

Tree Improvement Branch

Rationale for Fee Schedule Amendments

Background

Tree Improvement Branch (TIB) manages six seed orchard sites around the province. These contain over 40 different seed orchards and comprise more than 54,000 genetically improved trees of nine different species. These orchards produce approximately half of the genetically improved or select seed used for reforestation in the Province, (~45M seedlings/yr).

TIB sells the select seed to the Ministry of Forests and Range BC Timber Sales (BCTS) program, the Forest for Tomorrow (FFT) programs, and to licensees in the province. The use of select seed contributes over half of the new Corporate Performance measure for silviculture investments (m3 of timber available in 65 years), mitigating shortfalls in the mid to long term timber supply.

TIB also manages the provincial Tree Seed Centre (TSC). Started in 1956 in Duncan, the TSC moved to Surrey in 1986 to a state of the art facility specifically designed as a provincial tree seed centre. The TSC is the primary provider of cone and seed services to the Ministry of Forests and Range and BC's forest industry.

Since 2000, both the seed orchards and the TSC have operated on a cost recovery basis. External revenues, accurate cost accounting and prudent fiscal management are critical for maintaining Ministry seed orchards and TSC services.

The Ministry's Cone and Seed Fee Schedule was last revised and approved by government in 2003. Since that time costs associated with producing seed in MFR seed orchards, and costs associated with TSC services have changed.

Cost Analysis

In 2010, TIB staff undertook a full review of the previous costing model. This detailed analysis was to ensure that all costs associated with these operations were being captured, including those not reflected in the 2003 fee schedule. These costs included direct and indirect operating costs, such as:

- Salaries
- IM/IT
- Capital
- Utilities
- Vehicles
- Maintenance
- Floor space
- Operating expenses
- Overheads and
- Facilities.

These costs were reviewed and adjusted to reflect reasonable use, changing business conditions and production levels in accordance with General Accepted Accounting Principles (GAAP).

The most significant adjustments took place with IM/IT charges, shared services and administrative overhead. A capital amortization model was included to reflect changes in government capital funding in the early 2000's. TIB staff consulted with external accountants, Corporate Services, Revenue Branch, Treasury Board staff and others in undertaking these reviews.

Results of Analysis

The prices for seed orchard seed reflects the actual costs of producing the tree seed, including processing at the Tree Seed Centre. These fees also reflect the total expenses incurred over the lifetime of an orchard (actual and estimated). Fees have been adjusted for each species according to the particular production costs and potential sales implications for that species. Fees for orchard seed are based on a \$/kilogram basis by species, and can vary by physical and genetic quality. The ministry may also set fees for seed that require additional resources to produce and negotiate fees for bulk sales (for a multi-year seed supply) with prospective clients.

The proposed fees for TSC cone and seed services reflect the current cost of providing a particular service. New fees are proposed in the following areas: priority processing; waste cone and sack disposal; and handling of off-site processed seedlots. These new fees reflect additional services provided since 2003 at the request of clients.

A comparison of new rates with those charged by crown and private facilities across Canada formed part of this analysis. However, comparisons with other jurisdictions are not applicable for the most part, due to different species and different types of services provided.

Fee Schedule

A comparison of fees approved in 2003 and the new prices effective April 1, 2011 can be found at: <http://www.for.gov.bc.ca/treeseedcentre/tsc/hti/fees.htm>. This includes a listing of all seed prices, as well as, a listing of all TSC cone and seed service fees. A brief description of service areas and the proposed fees for service details are also included where applicable.