

# Future forest management in British Columbia: A proposed vision, goals, and forest management framework

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## Abstract

During a time when British Columbia's forest policy is undergoing unprecedented change, a lack of clarity surrounds what is desired for the forest industry and how future forests will be managed. This paper focuses on desirable changes to forest management to achieve sustainability. The author comments on current forest industry structure and recommends adoption of the Chief Forester's vision of the industry as ". . . the best managers of naturally forested landscapes in the world." A set of goals to achieve this vision is outlined and a forest management framework is proposed that includes strategic direction, management instruments, and a system to implement the strategy. A draft "Sustainable Forest Management Contract" is presented for discussion. This instrument could address the limitations associated with current area- and volume-based tenure requirements and provide companies with a stake in long-term forest management.

**KEYWORDS:** *forest policy, British Columbia, sustainability, proposed forest management framework.*

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## Introduction

Historically, the forest industry was the economic engine that built British Columbia. Starting on the Coast and Vancouver Island and then proceeding to the Interior, towns were created, investments made, roads, bridges, and railways built, and our lumber and pulp shipped all over the world.

Today, other industries have dramatically increased their economic roles, but forestry remains a very important part of the provincial economy. However, an unfortunate perception has taken hold in British Columbia that the forest industry is in decline and losing its importance. The public read and hear the stories of mill closures and layoffs, of long-standing companies being swallowed by larger Canadian or U.S. corporations, of United States-imposed duties and trade restrictions—is it any wonder that many British Columbians think the industry has had its day?

I believe the forest industry's future is bright, and could be even brighter if our government and the province's forest companies show the entrepreneurial spirit, innovation, and commitment that built this industry in the first place. The independent sawmill companies that exist in the Interior are examples of these forces at work. Entrepreneurs used what they had learnt in developing coastal operations to build an industry in the Interior of the province, where logs are smaller and wood is of lower quality. The result is an industry that contributes in a major way to the provincial economic engine. In British Columbia, we produce an excellent product in some of the world's most efficient mills, our workforce is highly skilled, and our standards for forest management and environmental protection are world-class. We must build on these strengths. However, this will require changes in our institutional arrangements and the way we conduct our business.

The Government of British Columbia identified, as part of its *New Era* agenda for the province, “a leading-edge forest industry that is globally recognized for its productivity and environmental stewardship” (BC Liberals 2001). Two critical components within this broad provincial vision will determine whether (and how) it will be achieved. These relate to the desirable structure of the industry and the future forest condition. If broadly

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accepted visions for these two components exist, they have not been clearly communicated. Consequently, I am forced to take the view that they do not exist.

British Columbia's forest policy is undergoing unprecedented change. The lack of clarity around what we desire for the forest industry and how the forest will be managed prevents us from determining whether the existing legislation will achieve the broad provincial objectives—what are the priorities, how do they fit together, where are the gaps? Answers to these questions are best obtained when one has a clear vision of where we need to go and a strategy to move in that direction. In this paper, I focus on desirable changes to forest management—the “future forest condition” component of the broad provincial agenda. I put forward the provincial Chief Forester's vision for the future of the forest industry, submit a set of goals to achieve this vision, and propose a forest management framework that includes strategic direction, management instruments, and a system to implement the strategy. However, a few comments on current industry structure will provide some context for the forest management recommendations that appear later in the paper.



## Forest Industry Structure

Some people in the province think that the only way to compete in a global market place is through large companies and large mills. Certainly, the British Columbia economy benefits from companies who enjoy the advantages of large-scale production efficiencies and have the ability to provide product to sizeable customers. In addition, companies can also be fortified through vertical integration, or producing a variety of forest products. However, many small- and medium-sized companies have done very well by capitalizing on their innovative and entrepreneurial skills. At the same time, we have experience of large companies that have not performed well in the global market place. Also, there are examples where innovation has been encouraged by the association of woodlands with a mill (e.g., Lignum, Gorman Bros). Small, medium, and large companies clearly have their unique strengths.

Rural communities are also concerned about corporate commitment to community stability. Company size does not dictate whether a corporation has a long-term commitment to the communities in which it operates. However, small- and medium-sized companies tend to be more sensitive to this important public value as evidenced by the relationship of Dunkley Forest Products and Lignum to their local communities (e.g., Prince George, Quesnel, 100 Mile House, Williams Lake).

Ideally, the British Columbia forest industry would include a healthy mix of company sizes and configurations: small woodlot managers; community forests; small and large land managers with or without sawmills; large integrated companies that manage land, sawmills, and pulp mills; and companies manufacturing value-added products. Each brings a specific benefit to the province's economy, stability to provincial communities, and innovation. However, in my opinion the greatest benefit to the provincial economy is through the cumulative contributions of a mixed forest industry composition.

Couple the entrepreneurial spirit, innovation, and commitment latent within the forest industry with a mix of company sizes and configurations and a supportive forest policy and legislation package, and we will be well on the way to creating "a leading-edge forest industry that is globally recognized for its productivity and environmental stewardship."

## Provincial Vision and Goals

The forest industry is still a dominant economic driver (see [www.cofi.org](http://www.cofi.org)). In my opinion, however, the lack of clarity surrounding future strategies and actions in the forest sector prevents a greater level of confidence that this dominance will continue. Some of the building blocks exist, but others are missing. What follows are my recommendations for bolstering the forest industry and filling the critical gaps necessary to achieve the forest management component of the overall provincial vision and to increase the public's support for forestry.

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*We should decide what we want from the forest before going to the toolbox of forestry policies and practices.*

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British Columbia's Chief Forester, Larry Pedersen, initially enunciated a vision for the forest industry in 2000 at the "Identifying Knowledge Gaps to Support Sustainability in BC's Natural Resource Sector" workshop held in Victoria, B.C. (Southern Interior Forest Extension and Research Partnership 2000):

*As a jurisdiction, British Columbia needs to be positioned as and seen to be the best managers of naturally forested landscapes in the world. We must produce products that are valued and embraced in the market place.*

This vision can only be achieved if the forest industry, government, and academic institutions work co-operatively and collaboratively towards this common goal.

On the forest management side, we should heed the advice of Dr. Gordon Baskerville, former Dean of Forestry at the University of New Brunswick. In 1986, he recommended that we decide what we want from the forest *before* going to the toolbox of forestry policies and practices. To date, however, we have not adopted this approach; instead, we have focused on the "toolbox," such as the Forest Practices Code requirements. To realize the Chief Forester's vision, we must follow Dr. Baskerville's recommendation. A vision devoid of goals and a strategy will not provide the necessary guidance to decision makers. I submit the following set of goals for discussion, as I believe they will help us move toward Larry Pedersen's vision for the forest industry.



1. A *globally competitive and innovative industry* operating under a social license that incorporates social, economic, and environmental sustainability.
2. An *efficient and effective bureaucracy* that both assists the industry in achieving public goals and ensures that Crown assets are maintained for present and future generations.
3. A *reasonable return on Crown assets* to the Province from globally competitive provincial companies.
4. A *forest sector environment that encourages investment* at least to the level of the annual capital depreciation.
5. A *practice of sustainable forest management* based on science to ensure equal or greater benefits will be available from the forest for the next generation.
6. A *forest industry that realizes the greatest return from the timber resource* and that is economically sound under provincial conditions.
7. An *operating environment for the forest sector that provides clarity* on what is required by the industry and certainty for long-term investment.

*I believe that both the forest industry and the Government should endorse and work towards the Chief Forester's vision and an agreed upon set of goals.* This agreement will guide our collective forest sector decision making and allow us to demonstrate that we are meeting the expectations of the local, regional, provincial, national, and international communities and customers.

## Forest Management Framework

To realize the Chief Forester's vision and accomplish the goals outlined above, we require a forest management framework that includes strategic direction, management instruments, and a system to implement the strategy.

### Sustainable Forest Management: A Strategy

The British Columbia forest industry and the Government must decide whether the industry will become *forest managers* or remain *forest harvesters*. We have arrived at a point in our history where we can see both the end of harvesting the "original" forest in the next several decades and the need for a managed forest that supports the future industry and contributes to the provincial economy. Many European countries and the United States experienced this situation in the past. The question facing our provincial forest sector is whether we will begin to adjust our framework and strategy now

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## *Area-based management is fundamental to the practice of sustainable forest management.*

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or, like other countries, wait until a crisis arises. It is obvious that we must move towards becoming forest managers as soon as possible to avoid a crisis.

A broadly accepted goal at the international, national, and provincial level is to practice sustainable forest management (SFM) (United Nations 1992; Canadian Council of Forest Ministers 1998; B.C. Ministry of Forests [no date]). This concept, when implemented, involves setting a strategy that moves forest management towards sustainability. However, no single set of numbers or achievements clearly identifies when one has "arrived" at a sustainable endpoint.

The Canadian Council of Forest Ministers (CCFM) developed a national forest strategy that includes criteria for measuring progress towards SFM (Canadian Council of Forest Ministers 1992).<sup>1</sup> This strategy has received international recognition as a demonstration of forest management leadership. The Chief Forester's vision of the provincial forest industry fits well within this national approach. If the CCFM criteria were augmented with those produced through the international process for the temperate forests called the "Montreal Process," the combined criteria could guide our advances towards SFM in a very effective manner. The adoption of these criteria, supplemented by any other requirements identified by our customers, will provide a highly credible framework for forest management. It would also allow us to communicate and report to the international community in a cohesive and integrated manner.

### Sustainable Forest Management Contract

Area-based management is fundamental to the practice of sustainable forest management. In the British Columbia context, area-based management can occur under the Tree Farm License (TFL) tenure, which applies to approximately 25–30% of the Crown forestland base, or the Timber Supply Area (TSA), in which tenure falls to

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<sup>1</sup> In May 2003, the CCFM criteria were updated at the National Forest Congress.



volume-based Forest Licenses (FL). In both cases, a specific area is identified upon which a management strategy could be applied. Under a TFL tenure, the company has a de facto contract (albeit deficient in my opinion) with the Government to practice forest management on a specific area. However, the TSA situation is most problematic because companies have limited involvement in the management decisions taken under their FL contracts. The overall management in these areas is the responsibility of the Government.

Achieving the Chief Forester’s vision begins with management of the forest. The forest industry, Government, environmentalists, and others generally support the position that sustainable forest management is best accomplished through area-based management. However, the province’s current tenure system includes less than 30% of the Crown land base under this type of management. Over 70% of the Crown land base is under volume-based licenses. These arrangements encourage:

- fragmented planning of forest management,
- reforestation activities that minimize short-term costs, and
- limited long-term forest management expenditures.

If we are to capitalize on the innovation and potential investment that exist within the forest industry, companies must be provided with a stake in the long-term management of the forest and its benefits. The current contractual requirements associated with volume-based tenure limit our progress towards sustainable forest management. Table 1 summarizes SFM

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requirements and gaps associated with the volume-based tenure system.

If we are to achieve the forest management component of the Chief Forester’s vision, we must improve the volume-based tenure arrangement in British Columbia. We need to provide the mechanisms to correct the deficiencies of this system and encourage area-based management. This type of management would require:

- short- and long-term forest management plans at the landscape and forest management unit levels,
- reforestation plans that are directed towards short- and long-term forest stand and landscape objectives and targets, and
- investment incentives for long-term forest management activities.

While the TFL tenure has the capability to deliver on these three objectives, this potential could be enhanced by modifying the contractual arrangements between the Government and the company (see the description of my proposed contract below).

TABLE 1. Sustainable forest management requirements versus current requirements under the volume-based tenure system

Sustainable forest management requirements	Current requirements
Identify area resource objectives and targets	Government identifying objectives and targets for Timber Supply Areas (TSA), but not broken down to company operating areas
Compile necessary resource information	Conducted by government on TSA basis, but no company responsibilities
Identify future forest condition	Not done in a cohesive or complete manner
Prepare short- and long-term plans	Short-term goals only prepared by companies, with some long-term goals set in legislation
Implement monitoring and adaptive management	Not done in a consistent and comprehensive manner
Conduct third-party audits	Conducted by most major companies as response to customer requirements; Forest Practices Board conducts compliance audits



The current volume-based tenure arrangement requires companies to plan the harvest of specific blocks, reforest them, and treat the areas until they are “free to grow” on their own. The remaining management responsibility resides with the Government. Given the recent reductions in government resources, this management approach will not achieve the Chief Forester’s vision unless the industry becomes more involved in long-term forest management decision making and implementation activities.

We must either change the tenure system or modify the existing volume-based system to encourage area-based management with long-term benefits for the Government. *I propose that we retain the current tenure system, but add a contractual arrangement between the Government and the forest companies to address the limitations associated with both the present area- and volume-based tenure requirements.*

The “Sustainable Forest Management Contract” I envision would:

- apply to the existing operating or chart area, or TFL area
- address the need for area-based management and provide incentives for long-term forest management
- reflect the joint management responsibilities of Government and the company under a model where the Crown owns the land base and companies conduct the management
- identify the area on which the management would be conducted
- identify the responsibilities and contributions of both parties to meet the SFM objectives of the province and encourage industry participation in achievement of those objectives
- realize the benefits of area-based management for both parties and build on the positive components of the present volume-based tenure requirements
- offer incentives, specific to each company, to enter into the contractual arrangement

To facilitate discussion and clarification of the proposed concept, a draft of a generic “Sustainable Forest Management Contract” follows the Reference section. The proposed contract should provide the flexibility to incorporate incentives specific to each company, but still maintain the overall “boilerplate” requirements. It is expected that each company will desire the inclusion of elements that would advance their corporate objectives and fit within their corporate

philosophy. Some examples of what might be included in the contract are:

- security of a known timber supply
- freedom to manage the timber harvest over time to meet corporate objectives
- funding arrangements to advance the timber asset for Government and the company
- support for building relationships with First Nations that meet the needs of Government, the company, and First Nations
- freedom to manage the land base to achieve Government objectives and targets in a cost-effective way
- efficient and effective compliance and performance auditing methods that reduce corporate costs

It is expected that the primary incentive for companies to enter into a Sustainable Forest Management Contract will be determined in each case by the *package*, consisting of all the components of the contract, and not by the individual items.

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It would be possible to implement this contractual arrangement under a modified version of the B.C. Ministry of Forests’ Defined Forest Area Management (DFAM) concept (see [www.for.gov.bc.ca/hfp/dfam-website/index.html](http://www.for.gov.bc.ca/hfp/dfam-website/index.html)). Necessary changes would include the option that DFAM areas be a portion(s) of a TSA, such as a single licensee planning or chart area. Currently under a DFAM, all TSA licensees must subscribe to a common forest management approach. This is problematic in many instances. However, we should not lose the primary value of the DFAM concept (i.e., area-based management). *I recommend we utilize this concept to assign the FL operating or chart areas or TFL areas of companies as DFAM areas to which the sustainable forest management contract would be applied.*

The lack of treaties with First Nations in British Columbia continues to result in uncertainty within the forest industry and investment community. I believe we



need to move ahead in signing treaties. However, this could take a number of years to complete. The approach envisaged in the Sustainable Forest Management Contract would not preclude or affect the signing of treaties. The proposed contracts could allow a greater involvement of First Nations in forest management decision making and include reference to changes that may be required after treaties are signed. It allows for a movement towards area-based management without creating area-based tenures, which could be challenging in the present situation.

Public confidence must be maintained in Government and industry management of the province's largest asset. A company's acquisition of a Sustainable Forest Management Contract should not be viewed or treated as an award. *These contractual arrangements should be continued and renewed as long as the performance of both parties is according to the contract and the arrangement is beneficial to the company and the Government.* In the event that the company or Government does not live up to the conditions of the contract, either the performance would have to be rectified or the contract cancelled. In resolution of such a situation, compensation would be one consideration available to the parties. If the company does not perform, Government would be expected to cancel the contract and enter into an arrangement with a new partner. If Government does not fulfill its commitments, the company would have recourse to court action, an option any contract between two private parties provides.

### **Forest Management System**

Once we have established the incentive to conduct area-based management through the Sustainable Forest Management Contract, the focus must shift to the forest management system. Numerous pilot projects (e.g., Innovative Forestry Practices Agreements, Enhanced Forest Management Pilot Projects, Forest Practices Code Pilot Projects) conducted over the last decade were all directed at improving area-based management. We need to capitalize on what has been learned from these pilots.

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Sustainable forest management involves the balancing of environmental, social, and economic values over the long term. While SFM requirements are presently being implemented across the province, the approach is neither co-ordinated nor consistent. Moreover, it is not clear whether the current system will lead to the achievement of the Chief Forester's vision or the draft goals outlined in this paper. Until resource management objectives and targets are identified for a particular area and long-term plans prepared to demonstrate how these will be attained, a declaration that SFM is being conducted may be questioned. Sustainable forest management can only be confirmed by filling the gaps identified in Table 1.

Over the past decade, land allocation plans for particular geographic areas (i.e., land use plans) were identified based on land use planning processes undertaken throughout the province. Land use plans developed through this extensive public involvement process incorporate values from various interests in a balanced way that meets overall provincial goals. This process ensures that identified public values are used to guide activities in the areas identified for forest management. The Chief Forester's vision clearly recognizes that forest management will concentrate on maintaining natural forest conditions, while realizing social and economic benefits from the forest. Government is in the process of developing objectives, targets, and strategies to guide the delivery of the intended results of the land use plans. The assignment of all or portions of these objectives to a specific DFAM area will assist in the achievement of the Chief Forester's vision and should be implemented through the proposed Sustainable Forest Management Contract.

The challenge lies in identifying objectives, targets, and strategies that reflect public values, but are *not so specific that they prevent companies from being innovative in the delivery of the desired outcomes.* This is a major shift in government culture and will take vigorous



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monitoring by senior managers to ensure success. Industry should receive guidance on the desired outcomes, but not be hamstrung by details on how to achieve them. The objectives provided to companies should be broad and practical, and not subdivided to the extent that the concept of results-oriented management is lost. However, with the initial sets of resource management objectives and targets, companies have been given both the expected “results” and how to achieve them in considerable detail, which suggests that Government wishes to remain in the business of forest management and not of forest regulation. If so, the forest industry will remain forest harvesters and not become forest managers.

As our values change and new information becomes available, the need for additional knowledge will always be with us. This does not prevent us from preparing short- and long-term resource management plans based on existing resource data and information. However, an up-to-date resource database is essential if these plans are to have credibility. Continually evaluating various public values will also help. If we are to achieve the Chief Forester’s vision, an agreement is required between the landowner (Government) and the land manager (forest company) to supply the necessary inputs of public values and resource data and to provide for their continual updating. The cost of this requirement is fundamentally the responsibility of the landowner. However, an opportunity exists through the proposed Sustainable Forest Management Contract to achieve the necessary funding by using incentives (e.g., recognizing the costs in stumpage payments, enhancing the freedom to manage, funding research and development arrangements, and building a partnership between the Government and company).

Once the resource databases are compiled, short- and long-term plans can be produced that outline how the management scenario will achieve the future forest condition, as reflected in the DFAM area objectives and

targets. A company or Government can only demonstrate the achievement of SFM objectives and targets by formulating a strategic forest level plan and monitoring progress over time. The Ministry of Forests is proposing the development of Sustainable Forest Management Plans (SFMP), which could provide an excellent mechanism to enhance public and customer assurance. The SFMP would apply to the DFAM area previously discussed, and all companies would be required to produce a SFMP to guide further operational plans. These plans would outline a management scenario to achieve the future forest condition; then, by using currently available models and techniques to project the current condition of each resource indicator through time, the plan would describe how and when the objectives and targets would be achieved. Finally, a public involvement process would be required for Government approval of the SFMP.

It is one thing to identify the future forest condition and demonstrate, using models, how a particular management scenario will achieve this condition over time. However, progress towards this end requires constant monitoring, which can be very difficult and costly if all components of each resource value are measured. Therefore, the use of indicators of the future forest condition is essential to monitor progress and demonstrate movement towards SFM. Monitoring may identify that the objectives and targets are not attainable with the identified management scenario. This would not necessarily mean a change in objectives or targets, although it might in some instances. It would require both “passive and active” adaptive management to change the way in which the future forest condition is achieved. In such a case, the manager would need to evaluate the data and the practices to determine whether a change in management was required. This process would also include the evaluation of new information that may come from research or on-the-ground observations.

Research, development, and extension are critical to both move towards SFM and achieve the Chief Forester’s vision. Forest management in British Columbia must

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remain science-based. Including an aggressive, focused, ongoing research program within the overall approach to forest management will greatly assist in identifying and filling knowledge gaps. To be successful, we must incorporate the need for research as part of the forest management philosophy of both companies and the Government. We need a viable and innovative research and development community, consisting of universities, research institutes, private researchers, and government research departments, working co-operatively and collaboratively. These research institutions must direct a significant amount (e.g., 80%) of their effort to filling the knowledge gaps surrounding the achievement of provincial resource management objectives and targets. This model would allow us to capitalize on the existing expertise and available funding, and advance our achievement of the vision.

In my opinion, the forest industry and Government are not applying a substantial amount of the research knowledge we already have available. An acceptable forest management system must include a significant extension and continuing education program that keeps field practitioners current with research and other developments. The data and information from existing research must be integrated into the monitoring and adaptive management component of the forest management system.

Government, as the landowner, must be a major contributor of the funding required to conduct forest management practices beyond "basic forest renewal." It must also play a significant role in advancing research and promoting its application in forest land management. Our experience over the last decade has shown that an investment of \$300 million per year can be delivered effectively and efficiently towards maintenance of the \$250 billion timber asset (R. Winter, B.C. Ministry of Forests, unpublished data) we have in British Columbia. This funding should be over and above the present expenditures that Government and industry direct towards forest renewal. It seems reasonable to invest at least one tenth of one percent of the asset's value on an

annual basis to ensure that future generations of British Columbians can benefit from our forests.

I believe that if this investment is directed towards the priority areas identified in the long-term strategic plans (i.e., SFMP), we will improve the contribution of the forest industry to the provincial economy. To remain viable, any business must continually invest beyond the basic day-to-day expenditures. This is also the case in forest management. *It is just sound business!* Governments and the forest industry must work co-operatively to acquire the required funding.

Company management decisions will play a critical role in achieving the Chief Forester's vision and associated goals. Failure of corporate executives to incorporate SFM principles into their business will make the attainment of the vision and goals problematic. The forest industry must make a commitment to continually upgrade their personnel's knowledge. In addition, if we are serious about realizing the vision and achieving public and customer support for our forest management, the advancement to SFM must become a significant (e.g., at least 20%) portion of a manager's performance measures. If industry is not prepared to make these changes, we should remain forest harvesters and not become forest managers.

The public and customers have clearly stated they require a third party to assess whether a company is achieving the desired objectives. This is presently accomplished through various forest certification systems. Regardless of which system is used, a clear set of SFM measures must be defined. The identification of the future forest condition and associated indicators based on broadly accepted SFM criteria would help to demonstrate performance. To be credible, a summary of the results of third party audit(s) must be made public. Through incentives, Government should encourage companies to obtain third-party certification. In this regard, a company's commitment to undertake third-party auditing could be included in the sustainable forest management contract.

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## Summary

In this perspective paper, I have focused on desirable changes to forest management and have described:

- a *vision* for the British Columbia forest industry
- a *set of goals* to move us towards this vision
- a *framework*, consistent with national and international sustainable forest management criteria, that:
  - promotes innovation and the realization of the vision, and
  - provides a stake by companies in long-term forest management through legal “Sustainable Forest Management Contracts”
- a *management system* that:
  - clarifies the proposed future forest condition relative to public values identified through multi-stakeholder processes
  - demonstrates how the future forest condition will be achieved in the short and long term
  - monitors progress towards the future forest condition
  - includes third-party public reporting through certification or other means relative to the land manager’s performance in achieving the future forest condition
- a *Government–Industry investment partnership* that provides for continual capital investment in the province’s \$250 billion timber asset

This strategy is designed to provide the public and customers with the assurance that British Columbia’s forests are sustainably managed, to guarantee that the forest industry remains a major economic force in the province, and to ensure that the benefits of provincial forests are here for future generations.

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## Generic Sustainable Forest Management Contract

This draft contract, between the Province or “Ministry” and the “Licensee,” is presented to stimulate discussion. It contains only those sections of the contract that would be related to sustainable forest management issues. It is expected other administrative sections would be required.

### 1. INTERPRETATION

1.1. **Definitions:** In this Agreement, these words and phrases have the following meanings:

- “Applicable Laws” means the *Forest Act* and the *Forest and Range Practices Act*;
- “Forest Act” means the *Forest Act of British Columbia*, as it may be amended and reenacted or replaced from time to time, together with all its regulations;
- “Forest and Range Practices Act” means the *Forest and Range Practices Act of British Columbia*, as it may be amended and reenacted or replaced from time to time, together with all its regulations;
- “DFAM” means the Defined Forest Area Management, as it may be altered, expanded, or contracted in accordance with this Agreement from time to time.

### 2. CREATION OF DFAM

- 2.1 The Minister designates the DFAM as the Licensee’s DFAM, subject to the terms in this Agreement. The DFAM is identified in Schedule “A.”
- 2.2 During the term of this Agreement and any of its renewals, but subject always to Applicable Laws and to the Licensee’s compliance with the terms of this Agreement, the Licensee shall be authorized to harvest from the DFAM at least the annual volume set out in Schedule “A,” and the Ministry will not grant cutting rights, tenures, or other permits within the DFAM to any other person without the prior consent of the Licensee.
- 2.3 The DFAM may be altered, expanded, or contracted from time to time by mutual agreement between the Ministry and the Licensee.

### 3. LICENSEE’S OBLIGATIONS

- 3.1 Fulfill the commitments of Forest License (FL) with the following additional items:
  - 3.1.1 The Licensee, once every five years (or more often if the Regional Manager reasonably determines it is necessary to effectively carry out the proposal and to be consistent with the Applicable Laws) shall prepare, for approval by the Regional Manager, a forestry plan to implement a Sustainable Forest Management Plan (SFMP).
  - 3.1.2 The Licensee shall, before submitting a SFMP to the Regional Manager, make its draft plan available for public comment through open-house sessions in at least “X” communities and obtain the following input for the Regional Manager’s consideration:
    - comments from the public at the open-house sessions
    - comments from the British Columbia Ministries of Forests; Water, Land and Air Protection; and Sustainable Forest Management, following submission of the draft SFMP to the Region Manager

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- 3.1.3 The Licensee shall also submit to the Regional Manager and make available to the public, as required by the Regional Manager, an annual report contrasting the projections, as set out in the SFMP.
- 3.1.4 Hold annual, local public information sessions about the results of meeting or moving towards the SFMP goals and objectives.
- 3.1.5 When the SFMP is approved by the Regional Manager, the Licensee shall be obliged to carry out the forest practices as set out in the plan and to otherwise comply with the plan.
- 3.1.6 Where the Licensee, at any time after the initial approval by the Regional Manager, wishes to make changes to the SFMP, the following shall apply:
  - a. The proposed changes shall be submitted in writing to the Regional Manager for approval.
  - b. If the Regional Manager is satisfied that the proposed changes merit further consideration, the Regional Manager may do either of the following:
    - If the changes are not significant (as determined by the Regional Manager), approve the changes.
    - If the changes are significant (as determined by the Regional Manager), require the Licensee to obtain the same input as the Regional Manager required under subsection 3.1.2, or other input as the Regional Manager shall deem appropriate.
- 3.1.7 Where required by the Regional Manager, the Licensee shall, as a component of the SFMP, using the existing FL or Tree Farm License (TFL) Allowable Annual Cut (AAC) as a base, develop an AAC for the DFAM using the assumptions and methodologies applied to determine the current AAC for the Timber Supply Area (TSA) or TFL and approved by the Chief Forester.
- 3.1.8 The Licensee shall provide, as a component of the SFMP, a monitoring plan specifying what will be monitored, how it will be monitored, and a schedule of inspections.
- 3.2 Work with other licensees in the TSA or TFL to implement TSA or regional forest health and forest protection plans.
  - 3.2.1 When (if) an insect epidemic occurs within a company DFAM and the harvest cannot be handled within the company's annual cut, other licensees will be asked to assist and conduct the harvesting according to the DFAM manager's standards. When the epidemic harvest is under control, the DFAM manager will be allowed to harvest an equivalent amount in the other companies' DFAMs and according to their standards [this model allows for an even flow of harvest, which is good for the companies and Government].
- 3.3 Identify forest management standards that will be applied to meet Ministry-identified resource management objectives and targets.
- 3.4 Implement the SFMP within the available funding constraints.

... continued on page 13



. . . continued from page 12

#### **4. MINISTRY OBLIGATIONS**

- 4.1 Refrain from any AAC take-back, if the Licensee's commitments within the DFAM are being met.
- 4.2 Identify practical and realistic resource management objectives and targets for development of the Licensee's SFMP.
- 4.3 Provide the Licensee freedom to manage within the approved SFMP using a results-based approach to performance measurement that minimizes administration for both parties.
- 4.4 Recognize, in stumpage payments, the costs of SFMP implementation for activities beyond basic industry standards.
- 4.5 Review a timber supply analysis submitted by the Licensee as per a SFMP.
- 4.6 Allocate to the Licensee any increase of AAC attributed to the activities of the Licensee.
- 4.7 Prepare and deliver to the Licensee written reasons about any decision made to increase or decrease the Licensee's AAC . The reasons shall be subject to public disclosure according to the constraints of the *Freedom of Information and Protection of Privacy Act*.

#### **5. TERM AND RENEWAL; TERMINATION**

- 5.1 The term of this Agreement will coincide with the term of the Licensee's tenures. If (and so often as) the Licensee's tenures are renewed, so too shall this Agreement be renewed, provided that:
  - 5.1.1 The Licensee is not in default of any obligation under this Agreement; and
  - 5.1.2 The AAC under the Licensee's tenures is at least as large as the allowable volume available for harvest within the DFAM.
- 5.2 An "Event of Default" under this Agreement will occur if:
  - 5.2.1 The Licensee or Ministry fails to perform or comply with any of the terms of this Agreement.
  - 5.2.2 The Licensee or Ministry fails to perform or comply with the terms and conditions applicable to the Licensee's tenures.
  - 5.2.3 Any information, statement, certificate, report, or other document given by or on behalf of the Licensee pursuant to this Agreement is, to the Licensee's knowledge, untrue or incorrect at the time that it was given to the Ministry.
- 5.3. If any Event of Default occurs, the Ministry will give written notice to the Licensee and, if such Event of Default is not rectified within 90 days of such notice, the Ministry may:
  - 5.3.1 Terminate this Agreement; and (or)
  - 5.3.2 Withhold, or suspend issuance of, cutting permits or like permissions under the Licensee's tenures.

**Schedule A** – Legal description of forest tenure(s) held by Licensee and the DFAM to which this agreement applies.

**Schedule B** – Agreement of specific commitments and obligations.

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