potential for civil disobedience on the TSL.</li> </ul>				

	Topic	Time 9:00 – 3:00	Lead	Category	Reference Material & Comments
	<ul style="list-style-type: none"> <li>• BCTS continues to work to meet the consultation and accommodation obligations; however, there are increasing challenges to meet the expectations with the accommodations tools that currently exist.</li> <li>• TSAC members find that this type of clause signals an increase risk to the bidder and that these types of issues should be addressed before the TSL is auctioned.</li> <li>• TSAC discussed the challenges around civil disobedience and possible relief for licensees.</li> <li>• TSAC members were reminded that deposit forfeiture relief could be sought in these situations.</li> <li>• BCTS also has an obligation to share material information regarding threats of civil disobedience with bidders and licensees.</li> <li>• The idea of an insurance fund to assist and provide financial support to licensees when acts of civil disobedience occur was discussed briefly.</li> <li>• BCTS will explore this option further and bring more information back to TSAC for future discussion.</li> </ul>				
	<u>2015 Meeting Dates:</u> February 26, 2015                      June 19, 2015                      September 3, 2015                      December 10, 2015				