

REPORT

The Next Level of Success

Using the woodlot levy to assist BC woodlots



A new forest rising

Woodlot Product Development Council (WPDC)

August 2012

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Acknowledgements

This report was prepared by Jim Savage of Savage & Associates for the WPDC. Greg Lawrence, Rob Borsato and Al Waters provided extensive research support, contributed text to this report and prepared key background documents. The WPDC established a steering committee for the project that included Mike Larock, David Zirnhelt, Denise English and Chris Elden. Dave Haley of the FLNRO and many woodlot licensees provided helpful advice. A joint WPDC/FBCWA committee reviewed and approved the draft report for distribution; FBCWA representatives included Mark Clark, John Massier and Shawn Flynn. (Note that approval for distribution does not necessarily imply support for specific recommendations.)

Current WPDC Board and staff: Denise English (Chair), Mike Larock (Past Chair), Jim Collins, Ken Devick, Ken Pedersen, Steven Wright, David Zirnhelt, Mark Clark (Liaison , FBCWA), Dave Haley (Liaison, Min. Forests, Lands & Natural Resource Opns.), Greg Tegart (Liaison, Min. Agric. & Lands), Cathy McClary (Coordinator).

DRAFT FOR DISCUSSION

The Next Level of Success: Using the woodlot levy to assist BC woodlots

Woodlot Product Development Council August 2012

SUMMARY

In late 2011 the Woodlot Product Development Council (WPDC) commissioned a review of opportunities to aid woodlot licensees (WLs) to diversify and enhance revenues. The review did not focus on specific opportunities on the ground, since those would be unique to individual WLs, and extensive information is available on such opportunities. *The focus was instead on opportunities to use the woodlot levy and other resources to aid licensees.*

Work on this project included consultation with many people from the woodlot community and interviews with 47 WLs who were or are selling products other than sawlogs. In addition, interviews were conducted with twenty-five experts in forestry business extension and related areas. Background (“best practices”) research was conducted to learn what other woodlot-related organizations have done with similar challenges and opportunities.

WPDC developed this plan mainly because of two facts: 1) the WPDC has a \$2.14 million reserve fund that could be employed to directly aid WLs, and 2) poor economic conditions for woodlots have persisted in recent years. Both factors caused the WPDC leadership to consider how more can be done to assist WLs.

Note the following important points:

- This planning project is a cooperative organization-building exercise between the Federation of BC Woodlot Associations (FBCWA) and the WPDC.
- Some recommendations in this report may address matters that are already in the plans of the FBCWA or WPDC. The recommendations simply reflect the opinions of licensees, and their inclusion is not intended to duplicate planning already in hand.
- No decisions have been made regarding the recommendations in this report. Decision will be made following discussion with the membership and with the FBCWA.

Goal and scope of this planning project

The goal of this project is to develop a plan for the WPDC and its members that will guide decision making on how to use WPDC reserve funds to improve the economic situation of WLs. The perspective is relatively short term: the next five to ten years.

The scope of this project is primarily economic. However, since the project is heavily based on consultation with and input from woodlot licensees, in a few instances the scope stretches beyond purely economic matters.

Recommended approach for moving forward

1. Resolve governance challenges.



2. Develop joint strategic plans with evaluation measures and determine what, if any, major new actions will be taken.



3. If major new actions are to be taken, establish the rules and process for using levy funds, and implement organizational capacity improvements to foster and develop proposals.



4. Seek funding and implementation partnerships for proposals as required.



5. Apply rules and criteria established for the levy funds to new proposals.



6. Implement projects and programs.



7. Evaluate progress and revise approaches as required.

SUMMARY OF RECOMMENDATIONS

Note: A summary of cost projections for each of the twenty-one recommendations below are noted in Appendix 6. See the recommendations section for a discussion of each recommendation.

1. **Woodlot management recommendation #1:** To provide greater flexibility for WLs to harvest during periods of better log prices, a WL holder should be able to purchase the right to harvest any sustainable AAC that wasn't harvested by the end of a five year cut control period.
2. **Woodlot management recommendation #2:** Provide greater assistance to licensees for RESULTS reporting.

3. **Woodlot management recommendation #3:** FBCWA should communicate with WL holders identified in FLNRO RESULTS reports as having overdue free growing obligations to determine if free growing has been achieved, but simply not reported in RESULTS.
4. **Woodlot management recommendation #4:** Investigate the possibility of a woodlot licensee's management plan proposing a zero or minimal AAC without completing a re-inventory or AAC calculation for the woodlot licence.
5. **Woodlot management recommendation #5:** Seek resources to compensate licensees for recreational users and augment interpretive work.
6. **Woodlot business development recommendation #1:** Facilitate access to financing for WL license transfer and/or other business needs by developing a partnership with Community Futures BC or another appropriate lender.
7. **Woodlot business development recommendation #2:** Create an online service to advertise the sale of woodlots (either work with the owner of woodsourcebc.com to modify it for this purpose, or use a new website).
8. **Woodlot business development recommendation #3:** Revise, update and implement the FBCWA woodlot marketing support program proposed in 2004
9. **Woodlot business development recommendation #4:** Working with key partners, design an improved business extension support system to support licensees and others
10. **Investment recommendation #1: (Commitment of levy funds)** A portion of the levy reserve fund principal should be used to implement high priority work, such as organizational development, or to leverage major funding from other funders for key projects. Following implementation of key projects, projects should be funded through the annual levy proceeds and interest from the levy reserve.
11. **Investment recommendation #2: (Managing use of levy funds)** Establish an Initiatives Fund to provide grants for activities that lead directly to increased profitability (growth in revenues or decreased costs) for woodlot owners.¹
12. **Investment recommendation #3: (Managing use of levy funds)** Develop clear investment objectives and policies for the use of levy funds consistent with the WPDC mandate and strategic plan priorities.

¹ The WPDC already invites members to submit project grant proposals using a simple application form. Additional information may be sought depending on the application. Most of the grants are for less than \$2,000 and most pertain to communications work such as brochures and newsletters. A few studies have also been co-funded.

13. **Investment recommendation #4: (Organizational capacity for use of levy funds)** Contract an Initiatives Fund Coordinator to support implementation and management of the Fund.
14. **Governance recommendation #1:** WPDC and FBCWA should engage in a joint process to formally clarify their roles and responsibilities, consult with the woodlot community on those roles, update their strategic plans through a joint process, incorporate evaluation measures in plans, and conduct other organizational development tasks.
15. **Governance recommendation #2:** WPDC and FBCWA should update their strategic plans through a joint process and incorporate evaluation measures.
16. **Membership recommendation #1:** Working with, and ideally cost-shared with the FLNRO, woodlot organizations² should conduct a comprehensive survey process with its entire membership. Establishing an up to date and easily updateable contact list with telephone numbers, email addresses and websites will support this work.
17. **Membership recommendation #2:** Aggressively recruit private-only forest land holders to woodlot association membership.
18. **Administration/Operations recommendation #1:** Create a fee-for-service, for-profit arm of the FBCWA.
19. **Administration/Operations recommendation #2:** The WPDC and FBCWA should work together to improve the transparency of annual financial reporting on how the levy is used.
20. **Administration/Operations recommendation #3:** The WPDC or FBCWA should analyze why licensees are requesting levy refunds and whether there is a pattern to refund requests.
21. **Administration/Operations recommendation #4:** The WPDC or FBCWA should request that FLNRO conduct an analysis of projected woodlot AAC reductions due to the pine beetle.

TIMELINE FOR CONSULTATION

The WPDC, in consultation with the FBCWA, will undertake the following steps:

1. send this plan to all WLs and seek feedback, and encourage regional associations to convene meetings to discuss the draft,
2. revise the plan based on feedback,

² The term “woodlot organizations” in this report refers to one or both of the FBCWA and WPDC.

3. review the plan at the 2012 AGM in Ft. St. John, and at WPDC/FBCWA joint meetings to follow, and
4. make final decisions on the plan, integrate it with WPDC and FBCWA strategic planning work, and move forward with implementation.

PROJECT BACKGROUND

The WPDC was created in 1997 and is managed by a volunteer board of directors and a part time paid coordinator. It is empowered by the *Farming and Fishing Industries Development Act* to collect a levy from all WLs based on the Crown land portion of the annual allowable cut (AAC) of their woodlot.³ All 866 WLs are members of the WPDC.⁴

The levy is intended to help achieve aims set out in the original WPDC development plan and as amended by the WPDC. The core aims underpinning the WPDC are:

1. promote a positive image of the woodlot industry and its products,
2. educate the general public and buyers about the benefits of BC woodlots and small-scale woodlot management, and
3. initiate and/or support research and extension programs for the development and enhancement of the woodlot industry in the province.

This planning project focuses on the third aim, above.

See Appendix 1 to review goals from the 2008-2012 WPDC strategic plan and Appendix 2 to review aims from the 1997 founding plan.

GOAL AND SCOPE OF THIS PLANNING PROJECT

Due to the prudence of successive WPDC boards and AAC increases in the interior of BC following the mountain pine beetle (MPB) epidemic, the WPDC has retained about \$2.14 million in levy funds since inception.⁵ The following factors have led the WPDC to explore options for a practical plan: 1) annual revenue from the levy is returning to previous levels as MPB-driven salvage logging and AACs subside, and 2) most WLs have been negatively affected by post-2007 economic problems that impacted the forest industry.

³ The \$0.25 per cubic metre levy is refundable for the previous year upon request. Relatively few WLs request a refund.

⁴ According to the Ministry of Forests, Lands and Natural Resource Operations (FLNRO), there were 866 WLS as of March 31, 2012.

⁵ Reserve fund as of 2011. The funds have been placed with Philips, Hager and North, an investment firm, with a directive to invest the funds conservatively.

The goal of this project is to develop a plan for the WPDC and its members that will guide decision making on the continued use of WPDC reserve funds to improve the economic situation of WLs. The perspective is relatively short term: the next five to ten years.

The scope of this project is primarily economic. However, since the project is heavily based on consultation with and input from woodlot licensees, in a few instances the scope stretches beyond purely economic matters.

Looking ahead

Restructuring the woodlot licence program is one area into which this project has not ventured. That is despite, in particular, an extensive submission from Peter Sanders, co-founder of the first woodlot association in BC, co-founder of the FBCWA, the first president of the FBCWA, and FBCWA Life Member #1.

While not a WL licensee himself, Mr. Sanders owns and manages a substantial farm and woodlot in the Cariboo, and has wide knowledge of small forest holding management systems in many countries. He has a 50 year vision for the woodlot program, and offers the following advice:

“Let us look at the role that woodlots could play in social stability, the wide spectrum of possible goods and services, the potential spin-off benefits throughout society, and whether integration with other sectors of the social fabric might better service both individuals and society as a whole. Let us look outside the Province, outside the country, let us look world wide for possible models and answers.”⁶

The “50 year vision” perspective can be valuable. The BC woodlot program is almost 65 years old, and started in 1948 when the BC population was slightly less than 1.1 million people. In the 50 years between 1961 and 2011, the BC population grew from 1.63 million to 4.57 million people (increasing slightly more than 2 percent per year on average). If the population grows at 2 percent per year on average going forward, the BC population will be 12.6 million people 50 years from now. Mr. Sanders asks what the role of the family forest will be at that time, and what should the woodlot community be doing now to anticipate what may happen?

ASSUMPTIONS ABOUT THE CURRENT SITUATION

Assumptions underpin objective-setting, so the following is intended to help reviewers decide if the right assumptions are being used.

Assumption #1: *The current and projected situation points to both a need and an opportunity for more action by woodlot organizations.*

⁶ Sanders, Peter R.W., RPF (Retired). *A vision for the BC woodlot sector: A discussion paper*. January 2012.

Sawlog prices across BC remain low for all or almost all WLs and many or most woodlots are barely economic. That is likely to remain the case until problems in the US housing market diminish or unless the end of MPB salvage logging creates a log-seller's market again. Both of those conditions are likely to take time to develop and other challenges may emerge. Therefore it's prudent to investigate opportunities for diversification and optimize woodlot revenues.⁷

There has been good progress by some WLs towards revenue diversification, but the following excerpt from the WPDC's original development plan in 1997—almost 15 years ago—appears to remain accurate:

“Nearly all products coming from woodlot licences consist of saw logs for local sawmills. Some poles, building logs, pulp logs and peeler logs are produced. Some regions of the Province, such as the northeast, do not have very competitive log markets and in these areas log prices are significantly lower than areas such as the central interior where the log market is more competitive due to the larger number of wood processing facilities in the area. Most licensees sell their logs as bush run logs and arrange the sale themselves.”⁸

The statement above is introduced as “appearing” to be accurate because there is no statistically valid data on what the 866 WLs now operating in BC and how they are faring economically. However, available anecdotal and survey information is summarized below:

- a. Virtually all WLs have a non-woodlot income stream; the woodlot is only one of the enterprises that most licensees are engaged in. Almost all woodlot revenue is from sawlog sales to local sawmills. This is partly due to the following:
 - i. Buyers prefer woodlot holders to sell logs as “bush run” logs and then buyers re-sort for higher value log grades (sometimes buyers can enforce this). In all or most cases, the woodlot holder receives no additional revenue for growing or producing high value logs.
 - ii. Consolidation of the major sawmilling industry has reduced the size and number of competitive log markets.
- b. Virtually all WLs have a non-woodlot income stream, and almost all WLs “work their woodlots” part time.
- c. Many or even most WLs obtain woodlot revenue from sources other than sawlogs, but few make a profit from those activities. In fact, making a profit from non-sawlog activities—or

⁷ It is recognized that there are two main options to consider: sell when the market is highest, and retain ownership in product development through to end-product.

⁸ McIntosh, Bill and Ken Devick, *Final development plan for the British Columbia Woodlot Product Development Council*, for the Woodlot Product Development Council Committee, Feb. 1997

even a modest “investment grade” profit from sawlog sales (say, 7 percent after tax)—may not be a primary objective for many WLs (in other words, the stewardship opportunity, being on the land, etc. may be more important or equally important).

- d. Due to lack of interest, expertise or realistic opportunities, it is likely that many WLs are not able to develop non-sawlog revenue for profit. However, many other WLs *are* interested in diversifying woodlot revenue streams, but perceived risks, lack of information, lack of momentum, lack of critical mass, and general scepticism are barriers.

Assumption #2: *The plan should aim at practical ways to assist WLs to increase woodlot revenues.*

The WPDC’s reserve fund would likely not have much impact if it was spread across all of the goals in WPDC’s strategic plan, and it will be a challenge to create a significant impact even if the funds are sharply focused. Therefore, it is assumed that an investment plan should be based on the research and extension principle and goals in the 2008-2012 strategic plan (see Appendix 1). It is furthermore assumed that most advances will come from a) a focus on special logs and other solid wood specialties and innovations, such as product/enterprise branding work, b) operational cost reductions, and c) non-timber forest products and services and emerging bio-products (as outlined in the review of business opportunities in Appendix 3).

This assumption is also based on feedback gained by the board of WPDC about what is important to WLs based on board members’ own experience, and their communication with other WLs.

Assumption #3: *The best results will come from focusing on business development for individual WLs or groups of WLs, not from a general focus on “the woodlot industry”*

Extensive information is available on “woodlot diversification” opportunities. It would not serve the WPDC well if those opportunities were simply recast in a new report, and generic marketing studies completed. Furthermore, there is enormous knowledge and expertise already within the WPDC membership. It is assumed that the key is to aid committed WLs with focused, timely and actionable information. Hence the need for a strong focus on extension.⁹

Assumption #4: *Successful implementation of an investment plan will increase opportunities for WLs to save on costs and/or generate more revenue. In turn, financially-sound licensees strengthen woodlot organizations by increasing capacity to support important initiatives.*

Assumption #5: *The investment plan will be coordinated through consultation with woodlot organizations to avoid duplication of efforts.*

Given the above assumptions, the following gains are expected to come from successful action to follow up on this plan:

⁹ “Extension” has many definitions. Here is one: “Assistance to woodlot owners to help them identify and analyze their production problems and become aware of the opportunities for improvement.”

1. increased ability of woodlot organizations to raise funds from other sources,
2. increased capacity for individual action by WLS,
3. increased capacity for collaborative action among WLS,
4. increased capacity for policy development and advocacy work by woodlot organizations, and
5. increased capacity to explore research and development opportunities.

COMMUNICATION AND CONSULTATION WITH WOODLOT LICENSEES

The WPDC reached out extensively to the woodlot community for this project. Approximately 100 woodlot licensees offered opinions and advice on different aspects of the project following the outreach steps noted below. The great majority of the input was in the form of constructive opinions on how the business situation for woodlots could be improved through use of the levy.¹⁰

Communication and consultation steps

1. The FBCWA president and general manager were consulted on project design in 2011 prior to the development of the attached planning document and the communication steps noted below.
2. A draft document explaining the planning project (a “scope” document) was sent to the executives of all woodlot associations in advance of Sept. 2011 Woodlot Conference/AGM, as well as to the FBCWA executive and GM. The local executives were asked to send it to their members if they wished, and to attend the AGM prepared to discuss it, or contact the WPDC if they had ideas or concerns.
3. The draft scope document noted in point #2, above, was distributed to every attendee at the Sept. 2011 annual woodlot conference/AGM at Harrison Lake. The document was discussed in plenary with all attendees and informally with many attendees.
4. The draft scope document was discussed with FBCWA directors at their AGM following the main conference/AGM.
5. Following the AGM, the draft scope document was revised based on feedback gained at the AGM, and sent to every woodlot licensee in BC with the Oct 2011 Almanac. That Almanac included a front page article on the project, and the draft scope document was accompanied by a letter from the WPDC president appealing for input and offering prizes for contributions. Following the AGM, three woodlot associations convened discussions on the planning doc and provided feedback.

¹⁰ While the great majority of woodlotters consulted for this project are supportive of this planning project, the fact that communications or consultations took place does not necessarily imply that all of those contacted are supportive.

6. The Dec 2011 Almanac contained another update on the project and all interested licensees were invited to join an advisory group that would see early drafts of project outputs.
7. Starting in Dec 2011, every woodlot association president in BC, the WPDC board and the FBCWA board (about 55 people in total) were sent an email asking for referrals to woodlotters who were perceived to be successful selling products in addition to sawlogs. The majority of FBCWA/WPDC directors provided referrals and in many cases engaged in discussions regarding the project. Over 90 innovative woodlotters were identified.
8. The Spring 2012 Almanac included an update on the project and a further appeal for input.
9. This plan will be sent to all licensees in BC to seek further feedback and to encourage regional associations to convene meetings to review the plan in its entirety.

The final steps in the planning process are:

1. Review the plan based on feedback,
2. review the plan at the 2012 AGM in Ft. St. John, and at WPDC/FBCWA joint meetings to follow, and
3. make final decisions on the plan, integrate it with WPDC and FBCWA strategic planning work, and move forward with implementation.

Advice received from licensees on how to use the levy is contained in Appendix 4.

BACKGROUND RESEARCH ON “BEST PRACTICES” FOR EXTENSION AND COOPERATION

As part of this planning project, the WPDC commissioned high level background research to identify and discuss best practices in extension services and collaborative activities pertaining to woodlot licensees in British Columbia.¹¹ The *Extension and Collaboration* report is intended to support the development of recommendations to the Woodlot Product Development Council for programs that would allow it to assist woodlot licensees in becoming more profitable by generating additional revenue and/or reducing costs related to their woodlot operations. The following are excerpts from that report, prepared by Greg Lawrence.

The *Extension and Collaboration* report

- a. profiles woodlot licensees, their extension needs and learning style preferences,
- b. defines extension services and cooperative models,
- c. describes existing extension and support services available to BC woodlots,

¹¹ Lawrence, Gregory M. *Extension and Collaboration: Secondary Research and Key Informant Interviews*. Prepared for the Woodlot Product Development Council, April 2012

- d. provides examples of best practices in forestry extension and collaboration,
- e. provides examples of best practices in other (non-forestry) extension and collaboration,
- f. discusses potential partnerships with related organizations ,
- g. summarizes key insights/findings from the work above [see below], and
- h. lists relevant resources discovered through the research process.

Methods

Information for the *Extension and Collaboration* report was gathered through secondary research and individual interviews. Over 40 reports, journal articles and briefings were reviewed; 30 were cited in the final report. Twenty-five individual interviews were undertaken with relevant association executives, academics, government representatives, extension experts, financing experts and leading woodlot licensees. Numerous websites were explored, many of which led to the reports and contacts listed above. All of the sources used in the *Extension and Collaboration* report are cited in that report's bibliography. Where possible, links to appropriate web resources are also included.

Not surprisingly, there was a broad variety of opinions on woodlot owner needs and what constitutes "best practice." There were, however, many repeated observations and trends that are captured throughout the *Extension and Collaboration* report and summarized in the Observations section of that report, below.

Summary observations

A key learning of the *Extension and Collaboration* report was that there are evidently no scientifically or quantitatively demonstrated "best practices" for woodlot extension services or collaboration. Various approaches are used, each specific to the environment, skills and interests of the participant group. As a result, there is no "magic bullet" that will suddenly enable woodlot licensees to enjoy new success. Success will come about as a result of "exceptional execution of an ordinary idea" and not from an undiscovered, game-changing competitive advantage. Accordingly, the examples and recommendations put forward should be looked at as options that only make sense where and when woodlot organizations and/or their memberships can identify the leadership, passion and skills required to successfully implement the concept(s).

Licensee demographics

1. The majority of woodlot licensees are older male individuals and the woodlot is not their primary source of income. Given those factors, it seems likely that the majority are not highly motivated to embark on significant new ventures related to their woodlots.
2. Selling logs to major licensees is predominant, with some primary breakdown and log house building. Initiatives that support improved prices for logs and/or cost reduction strategies would provide benefit to the majority of woodlot licensees. However, as noted, this is very challenging in the current market. That may change in significant parts of BC as the impact of mountain pine beetle-induced AAC reductions take hold.

3. There are few woodlot licensees producing non-timber forest products (NTFPs) or value-added products. In addition to limited and specialized markets, the lack of tenure for NTFPs makes them difficult to develop.
4. There is a need and opportunity for business succession resources: valuation, marketing and finance to support transition of woodlots to new and/or younger licensees.
5. Over half of woodlot licensees complete the majority of their own licence administration and field work. There is some opportunity to provide services for those woodlot licensees who do not complete this work themselves.

Extension needs and learning styles

1. The internet as an extension resource clearly holds significant promise. FORREX research rated the internet as the most frequently used resource, but other sources highlighted the challenges of computer literacy and the need for personal support in accessing information.
2. Personal and practical are key by-words in extension – workshops, demonstrations, field guides, and field visits are ranked highly.
3. The challenge is not a lack of information, but making it available at the time it is needed, in a form that is accessible to the user.
4. Peer-to-peer mentoring and networking match well to adult learners and woodlot licensees.
5. Peer-to-peer mentoring and networking provides an opportunity to utilize volunteer resources at lower cost than professional extension models.
6. The Master Woodland Manager Program materials are likely still available, and the copyright likely belongs to the Province of BC.

Extension Services

1. Traditional extension services focus on technical aspects of forestry and land management. In addition to these technical aspects, woodlot licensees are interested in business and market development initiatives.
2. It is not clear that existing services, e.g., FORREX, are being used effectively.

Collaboration

1. Cooperative approaches among woodlot owners have worked well in other jurisdictions.
2. There is a wide range of activities and programs that can be undertaken cooperatively.
3. Marketing boards have worked in other jurisdictions, but discussions indicate that woodlots will have very little ability to influence major licensees/log markets in much of B.C. There may, however, be opportunities to consolidate wood for specialty markets.
4. Not all woodlot licensees will embrace the concept of cooperation. Cooperative activities are most likely to be successful at the regional level. It would be up to each region to determine the level of cooperation that is appropriate, ranging from none, information sharing, equipment cooperation, collective marketing, and/or land management services.

Existing extension services

1. The FBCWA has the largest selection of woodlot-specific programs and services. It is expected that any new initiatives would build on the existing activities of the FBCWA.
2. FORREX has a wealth of information, but little incentive to tailor this information to the needs of small woodlot licensees. There is an opportunity to develop a more effective relationship with FORREX whereby existing resources are targeted toward woodlot licensees.
3. Woodlot licensees should be made aware of the activities and benefits of the regional silviculture committees.

Case Studies

1. There are many good examples of long-term successful extension and cooperative activities and organizations. These models are not immune from difficult markets, however, and many are struggling financially in the current environment.
2. Fundamentally, cooperatives work by making the interests of their membership central to their business model. Accordingly, they make sense where there is a group of individual woodlot licensees committed to working together to meet a clear business interest.
3. There may be an opportunity for consolidated land management services serving the needs of those woodlot licensees who are not interested in dealing with the mechanics of operating a woodlot licence. Although it is recognized that the majority of woodlot licensees entered the woodlot program because they wanted an active role in forest land management, it is reasonable to assume that this interest could be influenced by an opportunity to “make more money for doing less.” Consolidating land management would allow for economies of scale in relation to costs, as well as the ability to pool fibre for sale.
4. Peer learning, in a variety of forms, is increasingly seen as an effective extension approach both from a learning style and cost-effectiveness perspective.
5. Path-finding is also a common theme for the discovery of existing secondary information, relationship development and introductions to appropriate specialists.

Other observations

1. Given that there is no “magic bullet” and that any initiatives developed will require highly effective implementation, it is suggested that incremental investments will allow woodlot organizations to test various approaches rather than committing to a long-term program that risks a large piece of retained funds.
2. This may require an approach that emphasizes small experiments, with successful initiatives rolled out to broader audiences. Start with small projects rather than large programs.
3. Projects/initiatives need motivated and committed champions to move forward. This commitment can be measured by the amount of resources champions are willing to put toward initiatives – both in personal and monetary terms.

4. Local initiatives are better suited to cooperative activities, with the provincial organization(s) better prepared to address policy, representation of member interests, and the development of educational materials and opportunities.
5. Short term work is to inspire, support and educate.

INTERVIEWS WITH SELECTED WOODLOTTERS

As part of this planning project, the WPDC commissioned one-on-one telephone interviews with woodlot licensees and a few non-licensees who are or were selling woodlot products other than sawlogs.¹² Forty-seven people were interviewed.¹³ The *Woodlot interview report* supported the development of recommendations to the WPDC for the use of the levy. The following are excerpts from that report, prepared by Rob Borsato.

Purpose

The purpose of the interview project was to

1. gather information on how WLs are innovating to a) enhance revenues from sawlogs or other solid wood products, and/or b) diversify revenues through products and services other than solid wood;
2. learn about key barriers WLs have faced in developing innovations;
3. learn about what assistance, if any, WLs could have used in the past or may need in the future to help overcome barriers, and how (or whether) the WPDC could assist in future;
4. identify WLs who would be suitable for, and willing to participate in, WPDC discussion forums (note that those events were subsequently cancelled); and
5. inform other aspects of WPDC's business planning project.

The prospect list for these interviews was obtained mainly by contacting directors of the Federation of BC Woodlot Associations (FBCWA) to ask for referrals to “innovators” who are or were selling products in addition to sawlogs. Strong cooperation was received from FBCWA directors and 92 referrals were obtained from across BC.

¹² Borsato, Robert. *Report on telephone interviews with BC woodlot licensees and others obtaining woodlot revenue from non-sawlog sources*. Prepared for the Woodlot Product Development Council, May 2012.

¹³ For simplicity, all respondents are referred to as “woodlot licensees” or “WLs” except where specific reference is made to a person who is not a licensee.

In addition to capturing a snapshot of the number of woodlots owned vs. managed, their locations, sizes and timber profiles, and basic demographics on WLs, we learned what activities WLs are engaged in to generate additional income from their forested land base. We also learned WLs' rationales for these undertakings, significant obstacles or barriers they have encountered, previous efforts (both successful and not) to expand opportunities, and why they discontinued those activities. This one-on-one contact also afforded participants an opportunity to discuss their ideas for how (if at all) the Woodlot Product Development Council (WPDC) might support them.

Not surprisingly, many WLs cited the existing structure of BC's forest industry (i.e., dominated by a handful of major licensees trading on global markets) as a significant limitation to their achieving full value for the timber products on their woodlands. Especially under current economic conditions, with timber prices at rock-bottom lows, WLs have strong economic incentives to explore revenue options over and above selling timber "bush run" (unsorted) into the mainstream markets. All of the interviewees have done this.

At a basic level, logs are being sorted for quality and end-purpose (e.g. peelers, house logs, power poles, and pilings), and lower-quality wood is finding its way into the biomass fuel, shake/shingle, pulpwood, fencing markets. Slightly over half of those interviewed (53 percent) are adding value to their timber by milling some or most of it, then selling this directly or through brokerages, while others take it through further processing steps to the point where complete house packages are sold.

Another option that some WLs have explored is that of Non-Timber Forest Products (NTFPs): the selling of mushrooms, botanicals, mosses, saps and syrups, Christmas trees, etc. While these activities (with the exception of Christmas trees) have not provided high dollar returns for most participants, more interviewees are selling NTFPs than are selling shakes/shingles, fencing, export logs and pulpwood combined. NTFP sales are generally in their nascent stages of development.

Sixty-four percent of interviewees augment their revenue stream by providing related services. For example, some WLs who are Registered Professional Foresters manage multiple woodlots, while other licensees provide logging and or milling services, a few focus on education, and two provide recreational opportunities.

Twenty-eight percent of interviewees are selling biomass energy, mostly in the form of firewood, and 9 percent are selling educational services.

Most interviewees have developed sales of products other than sawlogs for economic reason (68 percent), but a strong minority (28 percent) are doing it primarily for personal reasons (e.g., to involve family members in the woodlot business).

When it comes to WPDC involvement, the overwhelming majority of respondents mentioned a need for marketing assistance, both with specific product development in mind, and with a need to circumvent the control that the major licence holders have over log markets. The other significant opportunity was in the provision of additional extension and training.

Methods

1. An interview template was developed and tested. The content was partly informed by previous WPDC surveys and suggestions from WPDC directors. It was designed to be specific enough to capture information fulfilling the objectives listed above, but also general enough to be adapted to those managing forest tenures other than woodlot licences (community forest licences and private holdings), and short enough that it didn't impose too much on interviewees. The questions attempted to capture individual innovative developments and their potential for profitability without asking interviewees to share "trade secrets" or infringe on competitive advantage or proprietary information.
2. The interviewees were initially selected by contacting Federation of BC Woodlot Associations (FBCWA) directors, who identified individual licensees and others within their districts who had demonstrated innovative approaches to revenue generation from their woodlots. Others were identified from past editions of the *Woodland Almanac* and the *Woodlot Communicator*, the book *Forest Life: British Columbia Woodlots* by Wim Tewinkel, which featured many creative and colourful woodlot licensees across BC. Once some of the prospects were identified and contacted they provided additional contact suggestions.
3. Through the above work a list of 92 potential candidates was collected. That list was then reassessed and reduced to approximately 50 people to balance geographical representation and innovative activities.
4. Once contact information was collected, individuals were telephoned. Most phone numbers were residential and most successful contacts occurred in the evenings and on weekends (the week of cold weather that all of BC experienced in mid-January was also an assist in finding people close to their telephones). On average, it required slightly more than three phone calls to successfully connect with, and complete, one interview. Interviews required 20 to 90 minutes, and averaged 45 minutes. Only three contacts declined an interview (either because they knew little of the WPDC and/or saw no benefit in submitting to the interview).

Limitations

1. Some woodlot districts are not represented in the interviews because we were unable to obtain referrals or other information on suitable prospects. Despite that limitation, most regions of BC are broadly represented in the results.

2. The information gained from each respondent is only a snapshot, but 47 snapshots taken as a whole should provide the type of information required by WPDC at this time. Although obtaining in depth information on each respondent's work was not the aim or the outcome, this interview work opens the door to more intensive research if desired by the WPDC or FBCWA. A majority of respondents said that they are open to further information sharing.
3. In our attempt to glean useful information from interviewees regarding their successes, failures, stumbling blocks and perceived opportunities, we were mindful of the need to protect individual confidentiality and proprietary information. Most of the information presented here was obtained orally, with a few additional written submissions. Any omissions, errors, or misinterpretations are the responsibility of the author of the interview report.

INNOVATIVE ACTIVITIES

The most common activity—the one that virtually all of those interviewed employed to increase value (over and above the sale of raw sawlogs)—was to sort logs for specific markets. Coastal sorts have significantly more options, while interior sorts are principally for plywood peelers, house logs and poles (in ascending order of value). Relatively small volumes of interior logs are sorted as “clears” for furniture makers and other specialty markets.

Slightly over half of interviewed licensees own (or have easy and regular access to) small, portable sawmills; they generally select out high-quality logs for the manufacture of lumber, timbers, railway ties, and custom-cut pieces. A few licensees have planing and molding facilities. Some licensees find markets for their lower-quality logs by processing them into cants, dunnage material, side lumber, fencing products, and “filler” for “piece-en-piece” building construction. Two licensees specialize in timber frame construction; in each case, logs are milled into the various house components for both custom homes and “cottage kits.”

About 25 percent of respondents produce firewood as a way of using the lower grades of logs and otherwise non-merchantable tops. For some, firewood is a significant revenue generator, with gross values over \$60/m³. Those engaged in selling firewood on a bigger scale are automated (using specialized Scandinavian equipment that bucks and splits); most live relatively close to large urban centres. A couple of others sell residuals for biomass energy, bringing the total selling energy to 28 percent.

Other efforts to use the lower quality timber profiles include the sale of posts and rails to preservative treatment plants for fencing and the processing of timber into bio-fuel products (wood pellets). One individual found a market for low-quality hemlock, which he sawed into rough cants; they are used by the oil industry as “mats” to support equipment on the muskeg.

The sale of Christmas trees (including boughs and cones) is a major revenue source for one or two operators who specialize in this; it is an incidental revenue source for a few more. Other specialty products derived from woodlots include shakes and shingles (with one or two coastal licensees using lower grades of cedar) and character wood (logs with distinctive sweeps, fluted butts, etc.) which is used chiefly in log home construction.

For two of the interviewees, selling a “wilderness experience” has a high commercial value. This requires that timber harvesting be done in a careful and timely manner, enhancing recreational opportunities for hiking, cross-county skiing, and mountain bike riding.

A few respondents incorporate educational programs within their woodlots. For one, the educational component provides the largest part of the WL income.

Several licensees operate cattle ranches alongside, and in conjunction with, their woodlots. For them, range and grassland management are important aspects of the woodlot licence.

About 25 percent of the respondents are RPFs, and manage other woodlot licences in addition to their own. Likewise, a number of interviewees log professionally and are involved in the harvest phases of several woodlots. Six of those who own sawmills also saw wood for other people in addition to cutting their own timber.

When it comes to non-timber forest products (NTFPs) other than Christmas trees and boughs, 17 percent of those interviewed have had some experience, whether extracting maple or birch syrup, harvesting mushrooms, floral material, and/or moss from their forested land. Currently, one operator annually harvests maple syrup, one birch syrup, one mushrooms, and one floral material. One interviewee who does not have a woodlot licence, but does have “work in progress” approval to occupy crown land, has developed a management plan and is in the early stages of harvesting botanical and health products.

While NTFP activities (with the exception of Christmas trees) have not provided high dollar returns for most participants, more interviewees are selling NTFPs than are selling shakes/shingles, fencing, export logs and pulpwood combined. NTFP sales are generally in their nascent stages of development.

BARRIERS TO SUCCESS

The greatest number of respondents cited the consolidation of ownership of the large timber processing facilities as the single greatest barrier to success (27 percent). By limiting the options for selling timber, this consolidation has driven down prices for many, and for others has caused the closure of mills, thus increasing hauling costs and reducing options for selling. One licensee argued that if he “...lived just south of the 49th parallel, this timber would be worth 25 percent more.”

Generally, most woodlot licensees maintained that the current cyclical downturn has forced them to log only what is absolutely necessary to maintain cut controls and address insect and salvage issues. While log prices are “in the tank,” costs for logging and management continue to rise.

The third issue cited as a stumbling block for licensees (23 percent) has to do with regulations and legal constraints. Most have agreed that the streamlining of cutting permits has been helpful, but the First Nations referral process is still very slow. Other constraints have to do with policy issues which tend to miss niche situations, and for urban interface licensees, regional district bylaws and noise regulations. Several interviewees stated that there ought to be more flexibility with log exports, especially at times when regional markets are slow or saturated.

Several people cited the low biological capacities of their woodlots as being a real constraint; others mentioned that the generally small volumes harvested at one time cause them to lose any economies of scale. As one logger said, “It costs the same to lowbed a machine here to log 600 m³ as it does for 6000m³.” Small volumes also make it difficult to amass sufficient quantities of high-quality logs to make sorting and marketing them worthwhile, so it is often easier to sell them “bush run” rather than finding a place to store and then sell them.

For some licensees, particularly in the Peace, the east Columbias, the Kootenays, and the Northwest, distance to both markets and services have been cited as stumbling blocks restricting opportunities.

About 10 percent of those interviewed felt that they lacked marketing and business skills. “I’m a better logger than I am a salesman,” said one fellow.

A few people cited other issues that caused problems, including

- a. saturation of local markets,
- b. Softwood Lumber Agreement,
- c. sourcing enough high-quality wood,
- d. lack of working capital,
- e. lack of infrastructure (no pulp mills in region to accept low-quality wood),
- f. unavailability of appropriate-sized logging equipment suited to WLs, and
- g. global warming (causing rise in bugs and blights affecting trees).

SUGGESTIONS FOR THE WPDC FROM LICENSEES INTERVIEWED

Eighty-five percent of the interviewees had suggestions for how the Woodlot Product Development Council might become involved. Some noted that because of the vast differences in geography and biology, let alone all the other factors among woodlots throughout the Province, it might be impossible

to devise solutions that would fit all, or even most. Be that as it may, most of those who took part in the interview process did provide suggestions for WPDC involvement.

Marketing

In general terms, assistance with marketing was most frequently cited. Some respondents are referring to specific marketing projects, such as investigating and developing overseas markets (trade junkets and the like), while others talk about general market research (some have in mind research on specific products). “We need to build that layer of support that extends beyond the woodlot licensee’s level of expertise. Most of us are good at producing a product, but do not have the skills to take it from there and develop the markets for the product.”

Under the heading of marketing, fully 25 percent of respondents thought that the WPDC should either directly set up or provide the where-with-all for the development of log sort yards or log brokerages. This comes on the heels of the first barrier noted above (consolidation of the industrial processing facilities). “The present cartel has to be broken.” And from another: “We operate in an environment of limited and controlled markets. When we tried to operate an open log auction, it was thwarted by the major licensees. The log brokers, with whom we must deal when selling our timber, are not working in our interests.”

Undaunted by past fledgling efforts on this front that have not been successful, interviewees are calling for a serious evaluation of the feasibility of log sort yards or similar marketing opportunities.

Extension and Training

A number of people expressed interest in additional training courses, as in the Forest Renewal BC (FRBC) era, focusing on forest management, inventory, information collection and storage, and other matters. Woodlot licensees have worked with various funding agencies over the years, including FRDA I & II, FRBC, FIA and others. There has been little continuity among these land-based programs, making planning difficult for small-scale tenure holders.

With every new program there are new forms, procedures, contractors and consultants, resulting in higher administration costs and training requirements. There is a need to have a FBCWA long-term silvicultural program that is designed for Woodlots, which can tap into funding and has a simple administrative process. At the provincial level, a good method of using unallocated funding would be these “on the shelf” efforts based on pre-planned projects. Using consultants (either independent or licensee-related), a simple silvicultural plan could be prepared and paid for with funding so that projects are at a ready-to-go stage.

A few suggested that the WPDC should develop templates for a myriad of routine WL functions (e.g. contracts with loggers). One WL requested assistance to develop a very comprehensive information storage system that would go beyond basic biological information.

Policy change

There were a few requests for efforts to change policy in specific areas. In the same vein, there were some suggestions for streamlining bureaucracy. One specific example of the former has to do with treating small, fragmented, highly productive sites, such as on the coast. Especially along the east side of Vancouver Island, some of the highest productivity sites regenerated to red alder and salmonberry. Working examples show that these sites can be effectively rejuvenated to cedar and Douglas fir.

However, many are small (1-5ha), scattered (associated with a variety of site conditions related to water, soils and slope) and expensive to treat (\$10,000/ha to get them “free to grow”). The economies of scale and the minimum value of merchantable timber (usually less than \$2,000/ha) have precluded treatments on those sites. Since these sites can be so highly productive, their locations are close to manufacturing facilities, and rotations can be significantly reduced (30-40 years), policy makers need to be convinced that treatment of even some of the smaller fragments is cost effective. The demonstration of good forest management on these sites will also help to alleviate the bad forest management examples that often reach the news. These projects have been rejected in the past due to there being some merchantable timber involved.

Non-Timber Credits

A sentiment expressed by almost 20 percent of WLs interviewed was that woodlot licensees currently do not receive monetary credit for the various non-timber values for which they manage. Research should explore how other jurisdictions implement schemes to recognize

- a. carbon credits,
- b. environmental credits,
- c. recreational credits, and
- d. other incentives for WLs for long-term management initiatives (i.e. thinning and pruning)

Using recreation as an example, one WL gave the following argument:

Part of the Woodlot commitment has to do with enhancement of community recreational opportunities. For many WLs, especially those close to urban areas, this becomes a significant aspect of woodlot management. Walking, biking, horseback riding, mushroom gathering, etc. take place on the tenure, much as they would in a timbered community park. As these become more popular over time, some licensees are anticipating more costs associated with the activities (i.e. maintaining and gravelling trails, providing refuse containers, dovetailing harvesting activities with recreation); these come with added costs, much as regional and provincial parks incur costs.

A recommendation here would be that the WPDC assist in developing a plan that would identify and quantify needs and costs, as well as options to offset these costs (maybe a user-pay approach?). The costs that are currently paid for a user day by parks would be useful, so that we can compare

and over time attempt to be at least reimbursed and possibly pay for user days of recreational use on woodlots.

As an example the regional park adjacent to our woodlot receives \$80,000/yr for maintenance. We have the recreational agreement for our woodlot, which is unique and prevents other groups from leading this function and allows us to potentially do some of the above (source funding for recreational projects). Some woodlots have FS recreational sites in their woodlots which need to be maintained and patrolled (a function that could be completed by the licensee). The public seems to want to preserve forests and over time woodlots will become targets for less harvesting and more recreation. Licences should be offered the future recreational employment opportunities in their woodlots. As an example the recreational related employment created in Stanley Park is an indication of what some woodlots could/will be facing in the next few decades.

Research

There were some requests for specific research projects (from market research to NTFPs). One licensee described the dearth of information when his family considered tapping birch trees on his woodlot. Another cited the lengthy and costly testing required for any NTFP considered for human consumption (botanicals). A third mentioned the potential possibilities that may be had from collecting tree saps for resins, stains, etc.; again, research on this front could be appropriate. It was suggested that the WPDC help develop relationships with universities with the hope that research may be long-term and ongoing.

Another specific example of where research might be beneficial has to do with tree pruning. Due to the small size of woodlot pruning projects, they are often rejected. The pruning of timber at the appropriate age and stocking density can have many benefits silviculturally with timber quality and undergrowth “release,” and socially with meaningful employment opportunities. What is required is a research project with a cost/benefit analysis; the resulting technical paper would target funding agencies and politicians. It should be prepared to evaluate the benefits of pruning on Woodlots (“beyond the industrial norm”), and should consider the

- social (employment of FN, Licences during slow season, unemployed or young workers),
- visual/recreational (user groups appreciate the improved forest appearance and begin to say “great forestry work” vs. preserve all forests), and
- silvicultural (stocking, growth and yield and wood quality improvements) benefits .

The proximity of Woodlots to population and manufacturing centres means that the pruning of these forests should be valued higher than more remote stands (future logging costs are lower).

A regional project supervisor who can plan, implement, monitor and report pruning (or any treatment) will result in low administration costs if there is continuity of projects (even if they are seasonal). The funding “this year, but not next,” results in a disruption and lack of stability in crew availability.

Capital projects

Harvesting waste, sawmill debris, pulpwood and other low-quality timber are issues with which most licensees must contend. One WL suggested that these might be best addressed by developing biofuel generation. It was recommended that the WPDC investigate this technology, which is found extensively in northern Europe. A second suggestion, very much related, is that a mobile chipper be made available to small operators.

Develop more capacity within local WL Associations, the Federation and the WPDC

Over 25 percent of those queried talked about the layers of governance within the woodlot community. Most wanted to see the local associations become revitalized and more effective. Some talked about the potential for these associations to serve as coordinating bodies to assist participating licensees to gain economies of scale and other benefits by working together (e.g., co-operative or group purchasing and selling). At the same time, it was acknowledged that “Woodlot licensees tend to be very independent, and resist working co-operatively.”

Another WL said “I think we as WLs have, collectively, lots of timber and therefore lots of clout. We need to explore collaborative or cooperative measures that can help us break from the present controlled markets. We can look at Sweden for an example, where WLs joined forces, worked cooperatively, and affected significant changes to their market structure (and therefore, to their financial success). It would be a big undertaking to bring all of us in BC under one umbrella, since we are all independent and our situations are diverse, but we must start trying, even if it is in one locale to start with, expanding over time.”

To that end, some suggested that a portion of the levy funds go directly to local associations, such that they might fund initiatives at that level.

Other suggestions for the WPDC

One interviewee recommended that no matter what projects/initiatives the WPDC decides to focus its funding on, half of the current funds should be kept in reserve.

Two licensees thought that the current \$0.25/m³ levy should be discontinued.

LEVY REVENUE AND RESERVE FUND REVENUE PROJECTIONS

Summary

Pine beetle levy impacts

Due to uncertainty regarding AAC reductions following pine beetle-induced falldown for many interior woodlots, it is not possible to precisely estimate future levy impacts. This may not be possible for several years. However, it is possible to roughly estimate impacts using FLNRO projections for

impending AAC reductions at the Timber Supply Area (TSA) level in the most heavily affected areas of BC, and netting down the AAC for all woodlots in those areas by the same amount. For conservatism, no AAC reduction mitigation was assumed.

Although a rough method, that approach at least gives some sense of the order of magnitude of levy reductions ahead. This approach suggests that AAC reductions in most heavily beetle-affected areas of BC could eventually result in a net levy reduction of about \$55,000 per year for several decades. For discussion, another \$10,000 per year levy reduction was added to account for lesser AAC reductions across the rest of BC, for a total levy reduction of \$65,000 per year. That reduction, compared to the 2012 levy estimate of \$399,000, would be a decline of 16.3 percent.

HOWEVER: further analysis is required to learn if licensees affected by the beetle are already triggering refunds of the levy on their “regular AACs.” If that is happening, the reduction in the levy is already largely or partly accounted for, and the estimate above would likely be a worst case. A worst case is useful for planning. See an associated “admin/operations” recommendation elsewhere in this report.

Trends for levy refund requests

The data explored below suggest a clear and increasing trend for levy refund requests. Even after accounting for pine beetle related “uplift” refund requests, more licensees are asking for refunds, and more licensees are asking for refunds as a percentage of all licensees (which adjusts for increased numbers of licensees). It would be useful, to say the least, to communicate with licensees who have requested “regular AAC” refunds to understand why they are doing it. The same analysis could find out if the same licensees are making the request each year, or if there is a geographic pattern, or if there are other patterns. Answers to these questions will provide critical “customer satisfaction” information. See an associated “admin/operations” recommendation elsewhere in this report.

Resources for FBCWA/WPDC operational budgets going forward

The FBCWA/WPDC budget reported in the Spring 2012 Almanac projects a total expenditure of \$464,750 for 2012/13, and according to the WPDC, all of that budget will be paid for by the levy. The annual levy income for 2011/12 is estimated at \$399,000, but may be a little higher. Income from the levy reserve fund will make up the difference (in part to pay for this planning project). A worst-case scenario may be that the annual levy will decline by approximately \$65,000 per year, but that estimate is imprecise, as noted above. Nonetheless, it would be prudent to develop FBCWA/WPDC combined budgets at the \$335,000 level, if this has not been done already, to explore operational changes that may need to be made.

Another way of looking at it: for the five year period beginning in the 2012/13 fiscal year, the FBCWA/WPDC will likely receive at least \$1.83 million in total from the annual levy alone, and \$2.31 million in total from the annual levy plus income from the levy reserve fund.

Levy revenue and reserve fund revenue projections

As of March 31, 2011 the WPDC Reserve Fund had a balance of \$ 2,140,708 and earned an average annual rate of return of 3.9 percent during the last 5 years.¹⁴ Before decisions on how much, if any, of the Reserve Fund can be invested in new initiatives it is important to project what is likely to happen with future WPDC levy receipts, and what may happen with FBCWA and WPDC annual operational expenses. Estimating net levy receipts is complicated by the decline in total woodlot licence Crown AAC in the wake of accelerated harvesting of mountain pine beetle infested timber. On the other hand, the number of woodlot licences continues to grow, and each generates levy funds.

A significant number of interior woodlot licences have been heavily logged to salvage mountain pine beetle-infested timber. The Crown AAC on many of these licences is going to decline and, in some cases, be eliminated if the licence is surrendered. Many of these woodlot licences received cut control exemptions under section 75.9 of the *Forest Act* and need to maintain their current AAC for a number of years until the AAC accumulated over several years balances with the volume of timber harvested under the cut control exemption. Once this balance has been achieved the Crown AAC on these woodlot licences will likely be reduced.

Rather than allowing the current AAC to accumulate for several years, woodlot licensees who carried out accelerated harvesting of beetle-infested timber under a cut control exemption have the option of establishing a large AAC for one year to achieve cut control balance with the extra volume of timber harvested. To establish a large AAC for one year the licensee must submit a management plan proposing a sustainable AAC that is based on a new inventory of the woodlot licence. The licensee must also pay a supplemental annual rent invoice for the large AAC that is established for one year to balance cut control.

A table and a series of graphs were created to examine trends for levy refunds over time. Table 1 below shows the following:

- a. 90 percent of WPDC levy refunds to date were triggered by the large supplemental annual rent invoices. Those “uplift refunds” are declining as AAC beetle uplifts decline.
- b. From the 1999/00 fiscal year through 2011/12 an average of 13 percent of the total levy received from the FLNRO has been refunded to licensees.
- c. From the 1999/00 fiscal year through 2011/12 an average of only 1.3 percent of the total WPDC levy has been refunded to licensees with normal (“regular”) AACs.

¹⁴ Personal communication between A. Waters and C. McClary, WPDC Coordinator, April 2012.

Table 1: Woodlot licence levy receipts and refunds¹⁵

	Total Levy Fiscal received by Year	Total refunded	Uplift refunds	Regular refunds	Net Levy to WPDC after refunds	% of total Levy refunded	% of refunds via "uplift" refunds	% of refunds via "regular" refunds
2011-12	\$475,522	\$76,570	\$67,032	\$9,538	\$398,952	16.1%	14.1%	2.0%
2010-11	\$476,075	\$81,978	\$76,746	\$5,232	\$394,097	17.2%	16.1%	1.1%
2009-10	\$439,483	\$54,040	\$43,196	\$10,844	\$385,443	12.3%	9.8%	2.5%
2008-09	\$504,987	\$102,396	\$93,792	\$8,604	\$402,591	20.3%	18.6%	1.7%
2007-08	\$617,022	\$99,958	\$94,433	\$5,526	\$517,064	16.2%	15.3%	0.9%
2006-07	\$648,992	\$48,825	\$45,016	\$3,809	\$600,167	7.5%	6.9%	0.6%
2005-06	\$607,699	\$48,718	\$44,319	\$4,399	\$558,981	8.0%	7.3%	0.7%
2004-05	\$650,945	\$104,651	\$100,895	\$3,756	\$546,294	16.1%	15.5%	0.6%
2003-04	\$411,065	\$118,864	\$109,833	\$9,032	\$292,201	28.9%	26.7%	2.2%
2002-03	\$415,271	\$25,162	\$19,777	\$5,385	\$390,109	6.1%	4.8%	1.3%
2001-02	\$261,049	\$22,645	\$18,378	\$4,267	\$238,405	8.7%	7.0%	1.6%
2000-01	\$322,186	\$3,393	\$0	\$3,393	\$318,793	1.0%	0.0%	1.1%
1999-00	\$267,601	\$5,444	\$0	\$5,444	\$262,157	2.0%	0.0%	2.0%
Totals	\$6,097,897	\$792,643	\$713,415	\$79,228	\$5,305,254			
Averages						13.0%	11.7%	1.3%
		Percent of total refunds	90.00%	10.00%				

With no way to know how many uplift refunds may be requested in a fiscal year it is difficult to predict the magnitude of WPDC levy refunds. Once the issuance of supplemental annual rent invoices for accelerated mountain pine beetle harvesting is complete the total amount of WPDC levy refunds should decline. However, the graphs below suggest an increasing trend for levy refund requests since 1999.

¹⁵ Final for all years but 2011/12. Not adjusted for inflation. The 2011/12 year may be adjusted slightly for final refunds.

Figure 1, below, shows that more licensees (in numbers and as a percentage of all licensees) are requesting levy refunds. This is significantly affected by the pine beetle, but the number and percentage started to increase before major pine beetle harvesting uplifts, and has remained higher than before beetle uplifts started, even though beetle uplifts have declined in recent years.¹⁶

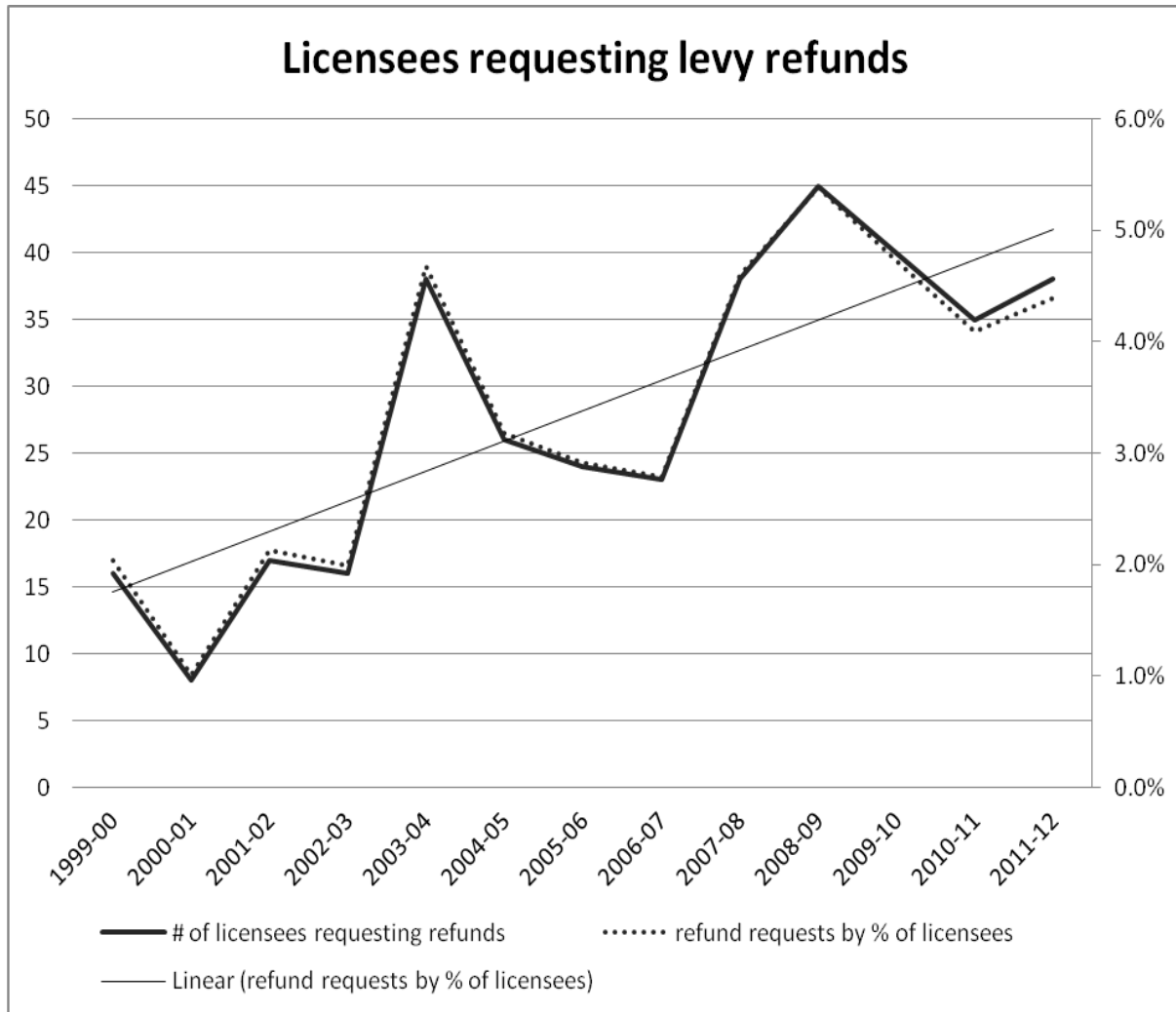


Figure 1

¹⁶ Since the number of licensees in some years is estimated, the trend line may be slightly off, but the general trend is unaffected.

The dotted line in Figure 2, below, shows that requests for “regular AAC” levy refunds (refunds not affected by pine beetle AAC uplifts) as a percentage of the total levy have varied widely from year to year (from about 0.5 percent to about 2.5 percent). However, the linear trend (the solid line) shows that between the 1999/00 and 2011/12 fiscal years the average percentage of the levy subjected to refund requests has slightly increased over time.

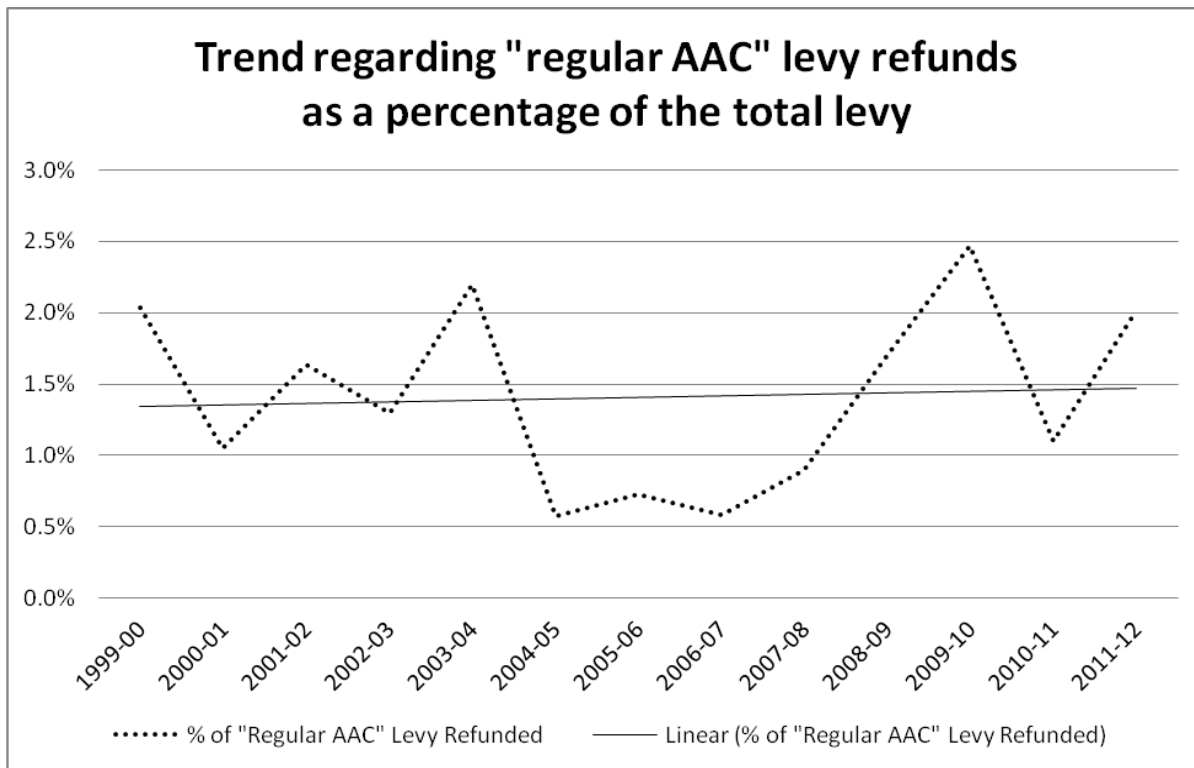


Figure 2

Figure 3, below, shows that the gap between gross and net levy revenue per licence has widened over time. Although the gap understandably got much wider when the pine beetle AAC uplifts began, the gap began to widen before pine beetle harvesting uplifts started, continued after beetle uplifts began to taper off, and has continued despite the increase in the number of licences (most of which were created in areas that are not pine-leading).¹⁷ Moreover, the gap was wider during the last few years than it was during some of the peak uplift years.

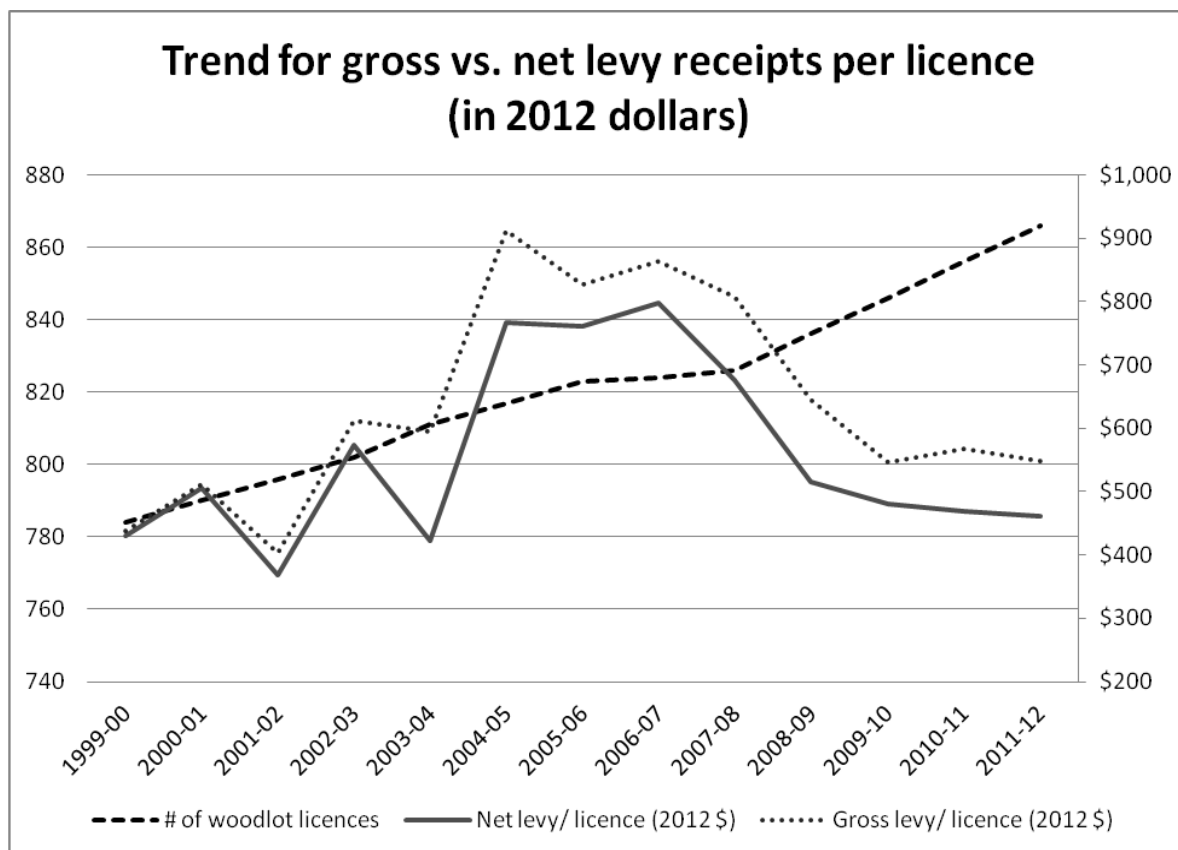


Figure 3

Research to understand the above trends more fully is strongly recommended.

¹⁷ The number of licences is estimated for some years.

ESTIMATING LEVY RECEIPTS AFTER MOUNTAIN PINE BEETLE AAC ADJUSTMENTS

To project what may happen with future WPDC levy receipts as a result of declining Crown AACs on interior woodlot licences affected by mountain pine beetle, the FLNRO was asked to request interior FLNRO district staff to project what is most likely to happen with the Crown AAC of woodlot licences (including any new woodlot licences) over the next 4 years. The forest districts did not undertake this analysis, so it is difficult to predict how WPDC levy receipts might decline in the near future as a result of declining woodlot licence AACs. In fact, AAC recalculations for affected woodlots may not be available for several years.

Rather than waiting years for specific data, it seems reasonable to review FLNRO estimates for AAC reductions for the most affected Timber Supply Areas (TSAs), and extrapolate that information to woodlot AACs as if projected TSA-wide AAC reductions will apply proportionately to woodlots. The most up to date information is likely available from a recent FLNRO document.¹⁸

The comparisons below are between AACs prior to beetle uplifts and after AACs have been adjusted downward post-beetle. Note that, for conservatism, the AAC reductions shown below assume no lessening of AAC reductions due to mitigation efforts. See table 2, below.

Table 2: Rough projection of woodlot levy impacts from post-mountain pine beetle (MPB) AAC reductions¹⁹

<i>Timber Supply Area</i>	<i>Pre MPB AAC (m³)</i>	<i>Post MPB AAC (m³)</i> <i>(all constraints applied)</i>	<i>Post-MPB AAC compared to pre-MPB AAC</i>	<i>Woodlot AACs net of beetle uplifts (m³)</i>	<i>Annual levy from woodlots (before refund requests)</i>	<i>Est. woodlot AAC decline after MPB adjustment (m³)</i>	<i>Gross annual levy from woodlots after MPB adjustment</i>	<i>Estimated levy reduction (before refund requests)</i>
Lakes	1,500,000	500,000	33.3%	58,717	\$14,679	19,572	\$4,893	\$9,786
Prince George	9,363,000	6,400,000	68.4%	422,345	\$105,586	288,690	\$72,173	\$33,414
Quesnel	2,340,000	1,150,000	49.1%	61,524	\$15,381	30,236	\$7,559	\$7,822
Williams Lake	2,810,000	1,900,000	67.6%	65,850	\$16,463	44,525	\$11,131	\$5,331
Totals					\$152,109		\$95,756	\$56,353

The table above suggests that the cash impact of post-MPB AAC reductions on woodlot organizations could be about -\$55,000 per year (net, after the 1999/00 through 2011/12 “regular AAC” average

¹⁸ Ministry of Forests, Lands and Natural Resource Operations. Mid-Term Timber Supply Project Report for the Minister and Deputy Minister Forests, Lands and Natural Resource Operations, Feb. 29, 2012

¹⁹ According to the source document, this table accounts for all woodlots in these TSAs as of 2011, and the AACs shown do not include pine beetle uplifts or other exceptions.

refund of 1.3 percent is applied to the gross estimate of \$56,000 in the table above). If compared to 2011/12 post-refund levy receipts of about \$399,000, the net levy would eventually be reduced by 13.8 percent to \$344,000 (in 2012 dollars).

This is admittedly a rough estimation. However, in the absence of more specific data that may not be available for several years, it provides an order of magnitude estimate for planning purposes.

Using FLNRO levy estimates

The FLNRO can produce spreadsheets to estimate the total Crown AAC from all woodlot licences in the province. However, when the estimate of total Crown AAC from all woodlot licences is used to calculate the amount of WPDC levy, the levy can be underestimated because supplemental annual rent invoices provide additional levy.

For example, the FLNRO's 2011 estimate of the total Crown AAC from all woodlot licences in the province was 1,778,864 m³, which should generate \$ 444,716 of WPDC Levy. However, the amount of WPDC levy received in 2011 was \$475,521, and a small additional payment from the FLNRO is still expected.

This demonstrates the margin of error that may be involved in using FLNRO estimates of the total Crown AAC from all woodlot licences to calculate expected amounts of WPDC levy. As woodlot licence AACs decline in the interior from mountain pine beetle and the number of supplemental annual rent invoices decreases, using the FLNRO estimate of the total Crown AAC from all woodlot licences to calculate the expected amount of WPDC levy should provide more precise estimates of WPDC levy.

RECOMMENDATIONS

The following recommendations are based on what was learned from licensees and others through general 'write-in' and 'phone in' feedback, interviews of licensees and others, and background research.

- a. All recommendations received from licensees are included in Appendix 4.
- b. Some recommendations in this report may address matters that are already in the plans of the FBCWA or WPDC. Those recommendations simply reflect the opinions of licensees, and their inclusion is not intended to duplicate planning already in hand.
- c. Some recommendations from licensees have not been expanded into program or project suggestions below because of priority-setting and the time and budget available to complete this report. Reviewers may determine that some recommendations in Appendix 4, or from other sources, are more important than some of those expanded upon below.
- d. The budget allocations suggested for each recommendation below are intended to show a high side for costs.

- e. The “next steps” suggested for each recommendation below are notional, as it is not known when decisions will be made to go forward, or not, with these recommendations.

It is acknowledged that maintaining the “status quo,” and making no changes based on this report, is an option that the WPDC and FBCWA may choose.

WOODLOT MANAGEMENT AND ADMINISTRATION

SAVING AAC FOR PERIODS OF BETTER LOG PRICES

WOODLOT MANAGEMENT RECOMMENDATION #1: TO PROVIDE GREATER FLEXIBILITY FOR WLS TO HARVEST DURING PERIODS OF BETTER LOG PRICES, A WL HOLDER SHOULD BE ABLE TO PURCHASE THE RIGHT TO HARVEST ANY SUSTAINABLE AAC THAT WASN'T HARVESTED BY THE END OF A FIVE YEAR CUT CONTROL PERIOD.

Discussion

Woodlot licence profitability could be increased if licensees were not forced to harvest when log prices are low and could retain AAC to harvest during periods of better log prices. The current cut control requirements force WL holders to harvest their total AAC during a five year cut control period or lose the opportunity to harvest this timber. If the total woodlot licence AAC is not harvested during a five year cut control period the Crown loses the stumpage revenue from this timber and the economic, employment and tax benefits from the harvesting, processing and related activities. The proposal below provides a potential new source of government revenue and avoids the loss of much needed sustainable harvest volume.

To provide greater flexibility for WLs to harvest during periods of better log prices, a WL holder should be able to purchase the right to harvest any sustainable AAC that wasn't harvested by the end of a five year cut control period by paying the government a set fee of, say, \$1.00/m³ (like an ‘option’). Once the licensee pays this fee they would have the right to harvest the undercut volume at any time in the future and can transfer the right to harvest this volume with the transfer of the WL. Regular stumpage would be paid at the time the licensee harvests this undercut volume that they optioned to harvest in the future.

The “Saving AAC for Periods of Better Log Prices” recommendation is based on the following assumptions:

- It could improve woodlot licence profitability and avoid the lost opportunity to harvest sustainable AAC.
- It avoids the loss of government revenue and employment when WL AAC is currently not harvested.

- It makes more harvest volume available during periods of improved demand for forest products.

Objectives

The purpose of this initiative is to make an acceptable proposal to government to allow woodlot licensees to save sustainable AAC that wasn't harvested by the end of a five year and harvest this volume in the future. Older licensees who may be unable to harvest due to poor health could purchase the right to harvest an undercut in the future and may be able to use this additional undercut volume to make the transfer of the WL more attractive to a potential purchaser.

Benefit could be reported by licensees in terms of increased log price/m³ obtained above earlier log prices and the set fee paid to obtain the right to harvest this volume.

Budget

\$2,000 to develop a paper proposing Forest Act amendments for the FLNRO.

Potential partners

The BC Community Forest Association may also see potential benefit in this proposal for their tenure.

Next steps

1. Review a detailed proposal within the FBCWA to see if there is support to move this initiative forward.
2. If supported, the FBCWA would propose the initiative to government to see if there is political support.
3. If supported by government, develop a request for amendments to the Forest Act for 2013.
4. Project implementation
5. Evaluation report and recommendations

ASSISTANCE WITH RESULTS REPORTING

WOODLOT MANAGEMENT RECOMMENDATION #2: PROVIDE GREATER ASSISTANCE TO LICENSEES FOR RESULTS REPORTING.

Discussion

Woodlot licence RESULTS reporting is a legal requirement that must be satisfied and is increasingly important under the “one cutting permit” concept.

To reduce the costs associated with WL RESULTS reporting, the FBCWA, using levy funds, co-funded the development of software to assist WL holders in entering RESULTS data on their own. Many WLS are still not able or are unwilling to complete their own RESULTS data entry due to the painful learning curve required to competently enter RESULTS data, a lack of recorded RESULTS information for some older cutblocks and the infrequency of RESULTS reporting that requires the learning process to be repeated periodically.

Other licensees have no intention of entering their own RESULTS data and pay a forestry contractor to complete it. Licensees who are already funding their own RESULTS data entry are unlikely to favor levy funding being used to help other licensees enter their RESULTS data. However, over time the majority of woodlot licensees may eventually opt to have their RESULTS reporting completed by a local contractor as opposed to entering the data themselves.

Objectives

Through this proposal, the WPDC and FBCWA can determine the willingness of licensees to fund activities to support licensees entering their own RESULTS data.

The following issues could be better addressed to provide useful assistance to licensees with RESULTS data entry:

1. Documentation on how to assemble required information, digital maps and forest cover submissions for entry into RESULTS by a service provider. The intent would be to clearly explain what information needs to be given to a service provider to minimize the cost of RESULTS reporting.
2. Better documentation on how to navigate, enter and save data within the actual RESULTS program (for licensees entering their own data).
3. A limited budget for telephone support for WL RESULTS data entry.

It is important for the credibility of the program, and for individual licensees, that the woodlot licence program achieve better RESULTS reporting on new openings where the licensee is clearly responsible for making electronic submissions. (See also the recommendation below.)

Budget

\$5,000 to undertake any of the initiatives identified above considered worthwhile. (This allocation may be too low.)

Potential partners

The FLNRO should be approached for funding or assistance to rectify old RESULTS data entry deficiencies, particularly on free growing openings that RESULTS indicates are overdue.

Next steps

At the 2012 AGM discuss and decide what activities should be funded to help woodlot licensees achieve RESULTS reporting requirements.

INVESTIGATION OF OVERDUE FREE GROWING OBLIGATIONS

WOODLOT MANAGEMENT RECOMMENDATION #3: FBCWA SHOULD COMMUNICATE WITH WL HOLDERS IDENTIFIED IN FLNRO RESULTS REPORTS AS HAVING OVERDUE FREE GROWING OBLIGATIONS TO DETERMINE IF FREE GROWING HAS BEEN ACHIEVED, BUT SIMPLY NOT REPORTED IN RESULTS.

Discussion

FLNRO summaries of woodlot licence RESULTS reporting are starting to show overdue free growing obligations. This creates an impression that more and more licensees are showing poor silviculture performance, which will be detrimental to the public image of the woodlot licence program. To address the risk of negative attention to the woodlot licence program, the FBCWA (if it is not already doing this) should communicate with WL holders identified in FLNRO RESULTS reports as having overdue free growing obligations to determine if free growing has been achieved, but simply not reported in RESULTS.

The research would attempt to document if free growing surveys have been completed and submitted to the FLNRO showing the entire area or portion of the area to have achieved free growing. Reasons why RESULTS reports don't show the area to be free growing should be documented. The research could also document if free growing surveys have not been completed, describe what the licensee is planning to do and if they need help, and what the licensee believes is the stocking or free growing status of the area. Where licensees need technical help the FBCWA should attempt to locate a local licensee or contractor who can provide site specific advice to assist licensees with the completion of necessary treatments and free growing surveys. The FBCWA will need to decide if they are willing to fund site visits to licensees with overdue free growing obligations.

FBCWA action on this front is important to address the risk of negative attention to the woodlot licence program. The achievement of free growing obligations is one of the most important stewardship obligations and the FBCWA should be proactive in working with licensees, if they are not already, to ensure that free growing status is achieved.

Objectives

It is of primary importance that the woodlot licence program maintains a good track record of achieving free growing obligations and of secondary importance that RESULTS reporting is completed. On older cutblocks where the FLNRO was supposed to but did not enter the initial

RESULTS information, the FBCWA's should advise licensees to submit paper copies of free growing surveys to the FLNRO to confirm that free growing obligations have been achieved, even if RESULTS reporting is incomplete.

Budget

\$10,000 to undertake an investigation and document it in a confidential report if areas where RESULTS indicates free growing obligations are overdue are actually free growing, sufficiently restocked or not sufficiently restocked (NSR).

Potential partners

The FLNRO should be approached for funding or assistance to rectify old RESULTS data entry deficiencies that are identified (particularly on free growing openings that RESULTS indicates are overdue).

Next steps (notional, as it is unknown when decisions to proceed would be made)

1. Fund an investigation to document the free growing or stocking status of areas where RESULTS indicates free growing obligations are overdue.
2. At the 2012 AGM directors meeting discuss and decide how best to assist licensees to ensure that woodlot licence free growing obligations are satisfied and reported to the FLNRO.

MANAGEMENT PLAN TO PROPOSE POST MOUNTAIN PINE BEETLE AAC

WOODLOT MANAGEMENT RECOMMENDATION #4: INVESTIGATE THE POSSIBILITY OF A WOODLOT LICENSEE'S MANAGEMENT PLAN PROPOSING A ZERO OR MINIMAL AAC WITHOUT COMPLETING A RE-INVENTORY OR AAC CALCULATION FOR THE WOODLOT LICENCE.

Discussion

After accelerated harvesting to salvage beetle-killed timber the district manager may request a licensee to prepare a new management plan proposing a new AAC based on a revised inventory of the woodlot. In cases where a woodlot has been heavily harvested to salvage beetle infested timber, the cost to complete a new inventory may be prohibitive given the volume of merchantable timber remaining to harvest. On at least one woodlot licence the AAC has been approved at zero to allow the forest time to grow back. Policy discussions with the FLNRO should investigate the possibility of a woodlot licensee's management plan proposing a zero or minimal AAC without completing a re-inventory or AAC calculation for the woodlot licence.

Objectives

The intent of this suggestion is to prevent the insistence that costly re-inventory and AAC calculation occur on woodlot licences where the resulting AAC is likely to be very low.

If a management plan proposing a minimal AAC was approved without a re-inventory and the management plan indicated that only well defined salvage harvesting could occur it would be possible to avoid non-recoverable losses that might otherwise occur on the woodlot. This proposal would also allow a licensee to incur minimal cost while holding a licence where extensive mountain pine beetle harvesting occurred until free growing obligations were satisfied.

Budget

No additional budget is required as the work can likely be accomplished within existing budgets.

Next steps

1. If the FBCWA supports this proposal it could initiate policy discussions with the FLNRO.
2. If the FLNRO agrees with the proposal, the woodlot licence agreement appears to indicate that the district manager could specify in a letter of direction to the woodlot licensee that only minimal inventory information is required for a new management plan proposing a zero or low AAC. The required inventory information might be limited to a description of how many hectares have been recently harvested and reforested, and how many hectares of merchantable timber remain (with an estimated average merchantable volume/ha).

RECREATION AND TOURISM COSTS

WOODLOT MANAGEMENT RECOMMENDATION #5: SEEK RESOURCES TO COMPENSATE LICENSEES FOR RECREATIONAL USERS AND AUGMENT INTERPRETIVE WORK.

Discussion

As recreational use of woodlot tenures has become more popular over time, costs associated with these activities are increasing (e.g., maintaining and gravelling trails, providing refuse containers, dovetailing harvesting activities with recreation). An initiative to fund certain costs borne by licensees, even if it something funded every few years or so, would be helpful.

One licensee pointed out that the last time funding was made available for signage was 20 or more years ago. Another noted the following comparison to highlight the imbalance in use of public resources for recreational users:

“The regional park adjacent to our woodlot...receives \$80,000 per year for maintenance. We have a recreational agreement for our woodlot, which...prevents other groups from leading this function

and allows us to potentially... (source funding for recreational projects). Some woodlots have FLNRO recreational sites in their woodlots which need to be maintained and patrolled (a function that could be completed by the licensee). The public seems to want to preserve forests and over time woodlots will become targets for less harvesting and more recreation. Licensees should be offered the future recreational employment opportunities in their woodlots.”

This recommendation also supports input from licensees regarding the link between woodlot licensees and the implementation and promotion of cultural tourism.

Objectives

The purpose of the recreation cost support recommendation is to reduce operational costs, increase public enjoyment and improve education about woodlots and forestry.

Implementation

Develop a plan that would identify and quantify needs and costs across the province, as well as options to offset these costs, such as a user-pay approach. The costs currently paid per user-day for parks would be useful to understand, so that woodlot and park costs can be compared to help build a case for support.

Budget

\$3,000 for a contractor to conduct background research and prepare a funding proposal (this could be done by existing contract staff, but this may not be a priority).

Next steps

Invite a contractor to prepare a proposal to conduct this work.

WOODLOT ADMINISTRATION - OTHER

The following recommendations from licensees seem to make good sense. These and other special initiatives could be developed by short term contract personnel if the time of existing staff is allocated to other priorities.

1. Prepare boilerplate documents on matters such as safety, logging, consulting, confidentiality agreements, collaboration/cooperation agreements, etc. Lawyers should review these documents periodically to ensure that they are up to date.
2. Create a new section on the FBCWA website for Legislative and Policy Bulletins applicable to woodlots, including letters from District Managers.
3. Assess the feasibility of establishing an FBCWA group liability program. According to the licensee(s) who suggested this: “Brokers are now splitting out insurance policies by business type,

so it would be great to have a policy that at least covers the liability associated with woodlot management and licensing.” (This action may be underway already by the FBCWA.)

WOODLOT BUSINESS SUPPORT

This section is possibly the most challenging in this report, as doing meaningful work to support licensees will inevitably require taking risk: on trying new things, on use of the levy, on making grants, and on measuring success. Further, implementing the recommendations below will require new or restructured organizational capacity.

However, the “business support” area is the one which, by a very big margin, received the most requests for action by licensees.

FINANCING PROGRAM FOR WOODLOTS

WOODLOT BUSINESS DEVELOPMENT RECOMMENDATION #1: FACILITATE ACCESS TO FINANCING FOR WL LICENSE TRANSFER AND OTHER BUSINESS NEEDS BY DEVELOPING A PARTNERSHIP WITH COMMUNITY FUTURES BC OR ANOTHER APPROPRIATE LENDER.

This recommendation aligns closely with recommendation #2, below (online advertising of woodlots for sale).

Discussion

Assisting the transfer of woodlot licenses could be a valuable service to both individual WLs and woodlot organizations. However, it is not recommended that woodlot organizations move directly into the business of making loans or loan guarantees. Woodlot organizations may ultimately receive a greater comparative return on its funds by focusing on other aspects of business development, such as

1. identifying specific financing needs of woodlot owners,
2. working with Community Futures (CFs) or other entities to develop loan programs and processes that meet these needs,
3. providing training to lenders that allow them to better understand and evaluate woodlot deals,
4. providing resources and templates for woodlot owners / purchasers to complete business and financial planning necessary to borrow money, and
5. marketing lending opportunities to WLs and potential purchasers.

This could be an easy win/win for CFs and WLs:

- CFs make more loans and WLs obtain access to additional financing, and
- training and resources make the process of borrowing/lending simpler and more effective for both parties.

The program could also be designed to stream clients into extension programs and provide advice on business succession matters such as valuation. Depending on client experience, training and mentoring could be a stipulation of assistance through the program. The program could also assist woodlot owners to transfer a woodlot to younger member(s) of their family in a structured, arms-length way, which can ease the transition.

Assumptions

- a. According to WPDC and other surveys of woodlot owners, 80 percent or more of woodlot licensees are at least 50 years of age or older.
- b. According to recent WPDC surveys, 9 percent or more of licensees plan to sell or transfer their licence in the next few years.
- c. There is an identified need/opportunity for business succession resources (e.g., valuation, marketing and finance) to support transition of woodlots to new and/or younger owners.
- d. According to the WPDC's 2011 survey, 83 percent of licensees feel that it is important to provide opportunities for younger people to enter the woodlot program (it's acknowledged that this is not a statistically provable level of agreement, but it is an indicator). The issue of "getting more young people into woodlots" is a perennial feature of FBCWA workplans, so it seems to be an important issue.
- e. The capital requirement is likely the major impediment to young people acquiring woodlots; hence the proposal for a loan guarantee.

The use of woodlot licences for security for loans may be problematic, but the lender should be able to obtain the woodlot under section 54.3 of the Forest Act if there is a default on a loan where the WL is used as security. The security question is part of the feasibility assessment work.

Objectives

The main purpose of the Financing Program is to provide financing for woodlot transfer and business succession, particularly to younger prospective licensees. Side benefits include enhancing the market for woodlot licences (and perhaps the value of licences), and providing other financing for other WL needs. An outcome of this work could be the development of a simple web-based clearinghouse on licences for sale (see below), along with supporting contractual information, which would be of benefit to many licensees by reducing marketing costs and enhancing the market for licences.

Expected impacts could be measured in terms of:

- a. Financing provided
- b. Financing leveraged
- c. Number of woodlots transferred
- d. Number of new licensees 40 years old or younger

Budget

Year 1- setup only

\$15,000 – market assessment, partnership development and resource/contractual materials

\$10,000 – marketing materials and media

\$25,000 – Total startup costs

Ongoing costs

After Year 1, ongoing staff costs should be minimal, as all program details will be handled by the financing partner on a cost recovery basis.

Potential partners

Community Futures is a not-for-profit community-based lender operating throughout rural British Columbia and would be a natural partner for this program. Other possible partners include:

- Business Development Bank of Canada
- Credit Unions of British Columbia
- Private lenders

Next steps

1. Contract a coordinator to negotiate partnership agreements, develop support materials, develop administrative and reporting procedures, and develop a marketing plan and budget
2. Announce Financing Pilot Program and proceed to implementation
3. Evaluation report and recommendations

ONLINE SERVICE TO ADVERTISE THE SALE OF WOODLOTS

WOODLOT BUSINESS DEVELOPMENT RECOMMENDATION #2: CREATE AN ONLINE SERVICE TO ADVERTISE THE SALE OF WOODLOTS (EITHER SEEK TO MODIFY WOODSOURCEBC.COM FOR THIS PURPOSE, OR USE A NEW WEBSITE).

This recommendation aligns closely with recommendation #1, above.

Discussion

Currently, WLs seeking to sell a woodlot use a variety of mostly local approaches to market the opportunity. Woodlot organizations can help to expand the market for woodlots by creating a website that consolidates sale listings and establishes the “go to” marketing tool for woodlot transfers. The site could also be piggybacked on an existing website, such as woodsourcebc.com (a project of the BC Association of Community Forests that has received levy fund support). Woodsourcebc.com is not

designed for that purpose, and using it “as is” would be a poor fit, but it could be modified with the agreement of the site owners.

Objectives

The purpose of the “online woodlot market” recommendation is to facilitate the transfer of woodlots, particularly to younger participants. See the discussion above re the financing program recommendation for background on why facilitating the transfer of woodlots may be a reasonable use of levy funds. Any woodlot licensee could benefit from this service.

Implementation

Setting up a simple, passive listing service should be straightforward and relatively inexpensive, and there are examples to model this on. See notes above (“Description”) regarding woodsourcebc.com. If fees are charged for the listing service, some costs will be recovered, but more staff costs will be incurred. It’s probably sensible to pilot the program without fees, and determine later whether fees should be charged, and how much they should be.

The service can be marketed through the Almanac, Woodlot Communicator and other channels, and showcased at the 2013 AGM.

Budget

If the service is a new section on the FBCWA website, it may be possible for existing staff to add the pages(s) at minimal cost. An appropriately designed website could easily integrate with woodsourcebc.com, or that site could be modified with permission of the site owners.

Next steps

Implement in concert with the woodlot transfer financing program noted above.

REVISE AND IMPLEMENT THE FBCWA WOODLOT MARKETING SUPPORT PROGRAM

WOODLOT BUSINESS DEVELOPMENT RECOMMENDATION #3: REVISE, UPDATE AND IMPLEMENT THE FBCWA WOODLOT MARKETING SUPPORT PROGRAM PROPOSED IN 2004

Discussion

The most numerous recommendations from licensees, by far, were in the areas of marketing, market development and product development. See Appendix 4 for a list of almost fifty recommendations from licensees in several marketing-related categories.

In 2003 and 2004, extensive work was conducted through the FBCWA Marketing Committee on this subject. A strategy was produced in 2003 with many sound elements and a major survey on licensee

needs re marketing was conducted in 2004.^{20,21} Many of the points raised in the 2003/04 marketing strategy and survey were echoed by licensees contributing to this planning project.

While the strategy is partially out of date, it seems practical to update and resource it, as there is much good work to build on. The following is an excerpt from the marketing strategy report:

Vision Statement

A FBCWA marketing program will promote woodlot products in the marketplace, coordinate market/supplier information, coordinate market/supplier opportunities, and provide extension services to support members marketing initiatives.

Program Components

The marketing program will have four components:

- a. **promotion:** promote woodlot products, small scale forestry, and marketing opportunities, internally and externally. Develop a woodlot brand.
- b. **information management:** manage information flow between markets and woodlot suppliers and vice versa. Maintain product inventory information and client database. Create interactive website tools for federation website.
- c. **marketing:** facilitate sales transactions between buyers and sellers. This can be done indirectly – by providing information about opportunities to respective parties and leave the transaction and arrangements up to them, or directly by acting as an agent or broker on behalf of clients and suppliers and arranging sales, supply agreements, and transactions etc.
- d. **extension:** provide extension support and information resources to members. Include the collection and dissemination of collective and individual experiences in marketing

Program Description

The purposes of the program would be to

- provide and facilitate new collective and individual marketing opportunities to members and to increase margins,
- create collective marketing power to members to achieve better prices and preferred rates, and
- reduce members time, energy and cost spent to market by creating collective efficiencies.

Program Activities

The purposes will be achieved by

²⁰ Apedaile, Len. *FBCWA marketing report: Report to the Marketing Committee, Federation of BC Woodlot Associations. Marketing Strategy Discussion Paper and Preliminary Workplan.* Econ Consulting, North Island Woodlot Association, October 2003 The strategy can be obtained at www.woodlot.bc.ca/PDF/fbcwa_discpaper.pdf

²¹ Norwell, Robert. *2004 Woodlot marketing survey consolidated report.* Federation of BC Woodlot Associations Marketing Committee, September 2004. The survey and several supporting documents can be obtained at www.woodlot.bc.ca/membersresources.html#marketing

- a. creating and promoting a woodlot brand,
- b. hiring a provincial marketing coordinator who would conduct a baseline survey of members inventory, production and marketing information,
- c. collecting, coordinating and disseminating market and supplier information,
- d. managing a supplier and client database and an interactive website,
- e. facilitating transactions, and communicate and promote the program within the federation, woodlot associations, and BC wood promotion network, and
- f. establishing a network of regional marketing coordinators to extend coordination of primary marketing activities to the regional level.

Regional coordinators would work with regional groups of woodlot associations and individual licensees and private forest land owners, providing marketing extension and support services to Associations and individual members aimed at strengthening marketing knowledge and capacity within the organisation.

The program would not bind members to market through the Federation and would allow members freedom to market both independently and through the FBCWA program according to their needs and interests. The program would also respect existing local and external markets already serviced by members and would not attempt to compete for those markets.²²

All of the elements noted above, and more, were proposed by licensees contributing to this planning project.

Although some implementation work on the 2004 marketing strategy was conducted (for example, the author of the 2004 strategy, Robert Norwell, is described as the “FBCWA marketing coordinator”), the initiative apparently faded away after a few months. A valuable early step in exploring implementation of a revised strategy would be to review what happened after the 2003/04 strategy and survey were completed, and learn from that.

Objectives

The purpose of the “revise and implement the 2003/04 marketing strategy” recommendation is to build on solid prior work, deliver on long-standing requests to take action in this arena, and ensure that measureable indicators are used to evaluate success.

Assumptions

- a. A significant number of licensees are asking the WPDC and FBCWA to provide marketing support, and have wanted such support for many years.

²² p. 8/9, previous citation, Apedaile.

- b. Between the 2003/04 work, and recommendations from many licensees for this planning project, there is a great deal of good advice to work from to design an up to date, effective program.
- c. There could be an important role for regional associations in implementing new marketing efforts if resources are made available.
- d. The program should be designed to run for two years, with a solid evaluation after year 1, so that that there is a realistic opportunity to see results.
- e. Staffing for a marketing program could address certain other recommendations in this plan, such as implementing a simple website to facilitate the sale of woodlots, and building a stronger licensee contact list.
- f. To avoid duplication and maximize impact, the marketing program should be designed to closely integrate with the project funding activity described elsewhere in this plan (for example, if market feasibility work is called for).
- g. Through the levy reserve, substantial resources are available to build a solid program.
- h. There will very likely be strong partnership opportunities around this program, such as with the Bridges project (www.woodsourcebc.com) and with major government funders.
- i. Depending on the services offered, the program could have cost recovery elements (for example, if more in depth analysis is required by certain licensees), but the basic service should be free for the trial program.
- j. Implementation of a marketing support program would fulfill important unfulfilled elements of the WPDC's mandate (see Appendix 2).

Implementation

The 2003 marketing strategy called for the hiring of a marketing coordinator on contract, and that seems reasonable given the proposed trial program duration. It would likely be too expensive to retain a consultant to run the program. However, it likely makes sense to retain a marketing consultant to work with the 2003 strategy, other materials and a reference group of licensees and update the strategy. The consultant could provide occasional support to the marketing coordinator once hired.

The 2003 marketing strategy also called for regional marketing support contract staffing once the program generated enough demand. That could make sense, and would parallel the infrastructure that FBCWA operates for appraisal advisors, but may not be required during the first stage of the program. An alternative or adjunct would be to develop a roster of specialized contractors who would work on a shared cost basis on specific projects for groups of licensees. This would also integrate with the project funding program recommended in this plan.

Budget

\$15,000 to update the 2003 strategy and develop a detailed implementation plan, including cost recovery mechanisms

\$100,000 to implement the program in the first year.

Total year 1: \$115,000

The 2003 strategy is optimistic about the ability to recover costs, but for conservative planning purposes, no cost recovery is assumed in the first year.

Next steps

Using in-house contract staff or a separate contractor, prepare a request for proposals for this work, select a contractor, and implement.

EXTENSION SERVICES

WOODLOT BUSINESS DEVELOPMENT RECOMMENDATION #4: WORKING WITH KEY PARTNERS, DESIGN AN IMPROVED BUSINESS EXTENSION SUPPORT SYSTEM TO SUPPORT LICENSEES AND OTHERS

Discussion

This is one of the few areas in this plan for which further analysis—and significant leadership by woodlot organizations—is essential.

Developing better extension services for small scale forestry has been on the table in BC for decades. Support has come and gone depending on funding programs. As reviewed in the *Extension and Collaboration Report* prepared for this project, there are a number of business and forest management resources available to licensees. A range of resources are available online, including excellent materials on the FBCWA website. However, for BC or even Canadian small forest holders, there does not appear to be a comprehensive online “portal” that is specifically intended to guide small forest managers through the resources available.

Extensive one-on-one help is available through professional foresters and technologists throughout BC, as well as through accountants and other business professionals, but these services can be expensive. The Community Futures program and others (depending on where one lives) provide limited one on one assistance for free or at minimal cost.

However, the support available to small scale forest managers pales in comparison to what is available to farmers, who can access significant free or subsidized one on one advisory services, among other resources. Further, agriculture industry councils appear to have much more significant resources from governments to advance their industries.

It is recommended that woodlot organizations take leadership and invite key partners to pool resources and create an enhanced system for small scale forestry business management support. Forest management would likely be an important part of this, but the partners may choose to keep the focus on business development.

A “graduated system” likely makes the most sense:

a. Level 1: Free or very low cost online resources

Partners would include the BC Community Forest Association (the Bridges project, which is already supported with a modest commitment of levy funds), Royal Roads University (the Rural Opportunities Network online project), the Community Futures Association of BC, FORREX, FLNRO, the Private Forest Landowners Association, BC and Canada-supported business advisory services, and others. As is the case in many other industries, enhanced access to online information could be a “members-only” service accessible to those who are paid-up members of a partnering association. However, this service is likely to be an ongoing cost.²³

b. Level 2: Relatively inexpensive one on one mentoring/coaching using experienced licensees and others

The BC woodlot community, 866 licenses strong, contains deep experience in small scale forest management and business development. The idea of connecting experienced woodlot owners with those who are not as experienced, or who are considering business ventures in unfamiliar territory, is appealing to many licensees. The successful Master Woodlot Manager program that the FBCWA used to support is an available model that can be adapted; others can also be adapted. This program could be developed on a cost-recovery basis.

The mentoring/coaching recommendation is based on the following assumptions:

- i. Personal and practical approaches are key in delivering effective extension services – workshops, demonstrations, field guides, and field visits are ranked highly by woodlot owners.
- ii. The challenge is not a lack of information, but making it available at the time it is needed, in a form that is accessible to the user. Mentors can play an information broker role in this regard.

²³ Some people assume that many or most woodlot owners are uncomfortable with using online resources, or even email. That is surely true for some, but the computer literacy of licensees, and their willingness to use online resources, is unknown because only anecdotal information is available on this subject.

- iii. Peer-to-peer mentoring provides an opportunity to utilize volunteer or quasi-volunteer resources at lower cost than professional extension models.
 - iv. Peer-to-peer mentoring and networking match well to adult learners/woodlot owners.
 - v. Traditional extension services focus on technical aspects of forestry and land management. In addition to these technical aspects, woodlot owners are interested in business and market development initiatives.
- c. Level 3: Specialized, cost-shared, project-specific consulting services to individuals or groups (this could be supported through the Initiatives Fund proposed in this plan).

Some business ventures would benefit from in depth assistance. Eligible farmers can obtain thousands of dollars worth of consulting advice for just \$100, and it would be useful to explore whether the small scale forest industry can obtain similar support. This plan recommends that groups of licensees would be eligible for cost-shared support for feasibility work, but the FBCWA/WPDC may elect to make such support available only to major projects, and not an ongoing service.

Services such as those noted above would likely be more cost-effective if integrated with a membership expansion program (see recommendation elsewhere in this report).

Objectives and benefits

The purpose of the “design an improved business extension support system” recommendation is to explore with partners the feasibility of developing an improved small scale forestry extension system.

Expected impacts would be measured in terms of:

- a. Number of participants
- b. Number of consultations
- c. Financing leveraged
- d. Increased sales and/or profitability
- e. Operational cost reductions

Implementation

It’s recommended that this project be the focus of a 1 to 2 day “opportunity development workshop” with key implementation and funding partners and subject experts. A well-managed session like that, with materials prepared in advance, can save a great deal of time and quickly establish project partnerships.

It is assumed that existing FBCWA/WPDC staff do not have time to focus on this, given other responsibilities, and additional contract help will be required. The contractor(s) will require subject area expertise, existing contacts with key partners, and strong communication, organizing and

facilitation skills. The work would include communication with prospective partners to gain agreement to convene the workshop and co-funding for the overall project, research and consultation to develop action proposals and budgets in advance of the workshop, organizing and convening the workshop, preparing financing and operational proposals following the workshop, and working with partners to bring the project to the implementation stage. In short, a major undertaking, but likely one of the most important recommended in this plan.

Budget

\$25,000 – contractor (basic workshop costs are addressed in the “investment fund” section below)

It is likely that the cost noted above can be shared with other groups.

Potential partners

Potential partners include organizations that provide extension and information services of interest to woodlot owners, and funders who may be interested in highly collaborative projects like this, including:

- a. BC Community Forest Association and Bridges project contractor(s)
- b. Royal Roads - Centre for Livelihoods and Ecology
- c. First Nations forestry organization(s)
- d. FLNRO
- e. FORREX
- f. Private Forest Landowner Association
- g. UBC Centre for Advanced Wood Processing
- h. Community Futures Development Association of BC
- i. Investment Agriculture Fund
- j. Western Economic Diversification Canada
- k. BC economic development funding agencies
- l. BC and Federal agricultural extension organizations

Next steps

Using in-house contract staff or a separate contractor, prepare a request for proposals for this work, select a contractor, and implement.

While some reviewers may dismiss this as an activity “requiring more study,” this is a major undertaking that would be irrational to attempt without further feasibility work. However, it is one of the most important actions that woodlot licensees are asking for, and deserves serious attention.

USING THE LEVY RESERVE FUND

The recommendations in this section respond to opportunities and needs, and to some degree respond to a risk. The risk is that the size of the levy reserve fund, the fact that it is not being used, the lack of member participation, and the increasing number of levy refund requests will create a negative feedback loop that will challenge the need to have a levy.

INVESTMENT PRINCIPLES AND CRITERIA

The following are elements to be considered if a decision is made to use levy funds for new initiatives. As with all other sections, the recommendations below are based on input from licensees and background research.²⁴ (For brevity's sake, the formatting in this section is different from that of other recommendation sections.)

INVESTMENT RECOMMENDATION #1: (COMMITMENT OF LEVY FUNDS) A PORTION OF THE LEVY RESERVE FUND PRINCIPAL SHOULD BE USED TO IMPLEMENT HIGH PRIORITY WORK, SUCH AS ORGANIZATIONAL DEVELOPMENT, OR TO LEVERAGE MAJOR FUNDING FROM OTHER FUNDERS FOR KEY PROJECTS. FOLLOWING IMPLEMENTATION OF KEY PROJECTS, PROJECTS SHOULD BE FUNDED THROUGH THE ANNUAL LEVY PROCEEDS AND INTEREST FROM THE LEVY RESERVE.

INVESTMENT RECOMMENDATION #2: (MANAGING USE OF LEVY FUNDS) ESTABLISH AN INITIATIVES FUND TO PROVIDE GRANTS FOR ACTIVITIES THAT LEAD DIRECTLY TO INCREASED PROFITABILITY (GROWTH IN REVENUES OR DECREASED COSTS) FOR WOODLOT OWNERS.²⁵

Discussion

(Criteria for use of the “initiatives fund” are discussed below under “Investment recommendation #3”.)

It appears that there is a backlog of important work to do (for example, implementation of the 2003/04 marketing strategy), and given the size of the levy reserve, it seems appropriate to use some of the reserve to get important work accomplished. It is difficult to say how much of the levy fund could or should be used in the absence of information on partnership opportunities, but it's expected that a relatively small percentage of the principal is required for “start up” purposes. This policy can be reviewed in future (investments from the levy principal are more likely to be viewed positively once the WPDC or FBCWA have demonstrated successes).

²⁴ Licensees providing input did not agree regarding use of the levy fund principal: some were against using any principal, and others felt that it was necessary depending on the case. The writers believe that using some of the principal is necessary to jump start this plan.

²⁵ The WPDC already invites members to submit project grant proposals using a simple application form. Additional information may be sought depending on the application. Most of the grants are for less than \$2,000 and most pertain to communications work such as brochures and newsletters. A few studies have also been co-funded.

- An Initiatives Fund would operate for a two year period in order to evaluate the extent to which projects are undertaken, challenges with the delivery model and the results of initiatives undertaken.
- Criteria for evaluating project proposals would be developed by woodlot organizations (see recommendations below in this section).
- Small, regional groupings of woodlot owners may not have the time or skills required to develop, implement and evaluate projects. Accordingly, recommendations for project support are also noted below.

Assumptions

The “Initiatives Fund” recommendation is based on the following assumptions:

- a. There are no one-size-fits-all solutions to the development of new business opportunities. Opportunities will be specific to smaller groups of woodlot owners and their local/regional market environment and individual creativity. Activities should not be prescribed, but may include information sharing, equipment cooperation, collective marketing, and/or land management services.
- b. Cooperative approaches have worked well in other jurisdictions by providing market strength and cost-sharing opportunities. Cooperative activities are most likely to be successful at the regional or local level.
- c. Pilot project investments will allow woodlot organizations to test various approaches rather than committing to long-term programs that risks a large piece of retained funds. Successful initiatives can be rolled out to broader audiences.
- d. Projects/initiatives need motivated and committed champions to move forward. This commitment can be measured by the amount of resources champions are willing to put toward initiatives – both in personal and monetary terms.

Objectives

The purpose of the Initiatives Fund would be to support the development of new products, markets or cooperative activities that lead directly to increased profitability (growth in revenues or decreased costs) for woodlot owners. Projects are expected to provide direct benefits to project proponents as well as the potential for broader benefits as successful projects are shared with other woodlot owners.

Expected impacts would be measured in terms of:

- a. Increased sales and/or profitability
- b. Operational cost reductions
- c. Number and value of projects developed
- d. Partnership funding leveraged

Implementation

The key steps, aside from work to obtain agreement on this, are to determine the following:

- a. overall goals (desired outcomes), measureable objectives, and investment principles and criteria (see “Investment recommendation #3,” below),
- b. required human resources to launch and manage a pilot program (see the “organizational capacity for project implementation and management” section, below),
- c. role of the AGM or other events for facilitating proposal development (see the section immediately below),
- d. the financial commitment for the pilot program (see “budget” below in this section),
- e. partnership and leverage opportunities with major funders (BC and Canada) (see “potential partners” below in this section), and
- f. partnership opportunities with allied organizations (see “potential partners” below in this section).

Facilitating proposal development

In the “investment principles and criteria” section of this plan, below, it is assumed that most funds would be spent on projects emerging from the strategic planning of woodlot organizations, such as those outlined in this plan. However, it is also assumed that some projects may emerge directly from the membership, particularly to support regional action where energy exists. If woodlot organizations seek submissions from groups of licensees, it makes sense to help that process along by providing support (see “organizational capacity” section below).

Further, in order to encourage a broad range of creativity and partnerships in the development of proposals, and collaboratively develop programs, it is recommended that woodlot organizations hold “opportunity development workshops” with key stakeholders.

- Workshops could be conducted in conjunction with woodlot organizations’ annual conference, but could also be standalone, smaller events.
- Presentations would be invited from organizations and individuals highlighting potential markets, products, organizational structures, partners, etc. In addition to the presentation of new ideas, the event would specifically include an opportunity for participants to have discussions on the development of potential programs, including those sponsored directly by woodlot organizations.
- Examples of three possible topics for workshops drawn from this plan: marketing, business extension and woodlot transfer financing.

“Initiatives fund” budget

\$7,000 – Contract support for the development of major funding partnerships, including collaboration with implementation partners (this could be rolled into the recommendation below for contract staffing in the “organizational capacity” section, but it seems likely that longer term support would not be engaged until funding prospects are known).

\$5,000 – Facilitation and venue costs for two to three “opportunity development workshops” (over and above WPDC/FBCWA AGM coordination staff time and costs)

\$350,000 – Initiatives (the fewer and larger the projects are, the easier to manage, but the fewer the opportunities for regional action)

Total: \$362,000 (organizational capacity is addressed below)

Potential implementation partners

Potential partners would include organizations interested in providing services and/or developing project partnerships with woodlot groups. Several groups were approached in the course of developing this plan, and all informally indicated an interest in discussing collaboration (see asterixes; no firm commitment is implied).

- a. Royal Roads - Centre for Livelihoods and Ecology*
- b. FORREX*
- c. BC Community Forest Association*
- d. UBC Centre for Advanced Wood Processing*
- e. FLNRO
- f. Regional Silviculture Committees
- g. BC Cooperative Association

Potential funding partners

“Levering” levy funds is an essential project/program development task. The following entities may be willing and able to provide partnership dollars, and there are others. Several were approached in the course of developing this plan, and all informally indicated an interest in discussing collaboration (see asterixes; no firm commitment is implied).

Suggested approach: when the aims and scope of an “initiatives fund” are established, research the aims of major funders, and approach candidates for co-funding, prepare proposals as required. Be prepared to modify the program, and perhaps up the ante, through negotiations with funders. It may be possible, with enough lead time and levy investment, to encourage a major funder to co-create a funding program specifically for small forestry tenure business development. If woodlot organizations are willing to put up, say, \$300,000, it may be possible to lever that up to a \$1 million program or more. This effort will be significantly aided if the proposal is supported by implementation partners.

- a. Western Economic Diversification*
- b. BC Agroforestry Industry Development Initiative (Investment Agriculture Fund)
- c. BC Ministry of Jobs, Tourism and Innovation*
- d. Community Futures Development Corporations*
- e. Beetle Action Coalitions*
- f. Regional Trusts
- g. Other federal and provincial agencies

Next steps

See “implementation,” above. The final step will be evaluation of the program (report and recommendations).

INVESTMENT RECOMMENDATION #3: (MANAGING USE OF LEVY FUNDS) DEVELOP CLEAR INVESTMENT OBJECTIVES AND POLICIES FOR THE USE OF LEVY FUNDS CONSISTENT WITH THE WPDC MANDATE AND STRATEGIC PLAN PRIORITIES.

The following objectives and policies for the Initiatives Fund should flow directly from strategic planning (as noted in the “governance” section, the WPDC should update its strategic plan and integrate that plan with that of the FBCWA through a collaborative process).

Proposed aims

Goal (desired outcome): Improved economic performance of woodlots.

Objectives (baseline measures and targets need to be established)

- a. Improved member service capacity of the WPDC and FBCWA
- b. Increased woodlot profitability²⁶
- c. Reduced rate of levy refund requests
- d. Reduced rate of licence abandonment
- e. Cost recovery or net project revenue to the WPDC or FBCWA

Specific objectives for WLs participating in projects or programs:

Increased woodlot profitability via development of new revenue streams and/or reduction of operating costs.

Assumptions about eligibility:

²⁶ WLs and regional associations receiving project support from the WPDC could be required, in exchange for support, to share “before and after” data (baselines and targets) in confidence for evaluation purposes. This is consistent with some granting programs.

- a. WPDC and FBCWA will drive most expenditure with action plans that emerge from a joint strategic planning process. Woodlot organizations may also invite proposals from specific groups of licensees for pilots or other targeted work that achieves planning aims, such as regional engagement.
- b. For projects driven by regional woodlot associations or other groups of licensees, granting of funds will be conducted through a competitive process. The process can be simple, yet still enable the WPDC to evaluate proposals against others.
- c. Projects could be provincial, regional or local in scope.
- d. Local initiatives are better suited to cooperative activities while provincial organization(s) address policy, representation of member interest and the development of extension materials and opportunities.
- e. Regional woodlot associations are a logical partner for regional-scale projects
- f. Individual woodlot owners would not be eligible to submit project proposals, but may be served by projects or programs. For example, a woodlot transfer financing program would assist individual woodlot owners.

Proposed policies for use of the levy for special projects

Investment policy 1: In general, the WPDC should not directly implement projects, but rather focus on the development of clear investment objectives and policies, and effective contract management.

It is important to avoid duplication, confusion and conflicting mandates between the FBCWA and the WPDC. This can be aided through a joint strategic planning process (see the “Governance” section of this plan).

Numerous project ideas were submitted for consideration as part of this planning project. While the WPDC may choose to implement some of these projects on its own, it would likely be more effective for the WPDC to focus on the effective delivery of project funding, rather than direct project implementation. After the WPDC has determined their interest in implementing any of the proposed projects directly, the remaining submissions may be utilized as examples for policy development and the stimulation of potential projects from eligible project proponents.

Investment policy 2: The following entities would be eligible to submit project proposals to the WPDC consistent with investment policies:

- Federation of BC Woodlot Associations
- Regional woodlot associations
- Groups of five or more individual woodlots from any location working in partnership

Pending the outcome of collaborative planning and related discussions, the WPDC may also execute projects so long as such projects are in accordance with the joint strategic plans of the FBCWA and WPDC.

Investment policy 3: Initial project investments should focus on incremental investments will allow woodlot organizations to test various approaches rather than committing to a long-term program that commits major funds. Emphasize small experiments, with the potential to roll successful initiatives out to broader audiences.

While the WPDC and FBCWA have skilled contract staff, both organizations have limited project development and management capacity beyond work that is already underway and planned. There is a need to build capacity and demonstrate success to the membership prior to undertaking major project investments.

Investment policy 4: Projects should focus on the development of effective partnerships for project implementation where proponents do not have internal capacity (e.g., the lending program proposed in this plan)

Some of the proposed projects require skills in areas where the WPDC and FBCWA have little or no experience. While this experience can be purchased or learned, the scale and scope of many of these initiatives does not support the easy development of internal capacity. The FBCWA already partners with other organizations to deliver programs (e.g., Agroforestry Industry Development Initiative), and if those models are working, they may be useful templates for new work.

Investment policy 5: Project proposals should demonstrate the potential for transferability to woodlot licensees elsewhere, including in other regions.

As levy funds are collected from the entire membership, projects should provide benefits to as broad an audience as possible. However, that may not always be possible, so it is important to establish a simple competitive process to govern project selection from submissions by regional woodlot associations and other groups of licensees. A simple point system can be used to help evaluate proposals.

Investment policy 6: Project proposals should demonstrate the proponent's capacity to undertake the project, and include a matching cash investment by the proponent of at least 33.3 percent of the funding requested of the WPDC.

Projects need motivated and committed champions to ensure their success. A cash investment by proponents is required.

Investment policy 7: Project proposals should include measurable objectives and a clear evaluation plan, demonstrating a net positive financial impact on woodlot organizations or their memberships.

Clear project evaluation including outcomes and indicators is necessary in order to effectively evaluate the effectiveness of programs.

Investment policy 8: Project proposals should demonstrate a definable end or clear plan for sustainability.

The WPDC should not fund projects that require ongoing financial support beyond the WPDC project funding time-frame.

Investment policy 9: Project proposals should demonstrate partnership and leverage.

The WPDC has limited funds to support project investments. These funds can be used effectively to “lever up” additional funding from Federal and Provincial programs.

Investment policy 10: (Transparency) Clear criteria and evaluation processes for project proposals should be developed and communicated (examples may be drawn from the sections below). Project proposals should include a communications plan outlining how the results of the project will be shared with the WPDC membership.²⁷

In order to demonstrate fairness and accountability, the WPDC must ensure that project approval processes are transparent, decision making processes are clear and the results of projects are communicated.

Investment policy 11: (Equity) Levy-funded work will not be used to develop proprietary information, and all information and learnings from levy-funded work will be made available to all members (see also “transparency” recommendation above).

To assist sharing the benefits of levy investments more broadly, all information obtained through research or other work co-funded through the levy will become available to any woodlot licensee.

Investment policy 12: (Equity) Policy will be devised to ensure regional fairness in the allocation of levy funds for special projects.

Many licensees are sensitive to regional balance in the distribution of WPDC/FBCWA resources (e.g., funding, staff time, policy work). Moreover, much of the current levy fund has been accrued due to major AAC increases following from the pine beetle epidemic in the interior of BC.

Implementation and budget

Mechanics and costs for conducting investment policy development work are addressed in the “Investment 2” recommendation above and in the capacity section below.

²⁷ While information on projects previously funded with levy dollars may be reported in WPDC periodicals from time to time, there is no information on the WPDC or FBCWA websites regarding approval objectives and criteria, or a list of funded applications or the results of applications.

**INVESTMENT RECOMMENDATION #4: (ORGANIZATIONAL CAPACITY FOR USE OF LEVY FUNDS)
CONTRACT AN INITIATIVES FUND COORDINATOR TO SUPPORT IMPLEMENTATION AND
MANAGEMENT**

Discussion

This recommendation supports those above. Suggested “capacity policy” is outlined below.

A contractor would be charged with

- a. assisting woodlot organizations to develop and maintain investment fund objectives, policies and processes,
- b. supporting project applicants in developing project proposals,
- c. supporting project implementation, and
- d. monitoring and evaluating the success of projects.

Implementation

Make decisions on policies such as those below, develop an appropriate job profile, and contract an Initiatives Fund coordinator (see other relevant implementation notes in the sections above).

Budget

\$30,000 – Contract support for proposal development, coordination and evaluation, in addition to related contract allocations for specific projects.

STRENGTHENING WOODLOT ORGANIZATIONS

This section addresses governance, membership, member services, administration and operations

GOVERNANCE

Due to input from woodlot licensees and others, it is evident that governance requires attention in order to support implementation of the recommendations in this plan. Without that attention, it seems doubtful that many of the recommendations in this plan could be successfully implemented.

The FBCWA and WPDC boards and staff have strong positive attributes and all are committed to serving the needs of woodlot licensees. There have been important successes over the years on joint FBCWA/WPDC action on challenges facing woodlot owners. Acknowledging that, the commentary below focuses on areas that could be improved to aid implementation of this plan.

Background and current situation

Through the initiative of the FBCWA, and with the support of individual woodlot licensees in general, the BC government created the Woodlot Product Development Council in 1997 as the best legal method to collect fees. The FBCWA and the WPDC each have a separate volunteer board with non-voting representation from the other group. Given their differing mandates, it is critical that the two organizations are clear on the direction that this plan might take.

An immediate effort is required to clarify roles and responsibilities, develop standard operating procedures to ensure that existing and new directors of both organizations realize the extent of their commitment as directors, and afford all licensees the opportunity to contribute to this discussion. Helping both groups to address governance issues will aid woodlot licensees to realize the many opportunities at hand.

GOVERNANCE RECOMMENDATION #1: WPDC AND FBCWA SHOULD ENGAGE IN A JOINT PROCESS TO FORMALLY CLARIFY THEIR ROLES AND RESPONSIBILITIES, CONSULT WITH THE WOODLOT COMMUNITY ON THOSE ROLES, AND CONDUCT OTHER ORGANIZATIONAL DEVELOPMENT TASKS.

Discussion

See the discussion in “background and current situation,” above.

Objectives

The purpose of the “clarify roles and responsibilities/organizational development” recommendation is to improve decision making efficiency regarding levy acquisition and expenditure, and director awareness on matters relating to the owners of the levy. This will require both FBCWA and WPDC involvement. All woodlot licensees are likely to benefit.

Implementation

Mutual commitment is required for this process to work. Ideally, an organizational development consultant would be retained to assist.

Possible elements include the following tasks and questions:

- a. Use the legislation and ancillary approved documents as a starting point. They are the authority and premise (if not the promise) under which the levy was collected from woodlot licensees.
- b. Establish who is responsible for establishing the vision, goals and objectives related to use of levy funding, and develop vision/goals/objectives in a sound joint planning initiative.

- c. Establish whether the WPDC directors are solely responsible for the levy asset and the utilization of that asset similar to the directors of other corporations. Establish whether the FBCWA is accountable to the WPDC for activities and results attained as a result of levy funding, and establish how this accountability will be formalized and monitored.
- d. Review the current model and whether it is being correctly applied, and consider other options. Determine whether other organizational structures allowable by government would be more effective than the current model.
- e. Review past plans and progress made by each group.
- f. Review the organizational mandate and vision statement for each group
- g. Conduct an environmental scan and organizational SWOT analyses.

Budget

\$10,000 – retain an organizational development consultant and work through the issues (budget includes consulting fees and meeting room/accommodation/travel expenses). It should be practical to integrate this work with joint strategic planning work (see below).

Next steps

Immediate: determine if there is mutual agreement that the issues noted above exist, and if so, if the recommendation above is appropriate or if alternative approaches would be better. Joint leadership from the presidents/chairs of the WPDC and FBCWA is essential.

GOVERNANCE RECOMMENDATION #2: THE WPDC AND FBCWA SHOULD UPDATE THEIR STRATEGIC PLANS THROUGH A JOINT PROCESS AND INCORPORATE EVALUATION MEASURES.

Discussion

If plans put forward in this document are to be effectively implemented, it is essential that strong evaluation methods be put in place. This begins with strategic plans. Both the WPDC and FBCWA have strategic plans (2008-12 and 2007-12, respectively) with solid objectives and tasks, and priorities based on each group’s mission. However, no baseline numbers or targets are included in the performance measures in either plan, and therefore performance cannot be effectively measured.²⁸ Nor is there an indication of priorities or an assessment of required resources.

²⁸ For example, “strategy A.1” in the FBCWA strategic plan, pertaining to woodlot licensee education, identifies a performance measure as the “number of Almanac annual articles providing examples of excellence.” However, unless a baseline is identified (the number of articles to increase from), and a specific objective set for the increased number of articles, progress can’t be effectively measured. All or almost all measures in the plan are similar.

It appears that neither organization has a formal annual process to review progress against the strategic plan. Nor is there meaningful joint strategic planning. An FBCWA workplan is submitted to the WPDC for funding approval; it includes a budget, allocation of responsibilities and brief task descriptions, but it does not include effective performance measures.

A “common task” approach to strategic planning will help to solidify achievements over time and harmonize the direction and purpose of the two organizations.

Objectives

The purpose of the “joint strategic planning” recommendation is to support governance recommendation #1 (role clarification) with solid joint planning and develop a structured basis on which to evaluate the performance of the FBCWA, the WPDC and their staff.

Implementation

Both organizations have solid plans, and this plan will add grist to the mill. It seems likely that most work will focus on setting priorities, allocating and perhaps restructuring resources, and incorporating evaluation measures.

Budget

This recommendation can likely be addressed within the budget noted for governance recommendation #1, plus staff and volunteer time.

Next steps

The same as for governance recommendation #1, above.

MEMBERSHIP AND MEMBERSHIP DATA

Largely or partly to address challenges regarding membership levels in regional associations, some have proposed that the levy be used to pay membership fees for every licensee. That would address the issue of membership numbers, would provide more resources for regional associations and would likely deliver other benefits. However, it may do little to address the underlying causes of the membership issue. Distributing funds to regional associations may help attract the interest and commitment of more local licensees, but distributing funds without criteria for results, no overall coordination to maximize impacts, and significant risk for duplication of efforts seems ill-advised before the membership issue is more fully understood.

Further, use of the levy in this way would cost almost \$90,000 per year, according to an FBCWA estimate, which is somewhat more than the levy reserve returns to the WPDC each year at current

reserve levels and investment performance.²⁹ This is further reason to be wary for now of using the levy to pay all membership fees. That said, the empowerment of regional associations is clearly an important issue that requires attention, and paying the membership fees of all licensees is an option. Elsewhere in this plan there are several other recommendations that may help.

NOTE: See proposal regarding membership expansion below.

MEMBERSHIP RECOMMENDATION #1: WORKING WITH, AND IDEALLY COST-SHARED WITH THE FLNRO, WOODLOT ORGANIZATIONS SHOULD CONDUCT A COMPREHENSIVE SURVEY PROCESS WITH THEIR FULL MEMBERSHIPS. ESTABLISHING AN UP TO DATE AND EASILY UPDATEABLE CONTACT LIST WITH TELEPHONE NUMBERS, EMAIL ADDRESSES AND WEBSITES WILL SUPPORT THIS WORK.

Discussion

According to the Ministry of Forests, Lands and Natural Resource Operations (FLNRO), as of March 31, 2012 there were 866 woodlot licensees in BC. However, no statistically accurate information on the nature of these woodlots is available to the WPDC or FBCWA, even from the FLNRO. This makes it more difficult to understand trends, which makes it more difficult to understand how to service the membership. Developing a more comprehensive contact list will expand the range of methods available for communicating with licensees. Although a full contact list with telephone numbers, email addresses and other information is steadily being expanded, more resources applied to that project will help get it completed more quickly.

Aside from individual contact with staff and board members of woodlot organizations, information on licensees is gathered largely through an annual survey for which members select themselves for participation. Although participation rates are reasonable (10 to 15 percent of the members or more), it is difficult to say whether the same people are responding to the survey each time, or if a different group is responding. Therefore all such input is, by definition, anecdotal. This anecdotal input may approximate what most members think, but there is no way to know for sure.

The WPDC is managing more than \$2 million in trust for members and is striving to improve its service to stakeholders. From a basic business operations point of view, the matters noted above are important information gaps that should be addressed immediately by organizations with the responsibilities and challenges of the WPDC and FBCWA.³⁰

²⁹ The average yield over the last few years of 3.9 percent on the Reserve Fund balance (\$2,141,000) produces annual income of about \$83,490.

³⁰ Collecting statistically valid membership data was to be undertaken for this planning project, but the task was put on hold for budget reasons.

Objectives

The purpose of the membership data recommendation is to improve association planning and management capability by adding statistically valid data to the existing general understanding of the woodlot sector, making data collection more easily replicable, and updating and expanding licensee contact information.

Implementation

Data collection would ideally be designed so that it aligns with or modifies FLNRO data collection and reporting systems so that it is easier to collect the information in future (every three years, say). Demographic and economic information are the key data sets; information on issues and opportunities can be part of the information collection if practical. To be most economical, the survey could be designed by a consulting firm with the necessary expertise, who would then guide researchers through implementation (e.g., university students in commerce or statistics). Replicability, and consistent data collection over time, are critical to the eventual development of reliable trend information.

Budget

\$20,000, roughly estimated. The cost should decline significantly once the template is set and, if possible, the systems aligned with the FLNRO.

Next steps

Learn from other membership organizations about best practices for gathering and using information about their memberships. Use that information to guide a request for proposal from survey research firms to establish rough cost estimates.

RECRUITING NON-LICENSEE MEMBERS AND PROVIDING MORE SERVICES

MEMBERSHIP RECOMMENDATION #2: AGGRESSIVELY RECRUIT PRIVATE-ONLY FOREST LAND HOLDERS TO WOODLOT ASSOCIATION MEMBERSHIP.

Discussion

This planning project received input from some licensees suggesting that changing the structure of woodlot organizations to aggressively encourage non-licensee memberships would provide political, educational and financial benefits to the woodlot community. Regional woodlot associations already include some non-licensees, though non-licensee participation has apparently dwindled over the years.

There are many thousands of private forest land holders in BC, very few of whom belong to an association, and likely few of whom conduct organized forest management on their lands. The Private Forest Landowners Association (PFLA) exists to assist forest landowners, but the organization is

evidently oriented towards the needs of large landowners such as major coastal forest companies. Many woodlot licensees are also PFLA members.

However, if woodlot organizations embraced and promoted non-licensee membership, and encouraged many more forest landholders to conduct sound forestry planning, significant benefits may result (see below).

Research for this plan indicated that other organizations representing woodlot owners successfully provide fee-for-service land management services to broad memberships, and revenue from those services supports non-profit work for the membership. The examples reviewed for this plan pertain to memberships that own private land exclusively and are often absentee owners. Therefore fee-for-service land management is a main membership selling point for those organizations. **(See discussion of “for profit” activities below.)**

Assumptions

The “expand membership” recommendation is based on the following assumptions:

- a. There are enough private forest land owners throughout BC (the market for membership and services) to make this recommendation worth investigating.
- b. Embracing wider membership and offering broader services would likely bring change to the FBCWA and WPDC. The proposed business assessment will weigh possible risks against possible benefits. For example, significantly expanding membership of non-licensees risks diluting the focus on woodlot licensees, but many of the expressed needs of licensees have little or nothing to do with their “woodlot licensee” status. Instead, most needs pertain to business planning, forestry, succession planning, marketing, and so on.
- c. New members who are not woodlot licensees would not be eligible for levy-subsidized services or benefits.

Objectives

The aim of the “expand membership” recommendation is to evaluate the business case and organizational risks and benefits of actively expanding the membership of woodlot associations and/or the FBCWA. The following benefits could result:

- a. a larger membership base will bring more political authority when speaking with policy-makers,
- b. a larger membership base will bring new energy and ideas, and
- c. more critical mass could be created for cooperation on market development and in other areas.

Budget

\$30,000, which includes \$10,000 for feasibility assessment and consultations plus \$20,000 for business and operational plan development (the latter is contingent on feasibility assessment; this could cost less depending on nature of feasibility assessment and adaptability of existing models).

Potential partners

Include the Private Forest Landholders Association in the planning process to minimize the “turf war” risk. Discussions with First Nations licensees and the BC Community Forest Association may also be useful, as they may be potential clients.

Next steps

1. Contract consultant(s) to conduct feasibility assessment.
2. Review feasibility assessment and determine next steps, if any
3. If the project moves to the next step, contract consultant(s) to prepare business plan based on existing models
4. Business plan completed; final go/no go decision
5. In parallel with establishing the membership expansion program, establish service programs so that a membership service package is ready to sell when the membership drive begins. See below for an example (“Master woodlot manager” program).

While some reviewers may dismiss this as an activity “requiring more study,” this is a major undertaking that would be irrational to attempt without further feasibility work.

ADMINISTRATION AND OPERATIONS

ADMIN/OPERATIONS RECOMMENDATION #1: CREATE A FEE-FOR-SERVICE, FOR-PROFIT ARM OF THE FBCWA

Discussion

(This proposal strongly integrates with the “membership expansion” proposal outlined above.)

As noted above, there are many thousands of private forest land holders in BC, and it is likely that few of them conduct organized forest management on their lands. Other organizations representing woodlot owners successfully provide fee-for-service land management services to broad membership bases, and revenue from selling services supports policy development and other work for their memberships. The examples reviewed for this plan pertain to memberships that own private land exclusively and are often absentee owners. Therefore fee-for-service land management is a main membership selling point for those organizations.

The FBCWA may be reluctant to support developing fee-for-service management services for the existing membership because most licensees already engage such services through an existing network of forestry specialists throughout BC. If the membership is expanded as proposed, that should not be an issue, as the service should be workable serving non-licensees. However, one woodlot licensee noted that

“(there is an) opportunity for consolidated land management services serving the needs of those woodlot owners who are not interested in dealing with the mechanics of operating a woodlot licence. Although...the majority of woodlot owners entered the woodlot program because they wanted an active role in forest land management, it is reasonable to assume that this interest could be influenced by an opportunity to ‘make more money for doing less.’ Consolidating land management would allow for economies of scale in relation to costs, as well as the ability to pool fibre for sale.”

In addition, FBCWA staff possess extensive knowledge and experience in small tenure management and administration. The FBCWA general manager noted that

“uniting public and private forest lands under one tenure leading to sustainable forest resource management and utilization is unique to BC. The model is of interest to other jurisdictions that are willing to pay for knowledge about how to make it work.”

Organizations that conduct for-profit activities to raise funds for non-profit activities invite a challenge: the time, energy and money devoted to setting up, marketing and providing for-profit services can take away from the non-profit activities that the organization is meant to focus on. That may be especially true for highly specialized expertise that only key staff have. As noted, however, organizations with similar mandates appear to manage that tension, and use for-profit revenues to support non-profit programs.

Assumptions

The “sell services” recommendation is based on the following assumptions:

- a. There are enough private forest land owners throughout BC (who would be the main market for membership and services) to make this recommendation worth investigating.
- b. Embracing wider membership and offering broader services would likely bring change to the FBCWA and WPDC. Significantly expanding membership of non-licensees risks diluting the focus on woodlot licensees, but many of the expressed needs of licensees have nothing to do with their “woodlot licensee” status. Instead, most expressed needs pertain to business planning, forestry, succession planning, marketing, and so on. The proposed business assessment will weigh possible risks against possible benefits.
- c. New members who are not woodlot licensees would not be eligible for levy-subsidized services or benefits unless there is a way for new members to pay additional fees.

- d. Several existing successful non-profit association models for fee-for-service land management exist elsewhere, and those models could be modified and adopted. A BC-based model could be as simple as offering a clearinghouse for services and taking a commission on referrals.
- e. The PFLA does not provide fee-for-service land management services, and may well be interested in cooperating with the FBCWA on it. Community Forest and First Nations licensees may also be interested in cooperating.

Objectives and benefits

The aim of the “sell services” recommendation is primarily to evaluate the business case and organizational risks and benefits of providing fee-for-service land management services. Additional services, such as consulting to governments outside of BC, can also be investigated. If this initiative is combined with membership expansion to include many more non-licensees,

- a. a larger membership base will bring new energy and ideas,
- b. more work could be generated for forestry specialists,
- c. more forest products could become available, and
- d. more critical mass could be created for cooperation on market development and in other areas, and
- e. fee-for-service capability and a wider membership would integrate with the business extension services and other programs suggested in this plan.

Budget

\$20,000 – Feasibility assessment and consultations

\$30,000 – Business and operational plan development (contingent on feasibility assessment; could cost less depending on nature of feasibility assessment and adaptability of existing models)

Potential partners

Include the Private Forest Landholders Association in the planning process to ensure that there is no or little “turf war” risk. Discussions with First Nations licensees and the BC Community Forest Association may also be useful, as they may be potential clients.

Next steps

1. Contract consultant(s) to conduct feasibility assessment.
2. Review feasibility assessment and determine next steps, if any
3. If the project moves to the next step, contract consultant(s) to prepare business plan based on existing models
4. Business plan completed; final go/no go decision
5. In parallel with establishing the membership expansion program, establish fee-for-service programs so that a membership service package is ready to sell when the membership drive begins.

While some reviewers may dismiss this as an activity “requiring more study,” this is a major undertaking that would be irrational to attempt without further feasibility work. However, it is one of the most important actions that woodlot licensees are asking for, and deserves serious attention.

ADMIN/OPERATIONS RECOMMENDATION #2: THE WPDC AND FBCWA SHOULD WORK TOGETHER TO IMPROVE THE TRANSPARENCY OF ANNUAL FINANCIAL REPORTING ON HOW THE LEVY IS USED.

Discussion

Communication of financial information is an essential part of the organizational planning, evaluation and reporting process. However, it is not possible to clearly understand from the annual financial statements of either the WPDC or FBCWA that the levy, through the WPDC, pays for most of what the FBCWA does. Some licensees express confusion regarding the function of the WPDC and others ask that the levy be discontinued. It is possible that complacency exists about the levy despite the major and measureable benefits it has provided through the FBCWA. More transparency and enthusiasm in reporting how the levy is used and what it achieves is critical, and will be even more important if some of the measures in this plan are adopted. (This matter relates closely to general communication with members and others, but that received little comment from members, so it is not dealt with in this report.)

Objectives

The purpose of the financial reporting recommendation is to improve understanding of the levy asset; how it is protected, managed and expended, and to document how the financial contributions match the results achieved. This work will better inform the woodlot community and underscore the importance of their individual levy contribution. Such information may help reduce requests for levy refunds and calls for discontinuation of the levy all together. Strong financial reporting will improve the membership’s understanding of the function of WPDC and FBCWA.

Implementation

Straightforward tasking of staff and accountants.

Budget

For financial reporting, likely little impact beyond current reporting costs. For broader communication on uses of the levy and results from it, current communications can likely be adjusted with little or no extra cost.

Next steps

Implement immediately so that improved reporting can commence in time for the 2012 AGM.

ADMIN/OPERATIONS RECOMMENDATION #3: THE WPDC OR FBCWA SHOULD CONDUCT AN ANALYSIS OF WHY LICENSEES ARE REQUESTING LEVY REFUNDS AND WHETHER THERE IS A PATTERN TO THOSE REQUESTS.

Discussion

The levy is the critical lifeblood of the FBCWA, and through it, the FBCWA is able to conduct useful business for all licensees. Analysis for this planning project suggests that there is a trend towards more refund requests independent of temporary AAC uplifts. The FBCWA or WPDC should learn more about who is requesting refunds and why they are requesting them. The analysis would be confidential, and should also examine annual patterns for who is requesting refunds, whether there are geographic patterns, and other correlations. Further, the analysis should include review of whether licensees affected by pine beetle AAC falldowns are triggering “regular AAC” refunds. The latter will help woodlot organizations understand if the levy impacts of the pine beetle are already being accounted for in the net levy (and therefore, whether levy reduction due to the pine beetle will be significantly worse in the future).

Objectives

Through understanding why levy refunds are requested, and who is requesting them, obtain very valuable “customer feedback” for WPDC/FBCWA planning, and insight into the future impacts of AAC reductions due to the pine beetle.

Implementation

Use a third party, arms-length researcher who will examine data and trends, and contact a strong representative sample of licensees who have requested refunds. This would be standard “consumer” research, and a fundamental question of licensees would be “What would the FBCWA/WPDC need to do differently, if anything, to cause you to not make a refund request?” A more extensive sample of licensees in the most heavily affected pine beetle areas will help the SPDC/FBCWA understand what is likely to happen in future.

Budget

\$10,000, roughly estimated.

Next steps

Staff prepare a request for proposal to recruit applications to conduct the research. Implement immediately so that results are available for the next planning cycle that begins in Fall 2012.

ADMIN/OPERATIONS RECOMMENDATION #4: THE WPDC OR FBCWA SHOULD MAKE A STRONG REQUEST TO FLNRO TO CONDUCT AN ANALYSIS OF PROJECTED WOODLOT AAC REDUCTIONS DUE TO THE PINE BEETLE.

Discussion

See the discussion in the recommendation above. In combination with the work noted above, this work will also help woodlot organizations understand the levy impacts of the pine beetle.

Objectives

Through gaining FLNRO's perspective on possible levy impacts of the pine beetle, obtain a useful "cross reference" to the research proposed above, which will help sharpen the projection for levy reductions.

Implementation

Request of FLNRO.

Budget

None.

Next steps

Staff would discuss this matter with FLNRO and prepare a request. It may not be possible, but it would be helpful to implement soon so that results are available for the next planning cycle that begins in Fall 2012.

As noted above, it is assumed that the majority of levy funds made available for projects would be utilized directly by the WPDC and FBCWA instead of by members. However, those projects may well be driven by members, and some projects may be conducted directly by members.

Developing and implementing effective projects requires a range of skills that may be new to some proponents. While many woodlot licensees will identify great ideas, the skill sets required to turn these into successful projects (e.g., partnership facilitation, proposal development and accessing leveraged funding) can require years to develop.

Regardless of how the projects are implemented, the WPDC and FBCWA will require additional capacity to support implementation of many of the projects proposed in this plan. That capacity could be achieved by simply adding resources for the short term or longer term, and/or by restructuring the work of existing contract staff. For discussion, this recommendation is based on an assumption that additional contract staff would be retained.

Woodlot Product Development Council Vision & Strategic Plan 2008 – 2012, Nov. 2008 (p 5-7)

The following are the goals from the above plan.

I. Promotion

1. *To be the recognized leaders in sustainable, small-scale forest management.*

Assessment [of whether the goal is being achieved]: Independent survey of public perceptions, internal audit, track the number of outside information requests

2. *To have an excellent working relationship with primary partners (FBCWA, MFR, MAL).*

Assessment: Direct feed-back from primary partners.

3. *To maintain a high level of support from stakeholders.*

Assessment: Annual stakeholder survey, track level of attendance and membership participation at WPDC sponsored events, track the number levy return requests.

II. Education

1. *Support effective education on WL to public, buyers and students.*

Assessment: Annual stakeholder survey, track the volume and value of sales from woodlots.

III. Research

1. *To increase the range of products and services from the woodlot industry.*

Assessment: Survey (range of products), detailed survey to smaller stakeholder sample group.

2. *To increase stakeholder understanding/knowledge of markets and marketing.*

Assessment: Survey (range of products), detailed survey to smaller stakeholder sample group.

IV. Extension

1. *To grow and diversify market opportunities for the WL industry.*

Assessment: Comparative analysis

2. *Enhance business planning skills and capacity of membership.*

Assessment: Track woodlot profitability, retention of Woodlot Licenses, number of training sessions and the participation level.

3. *Enhance forest management skills and capacity of membership.*

Assessment: MFR compliance rate, internal audit, track number of training sessions and the participation level.

V. General

1. *Strengthen the Woodlot program.*

Assessment: Track the number of active woodlots, the number of intergenerational woodlots and the number of opportunities for new entrants into the woodlot industry.

6. PURPOSE OF THE COUNCIL³¹

The primary purpose of the Council shall be to benefit and promote the woodlot industry throughout the province of British Columbia. With funds collected through the powers granted to the Council under the Farming and Fishing Industries Development Act, the Council will:

- 1) Promote a positive image of the woodlot industry and its products.
- 2) Educate the general public and buyers about the benefits of B.C. Woodlots and small scale woodlot management.
- 3) Initiate and support research programs for the development and enhancement of the woodlot industry in the province.

In accomplishing this purpose, the Council will adopt objectives which may include the following:

- A) To support the existing infrastructure with:
 - i. Local, Regional and Provincial log selling price list
 - ii. Woodlot contractor and consultant list
 - iii. Sample contract formats
 - iv. List of average costs for harvesting, surveys, plans and silvicultural treatments
 - v. Respond to government requests for information and woodlot industry representation.
- B) To research the following areas:
 - i. Markets
 - ii. Management areas identified as problem areas for woodlot operators
 - iii. New products
 - iv. New management techniques
 - v. Methods to ensure fair valuation of woodlot stumpages
 - vi. Methods to ensure productive and efficient administrative procedures
- C) To complete market development projects which:
 - i. Identify existing opportunities
 - ii. Identify new opportunities
 - iii. Help woodlot operators sell their products into markets which provide the greatest return and get the highest and best use out of them, i.e.: value added.
 - iv. Support the principles of forest and wood product certification i.e. ISO 14,000

³¹ McIntosh, Bill and Ken Devick, *Final development plan for the British Columbia Woodlot Product Development Council*, for the Woodlot Product Development Council Committee, Feb. 1997

- D) To assist in technology transfer to producers in the following areas:
 - i. Silviculture
 - ii. Marketing
 - iii. Harvesting
 - iv. Protection
 - v. Inventory
 - vi. Small Scale Forest Management
 - vii. Woodlot License Administration

- E) To promote, benefit and educate through:
 - i. Woodlot industry news letter
 - ii. Education at public schools
 - iii. Small scale forest management
 - iv. Image enhancement.
 - v. Providing forum for woodlot licensees to improve and broaden markets
 - vi. New management and harvesting technique for woodlots
 - vii. Providing extension services

- F) Develop and maintain
 - i. Data base of current log prices in Districts of Province
 - ii. Data base of contractors and consultations providing services to woodlot licensees
 - iii. Models of written contract formats for woodlot licensees to use for their own contracts

- G) Obtain group insurance rates for benefit insurance such as life, dental and disability as well as specialized Liability Insurance.

- H) Identify areas of weakness in woodlot management and facilitate and encourage research in these areas.

It is recognized that this list of objectives is extensive and that the directors, with input from the members, will have to prioritize it. The intent of the list is to provide some guidance to the directors as well as let the Provincial Government and licensees know the intended focus of this council. The directors and members may establish new objectives which are required to serve the most important needs of licensees.

All WLs get revenue from sawlogs. Some WLs obtain additional revenues from secondary or value-added manufacturing, character wood and specialty logs, and other solid wood products. Some use certification and branding to enhance sales. Some sell non-timber forest products like mushrooms or florals. In other jurisdictions, woodlots can sell “environmental goods and services” like protected areas or clean water.

Aside from solid wood and related, there appear to be three major, heavily overlapping categories of forest-based products: bioproducts, non-timber products and agroforestry products. (Please note that this is a brief overview only, and does not include every possible product or service.)

Bio-products

“Bioproducts” is an all-encompassing term that includes everything that can be derived from the living natural world. The term is usually connected to the concept of “bio-economy” (a BC legislative committee was formed in July 2011 to investigate bio-economy opportunities). Here’s one definition:

“Conventional Bioproducts and Emerging Bioproducts are two broad categories used to categorize bioproducts. Examples of conventional bio-based products include building materials, pulp and paper, and [other conventional] forest products. Examples of emerging bioproducts or biobased products include biofuels, bioenergy, starch-based and cellulose-based ethanol, bio-based adhesives, bio-chemicals, biodegradable plastics, etc.”³²

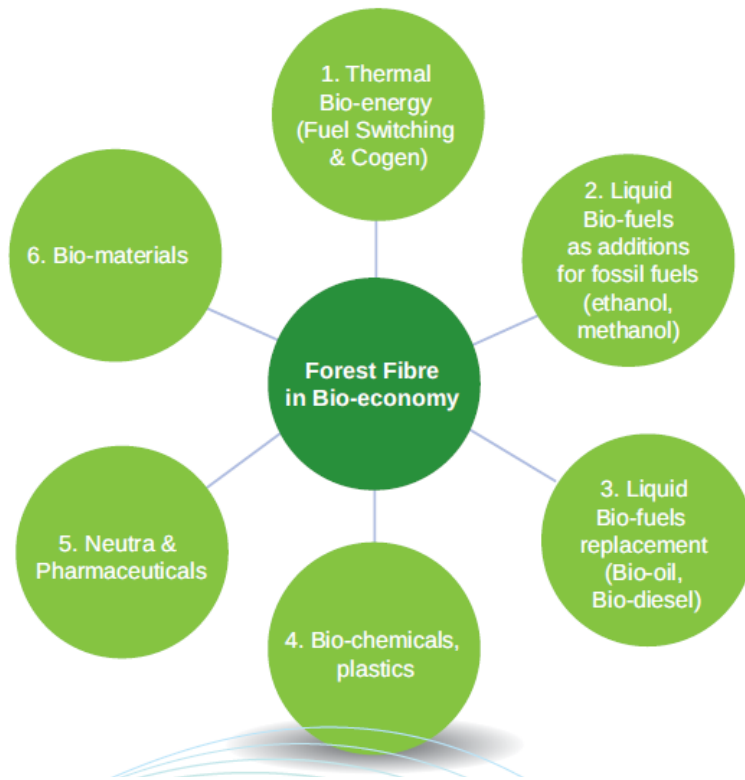
The Forest Products Association of Canada recently released a report that investigated the implications of emerging forest-based bioproducts. The introduction noted that “there is an increasing opportunity to convert biomass—wood-fibre—into everything from electricity and heat to transportation fuels, bio-chemicals for solvents and plastics and next generation bio-materials.”³³

The report included a useful graphic representation of what bioproducts are in the forestry context:

³² See <http://en.wikipedia.org/wiki/Bioproducts>

³³ *Transforming Canada’s Forest Products Industry: Summary of findings from the Future Bio-pathways Project*, Forest Products Association of Canada, Feb. 2010

FOREST BIO-PRODUCTS CONTINUUM



The “wastes” from WLs (for example) could be a resource for larger enterprises converting fibre to the products noted above, and WLs are well advised to learn more about what is emerging.

Non-timber forest products (NTFPs)

The MoF uses the following UN definition for NTFPs (and notes that NTFPs were a \$600 million business in BC in 1997):

“The United Nations Food and Agriculture Organization (FAO) defines non-timber forest products as: ‘products of biological origin other than wood derived from forests, other wooded land and trees outside forests. They may be gathered from the wild, or produced in forest plantations, agroforestry schemes and from trees outside forests.’ (See <http://www.for.gov.bc.ca/hre/ntfp/>)

The National Research Council provides the following examples of non-timber forest products and forest-based services. (See canadaforests.nrcan.gc.ca/indicator/nontimbergrossdomesticproduct):

Decorative and aesthetic products

Florals and greenery (e.g., salal), craft products, Christmas trees, native crafts, specialty wood products and carvings, cones

Wild edible food products

Functional foods, mushrooms, berries, herbs, vegetables and spices, honey, tree saps, tree nuts, wild rice, understory plants, essential oils, seeds, teas

Landscape and garden products

Transplants (trees, shrubs, wildflowers, grasses), mulches, soil amendments

Health and personal care products

Pharmaceuticals, nutraceuticals, aromatherapy oils, herbal health products, fragrances, [resins]

Forest-based services [environmental goods and services]

Carbon storage, tourism and education, biodiversity conservation, recreation, water quality

Agro-forestry

Many WLs are also farmers, and will be familiar with this concept. From Wikipedia: “The World Agroforestry Centre describes agroforestry as a collective name for land use systems and practices in which woody perennials are deliberately integrated with crops and/or animals on the same land management unit. The integration can be either in a spatial mixture or in a temporal sequence.” (See <http://en.wikipedia.org/wiki/Agroforestry>)

It is likely that all or almost all WLs have at least a basic understanding of what the above products are, and many WLs produce some of them. (“Expertise” can also be added to the list of non-timber products that WLs can sell.)

Successfully producing and selling “unconventional” products requires, for example, good land inventory data, understanding of how to harvest, process and store the products, knowledge of and access to markets, understanding of marketing methods and the supply chains for products, and, possibly, access to specialized processing equipment and facilities.³⁴

³⁴ Note that the current woodlot tenure provides the legal right to harvest trees but does not provide legal ownership of the non-timber forest products discussed above. This “gray” policy area requires further work.

APPENDIX 4: RECOMMENDATIONS FROM LICENSEES AND OTHERS FOR USE OF THE LEVY

The recommendations and comments below are from woodlot licensees responding to the WPDC’s general appeal for input, the 47 licensees specifically interviewed for this project, and to a very minor degree, FBCWA staff. Note that some recommendations conflict. The following is largely in the words of contributors.

Note regarding “weighting” of comments

An asterix (*) symbol following a point means that the suggestion was repeated more than twice.

** = up to 5 times.

*** = up to 10 times.

Higher frequencies are as noted.

Ranking in this way does not necessarily suggest that frequently noted suggestions are more important than others, but does provide a sense of what was top of mind for licensees during the winter of 2011/12.

<i>Product or subject</i>	<i>Recommendation</i>
Principles for levy expenditures or investments; overarching suggestions	<ol style="list-style-type: none"> 1. The current reserve fund principal should be retained; all existing and new efforts should come from current levy cashflow and interest from the reserve. ** 2. Funds can be provided to individuals or groups, but as zero or low interest loans, not as grants. * 3. Grants must benefit woodlot associations or the WL community as a whole * 4. The process for distributing levy funds must be transparent (clear aims, measureable objectives, criteria, rules, process,) * 5. The plan must have measurable targets and indicators at both the objective and program levels. Net program revenue or woodlot profitability is the ultimate measure. * 6. Use of the levy needs to focus on the WPDC mandate, not “something for everyone” or “one size fits all” * 7. Use of the levy needs to focus on “something for everyone” * 8. Give back at least \$1.5 million pro rata to those who paid it (4 licensees suggested this out of about 90 WLs who commented) * 9. A focus on incremental investments will allow woodlot organizations to test various approaches rather than committing to a long-term program that major funds. Emphasize small experiments, with successful initiatives rolled out to broader audiences.

	<p><i>Principles for levy expenditures, continued</i></p> <ol style="list-style-type: none"> 10. Recognize that woodlots can identify and participate in opportunities, but cannot necessarily create market demand. 11. Focus efforts on policy and regulation that keeps woodlots competitive in developing markets, rather than on projects. 12. The plan should develop a strategy of mentoring and program development assistance so that individuals or groups can have a sound review of project ideas and business plans to implement ideas that expand and enhance revenue sources (mentoring and advisory role). It should not be the role of the WPDC to make capital investments, but rather to identify potential sources of funding. The plan should be fiscally conservative (the plan should not deplete the principal as this will restrict the scope of activities included in the plan). 13. Woodlot organizations can spend/invest some of the principle for critical projects. 14. Invest a portion of the reserve in a more risky strategy to potentially increase the funding available for the plan. 15. The WPDC and FBCWA do not have the capacity to run a loan or grant program—they would need to ramp up.
<p>Governance and membership</p>	<ol style="list-style-type: none"> 1. Distribute excess levy funds back to individual associations so that the money can be used to address local priorities. This would revitalize local WL associations and re-distribute the money (and the decision making) back to where the assets originated. ** 2. Working relations between the WPDC and the FBCWA are dysfunctional, and have been that way intermittently from the beginning. A significant and committed process to reconcile the groups, improve how they work together, and perhaps restructure the groups is required. * 3. Develop a system to accurately update and maintain the ministry’s master list of WLs and key data points. From there, develop a system to periodically gather statistically valid data on the nature of woodlots and licensees.* 4. Recruit memberships from landowners who are not licensees.* 5. Improve information collection and management (value of information on diversity, complexity, carbon offsets etc. is greater than many of our hard objects such as timber). With the cost of harvesting and trucking ever increasing, forests may soon be worth more as standing timber than cut. We collect our own data now but the data entry is where things fall apart. Why not collate our own data, take ownership of quality and feed the chief forester what he needs. This will cost money and require extension. The suggestion here is that we just don’t stop there but determine the extra

	<p><i>Governance and membership, continued</i></p> <p>information requirements to meet REDD+ (the latter is an international program re forest carbon sequestration and other ecosystem services)</p> <ol style="list-style-type: none"> 6. Compare, in a formal joint process, the recommendations in this report to actions proposed in current WPDC and FBCWA strategic plans. 7. Ensure that FBCWA and WPDC strategic plans are actionable, with budgets (cash and people), financing plans and scheduled performance reviews. 8. When completing this planning project, consider the WPDC founding plan, current strategic plan, and FBCWA current strategic plan. 9. Rather than rely solely on a grand plan, WPDC could from time to time identify a specific problem that is a clear issue that needs to be dealt with. It should then strike a committee and approve a process and an amount of funds to solve the problem and then close the case. 10. WPDC should fund sub-regional gatherings of WL licensees to discuss key matters.
<p>Marketing and sales - general</p>	<ol style="list-style-type: none"> 1. WPDC should serve as a broker for WLs that have small amounts of specialty wood. That specialty wood could be either high-valued furniture wood, or character wood. By "pooling" these products from all WLs, there might be enough volume to justify an aggressive marketing program. *** 2. Initiate and manage log auction/sort yards, thereby breaking the stranglehold on small scale timber producers that the major licensees now hold. *** 3. [Many suggestions for co-operative and coordinated marketing to gain some economies of scale for marketing products.] *** <ol style="list-style-type: none"> a. Develop opportunities to sell logs and other products offshore by, for example, organizing trade and education missions. b. Develop a simple, relatively inexpensive certification scheme applicable to all WLs, preferably premised on FRPA and associated regulations. FBCWA and/or WPDC become the auditor. GAP analysis to determine if there's a certification scheme that is, or is adaptable to, FRPA standards. c. Develop the branding of products from woodlots. Possibly or ideally in conjunction with certification, it is worth branding WL products produced by WL licensees. Depends on branding scheme. Examine Ecotrust's 'thisforest' project. d. Foster cooperative links among WLs for components of housing (someone could be doing the doors/windows, flooring), particularly in their regions.

	<p><i>Marketing and sales – general, continued</i></p> <ol style="list-style-type: none"> 4. Conduct research and education on the value of understanding and developing value chains (ways that various aspects of different businesses can link up). 5. Support BRIDGES, an existing interactive marketing website for buyers and sellers of forest products (all products, not just sawlogs). [FBCWA has invested in this already, to a minor extent, using levy funds.] 6. Provide ongoing market intelligence on key products like clear wood, posts and poles, birch, NTFPs
Market development and marketing - improve log prices and sales	<ol style="list-style-type: none"> 1. WPDC/FBCWA should explore the idea of common/collective brokering, thereby breaking the stranglehold on small scale timber producers that the major licensees now hold. Related ideas: initiate and manage log auction yard(s). [Ideas related to strengthening WLs’ market strength re major buyers were noted more than 25 times.] 2. Educate licensees on sorting to grade. 3. Need to continue with Appraisal Specialists, and keep focused on driving costs down given our low volume.
Product and market development - milling and manufacturing	<ol style="list-style-type: none"> 1. Determine and assess unmet demand and market potential in Alberta and beyond for specialty BC custom cut value-added wood products 2. Finance a program for all woodlots that are interested to produce pre-fab, <i>piece en piece</i> solid wood cabins and homes. 3. Stimulate/support the development of more small sawmills, so that our highest quality wood (of which most WLs has only a small percent) can find markets over and above peelers. 4. Research the benefits of hauling away timber where the moisture content has been already removed (lighter, therefore less energy to haul; lumber from dry wood more stable. 5. Identify markets for specialty cuts from small scale milling operations. 6. Research the market for affordable green housing.
Product and market development – NTFPs, including agroforestry	<ol style="list-style-type: none"> 1. The current woodlot tenure provides the legal right to harvest trees but does not provide legal ownership of the non-timber forest products discussed above. This “gray” policy area requires further work.* 2. Regarding expansion of woodlot licences to include non-timber forest resources: even though I harvest them, I don’t think this is something that requires WPDC support—it can grow on its own. I hope our WL’s remain open land.

	<p><i>NTFP product and market development, continued</i></p> <ol style="list-style-type: none"> 3. Co-fund with WL(s) an “opportunity inventory” of the woodlot(s) to see what types of non-timber forest products may be viable. 4. In order for the NTFP industry to develop in a sustainable manner, there needs to be product and business infrastructure, and marketplace models able to support tenure (“low harvest volume/high market value” industry model). Research required re the lack of scientific knowledge and history regarding botanicals (and other potential products, such as parasitic mushrooms like chaga) within the context of harvesting them in the specific management area and generally. There are significant gaps in knowledge within the economics of botanical harvesting. i.e. How much of a harvest of a particular product can a certain forest ecosystem sustain? How many pounds of Devil’s Club do you harvest to net a pound of dried material? What are the harvesting/labour costs? What are the value-added opportunities for a specific botanical? etc. Another focal point has to do with creating a retail/wholesale network that provides a demand for “highly valued” botanicals. There is a huge domestic and export demand for pharmaceuticals and other botanical products, but no capacity to fill this, or to regulate sustainable harvesting and stewardship. Much room here for government and university involvement if it is linked to the reality of a working business environment and “real” harvesting, product development, market and stewardship applications. <p style="padding-left: 40px;">Tree sap and other botanicals: There is a need to do research into the collection of sap from trees and product development. Not only are many tree saps important as food sources and health aids, they also can be used in the production of stains, resins, and even toothpaste.</p>
<p>Product and market development – biomass energy</p>	<ol style="list-style-type: none"> 1. Support a feasibility study for recovery of wood waste for biomass energy from low-grade and residual wood from logging and sawmilling. ** 2. Facilitate the use of mobile chippers by supporting feasibility work and financing. 3. Support a feasibility study for a pellet mill in the Kispiox area, so we can market our low-quality wood.
<p>Product and market development - Environmental Goods & Services, including carbon</p>	<ol style="list-style-type: none"> 1. Carbon market ideas (e.g., How could we make money? fertilization @ \$22/tonne carbon sequestered (about max that Pacific Carbon Trust (PCT) would pay). Leakage reduction model: reg’l gov’t pays woodlots instead of PCT. Main opportunity is set-asides (e.g., around streams) * 2. Investigate Environmental Goods & Services in other jurisdictions for applicability to BC.

<p>Business management extension - general</p>	<p>[Well over 20 suggestions in this category]</p> <ol style="list-style-type: none"> 1. Fund an extension service that includes advice from people, not just websites, etc. [noted by more than 10 WLs] <ol style="list-style-type: none"> a. Fund a mentor/coaching program (or facilitate a fee-for-service model). Coaches could come from within the woodlot community or from outside depending on the availability of the skills required. Review of business plans and assistance in developing concepts are part of this. *** b. Fund or co-fund specialized business development advisors with the right experience for individuals or groups of WLs. (**) CASE counselor model (from Business Development Bank) may be relevant. Could either on fixed contracts or on an as-needed basis. Review of business plans and assistance in developing concepts are part of this. c. If we fund advisors, should be a contract service both to avoid fixed costs and to better monitor the need (e.g., if a contractor in a given region only gets 2 calls a year the service can be dropped. If the contractor is busy and can demonstrate the increase in profitability by recording results, it will be clear that the service is valuable and should be retained). 2. Develop a clearinghouse of information (web-based) so that a WL find info on various activities (including templates, examples, business cases) they might be contemplating on the WL, whether it has to do with harvesting, sawmilling, sourcing equipment, marketing, or whatever. ** 3. Partner with allied organizations to deliver extension services ** <ul style="list-style-type: none"> • Link to and/or partner with existing extension agencies. (e.g., use FORREX more effectively for business extension; Community Futures (and/or other resources) for video-conferencing – meetings, peer mentoring, training. • Research good proposals sent to FII that didn't get funded, and maybe go back with partnership funds. Look at agric. commodity groups. 4. Fund groups to bring in already successful entrepreneurs to offer workshops on the array of topic associated with a particular business venture. 5. Collate success stories and analyze for growth opportunities, collaboration opportunities (make book, video and sell them) 6. Investigate why the “marketing coordinator” previously proposed by WLs via the FBCWA Marketing Committee did not happen, and learn from that.
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Woodlot administration	<p>4. Greater Assistance with RESULTS Reporting, including webinars.***</p> <p>Related to the above: update Woodlot for Windows to VDYP and TIPSYP (Note from Cathy: FBCWA has ongoing discussions with the prov. gov't on the updating Woodlot for Windows).</p> <p>5. Boilerplate documents - look at and think about what every WL has in common, such as writing contracts for the various activities on the WL, and write contract templates that could be shared by all (safety, logging, consulting, confidentiality agreements, collaboration/cooperation, etc. (review annually by lawyer to ensure they are up-to-date) **</p> <p>6. FBCWA website could have a tab for Legislative and Policy Bulletins applicable to woodlots and letters from District Managers</p> <p>7. Explore a FBCWA group liability program (brokers are now splitting out insurance policies by business type, so it would be great to have a policy that at least covers the liability associated with woodlot management and licensing)</p> <p>8. Information storage: how to capture all the wisdom that a Woodlot Licencee garners over his life-long tenure? Licencees need a simple GIS/GPS program that houses all the info, not just silvicultural, but social and economic as well; some way that layers of info are stored and categorized for various plots or sites on the land-based tenure.</p> <p>9. Develop booklet with new regulations and changes to help the little guy keep current.</p>
Forest management extension, general	<p>*** for this category</p> <p>1. Extension opportunity re Smoke Management Plans</p> <p>2. Woodlot owners should be made aware of the activities and benefits of the regional silviculture committees.</p> <p>3. WPDC could provide silvicultural courses or provide a financial assistance program which would subsidize WLs who want to take such courses elsewhere.</p>
FBCWA for-profit consulting arm	<p>1. Opportunity for consolidated land management services serving the needs of those woodlot owners who are not interested in dealing with the mechanics of operating a woodlot licence. Although it is recognized that the majority of woodlot owners entered the woodlot program because they wanted an active role in forest land management, it is reasonable to assume that this interest could be influenced by an opportunity to “make more money for doing less”. Consolidating land management would allow for economies of scale in relation to costs, as well as the ability to pool fibre for sale.</p>

	<p><i>FBCWA for-profit consulting arm, continued</i></p> <ol style="list-style-type: none"> 2. Sell knowledge re BC WL program and small tenure mgmnt and admin. Uniting public and private forest lands under one tenure leading to sustainable forest resource management & utilization is unique to BC. The model is of interest to other jurisdictions that are willing to pay for knowledge about how to make it work. Market the knowledge to determine if there are other jurisdictions interested. 3. Improve information collection and management (the value of information on diversity, complexity, carbon offsets etc. is greater than many of our hard objects such as, timber. With the cost of harvesting and trucking ever increasing, the day is fast approaching when forests will be worth more as standing timber than cut). We collect our own data now but the data entry is where things fall apart. Why not collate our own data, take ownership of quality and feed the chief forester what he needs. This will cost money and require extension. The suggestion here is that we just don't stop there but determine the extra information requirements to meet REDD+ (REDD+ stands for countries' efforts to reduce emissions from deforestation and forest degradation, and foster conservation, sustainable management of forests, and enhancement of forest carbon stocks.) There are several advantages to this suggestion and the main one is owning the information. If it is becoming valuable now, just think of the future values, information on Ecological Goods and Services will become the next big thing and woodlots would be the leading edge. If promoting woodlots and private land is our vision then this suggestion is one way of accomplishing our aims. <p>NEXT STEPS : If this suggestion hits a green light, the next steps would be to seek government and chief foresters support on this. If the light stays green then flesh out the proposal and work out the strategies required.</p>
Collaboration - general	<p>Strong relationship with marketing, above.</p> <ol style="list-style-type: none"> 1. Grant interested associations funds for feasibility study to look at viability of a cooperative venture for any who wanted to participate; after that it would be up to the group to garner the capital <p>(See also boilerplate contracts, and marketing, above.)**</p>
Loans or equity capital	<ol style="list-style-type: none"> 1. Establish a microcredit program (equipment for essential oils, for example). 2. Facilitate access to venture capital by identifying potential sources for WLs to raise funds for project ideas. 3. Create, in partnership with others, a venture fund to invest in WL ventures. Could be used to buy into mills; e.g. Midway. Conduct due diligence on the strength of the business and worthiness of an investment.

Recreation and tourism	<p>1. Obtain resources to compensate WLs for recreational users and augment interpretive work. *</p> <p>As this become more popular over time, anticipating more costs associated with the activities (i.e. maintaining and gravelling trails, providing refuse containers, dovetailing harvesting activities with recreation); WPDC assist in developing a plan that would identify and quantify needs and costs, as well as options to offset these costs (maybe a user-pay approach?). The costs that are currently paid for a user day by parks would be useful, so that we can compare and over time attempt to be at least reimbursed and possibly pay for user days of recreational use on woodlots. As an example the regional park adjacent to our woodlot (has the Puntledge river and trail through it) receives \$80,000/yr for maintenance. We have the recreational agreement for our woodlot, which is unique and prevents other groups from leading this function and allows us to potentially do some of the above (source funding for recreational projects). Some woodlots have FS recreational sites in their woodlots which need to be maintained and patrolled (a function that could be completed by the licensee). The public seems to want to preserve forests and over time woodlots will become targets for less harvesting and more recreation. Licencees should be offered the future recreational employment opportunities in their woodlots.</p> <p>2. Help woodlot licensees with the implementation and promotion of cultural tourism.</p>
Silviculture	<p>1. Pruning timber (*) at the appropriate age and stocking density can have many benefits, silviculturally with timber quality and undergrowth “release³⁵”, and socially with meaningful employment opportunities. What is required is a research project with a cost/benefit analysis; this technical paper would target funding agencies and politicians. A technical paper prepared to evaluate the benefits of pruning on Woodlots (“beyond the industrial norm”) could consider the social (employment of FN, Licencees during slow season, unemployed or young workers), visual/recreational (user groups appreciate the improved forest appearance and begin to say “great forestry work” vs. preserve all forests), Stocking, growth and yield and wood quality improvements. The proximity of Woodlots to population and manufacturing centers means that the pruning of these forests should be valued higher than more remote stands (future logging costs are lower). Due to the small size of woodlot pruning projects they are often rejected. A</p>

³⁵The primary species being pruned is Fd and following treatment the under story (Cw and Hw usually) releases due to increased light. This pruning benefits (often >500SPH) is not considered in the evaluation of pruning projects, yet in SSF will open up options for future commercial thinning and improve G&Y.

	<p><i>Silviculture, continued</i></p> <p>project supervisor who can plan, implement, monitor and report pruning (or any treatment) will result in low admin costs if there is continuity of projects (even if they are seasonal). The funding “this year, but not next,” results in a disruption and lack of stability in crew availability.</p> <ol style="list-style-type: none"> 2. Woodlot licensees have worked with various funding agencies over the years, from FRDA I & II, FRBC, FIA and others. There has been little continuity with these land-based programs, making planning difficult for small-scale tenure holders. With every new program there are new forms, procedures, contractors and consultants resulting in higher admin costs and training requirements. Need to have a FBCWA long-term silv program that is designed for Woodlots, which can tap into funding and has a simple admin process. At the provincial level could be a good method of using unallocated funding for on the shelf projects ready to go based on pre-planned projects. Using consultants (either independent or licensee related) a simple silv plan could be prepared (and paid for with funding) so that projects are at a ready to go stage. 3. Especially along the east side of Vancouver Island, some of the highest productivity sites regenerated to Red Alder and Salmonberry. Working examples show that these sites can be effectively rejuvenated to cedar and Douglas fir. However, many are small (1-5ha), scattered (associated with a variety of site conditions related to water, soils and slope) and expensive to treat (\$10,000/ha to FG). The economies of scale and the min value of merchantable timber (usually less than \$2000/ha) have precluded there receiving treatment. In light of the fact that these sites can be so highly productive, they are located close to manufacturing facilities and because rotations can be significantly reduced (30-40 years), policy makers need to be convinced that treatment of even some of the smaller fragments is cost effective. The demonstration of good forest management on these sites will also help to alleviate the bad forest management examples that often reach the news. I want to emphasis that these projects have been rejected in the past due to there being some merchantable timber involved which is usually less than 20% of the overall regeneration to FG costs on these sites. Usually less than 50m³/ha of low value timber that is occupying less than 10% of the site. 4. Support development of “continuous forest inventory” on WLs 5. Planting higher quality seedlings: much more expensive, but more effective; the WPDC should consider subsidizing WLs to plant these seedlings.
<p>WL ownership succession</p>	<p>There is a need/opportunity for business succession resources – valuation, marketing and finance to support transition of woodlots to new owners.*</p> <p>Also see “Loans or equity capital” section above.</p>

Woodlots for youth	<ol style="list-style-type: none"> 1. Creating new and younger entrants into the woodlot program does not diversify or enhance revenue—it’s “off-scope” (does not contribute to woodlot diversification or revenues). ** 2. Support an investment fund in co-operation with a financial institution. The funds would be made available to approved young applicants to purchase a woodlot. The funds could potentially be levered upward by taking a “second position” to a primary loan from the partner bank or trust company. Thus a \$200-400k loan could be facilitated by a \$100-200k commitment from the WLPDC. Applicant to pay off WLPDC portion of the loan as soon as a solid credit rating was established. If maximum WLPDC loan was \$ 200k and it was paid in 5 years, on average about 10 applicants could be served every 5 year period or 80 applicants in 40 years which might be the potential working life of a woodlot operator (almost 10% of BCs woodlots). It would not consume capital, but should potentially build some, through interest. It should be low risk and easily manageable by a committee of experienced woodlot owners who would be responsible for interviewing and approving applicants and ensuring that proposed acquisitions were financially viable.
Lobbying, general	<ol style="list-style-type: none"> 1. Become a focused lobby group, along US lines, to make sure our needs are considered and hopefully met in legislation. The kind of lobbyist I propose is like nothing WPDC/FBCWA has ever contemplated. We need a hard-headed, savvy man or woman to get to the decision-makers, call a “monopoly” a “monopoly”, lean on the deputy ministers over unreasonable regulations, be private when necessary and go public when required, and push the right buttons, just like big business has been doing all along to small business’ detriment. 2. Lobbying grade 4 credit: Currently, there is a "grade 4" credit which allows WLs to harvest low grade stands without that wood coming off the AAC. This is about to expire in 2012, and the WPDC should aggressively lobby to have this extended. <p>(also see specific suggestions for lobbying in sections above)</p>

APPENDIX 5: LICENSEES AND OTHERS WHO CONTRIBUTED IDEAS AND OPINIONS

Ninety-nine people, almost all of them woodlot licensees, contributed feedback and ideas to this planning project, not counting the group contributions of the boards of the WPDC and FBCWA.

Licensee interviewees (47 people)

First Name	Last Name	Business Name
Brian	Amies	
Mike	Anderson	
Randy	Appleton	Tallis Creek Woodlot
Rod	Blake	
Gary	Betrand	Kootagan Enterprises Ltd
Jim	Brown-John	Arrowhead Enterprises, Ltd
Gary	Buckland	Backwoods Forest Management
Jim	Burgess	Spiketop Cedar Ltd
Dave	Clarke	Blue Mountain Woodlot Ltd
Terry	Devick	
Creole	Dufour	Essential Evergreen Contracting
Don	Elzer	The Wildcraft Forest
Jerry	Entzminger	
Mike	Gogo	Mike Gogo Cedar
Ralph	Gravelle	Tobacco Plains Indian Band
Garry	Habart	
Bill	Hadden	
Dick	Hadden	
Terry	Hammond	
Ed	Hughes	Hurock Forests Ltd.
Alan	Hopwood	
Rob & Barb	Krimmer	Blacksheep Consulting
Mike	Larock	Huock Forests Ltd
Brian	Larson	Lucky 6 Farm and Forest Ltd.
Dee	Law	
Howard & Beatrix	Linde	Mill on the Move
Harold	Macy	Headquarters Creek Woodlot Ltd
Chris	Maundrell	
Peter	McAlister	Kootenay Agroforestry Society
Don & Stenita	Messier	
Cecil	Morhart	Quesnel Lake Cedar Ltd
Fred	Newhouse	Fred and Barbara Newhouse
Kurt	Olsen	

Peter	Pelton	
Tom	Redl	Redl Ranch
John	Ross	Buttle Lake Ltd
John	Salo	Island Woodlots
David	Sawchuck	Sawchuck Contracting
Bob	Smith	
Marvin	Strimbold	E.A. Strimbold
Charlie	Willis	Kootenay Tree Farm
Dale	Wilson	Qualicum Bay Forest Resources
Lyle	Wilson	Nipika Mountain Resort
Dick	Whittington	Forever Wood Ltd
Wolfram	Wollenheit	Truewood Forests Ltd
David	Zirnhelt	
Gernot	Zemanek	

Licensees and others who responded to the WPDC's general appeal for input on this planning project (52 people)

George Benwell	Rod Krimmer
Rod Blake	Brian Larson
Wilf Chelle	Harold Macy
Mark Churchill	Warren MacLennan
Dave Clarke	Lisa Marak
Russ Clinton	Hazel Massier
Columbia Woodlot Association (8*)	Mackenzie Woodlot Association (5)
Laurie Cook	Raymond Miles
Dave Danskin	Fred Newhouse
Norm Fennell	Doug Perdue
Lee Foster	Dirk Periboom
Miles Fuller	Nancy Pezel
Paul Galliazzo	Peter Sanders
Irv Graham	Sea to Sky Woodlot Association (5)
Terry Hammond	Brent Sinclair
Tyler Hodgkinson	Wim Tewinkel
Darryll Hunt	Judy Thomas
Les Imre	Wolfram Wollenheit
Marv Kempston	

*Number of people who participated in the discussion on the planning project

APPENDIX 6: COST PROJECTIONS

This is a menu. All budget items are “one time” costs. However, some costs are for business feasibility assessments for larger projects that will likely incur ongoing costs.

<i>Recommendation</i>	<i>Budget</i>
1. Woodlot management 1: Right to harvest AAC not harvested by end of 5 year cut control period.	\$2,000
2. Woodlot management 2: Provide greater assistance to licensees for RESULTS reporting	\$5,000
3. Woodlot management 3: FBCWA communication with WLs identified in FLNRO RESULTS reports as having overdue free growing obligations	\$10,000
4. Woodlot management 4: Investigate possibility of a WLs management plan proposing a zero or minimal AAC without completing a re-inventory or AAC calculation for the woodlot licence	\$0
5. Woodlot management 5: Seek resources to compensate licensees for recreational users and augment interpretive work	\$3,000
6. Woodlot business development 1: Facilitate access to financing for WL license transfer and/or other business needs.	\$25,000
7. Woodlot business development 2: Create an online service to advertise the sale of woodlots	\$5,000
8. Woodlot business development 3: Revise, update and implement the FBCWA woodlot marketing support program proposed in 2003/04	\$115,000
9. Woodlot business development 4: design an improved business extension support system to support licensees and others	\$25,000
10. Investment 1: (Commitment of an Initiatives Fund) A portion of the levy reserve fund principal should be used to implement high priority work.	\$362,000
11. Investment 2: (Managing use of levy funds) Establish an Initiatives Fund to provide grants for activities that lead directly to increased profitability for woodlot owners	Incl. in #10, above
12. Investment 3: (Managing use of levy funds) Develop clear investment objectives and policies for the use of levy funds consistent with the WPDC mandate and strategic plan priorities.	Incl. in items #10 and #13
13. Investment 4: (Organizational capacity for use of levy funds) Contract an Initiatives Fund Coordinator to support implementation and management of the Fund.	\$30,000
14. Governance 1: WPDC and FBCWA should clarify roles and responsibilities	\$10,000
15. Governance 2: WPDC and FBCWA should update their strategic plans through a joint process	\$0
16. Membership 1: Prepare a comprehensive membership survey and full member contact list	\$20,000
17. Membership 2: Recruit private-only forest land holders to woodlot association membership	\$30,000
18. Admin/operations 1: Create a fee-for-service, for-profit arm of the FBCWA	\$50,000
19. Admin/operations 2: Improve transparency of annual financial reporting on how the levy is used	\$0
20. Admin/operations 3: Conduct an analysis of why licensees are requesting levy refunds	\$10,000
21. Admin/operations 4: Request FLNRO analysis of projected woodlot AAC reductions (MPB)	\$0

	Total	\$702,000
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