

Timber Sales Advisory Council (TSAC) Meeting

Minutes

December 10, 2015
9:00AM-3:00PM

Sandman Hotel Vancouver Airport
3233 St Edwards Drive, Richmond
Conference Call 1-877-353-9184 ID: 5545002

Participants: Mike Falkiner (chair), Tom Jensen (TOPFN), Graham Archdekin (BCTS), Rob Bigalke (BCTS), Shawn Hedges (BCTS), Duncan Chisholm (ITMA), Shane Garner (ILA), Les Kiss (CFPA), Dennis Cook (ILA), Dyon Armstrong (COFI – South), Warren Carter (IWPA), Jay McGeachan (Rotary MFG) Craig Upper (ILMA), Scott Marleau (West Fraser), Jim Hackett (COFI), David Watt (COFI), David Elstone (TLA), Clint Parcher (Coastland Wood) and Juli Scarrow (BCTS – Secretariat)

Guests: Steve Kozuki, Allan Bennett, Peter Jacobsen, Liz Fontes, Carl Jensen, Diana Smith, Jacqueline Roodbol, Norm Parry, Ian Hamann, Paul Kennedy and Gilbert Richir

A	Adoption of Agenda and Safety Briefing <ul style="list-style-type: none">• Roundtable of Participants• Safety briefing
B	<p>Executive Update - Tom Jensen</p> <p>Softwood Lumber Update:</p> <ul style="list-style-type: none">• Softwood Lumber Agreement expired October 2015 and we are now in a year of free trade which means no agreement exists, no tariffs and no countervail duty (CVD). We could expect the US to file a CVD through the Department of Commerce on October 13, 2016 if nothing happen in terms of negotiations.• A lot of work has gone into the modeling, how to determine it and understanding what the risk is to industry. Dana Hayden is our chief negotiator.• The federal government’s director general and Canada have been engaged and are meeting with government and industry officials to discuss how to negotiate with the US. They are aiming at having this completed by the third week of December and will report back to their minister and deputy.• The US is not engaged at this point and can start a CVD case anytime.• There is an urgency to have this done by June 2016 as the US election will be in the fall. <p>Challenges around First Nations:</p> <ul style="list-style-type: none">• Issues getting TSLs out due to First Nations challenges and will continue to be an issue. There’s a small apportionment being held up right now but we are doing well trying to manage those and achieve our volume targets.• Government continues to negotiate/consult with First Nations. <p>Mike Morris Report:</p> <ul style="list-style-type: none">• The report “Getting the Balance Right: Improving Wildlife Habitat Management in British Columbia” was developed in the wake of the mountain pine beetle infestation and the upswing in timber harvesting. Morris was tasked with

	<p>looking at how the infestation and increased forestry activity impacted wildlife habitat in the Interior.</p> <p>http://www.env.gov.bc.ca/fw/wildlife/management-issues/docs/getting_the_balance_right_improving_wildlife_habitat_management_in_british_columbia.pdf</p>
C	<p>Quarter 2 Report Out Presentation - Rob Bigalke</p> <ul style="list-style-type: none"> • Rob gave a presentation on Quarter 2. <p>A copy of Quarter 2 can be found on BCTS' website.</p> <p>Action Item: BCTS to explore the opportunity to increase the proportion of road construction contracts with the R/W volume included – Rob and Shawn</p>
D	<p>Timber Pricing Branch Update - Steve Kozuki & Allan Bennett</p> <ul style="list-style-type: none"> • Welcoming of Allan Bennett, Manager, Timber Pricing Branch. • Current Priorities: <ol style="list-style-type: none"> 1. Grey Pine Loss Factors and Cut-to-Cruise – Timber Pricing Branch staff did an analysis of the C2C on grey pine stands. They came up with an 8% cut to cruise issue on average. We're examining options to address this through the cruise compilation program. 2. Lean Log Handling Project on the Coast – Working group with Coast industry to increase weight scaling on the coast and reduce costs for industry and government. The working group has identified an issue with the current Check Load System. Each scaler has to maintain their last load in case the check scaler comes by before committing logs. The group looked at software where they can commit logs. Two pilot sites on the Coast have been implemented with new software. 3. Appraisal Manual Updates: Working on both Coast MPS process (short term) and Interior usual schedule. 4. Minister's Fibre Action Plan: <ul style="list-style-type: none"> • Looking to make more volume available to secondary users by extending existing benchmarks to 2017 (short term) and for the longer term localizing a benchmark. Once the log grade has been defined, they will turn their minds to the pricing, which could be a flat fee, a discount from the sawlog rate or the potential for cruised based billing. • Waste Assessment Road Side Debris: Designating debris as "special forest product" and allowing it to go to a secondary facility at a \$0.25 rate that would only apply up to a benchmark. Hoping to have it implemented in the New Year. • New Sawlog Grade for the Interior. Smaller sawlog grade between 10 and 20cm in diameter. Pricing could include a flat fee, % of the sawlog rate or a discount from the sawlog rate. • Potential for Expanding Cruise Base: Inaccuracy in the cruise and cut-to-cruise fall down is a barrier to future expansion to cruise base billings. What are the technical and policy barriers? Evaluate the question if cruise base billing actually has an effect on utilization.
E	<p>Undeveloped TSLs Update - Paul Kennedy & Les Kiss:</p> <ul style="list-style-type: none"> • In June 2015, the Coast Forest Association proposed government should auction volume on undeveloped TSLs with the intent to address the undercut volume, provide additional method to represent marginal stands and those that are

	<p>economically challenged.</p> <ul style="list-style-type: none"> • The Outcome: Advertise an undeveloped Timber Sale Licence with an area larger than a single cutblock. The successful bidder would undertake the layout of the block and all the assessments then once accepted could begin harvesting. • Government will move forward a new undeveloped TSL in the Prince George Region (100,000 m³) and one more on the coast. Prince George planning to advertise in mid-January. TSMs will undertake the planning on the block shape and the applicants would bid. Licensee will take the land base constraints and apply them on the ground. • A reminder that the successful bidder must be consistent with The Forest Stewardship Plan (FTP).
F	<p>Bidder Risk Advisory Bulletin Update:</p> <ul style="list-style-type: none"> • Action item from last TSAC: Proposal that BCTS implements an “advisory bulletin” on how licensees can be managing their risk on TSLs. Bulletin was shared with TSAC. • If there is civil disobedience (FN risks) industry should seek their own legal advice, or apply for a remission order, waiver, surrender, injunction or an enforcement order. • Industry would like TSMs to share consultations with them before they bid. • Industry feels their biggest risks are cut-to-cruise, weather, lumber prices, availability of operators and trucks, fluctuating fuel prices and mill cut backs. • BCTS to do more research on how licensees can manage their risks. <p>Action Item: More discussion at next TSAC.</p>
G	<p>Cat 2 Policy Work - Shawn Hedges</p> <ul style="list-style-type: none"> • FLNR and International Trade & Jobs, Tourism, Skills and Training developed a Value-Added discussion paper and are leading a review. One of the recommendations is linked to Cat 2 (Maintaining the existing BCTS Cat 2 Program Volume Allocation and the 3-TSL limit). • To improve the effectiveness and compliment the broader value added review, BCTS is working on policy to see if any changes can be made to the Cat 2 Registration Rules and Cat 2 Operating Policy and Procedures. • A report with recommendations will be submitted by March 2016.
H	<p>Overview of the Forest Competiveness Strategy (Economic Analysis) – Peter Jacobsen</p> <ul style="list-style-type: none"> • The development of this strategy is to ensure the BC Forest Section remains competitive by focusing on potential risks: <ol style="list-style-type: none"> 1. Market is still a challenge 2. Timber supply issues 3. First Nation challenges 4. US Housing Market 5. Mill closures 6. Large firms are investing in the US 7. Softwood Lumber issues 8. Labour supply into the forest sector

	<ul style="list-style-type: none"> • Industry, MFLNRO, Energy and Mines, Jobs and Tourism and MARR have been working on an action oriented process on how to mitigate the risks and influence our competitiveness. • The process identified seven key drivers that contribute and present risks to our competitiveness: <ol style="list-style-type: none"> 1. Fibre supply 2. Market development 3. Delivered wood costs 4. Harvest supply 5. Opportunities for innovation 6. Species product mix 7. Margins
I	<p>Indirect Revenue Calculation - Peter Jacobsen</p> <ul style="list-style-type: none"> • Peter Jacobsen explained the intricacies of the indirect revenue calculation used in BCTS performance reporting. It is an estimate of other government tax revenues generated by BCTS auctions.
J	<p>Skeena and Prince George Business Area Updates Presentation - Ian Hamann & Norm Parry</p>  <p>J Skeena Business Area overview.ppt.ppt</p>
K	<p>Section 130/131 Presentations - Liz Fontes & Carl Jensen</p>   <p>TSAC Presentation Approved .pptx Finance Presentation to TSAC- Section 130</p>
<p><u>2016 Meeting Dates:</u></p>	
<p>February 11, 2016 Radisson Vancouver Airport Hotel</p>	<p>June 2, 2016</p>
	<p>September 15, 2016</p>
	<p>December 8, 2016</p>

Future Agenda Items:

- First Nations & Business to Business Strategies; Market Pricing Objective Regulation; 2016 Legislation (Gilbert); NRRA Update