

Forest Renewal BC Business Plan 1995/96

A British Columbia Crown Corporation



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Message from the Minister

THE GOVERNMENT OF BRITISH COLUMBIA has launched a multi-faceted strategy to restore and improve the health of the province's forests and the forest sector.

The new Forest Practices Code, the Protected Areas Strategy, the Forest Land Reserve, the Timber Supply Review, the Commission on Resources and Environment, and Forest Renewal BC are all part of a comprehensive initiative to preserve and sustain the forests, maintain their diversity, and ensure more jobs from every tree harvested.

This business plan outlines specific spending programs in 1995/96 for Forest Renewal BC. The programs emphasize forest restoration and enhancement, as well as jobs, economic expansion and sustainability.

Individual programs in the business plan will be delivered in close co-operation with the people and communities who rely on the forests as a source of income, a place of recreation, and a storehouse of biological diversity.

Forest Renewal BC is unique in Canada in that it returns revenue directly back to our forests and to the people who rely on them. Forest Renewal programs increase investment in the forests, create jobs, sustain and enhance environmental values and create more opportunities for value-added manufacturing.

The result will be a strong and viable forest sector—for the present and for future generations of British Columbians.



ANDREW PETTER,
Minister of Forests

Message from the Chair of the Board

THIS BUSINESS PLAN is an important road map for the first full year of operation at Forest Renewal BC.

The plan provides an outline of how Forest Renewal BC will allocate resources to meet its mandate of helping British Columbia's forest sector — its companies, workers, communities, and First Nations — through the transition to a new, more sustainable future.

Developing this business plan has been a challenging exercise. It has been done while Forest Renewal BC was establishing a Board of Directors, recruiting staff, forging links with stakeholders, establishing management committees, developing fiscal management policies and generally preparing itself to take a permanent place as an agent of change for sustainable forestry.

This business plan for the fiscal year 1995/96 will form the foundation for future spending programs. It is the nucleus of what will become a comprehensive, long-term program to create more value from the province's forests.



ROGER STANYER,
Chair of the Board of Directors

A Business Plan to Manage Transition in the Forest Sector

FOREST RENEWAL BC is a partnership agency established to recognize a profound historical change: British Columbia has entered a new phase in forest land use and development.

In the past, the province was endowed with a large resource of high-quality, old growth timber that exceeded the province's needs. During the past two decades, however, timber supplies have been reduced. At the same time, society's values have changed. Today, British Columbians and customers of the province's forest products are demanding that non-timber values — such as wilderness, wildlife, recreation and biodiversity — be carefully considered in forest management. These values, along with predicted decreases in timber available to be harvested, have resulted in a period of transition for British Columbia's forest sector.

In recognition of these changes, the Premier announced in April 1993 that a Forest Sector Strategy Committee would be established to develop a long-term forest sector strategy. One year later, the Forest Renewal Plan was announced as a major initiative to address the need for a new approach in the province's forest sector.

Then, on June 2, 1994 the *B.C. Forest Renewal Act* was passed by the British Columbia Legislature, establishing Forest Renewal BC and making it responsible for investing in British Columbia's forests, communities and the people who rely on the forests.

Forest Renewal BC will take some of the wealth that our forests generate — an average of \$400 million per year from increases in stumpage and royalty revenue — and invest it back into the land, forests, forest workers and communities that rely on the forests. As an agent of change, Forest Renewal BC will help industry, workers and communities make the transition to a healthier, more productive, sustainable forest sector.

More than 200 rural communities and one in six city dwellers depend on forest-related activities for their livelihood. Forest Renewal BC will work to ensure that the forest sector continues to be the major contributor to the provincial economy.

MISSION STATEMENT

Forest Renewal BC's mission is to plan and implement a program of investments to renew the forest economy of British Columbia, by enhancing the productive capacity and environmental values of forest lands, creating jobs, providing training for forest workers, and by strengthening local communities that depend on the forest industry.

Forest Renewal BC is unique because it is not government acting alone. It is a partnership among stakeholders in the forest sector — workers, companies, First Nations, communities, environmental groups and government.

Forest Renewal BC is the people of British Columbia, sharing ideas for a renewed forest sector, designing and delivering programs in areas such as enhanced forestry (incremental silviculture), watershed restoration, wildlife, data gathering, research and development, value-added manufacturing, training and diversification of the economic base of communities.

Forest Renewal BC has permanent revenue from stumpage and royalty fees. These resources will allow the corporation to make real and lasting improvements in how the province's forests are managed.

To achieve sustainability for the full range of forest values, British Columbians must work together. Forest Renewal BC provides the means to do so. Working together means recognizing the need to fairly distribute program funding to all regions. Investment decisions will be made with input from regional advisory groups and will be driven by a long-term vision for an economically and environmentally sustainable provincial forest sector.

This business plan is the first for Forest Renewal BC. It describes how resources will be allocated to meet the corporation's mandate. It also describes some of the administrative start-up challenges. There is an introductory discussion of the organization's structure and accountability. Then there is a discussion of financial management policies, as described in the section entitled *Fiscal Strategy*. Spending programs for 1995/96 are detailed in the section entitled *1995/96 Program Plans*.

This business plan is more detailed than most because Forest Renewal BC wants to fully explain the way it intends to do business. Openness and transparency will be fundamental premises of its activities, so that the partners in Forest Renewal BC — all British Columbians — can understand how the corporation is meeting its mandate.

While programs and funding will evolve and change, the founding commitments of Forest Renewal BC will be constant: sustainable jobs and forest enterprises, environmental sustainability, regional equity, regional participation, wide representation for stakeholder groups and wise spending.



STRATEGIC OBJECTIVES

Forest Renewal BC will focus initiatives on five key activity areas: land and resources, environment, value-added, workforce, and communities.

Strategic objectives, which form the foundation for funding decisions, have been established for each area.

Land and resources

Forest Renewal BC will enhance the productive capacity of forest lands, increase investment in the forest resource and the forest land base, and bring into production marginal agricultural lands that are suitable for forest activities.

Environment

Forest Renewal BC will enhance the environmental values of the forest land base.

Value-added

Forest Renewal BC will help the forest industry diversify, encourage further wood processing, identify and develop new markets, and create jobs and business opportunities without negatively affecting existing primary producers and their workers.

Workforce

Forest Renewal BC will help maintain jobs in harvesting and traditional processing sectors, foster the creation of employment, and support worker adjustment and training in new forestry and silviculture techniques.

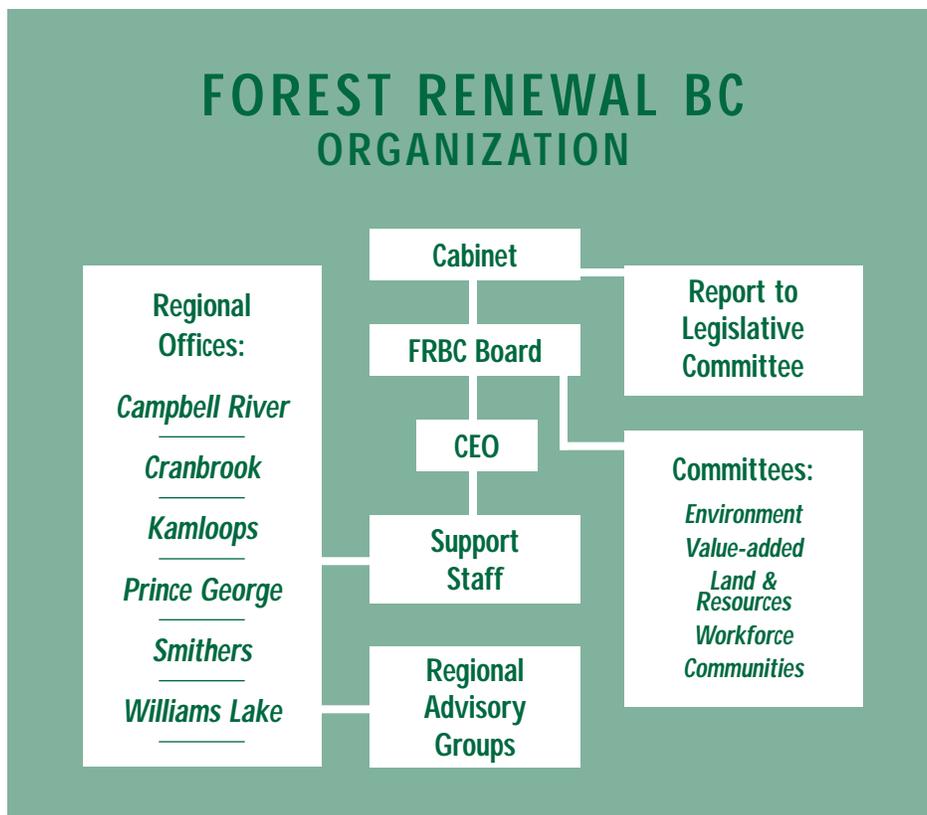
Communities

Forest Renewal BC will support community development and adjustment as the forest industry evolves towards economic and environmental sustainability.

Structure and Accountability for an Agency of Change

FOREST RENEWAL BC is a partnership of all forest sector interests. The corporation is governed by the *B.C. Forest Renewal Act*, the *Public Service Act*, the *Public Service Labour Relations Act*, the *Financial Information Act*, and the *Financial Administration Act*. These acts establish the legal framework under which Forest Renewal BC operates, including the method of accounting (Generally Accepted Accounting Principles), staffing procedures and reporting requirements.

As a Crown corporation, Forest Renewal BC is accountable to the people of British Columbia for its decisions and actions. This accountability is guaranteed in a number of ways.



BOARD OF DIRECTORS

Forest Renewal BC is governed by an 18-member board of directors made up of 12 private sector and six public sector members. All major forest sector stakeholders and regions are represented to ensure the continued success of this working partnership. The board includes labour, industry, communities, government, First Nations and environmental group members. The board is responsible for ensuring the activities of the corporation support its mandate, and that the mandate is delivered.

REPORTING TO BRITISH COLUMBIANS

Forest Renewal BC reports to the Legislature through the Minister of Forests. Each year a business plan is presented to the Legislature for review by a select standing committee with

responsibility for forests. In addition, Forest Renewal BC will operate in a transparent fashion making information readily available to the public.

REGIONAL ADVISORY GROUPS

Forest Renewal BC regional staff will establish regional advisory groups and work with them to ensure that investment decisions reflect the needs and priorities of each region.

MONITORING AND AUDITING

Forest Renewal BC will ensure the contracts it enters into are monitored so that terms and conditions are met. In addition, the corporation's accounts will be audited by the Auditor General of British Columbia.

COMMITTEES OF THE BOARD

Under the *BC Forest Renewal Act*, the board of directors is required to set up five activity area committees to provide advice on revitalizing the forest economy of British Columbia. Within the committees' areas of responsibility, they must:

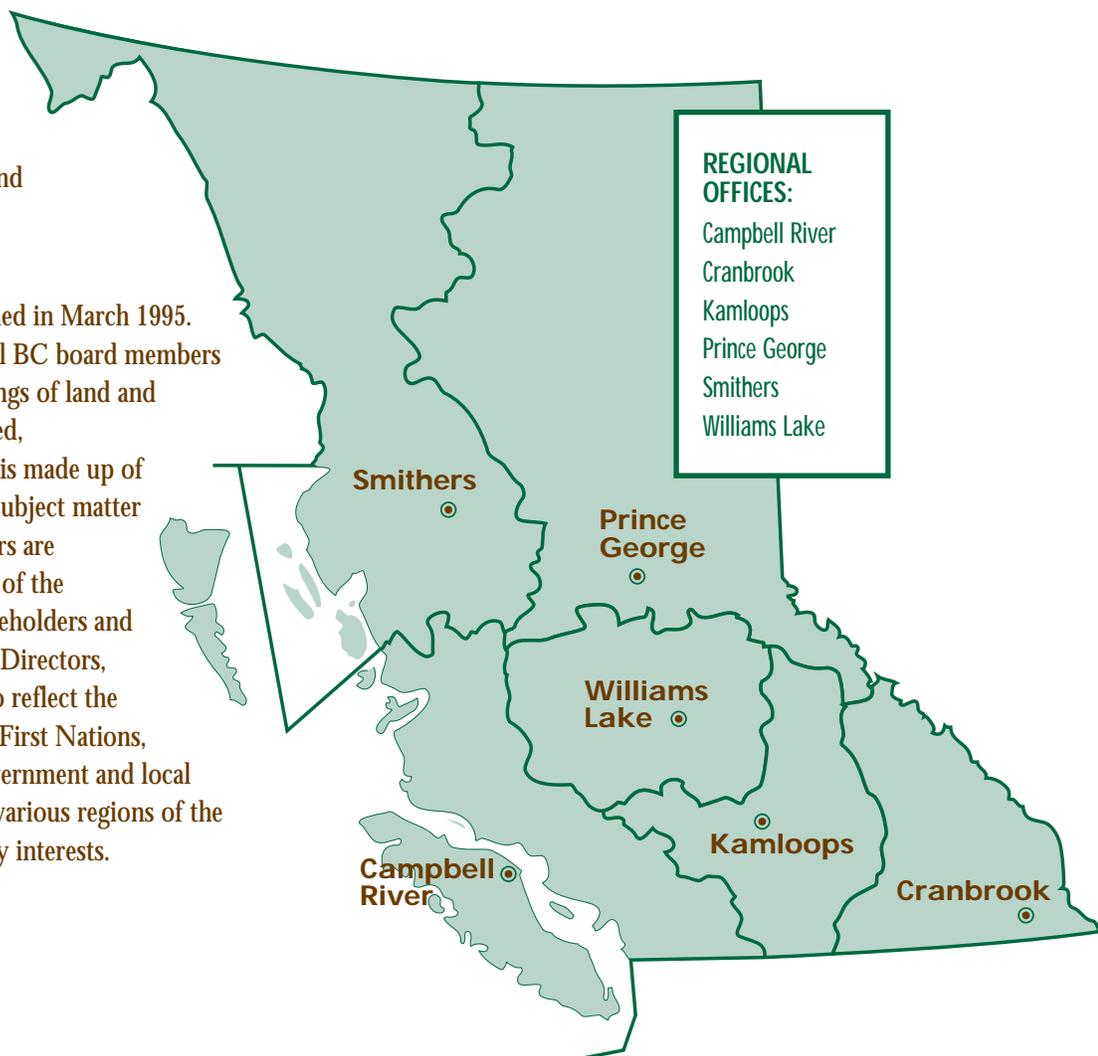
- make investment recommendations to Forest Renewal BC;
- provide advice to Forest Renewal BC about appropriate regional investment goals;
- develop and recommend criteria for making expenditures and for reviewing, monitoring and evaluating them;
- develop and recommend initiatives that support the *B.C. Forest Renewal Act*; and
- carry out other functions assigned by the board.

The committees were established in March 1995. They are chaired by forest Renewal BC board members and operate under the broad headings of land and resources, environment, value-added, workforce and communities. Each is made up of persons qualified to advise on the subject matter assigned to the committee. Members are appointed on the recommendation of the public, members of the board, stakeholders and government. As with the Board of Directors, individual committee members also reflect the interests of environmental groups, First Nations, labour, industry, the provincial government and local communities. They also represent various regions of the province and numerous community interests.

Each of the committees is developing a business plan. Development of this plan includes a strategic planning exercise to identify forest sector needs in each area of interest.

In developing their business plan, each committee will develop and recommend to the Board of Directors:

- a series of programs for Forest Renewal BC investments;
- guidelines and criteria for funding projects under each program; and
- guidelines for reviewing regionally-driven program proposals and business plans.



In addition to these committees, Forest Renewal BC will establish a research working group to take the lead in identifying research priorities and implementation mechanisms for research and development activities.

STAFF

VICTORIA OFFICE

Forest Renewal BC's projects will be proposed and carried out by the forest industry, labour organizations, First Nations, communities, government agencies and environmental groups. The corporation's role will be to provide strategic planning, co-ordination, approval, funding and evaluation services for these projects. Forest Renewal BC will also work with its partners to ensure job creation needs are met.

The corporation has established an interim headquarters in Victoria and once fully operational, expects to have a staff of 35 or 40 organized under the following functions:

Operations

Policy and Planning

Finance and Administration

Communications

Forest Renewal BC will not implement programs but will contract with others to do so.

REGIONAL OFFICES

Forest Renewal BC will use the same regional boundaries as used by the Ministry of Forests for its forest regions. Regional offices are in Campbell River, Cranbrook, Kamloops, Prince George, Smithers, and Williams Lake.

The main responsibilities of regional staff are to work with people in the regions to:

- identify regional priorities for funding and opportunities for job creation;
- develop regional business plans in consultation with regional interests;
- promote dialogue among various partners in a region;
- review and implement projects; and
- administer contracts and ensure compliance.

Regional offices will solicit the knowledge and experience of local people to develop the best local investment strategies.

Each office will employ six to eight staff. Regions may also focus on different staff capabilities, depending on regional needs. For example, one Forest Renewal BC office may have staff with experience in environmental matters while another office may focus on expertise in workforce issues. Regional offices will be staffed and fully operational by the summer of 1995.

REGIONAL ADVISORY GROUPS

Communities in each region will play a role in developing the business plan for Forest Renewal BC expenditures in their regions, and in evaluating the corporation's investments. The advisory groups will be established once the regional offices are staffed.

Regional advisory groups will:

- assist Forest Renewal BC regional staff in identifying investment and job creation needs that can be addressed by Forest Renewal BC programs, and in creating an inventory of potential Forest Renewal BC projects within the regions;
- provide advice to Forest Renewal BC on programs or projects that may be appropriate beyond a single region or on a province-wide basis;
- assist Forest Renewal BC staff with evaluating program and project performance, including providing suggestions on how to refine and improve program and project delivery;
- provide advice on the priorities for potential Forest Renewal BC projects within a region; and
- liaise with regional partners on Forest Renewal BC activities.

FIRST NATIONS PARTICIPATION

Forest Renewal BC recognizes the significant role that aboriginal peoples play in the forest economy and is committed to working with First Nations to increase their participation.

The corporation is undertaking a series of discussions with BC aboriginal peoples including the First Nations Forest Council, the First Nations Summit, bands and individuals, to solicit ideas on how it can increase First Nations participation. Aboriginal persons on the Board of Directors and the five committees of Forest Renewal BC, as well as regional advisory groups, will also provide ideas on the programs Forest Renewal BC has or may establish. Each program funded by Forest Renewal BC will contain mechanisms to increase the participation of aboriginal peoples.

REVENUE

In May, 1994 the provincial government established a source of revenue for Forest Renewal BC by increasing the stumpage fees and royalty rates forest companies pay to harvest timber on publicly-owned lands. (Royalties apply to timber harvested on timber licences on Crown land and only a few forest companies, mainly on the coast, pay royalties. Stumpage fees apply to timber harvested on other types of tenure). The *B.C. Forest Renewal Act* guarantees in legislation that most of the increased revenue from these sources will be permanently available to Forest Renewal BC. The corporation's revenue, which it receives quarterly, cannot be

absorbed into general government revenue and used for other purposes. Therefore, Forest Renewal BC does not need to request a budget annually, nor does its funding lapse at the end of each fiscal year.

The increase in revenue as a result of changes in stumpage and royalty rates was estimated to be approximately \$560 million when SPF (spruce, pine, fir) lumber prices were US\$350 per thousand board feet. Of the increased revenue, about \$400 million is dedicated to Forest Renewal BC to reinvest in the forests, the people who work in them and their communities. The remaining \$160 million will be used to offset corporate taxes lost because of the increase in tax-

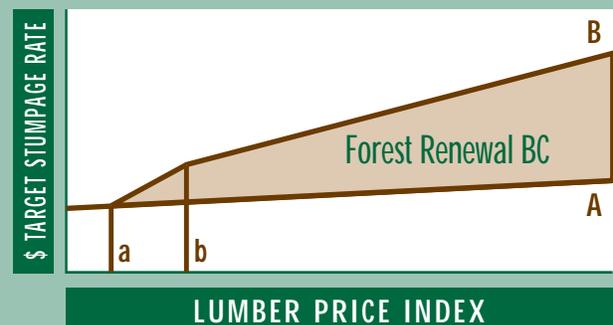
REVENUE CALCULATION

This graphic illustrates two important points. Firstly, the revenue collection system put in place to fund Forest Renewal BC ensures that industry will not have to pay incremental stumpage when it can least afford to. Secondly, when lumber prices are low, Forest Renewal BC's revenues can drop dramatically, and in fact can equal zero.

The area under Line A illustrates the stumpage and royalty revenue collected by the provincial government. This revenue is placed in the consolidated revenue fund and used to fund many government-delivered good and services. The area under line B illustrates the aggregate amount of stumpage and royalty revenue collected by the provincial government to fund regular government services and Forest Renewal BC activities. The majority of the area between Line A and Line B is the amount of revenue available for Forest Renewal BC to fund its programs and activities.

Forest Renewal BC's revenue is a relatively constant amount over and above the revenue the province utilizes, unless forest product prices fall to cause a drop

in the lumber price index below a certain level (Point b). Once that point is reached, Forest Renewal BC's proportional revenue quickly drops and can equal zero (Point a). The actual lumber prices associated with these points vary depending on exchange rates. There are separate equations to calculate revenue attributable to the coast and interior of the province. On April 1, 1995, Point a would have been equivalent to a price of \$225 US MFBM, and Point b would have been equivalent to a price of \$265 US MFBM for interior lumber. Equivalent price points for coast would have been \$490 us and \$595 us respectively.



deductible stumpage and to help cover costs of implementing other forest management initiatives, such as *the Forest Practices Code*.

Forest Renewal BC revenue will not be stable over time. It will fluctuate with three main factors: forest product prices, the volume of timber harvested in the province from Crown lands each year, and the Canada/U.S. exchange rate.

Forest Renewal BC has developed a forecast model to help predict revenue. Projections are made using a range of assumptions. The model supports planning activities by

forecasting the total available funding on an annual basis. While predicting Forest Renewal BC revenue beyond one or two quarters is difficult, the model allows the corporation

SENSITIVITY

Each million-cubic-metre change in the volume of harvest = \$12 million change in Forest Renewal BC revenue

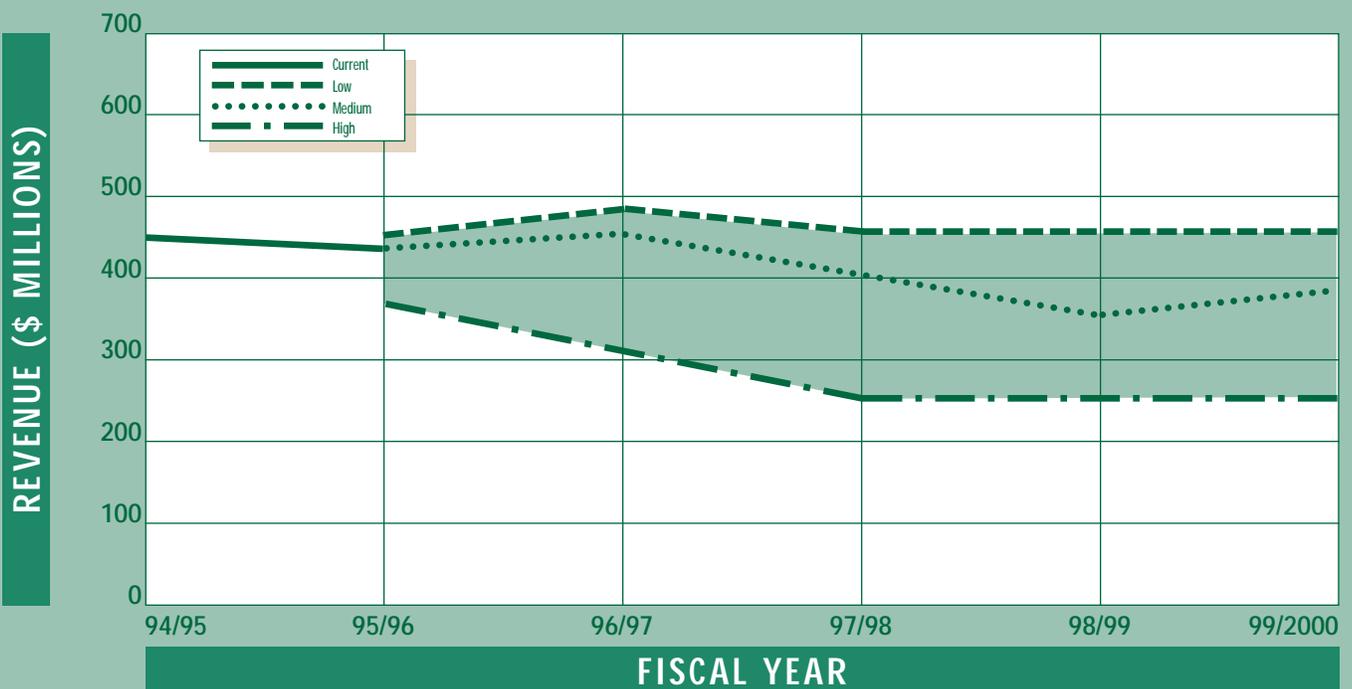
Each cent change in the Cdn/US exchange rate = \$ 5 million change in Forest Renewal BC revenue

REVENUE FORECAST

This graphic shows the high, medium and low revenue forecasts that Forest Renewal BC has made for the years 1995/96 until 1999/2000. Because of the difficulty in

forecasting lumber prices, exchange rates or harvest volumes with accuracy beyond two or three quarters, forecasts can change significantly.

REVENUE FORECASTS 1994/95 to 1999/2000



to develop options for activities based on different revenue scenarios.

Besides stumpage and royalty revenue, the corporation will also have revenue from investments. Under the BC Forest Renewal Act, the Provincial Treasury of the Ministry of Finance and Corporate Relations acts as Forest Renewal BC's fiscal agent and is responsible for investing unexpended funds. Interest from these investments is credited only to Forest Renewal BC and cannot be used for other government purposes.

Forest Renewal BC cannot add to government debt because it is not permitted to borrow money.

EXPENDITURES

Each year, Forest Renewal BC will identify a spending target for the coming year. The target will depend on a number of factors including the need to plan for stable funding of multi-year projects, increases in program implementation over time, and available funds. Each year in its business plan, Forest Renewal BC will also identify estimated targets four years beyond the current year.

Stability in funding

Forest Renewal BC is taking a long-term perspective in managing its budget and establishing programs. The corporation will provide multi-year funding for projects to ensure a commitment to forest resource enhancement and the creation of long-term stable employment. Multi-year and consistent funding levels will also help stabilize industry activity and communities during downturns in the sector. The corporation can do this because it has a source of funding that is not restricted to an annual budgeting process.

A LONG-TERM FISCAL PLANNING HORIZON

Forest Renewal BC wants to fund a long-term well-planned program and this takes time and planning. However the foundations have been laid for such programs.

- The priority of building the organization from the ground floor—establishing the Board of Directors, activity area committees, staff, regional offices and advisory groups—consumed much time and energy. As forest Renewal BC enters its first full year of operation, there are still many organizational tasks underway, but the framework to meet objectives is in place.
- Regional advisory groups, which will be very important to identifying needs throughout the province's forest sector, will be established in the summer and fall of 1995.

Forest Renewal BC has adopted a five-year planning horizon, so that long-term program funding can be put in place to ensure a commitment to forest resource enhancement, the creation of long-term stable employment, and community stability.

1995/96 REVENUE FORECASTS

Low	\$350 million
Medium	\$430 million
High	\$446 million

The sources of data used in the model to generate forecasts are:

Harvest volumes:	Ministry of Forests
Exchange rates:	B.C. government forecast
Lumber prices:	Interior: RISI \$US SPF/BC government Coast: Clear Vision Inc. \$US HBSQ/BC government

There is, however, the potential for considerable instability in the corporation's level of revenue over time. A prolonged period of low lumber prices in the United States, reduced timber harvests in British Columbia, or a very high Canada/U.S. exchange rate could dramatically reduce revenue and put at risk Forest Renewal BC's ability to provide continuity of funding to its programs.

From the beginning, Forest Renewal BC saw the need to provide funding for multi-year projects by establishing a Program Continuity Fund. In the coming fiscal year, \$100 million will be set aside in this fund, adding to the \$250 million set aside in 1994/95. When possible, this Program Continuity Fund will be added to each year, to establish an average target fund of \$400 million. Forest Renewal BC will review its Program Continuity Fund level annually. The fund can be drawn from in years when revenue is low and added to in years when revenue is high.

Increases in program implementation

Forest Renewal BC's ability to deliver programs will improve over time as programs and delivery mechanisms are established and/or refined. Programs in activity areas are still being developed and implementation mechanisms for them are being identified. Forest Renewal BC is taking time to develop these programs so they are well thought out and result in wise investments.

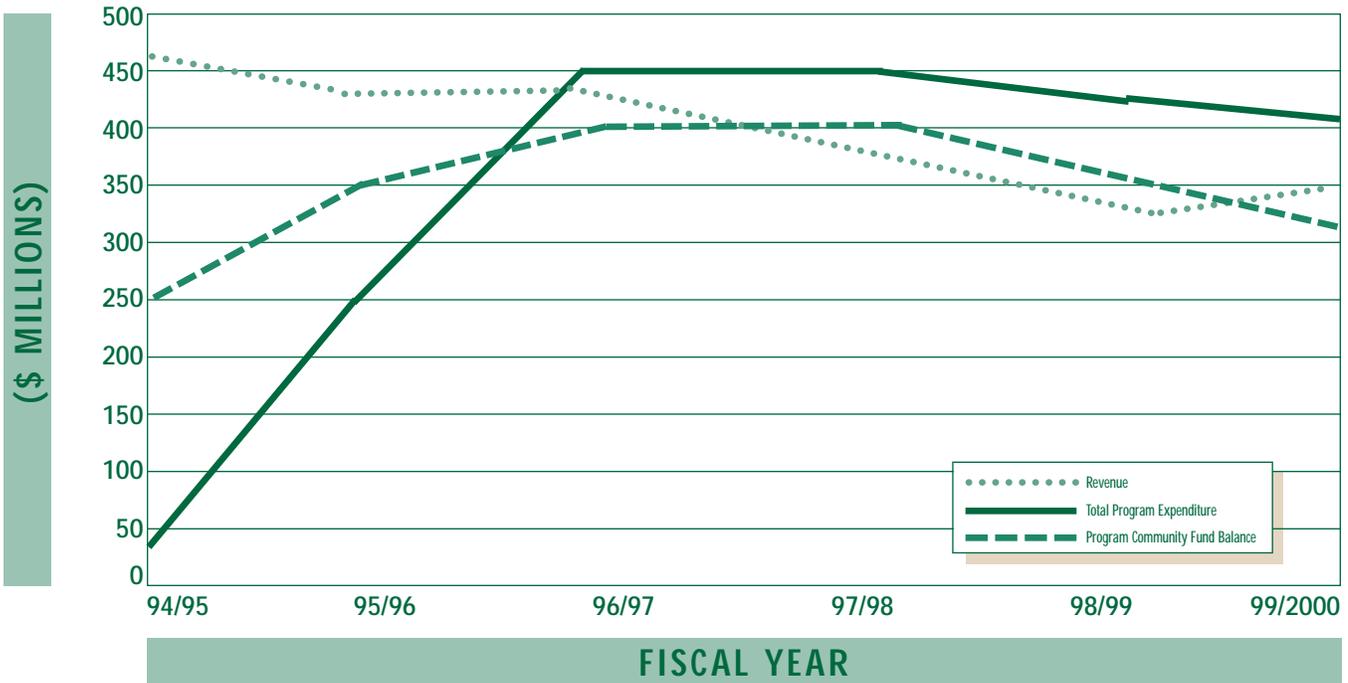
In the land and resources and environment areas, many Forest Renewal BC activities will be administered on behalf of the corporation by the Ministry of Forests and the Ministry of Environment, Lands and Parks. Legal obligations of these ministries for planning and approving enhanced forestry and watershed restoration activities will require permanent staff. For example, legislated responsibilities require that ministries ensure all projects are in harmony with and are linked to appropriate land and resource management plans.

Planning required by the *Forest Practices Code* includes field assessments and approvals that only the Ministry of Forests and the Ministry of Environment, Lands and Parks can undertake. The ministries will hire and train staff to administer some programs on behalf of Forest Renewal BC, but the time required to complete these processes may limit the number of land-based projects that may potentially be funded by Forest Renewal BC in the coming year. The private sector will also require time to acquire staff and plan Forest Renewal BC investments. In future years, a greater level of planning and activity will take place and Forest Renewal BC expenditures will increase.

OPERATIONAL TARGET EXPENDITURES FOR 1995/96

The corporation's goal is to invest an average of \$400 annually. Forest Renewal BC has targeted an expenditure of \$250 million for programs in 1995/96, based on demand estimates and feasible delivery. An additional \$236 million will be available in 1995/96 if it can be wisely spent and programs effectively delivered. The corporation has also identified funds which will be dedicated to long-term projects, through multi-year approvals. The long-term commitments will increase over time as Forest Renewal BC approves an increasing number of multi-year projects.

FOREST RENEWAL BC FUNDING STRATEGY



Expenditure by activity

Over the long term, Forest Renewal BC will work to achieve a distribution of investments across activities roughly as follows:

Land and Resources	50%
Environment	15%
Value-added	7.5%
Workforce	20%
Communities	7.5%
Total	100%

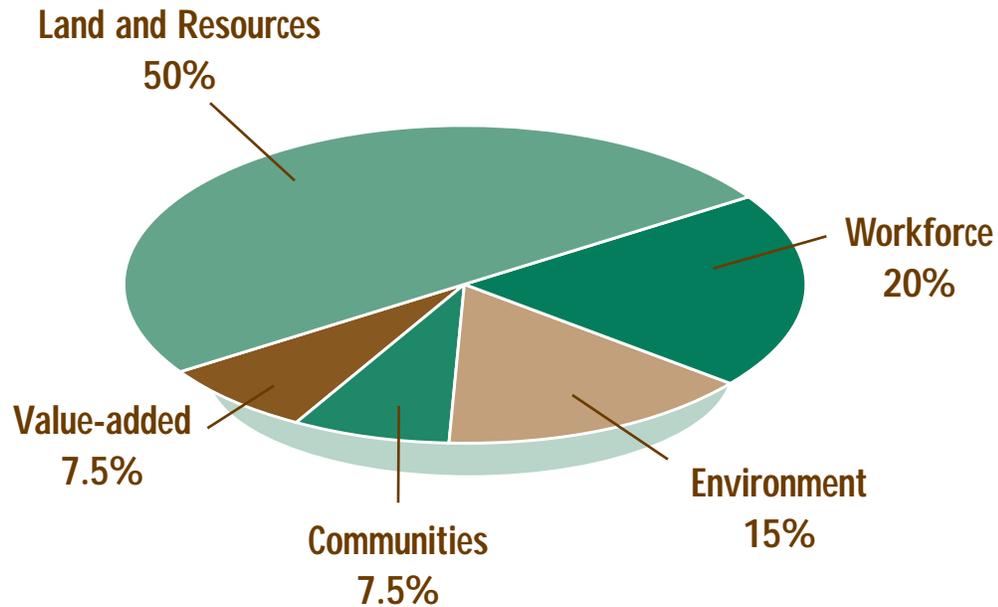
In any given year, the distribution of funding among activities may not exactly reflect these proportions. The corporation will set flexible spending priorities early in its planning and will not restrict funding in any area. Over the next three to five years, however, funding will reflect these proportions.

Forest Renewal BC will encourage projects which can meet several of its objectives at a time. This will maximize the value of expenditures by extracting “double or triple duty” from individual projects. For example, an enhanced forestry project may provide opportunities for training and long-term local jobs. Part of the costs of that project may be charged against each of the land and resources, workforce, and communities activities areas.

Expenditures by region

Over the long term Forest Renewal BC will work to ensure its investments are regionally equitable. Regional equity will be measured based on a region’s contribution to revenue, and on equity in achieving overall Forest Renewal BC objectives. Funding will be directed where there is a need for Forest Renewal BC expenditures to create jobs, to promote community stability and to invest in forests that in future will be able to support a vigorous forest industry.

DISTRIBUTION OF OPERATING FUNDS BY ACTIVITY AREA



Regional equity will be assessed in the context of the following criteria:

- revenue derived from a region;
- employment needs;
- ecological restoration needs;
- value of the resource;
- contribution to sustainability;
- contribution to the future vision of the forest;
- contribution to economic diversification;
- First Nations needs;
- potential for increasing fibre supply; and
- investment productivity.

TARGET EXPENDITURES FOR FUTURE YEARS

At the end of the 1995/96 fiscal year, Forest Renewal BC will assess funding allocations to determine how expenditures have been made in relation to objectives. Total available funds will be identified in each year after considering fluctuations in revenue, spending patterns, contribution to the Program Continuity Fund and demands for Forest Renewal BC programs.

Activity area criteria

If, after assessing the previous year's expenditures by activity, Forest Renewal BC determines its target allocations have not been achieved, the corporation will develop mechanisms to address this by examining factors such as:

- the likelihood any variation from targets may be addressed through normal program development, over time;
 - whether additional programs should be developed to encourage investments in particular activity areas; and
 - whether it make sense to limit expenditures that might take place in any activity area to allow for greater expenditures in other areas.
- the likelihood that any variation may be addressed through normal program development, over time;
 - how to encourage greater participation of Forest Renewal BC partners to develop appropriate projects in particular regions; and
 - whether it makes sense to limit expenditures in particular regions to allow for greater expenditures in others.

Regional criteria

If expenditures do not adequately reflect equitable regional distribution Forest Renewal BC will address this by examining factors such as:

REGIONAL EQUITY

The *BC Forest Renewal Act* requires Forest Renewal BC to develop and implement a program of expenditures to help renew the forest economy in a way that is regionally equitable. On the face of it, the principle of regional equity may seem simple—regions should receive a fair share of Forest Renewal BC investments—but putting the principle into practice poses a number of challenges.

The first challenges is to define a region. There were many options possible, but Forest Renewal BC has decided to use the same regions as those employed by the Ministry of forests. This is the most efficient way to work with the ministries, forest companies and partner organizations when it comes to planning and implementing programs.

The challenge of determining what is equitable poses a different set of considerations. For example, arguments have been made that Forest Renewal BC’s funding should be directed into the regions in the same

proportions s the forest industry derives revenue from those regions. While this thinking is easy to understand, it fails to consider the overall, province-wide objectives established for Forest Renewal BC. The corporation may choose to invest more in the regions contributing less revenue because these regions may require greater transition assistance.

Because of the complexity of the equity issue and the desire for Forest Renewal BC investments to serve multiple objectives, a number of factors, including the origin of stumpage and royalty revenue, must be considered as the corporation implements a regionally equitable expenditure plan. In this way, Forest Renewal BC can be confident that its program of expenditures will be balanced and can be adjusted over time to address both types of equity concerns—equity based on contribution to revenue and equity in achieving overall Forest Renewal Plan objectives.

1995/96 Program Plans

FOREST RENEWAL BC's is in the process of establishing a wide base of programs. There are a number of programs and projects which the corporation has approved for funding during the fiscal year 1995/96. A description of the challenges in each activity area and a summary of the 1995/96 programs and current funding commitments follow. Forest Renewal BC will make additional funding commitments during the year in order to meet its overall 1995/96 program expenditure target of \$250 million.

LAND AND RESOURCES

Harvest levels in British Columbia's forests are subject to downward pressure for several reasons. A provincial review of timber supplies indicates that in general, reductions in harvest are required to achieve sustainable levels. The new *Forest Practices Code*, and other integrated management considerations, will further affect harvesting. The impact of land use plans and establishment of protected areas will also affect harvest levels. Complicating any initiatives to address

GUIDING PRINCIPLES FOR FUNDING PROGRAMS AND PROJECTS

Forest Renewal BC will fund only those proposals that help accomplish objectives of the Forest Renewal Plan. Those objectives are to renew the land and keep the forests healthy; to invest in the forest lands which generate much of our wealth; to ensure sustainable use and enjoyment of our forests; to ensure the continued availability of good forest jobs; and to ensure the long-term stability of communities that rely on the forests.

Incrementality: Forest Renewal BC will only invest in programs and projects that would not otherwise be undertaken by government or project proponents.

Wise spending: Funding for all Forest Renewal BC programs and projects will be efficient, economical, and effective.

Regional equity/sensitivity: Programs and projects funded by Forest Renewal BC will contribute to achieving the goals of delivering regionally equitable programming and obtaining regional input into decision making.

First Nations participation: Programs and projects funded by Forest Renewal BC will encourage the participation of First Nations at the planning and implementation stages.

Community stability: Programs and projects funded by Forest Renewal BC will enhance long-term community stability, with an emphasis on local jobs.

Jobs: Forest Renewal BC investments will sustain or create jobs or create conditions which support permanent jobs.

Sustainability: Forest Renewal BC investments will promote sustainability by integrating environmental, economic, and social objectives and benefits.

Environmental values: Programs and projects funded by Forest Renewal BC will contribute to restoring and maintaining the ecological integrity and environmental sustainability of the forests.

these trends is a lack of information about our current forests and changes taking place in them.

In addition to the potential for reduced economic activity based on the forests, reductions in harvest levels have severe implications for workers and communities that rely on the jobs associated with the harvest, manufacture and sale of forest products.

Current management practices will not sustain present harvest levels for the near term. Forest Renewal BC has an opportunity to foster enhanced forest management to ensure the prosperity of British Columbia's forest and forest-based economy. Forest Renewal will work to:

- enhance the productive capacity of forest lands and to increase sustainable harvest levels;
- increase the value and volume of timber available for harvesting;
- encourage improved and innovative harvesting techniques to maximize value from timber and to minimize impact on the forest environment;
- increase the amount of available forest lands by bringing into production lands suitable for forest activities, and by investing in site rehabilitation;
- promote environmental, economic and social stability;
- facilitate information gathering and research and development to fill in knowledge gaps in the areas of forest inventories, growth and yield, modeling of enhanced forestry, alternative silviculture systems; and
- invest in forest health protection to maintain the well-being of our existing forest resource.

ENHANCED FORESTRY PROGRAM

Funding for 1995/96: \$26.5 million.

The goals of this program are to increase forest productivity; enhance the value of timber harvested, increase the area of provincial forests by bringing marginal agricultural lands into forest production and to create jobs and the conditions that support permanent jobs.

Funding over the coming fiscal year will be used for spacing, pruning, brushing and fertilizing young forest stands and preparing sites for replanting in areas where productivity can be increased. It will also support surveys to collect information and evaluate site conditions. This includes measuring the results of silviculture treatments and putting in place plans for increased investment in future years. Funding will also support studies into the effect of different silviculture systems on non-timber resources, employment, timber supply and worker safety.

Forest Renewal BC will fund projects not normally undertaken by government or industry. Lands eligible for

INVESTMENTS POLICY FOR PRICE LANDS

Forest Renewal BC will make investments only on Crown lands, except where investments on private land offer significant benefits to a region or the province.

For example, Forest Renewal BC may consider funding research and development projects of private lands where everyone will benefit from the results of that research

Exceptions to the general policy of investing only on Crown lands will be assessed on a case-by-case basis.

treatment under the Enhanced Forestry Program include Crown land harvested prior to 1987 and areas of Crown land harvested after 1987 which are now free-growing.

The Ministry of Forests will assist Forest Renewal BC in the technical review of projects and their administration to ensure they are consistent with legislated requirements for investment in the land base and Forest Renewal BC's objectives.

In March 1995, Forest Renewal BC published a handbook which outlines how to apply for funding under this program, eligible activities, how proposals will be evaluated, and the process for completing projects. As of April 7, 1995, Forest Renewal BC had already received 321 proposals for enhanced forestry work. Proposals have come from major forest licensees, communities, and others. A number of them are partnership proposals between licensees and First Nations, industry, labour and others. These proposals are being reviewed and as many as possible of those that meet the requirements for funding will be implemented in 1995/96. Those that meet the requirements, but cannot be implemented this year (because of staffing constraints) will be implemented next year. Approximately 560 person-years of employment will be created through this program in 1995/96.

PROJECTS WHICH GENERATE REVENUE

Projects that pay for themselves, for example, commercial thinning which generate more revenue than they cost, are not eligible for Forest Renewal BC funding

However, projects that generate less revenue than they cost will be considered. Some commercial thinning projects are in this category. Because they are likely to add value to the stand at final harvest, they can be considered for Forest Renewal BC funding.

In general, Forest Renewal BC will pay the difference between the cost of the project and the revenue generated. The proponent must show, in detail, the value of the wood harvested. Forest Renewal BC reserves the right to audit and recover any profits made as a result of the wood being sold at a price higher than forecasted.

CONTRACTING POLICY

One of Forest Renewal BC's primary objectives is to encourage partnerships among forest sector stakeholders. To encourage joint proposals, the corporation has developed a unique contracting policy.

Where proponents will be undertaking projects with their own employees or members of a partner organization, direct awarding of contracts will be permitted as long as proposed project costs are competitive.

Where Forest Renewal BC works to generate activities

with specific partners, direct awarding of contracts will also be undertaken.

Alternatively, where a proponent intends to sub-contract project work, Forest Renewal BC will normally require that work be awarded through a competitive tendering process. This will help ensure employment opportunities are broadly available to qualified contractors and project costs are kept competitive.

RESOURCE INVENTORY PROGRAM

Funding for 1995/96: \$11.2 million.

The main goal of Forest Renewal BC's Resource Inventory Program are to aid and improve forest resource planning and decision-making, and to facilitate the integration of non-timber resource values.

Sustainable forest management requires better information on timber and non-timber resources, including ecosystem identification data. Improved inventory information will also be important in implementing the *Forest Practices Code*.

The Land and Resources component of the Resource Inventory Program will focus on vegetation—timber, shrubs and other plants.

Products to be delivered through the Resource Inventory Program include databanks, maps, analytical tools, training materials and employment for the British Columbians involved in creating the products. Based on the funding provided, Forest Renewal BC expects to produce a total of 3,600 sets of data and create approximately 194 person-years of employment in 1995/96.

The improved data will be used to help set priorities, establish direction for Forest Renewal BC activities, and to provide integrated planning toward sustainable forest management.

As of April 7, 1995, Forest Renewal BC had received 21 inventory proposals valued at \$11.3 million.

The Ministry of Forests and the Ministry of Environment, Lands and Parks will act as Forest Renewal BC's agents to review plans, advise and deliver—through partnerships with industry, First Nations, environmental groups and other stakeholders—inventory activities to meet Forest Renewal BC's objectives. Approximately \$8.1 million of the \$11.2 million identified for this program will be for contracts delivered by the private sector.

WOODLOT EXPANSION PROGRAM

Funding for 1995/96: \$6.8 million.

The Woodlot Expansion Program will double the number of woodlot licences in the province so that by 1997 there will be up to 500 new woodlot licence opportunities. Forest Renewal BC expects that this will increase the allowable annual cut managed under woodlot licences to about 1 million cubic metres.

The objectives of the program are to:

- promote excellence in forest management;
- increase the amount of private forest land under sustained yield management;
- improve the productivity of small parcels of Crown and private forest land;
- increase opportunities for citizens to be directly involved in small-scale forest management initiatives; and
- provide extension and technical assistance services to woodlot licence holders.

This program will be administered by the Ministry of Forests on behalf of Forest Renewal BC. Funding will be used to increase the Ministry of Forest's capability to issue and manage woodlot licences and to provide extension services, such as training, to small operators through private forestry consultants. Approximately 160 woodlot licences will be advertised, and an estimated 118 person-years of employment will be created through this program in 1995/96.

LAND AND RESOURCES RESEARCH PROGRAM

Funding for 1995/96: \$16.1 million.

Forest Renewal BC is committed to funding research and development activities. The corporation is undertaking a comprehensive assessment of research needs, and has already supported high priority projects in growth and yield and in tree improvement. Forest Renewal BC will continue funding for growth and yield and tree improvement research, and as it continues its assessment, will fund other immediate research priorities in hardwood management, silviculture systems and extension.

Growth and yield: This program includes the development and analysis of growth and yield data and the establishment of permanent sample plots where new silviculture approaches to improve growth and yield can be tested.

Tree improvement: This program is designed to increase the quality and quantity of seedling stock used in the province's reforestation program with an emphasis on

breeding for wood quality, pest resistance and increased growth rates.

Hardwood management: The focus for the 1995/96 program is on hardwood silviculture, including growth and yield enhancement, mixed wood management, and a study of the effectiveness and impacts of vegetation management options.

Silviculture systems: The 1995/96 program will focus on testing new silviculture approaches for high elevations on the coast, and for dry interior Douglas fir ecosystems. Research projects are designed to study the implications of alternative systems on forest health, regeneration, site productivity and operational feasibility.

Extension (Information Sharing): The 1995/96 program will focus on knowledge management through the creation of an Internet information-access system and on introducing a regional hardwood specialist to encourage hardwood utilization.

By the end of April 1995, Forest Renewal BC had received 238 proposals, valued at \$50.6 million, for land and resources-related research. Proposals have come from

WORKING IN PARTNERSHIP

To make the most of its investment funds, forest Renewal BC is working with partners to deliver its programs. Forest Renewal BC can only invest in activities that are incremental to those done by either government ministries or the private sector. However, Forest Renewal BC can realize significant efficiencies and avoid costly duplication of knowledge, skills and infrastructure by working with the partners in forest renewal.

Forest Renewal BC has contracts with government agencies to administer specific programs because these

agencies already have the necessary structures in place. Once Forest Renewal BC has approved the programs, these agencies manage and monitor contracts signed with the private sector partner who are doing the work.

Through this approach, the great majority of forest renewal work is undertaken by non-government partners including forest companies, community and environmental organizations, universities and colleges, and First Nations.

universities and colleges, forest companies, government agencies and others. Land and resources research programs will be administered by the Ministry of Forests and by the Science Council of B.C., on behalf of Forest Renewal BC. Those proposals that are technically sound and meet the interim requirements for research funding will be considered for funding this year. Additional funding for 1995/96 may be allocated to this program once Forest Renewal BC's review of research and development needs is completed. Approximately \$11 million of the research projects will be implemented by non-government agencies. An estimated 283 person-years of employment will be created through this program in 1995/96.

ENVIRONMENT

British Columbia's forests are rich and diverse. They provide and sustain a variety of environmental values, such as clean water and a diversity of plants and wildlife. At the same time, they support a wide range of industries, including fishing, recreation, tourism, mushroom gathering and others. Forest Renewal BC's environmental vision is to enhance and sustain that richness and variety for future generations of British Columbians.

To realize that goal it is necessary to consider the whole forest ecosystem, not just the flow of wood and other products from it. This requires:

- maintaining natural ecosystem processes and functions and limiting impacts on the ecosystem;
- restoring damaged ecosystems;
- maintaining viable populations of all native species across their natural ranges;
- maintaining cultural and spiritual values in the forest;
- enhancing fish and wildlife habitat;
- supporting research in forest harvesting practices, particularly alternative harvesting systems;
- undertaking research and development to determine sustainable harvest levels; and

- defining opportunities for sustainable forest management on lands not currently in forestry production.

Forest Renewal BC measures to enhance the environmental values of the forest land base include:

- rehabilitating unused roads;
- helping to improve watersheds by restoring stream channels and fisheries habitat, and repairing sites damaged by landslides;
- improving soil conservation;
- supporting a field inventory program for biological values and other non-timber resources;
- enhancing fish and wildlife habitat;
- developing recreational infrastructure; and
- providing jobs.

WATERSHED RESTORATION PROGRAM

Funding for 1995/96: \$70 million.

Forest Renewal BC's Watershed Restoration Program will renew environmental resources and provide jobs. The program is designed to accelerate the recovery of damaged watersheds. It will:

- act as a bridge from the former harvesting practices and standards established by the *Forest Practices Code*;
- diversify employment in the forest sector;
- provide community-based jobs, training and stewardship opportunities throughout the province; and
- shorten by decades the time needed to restore fisheries and other aquatic and forest resources damaged by old harvesting practices.

The Watershed Restoration Program is an integrated approach to restoring whole watersheds. The program involves resource agencies, industry, communities and First Nations working in partnerships. Projects are delivered by qualified proponents who demonstrate their ability to carry out restoration work and who submit proposals that meet program goals. The program is administered jointly by Ministry of Forests and Ministry of Environment, Lands and Parks on behalf of Forest Renewal BC. These ministries plan, manage and monitor the program at the individual watershed level. Approximately 86 per cent of the funding for watershed restoration projects will be provided to private sector companies and individuals. An estimated 856 person-years of employment will be created through this program in 1995/96.

The following types of activities will be funded:

- assessment of watersheds and preparation of plans and detailed prescriptions;
- semi-permanent and permanent road deactivation or rehabilitation;
- upgrading of roads to mitigate environmental impacts;
- rehabilitation of slopes, gullies, riparian zones and streams for erosion and sedimentation control; and
- restoration of fish and wildlife habitat damaged by past forest practices.

In March 1995, Forest Renewal BC published a handbook which outlines how to apply for funding under this program,

RESEARCH WORKING GROUP

Forest Renewal BC recognizes that greater understanding of our forests and our forest activities is vitally important to achieving sustainability. There are major gaps in our understanding of such important areas as complex forest ecosystems, growth and yield, alternative harvesting techniques, reforestation, silviculture practices, and value-added manufacturing processes and opportunities.

Forest Renewal BC is determined to increase understanding in these and related areas and to convert that understanding into practical improvements in the way forests are managed. To achieve this, Forest Renewal BC will invest in scientific research and development, particularly related to activities in the Land and Resources, Environment and Value-added activity areas.

During the 1995/96 fiscal year, Forest Renewal BC will establish a Research Working Group. This working group will consist of two members from each of the five

activity area committees to help ensure co-ordination of support for research programs. The Research Working Group will provide advice and recommendations to the Board of Directors on expenditure priorities, program guidelines, and delivery mechanisms.

The initial task of the Research Working Group will be to assess needs and priorities in research and development. Forest Renewal BC will be better able to plan and implement a major research program after this initial assessment.

Next, the Research Working Group will examine options for delivering Forest Renewal BC's research and development activities to ensure they will be carried out efficiently and effectively. Once these activities are completed, Forest Renewal BC will accelerate its research and development programs.

eligible activities, how proposals will be evaluated, and the process for completing projects.

As of April 7, 1995, 266 proposals had been received by Forest Renewal BC for watershed restoration projects, totaling \$56 million. These proposals are being reviewed and as many as possible of those that meet the requirements for funding will be implemented in 1995/96. Those that meet the requirements, but which cannot be implemented this year (because of staffing constraints) will be implemented next year.

RESOURCE INVENTORY PROGRAM

Funding for 1995/96: \$13.8 million.

The goals of Forest Renewal BC's Environment Resource Inventory Program are the same as those under the Land and Resources Inventory Program: to aid and improve forest resource planning and decision making and to facilitate the integration of non-timber resource values. In the Environment Inventory Program, this includes developing inventories on all biological components of the province's forest lands, including fish and wildlife habitat, biodiversity, soils, minerals, aboriginal cultural and heritage features and recreation. With improved information, the impact of forest management practices can be better evaluated and priorities set.

Products to be delivered through the Resource Inventory Program will include databanks, maps, analytical tools, training materials and employment for the British Columbians involved in creating the products. Based on the funding provided, Forest Renewal BC expects to produce a total of 4,400 sets of data and create approximately 240 person-years of employment in 1995/96.

The improved data will be used to help set priorities and establish direction for Forest Renewal BC activities and to provide integrated planning toward sustainable forest management.

Calls for proposals went out in April 1995. Proposals will be given technical review by the Ministry of Forests and the Ministry of Environment, Lands and Parks on behalf of Forest Renewal BC. They will then be built into regional business plans for review and approval by Forest Renewal BC. Approximately \$9.9 million of the \$13.8 million identified for this program will be for contracts delivered by the private sector.

ENVIRONMENT RESEARCH PROGRAM

Funding for 1995/96: \$5.3 million.

In addition to the priority areas for research and development identified under the Lands and Resources Research Program, additional research is urgently required in biodiversity and alternatives to clearcutting. These activities will be funded through the Environment Research and Development Program. Extension activities will also be funded to ensure that the results of research and development are shared with those who may benefit from them.

Biodiversity: The focus for the 1995/96 program is on understanding natural landscape patterns and processes, managing riparian systems, and sustaining sensitive species.

Alternatives to clearcutting: Focus for this program in the coming fiscal year will be on the biological and socio-economic impacts of harvesting practices and new, alternative approaches to harvesting.

Extension (Information Sharing): The 1995/96 program will include a review of current extension activities to determine long-term requirements, and a pilot program to encourage regionally based ecosystem management extension activities.

As of April 7, 1995, Forest Renewal BC had received 311 proposals valued at \$22.6 million for environment-related research. Proposals have come from universities and colleges, forest companies, government agencies and others. The environment research program will be administered by the

Ministries of Forests and Environment, Lands and Parks, and by the Science Council of B.C. on behalf of Forest Renewal BC.

Those proposals that are technically sound and meet the requirements for research for research funding will be considered for funding this year. Those that meet funding requirements but which cannot be implemented this year will be implemented next year. Approximately 70 per cent of the research projects in these areas will be undertaken by non-government agencies. An estimated 93 person-years of employment will be created through this program in 1995/96.

VALUE-ADDED

One way to maintain or increase economic benefits from our forests is to obtain more value from each cubic metre of wood harvested. This is the key concept behind Forest Renewal BC's goals of expanding the value-added sector and diversifying wood processing in the province.

At present, there are about 500 value-added manufacturing facilities in British Columbia which turn lumber into products of higher value. The sector must meet a number of challenges before it can grow and prosper,

VALUE-ADDED FINANCING

When the Forest Renewal Plan was announced in April 1994, the government indicated financing programs might be created to ensure entrepreneurs have the support needed to establish and expand companies that produce and sell value-added wood products. Forest Renewal BC has not yet established any financing programs and is reviewing its policy in this area.

Many representatives of the value-added sector have told Forest Renewal BC that it should concentrate activities on assisting remanufacturers to gain access to lumber supplies— through projects like the remanufacturing supply initiative that Forest Renewal BC will fund this year and on marketing — instead of helping to expand production capacity in the remanufacturing sector.

Existing remanufacturers are concerned that providing financing to private firms who give them an unfair competitive advantage over established or new firms that have not had such support.

Other concerns have been voiced about lumber supply and competition in markets. Because access to lumber is a significant problem for remanufacturers, encouraging new entrants into the sector through financing programs may only exacerbate an already tight wood supply. In addition, providing financing to encourage the production of more remanufactured products when markets are potentially saturated, may not be useful.

Forest Renewal BC, with the Assistance of the Value-added Committee, will clarify the extent to which the corporation offers support for private sector investments. Until this issue is resolved, Forest Renewal BC will focus on supporting those initiatives which assist the remanufacturing sector in the areas of improving access to wood, training, technology transfer, and market development.

Wood supply: Along with manufacturers of commodity lumber, value-added manufacturers face increasing difficulty in obtaining sufficient supplies of lumber of the right species, in the right sizes, and at an economical price.

Capital: Many value-added firms face some difficulty in obtaining financing, whether debt or equity, to allow expansion of their operations and penetration of new markets.

Marketing: Many value-added companies are looking towards export markets in order to expand. Marketing expertise, which is critical to success, varies in this sector.

Research and development: Access to the right kinds of technology or funding to carry out product and process research and development is often a constraint to growth in this sector, especially among smaller, independent manufacturers.

Training and education: With the advent of sophisticated machinery in many wood manufacturing facilities, the need for well trained workers has increased markedly.

To be successful, Forest Renewal BC programming in this area will need to address the key impediments to growth and diversification. Strategic objectives for value-added funding include:

- getting more value from each tree cut;
- assisting remanufacturers to gain access to lumber supplies;
- providing training;
- providing technology transfer;
- promoting activities which assist forest industry diversification;
- supporting increased processing of the wood supply, and increasing the manufacturing of wood products;
- increasing opportunities and jobs in value-added activities; and
- identifying potential markets for value-added products.

In 1995/96, Forest Renewal BC began its important activities in this area by funding a computerized Wood Fibre Network with a start-up cost of \$300,000. This computer bulletin board will allow buyers and sellers of wood to find each other by computer link-up. This will help ensure that companies willing to do more with the public's timber have quick and efficient access to the wood they need.

In addition, Forest Renewal BC will fund \$705,000 for start up and first year operating costs of a remanufacturing supply initiative to increase the supply of wood for independent secondary and further manufacturers of forest products.

Several feasibility studies and the second Kootenay value-added wood forum have also been funded.

WORKFORCE

One of Forest Renewal BC's fundamental goals is to create jobs and to help in the development of the future forest worker who will be trained to work in many different jobs in the forest sector.

To achieve this goal, the corporation will work to create conditions which support permanent jobs and to ensure that forest workers have the training and skills they need to seize employment opportunities. These goals are critically important to the prosperity of workers, communities and the province as a whole.

Historically, the forest industry has been labour-intensive. Employment was plentiful and, in many cases, few technical skills were required. In recent years, however, the forest industry has changed dramatically. Greater mechanization of harvesting practices and modernization of processing plants have displaced workers. The forest industry is now more capital-intensive and the workforce generally more skilled. The inevitable evolution of technology within the industry will continue to redefine the skill requirements of the workforce.

Changes in the way forestry is carried out on the land base will affect the workforce.

Forest Renewal BC is an agent for workforce change. Funding directed to intensive silviculture, environment programs, value-added manufacturing, as well as workforce and community development will create new jobs. Forest Renewal BC will also assist in training for the “new forest worker.”

To achieve success, Forest Renewal BC’s workforce programs will:

- create and maintain jobs in the forest sector;
- maintain jobs through investments consistent with Forest Renewal BC’s mandate;
- provide a link between job loss in the forest sector and employment created by Forest Renewal BC;
- work closely with workers, industry, educators, communities and First Nations to identify real training needs and opportunities and to deliver training in a practical and efficient manner;
- create training programs that will provide existing and future workers with skills to meet new opportunities in the forest sector;
- work closely with the value-added manufacturing sector of the forest industry to fill existing shortages of skilled workers in some areas; and
- overcome challenges created by geography and the distance from major learning centres by adopting distance education methods that will allow workers to be trained where they work.

The role of the Forest Jobs Commissioner on Vancouver Island is to identify, categorize, contact and provide employment, training, and adjustment counseling to forest workers who are laid off. Two Resource Jobs Commissioners have also been established in the Cariboo and the Kootenays. Forest Renewal BC is working closely with the Commissioners to develop plans to retrain workers within the forest industry. The corporation will provide funding for

many of the activities proposed to retrain workers, and for activities that will provide new work and training opportunities. Forest Renewal BC has already funded several industry-led projects to provide workers with skills to undertake work funded by Forest Renewal BC.

COMMUNITIES

Many communities throughout British Columbia depend on the forest industry. A 1993 survey by the Ministry of Finance and Corporate Relations divides the province into 55 areas, many of which include more than one community. In 27 areas, the forest industry is the major source of income. In 15 of them, 40 per cent of income comes from the forest industry.

For many years, British Columbia’s forest industry has generated wealth, high income employment and general prosperity. However, dependence on the forest industry has resulted in instability in many communities.

Because of the cyclical nature of the forest industry, communities are vulnerable to fluctuations in demand and prices for their forest products on world markets. The consequence is a boom and bust pattern. Limited economic diversification accentuates the problem.

Many communities are also affected by technological developments. Changes in timber harvesting and processing technologies — such as automated sawmills — have displaced large numbers of workers. The introduction of new technologies creates new opportunities but it can be disruptive.

Communities are concerned about projected decreases in available timber supplies which will result in fewer jobs and more instability. New land use plans will also affect communities

Compounding the instability problem is the fact that many communities feel they are controlled by outside forces. Global conditions are responsible for demand, prices, currency

values, interest rates and technological developments and innovations. Corporate decisions are often made in Vancouver or elsewhere and annual allowable cut determinations and other government decisions are made in Victoria. This lack of control produces frustration within communities. Forest Renewal BC's programs will help communities have more control over their destinies.

Forest Renewal BC's mandate is to strengthen communities, support their development and help them adjust to changes in the forest industry. The corporation's Communities initiatives will include:

- helping communities develop their own solutions;
- advancing economic diversification opportunities within the forest sector by creating new jobs in enhanced forestry, environmental clean-up, forestry research, inventory, value-added processing, and other areas;
- ensuring that programs funded in other activity areas provide opportunities for continued local employment; and
- providing First Nations with full access to all community development activities and investments.

Forest Renewal BC is establishing programs in 1995/96 to address these issues. Initially, the corporation will provide funding for community-based planning staff to work with communities to provide for community transition and adjustment planning, and identification of community adjustment resources.

FOREST RENEWAL BC REVENUE & EXPENDITURES (5 YEAR PROJECTIONS)

	94/95 ¹	95/96	96/97	97/98	98/99	99/2000	TOTAL
TOTAL REVENUE	\$454,864,349	\$430,000,000	\$430,000,000	\$375,000,000	\$325,000,000	\$350,000,000	\$2,364,864,349

ACTIVITY EXPENDITURES ²							% OF TOTAL	
Environment	\$9,653,663	\$90,000,000					\$301,844,824	15.00%
Land and Resources	\$18,634,054	\$121,000,000	<i>Specific expenditure projections for years</i>				\$1,006,149,414	50.00%
Workforce	\$4,737,474	\$16,000,000	<i>subsequent to 1995/96 will be established</i>				\$402,459,765	20.00%
Community Development	\$23,636	\$13,000,000	<i>in each annual business plan.</i>				\$150,922,412	7.50%
Value-added	\$4,250,000	\$10,000,000					\$150,922,412	7.50%
TOTAL PROGRAM EXPENDITURES ⁴	\$37,298,827	\$250,000,000	\$450,000,000	\$450,000,000	\$425,000,000	\$400,000,000	\$2,012,298,827	100.00%

TOTAL PROGRAM EXPENDITURES ⁴	\$37,298,827	\$250,000,000	\$450,000,000	\$450,000,000	\$425,000,000	\$400,000,000	\$2,012,298,827
CORPORATE EXPENDITURES ³	\$2,325,949	\$15,812,000	\$17,000,000	\$17,000,000	\$17,000,000	\$17,000,000	\$86,137,949
TOTAL EXPENDITURES	\$39,624,776	\$265,812,000	\$467,000,000	\$467,000,000	\$442,000,000	\$417,000,000	\$2,098,436,776

FUNDS AVAILABLE FOR PROGRAM EXPANSION	\$165,239,573	\$229,427,573	\$142,427,573	\$50,427,573	\$0	\$0
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PROGRAM CONTINUITY FUND	\$250,000,000	\$350,000,000	\$400,000,000	\$400,000,000	\$333,427,573	\$266,427,573
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NOTES

¹ 1994/95 expenditures are estimates only, as the corporation's financial statements were not finalized at the time these projections were prepared.

² Activity expenditures for 1994/95 and estimated expenditures targets for the years beyond 1994/95 are as follows:
Amounts shown as "long-term expenditures reflect prior year's approvals expended in the current year.

	94/95	95/96	96/97	97/98	98/99	99/2000	TOTAL
Annual Expenditures	\$37,298,827	\$225,000,000	\$400,000,000	\$400,000,000	\$325,000,000	\$300,000,000	\$1,687,298,827
Long-term Expenditures	\$0	\$25,000,000	\$50,000,000	\$50,000,000	\$100,000,000	\$100,000,000	\$325,000,000
	\$37,298,827	\$250,000,000	\$450,000,000	\$450,000,000	\$425,000,000	\$400,000,000	\$2,012,298,827

³ Corporate expenditures as a percentage of:

	94/95	95/96	96/97	97/98	98/99	99/2000	AVERAGE ALL YEARS
Annual Expenditures	0.5%	3.7%	4.0%	4.5%	5.2%	4.9%	3.6%
	5.9%	5.9%	3.6%	3.6%	3.8%	4.1%	4.1%

Includes all costs such as salaries, benefits, travel, office overhead, communication, systems etc.

⁴ Total projected expenditures are based on the long-term targeted percentages established for each envelope.

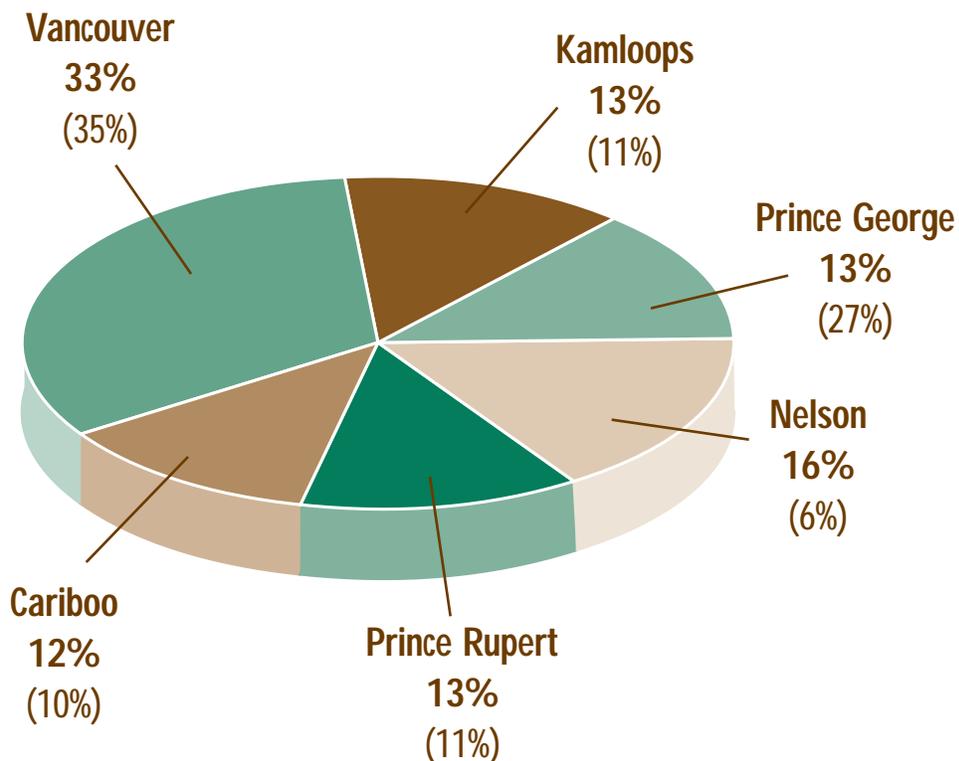
FOREST RENEWAL BC EXPENDITURES BY REGION 1994/95

	REGIONAL EXPENDITURES	REGIONAL EXPENDITURES WITH PROVINCE WIDE EXPENDITURES ALLOCATED BY REGION
Cariboo	\$3,003,824	\$4,500,686
Kamloops	\$3,356,715	\$4,853,577
Nelson	\$4,443,446	\$5,940,309
Prince George	\$3,167,666	\$4,664,528
Prince Rupert	\$3,501,776	\$4,998,639
Vancouver	\$10,844,226	\$12,341,088
Province-Wide ¹	\$8,981,174	n/a
TOTAL	\$37,298,827	\$37,298,827

¹ Province-wide includes any project having broad multi-regional impact regardless of location of proponent. this includes the \$8.5 million contribution to the University of British Columbia towards the Centre of Excellence in Advanced Wood Products and the \$481,174 to Western Wood Products forum towards the development of Forest Practices Code training and other miscellaneous projects.

1994/95 FOREST RENEWAL BC EXPENDITURES

(Historical Stumpage and Royalty Contributions)¹



FOREST RENEWAL BC DRAFT BALANCE SHEET*

As at March 31, 1995

ASSETS

Cash and Short Term Investments	\$255,083,850
Due from Province of British Columbia	187,585,938
Accounts Receivable	91,946
Prepaid Expenses	16,960
	<hr/>
	\$442,778,694
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LIABILITIES

Accounts Payable and Accrued Liabilities	\$ 1,023,125
Project Expenditures Payable	19,857,176
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	\$ 20,880,301
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EQUITY

From Operations	\$421,898,393
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	\$442,778,694
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*The BC Forest Renewal Act requires that a statement of assets and liabilities be included in Forest Renewal BC's business plan.

At publication, the above figures were not final.

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