

Forests for Tomorrow

2006/07 Annual Report

March 31, 2007

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1. Overview

We are pleased to submit our report covering the operations and administration of the Province's Forests for Tomorrow Program ("FFT") for the year end March 31, 2007.

In March, 2005 the BC government announced funding earmarked at addressing the long term timber supply in management units that have been heavily impacted by the mountain pine beetle ("MPB") and/or wildfires. At that time, it was estimated that the FFT may run for 15 years, with a budget that would increase annually commencing in 2008/09 and decrease as free-growing forests are achieved.

In 2006/07, PricewaterhouseCoopers ("PwC") administered \$7.8 million on behalf of the Ministry of Forests & Range ("MoFR"). During the fiscal year, PwC approved 78 projects (\$7.4 million) for eligible FFT Recipients, including Section 108 eligible licensees. The funding allocation (million) was expended on silviculture projects, such as site preparation (including danger tree assessment and falling), surveys (regeneration/free growing), and planting in the management units identified by the MoFR.

April and May 2007 have been busy for PwC as project completion summaries and audits of the 2006/07 projects have been the main focus of our staff. The performance and financial audit programs have been scheduled to occur from April to June and will be reported on in the 2008 second quarter report.

One of the keys to the success of the program administration has been the working relationships we have with both government and industry. Continuous communication and constructive feedback will continue to assist the FFT evolve and improve.

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2. Program Analysis

As of March 31, 2007 we have approved projects for \$7.5 million in the FFT investment schedules, representing 95% of the FFT budget (\$7.8 million) allocated to eligible FFT Recipients. A summary of the number and value of program projects completed by the end of the fiscal year by Recipients through PwC is found in the following table.

Summary of FFT Completed Projects as of March 31, 2007

Component	#	\$
Stand Establishment and Treatment	61	4,564,800
Infrastructure	1	3,466
Section 108 Payments	16	2,910,344
Total Approved	78	\$7,478,610
FFT Allocation Under Investment Schedules		\$7,846,624

The summary of those Recipients involved in the 2006/07 FFT can be found in Appendix 1. As can be seen above, based on PwC's discussions with the MoFR, PwC was directed to pay licensees under Section 108 for silvicultural activities relating to wildfires and drought. It is expected that this activity area will continue in future fiscal years at the discretion of the MoFR.

The majority of projects approved under FFT during 2006/07 were focused on the Stand Establishment and Treatment component (98%). Under this component, surveys related to site preparation projects, including danger tree assessment and falling, accounted for just over 60% of the project funding approved (\$2.7 million). There were also a number of planting projects (fire-related) completed, accounting for almost 21% of the projects (\$0.9 million) in the 2006/07 current fiscal year. A summary of the projects submitted by region is shown in Appendix 2.

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During 2006/07, the MoFR provided a number of consulting companies an opportunity to enter into a Recipient Agreement with PwC to deliver the FFT program throughout the Southern Interior Forest Region. PwC was able to consummate these agreements with all companies. However, we have expressed our concern for the FFT program to the MoFR with utilizing Recipients that do not have a legislated tie to the land base. PwC will continue to work closely with the MoFR staff on developing and refining the criteria to ensure the successful delivery of the FFT program.

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3. Administrative Analysis

Financial Statements

As of March 31, 2007, \$7.5 million (March 31, 2006, \$8.2 million) of the FFT funding has been distributed to Recipients.

Auditing

Based on our approach for the Land Base Investment Program (“LBIP”), PwC’s planned audits for the FFT will be completed in a similar manner, leveraging our LBIP experience to ensure that these audits are carried out efficiently and effectively. Planning for the 2006/07 performance audits commenced in the third quarter and auditing (both financial and performance) is scheduled to take place during April to June, 2007. PwC has contacted the Recipients who will be audited during the fourth quarter and anticipates that the audit reports will be completed by the end of June, 2007.

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4. 2007/08 Administrator Objectives

The following is a summary of objectives that PwC has established for the upcoming 2007/08 fiscal year:

- PwC will continue to work with the MoFR Forest Practices Branch to streamline the delivery of the FFT, focusing on the utilization of funds to ensure that Recipients are using the available funds to complete the priority areas determined by the MoFR. PwC will also help the MoFR review the Recipient delivery model to ensure that it is effective and efficient.
- With a number of new Recipients in 2007/08, PwC will work closely with these recipients and the MoFR to ensure they are brought up to speed as quick as possible. PwC and the MoFR will be instituting a monitoring system that will enable the detection of any issues early in the new fiscal year so Recipients are working effectively and efficiently to meet the FFT objectives.
- The 2006/07 financial and performance audits will be completed by the end of the first quarter in 2007/08. PwC will forward completed audit reports to the MoFR as these reports become available.

Appendix 1

Forests For Tomorrow Allocation by Region and Management Unit 2006/07

<i>Management Unit</i>	<i>Location</i>	<i>Investment Schedule #</i>	<i>Recipient</i>	<i>Expenditure</i>
Northern Interior Forest Region				
TSA 24	Prince George	NOTSA242580	Canadian Forest Products Ltd.	\$212,000
Total for Region				\$212,000
Southern Interior Forest Region				
TSA 05	Cranbrook	SOTSA054675	Beliveau Consulting Ltd.	\$936,065
		SOTSA054704	Timberline Forest Inventory	\$66,774
TSA 09	Invermere	SOTSA094676	Beliveau Consulting Ltd.	\$59,270
		SOTSA094705	Timberline Forest Inventory	\$4,942
TSA 11	Kamloops	SOTSA114677	Beliveau Consulting Ltd.	\$76,930
		SOTSA114691	Forsite	\$439,416
		SOTSA114702	Timberline Forest Inventory	\$270,022
		SOTSA114706	Timberline Forest Inventory	\$89,392
TSA 13	Kootenay Lake	SOTSA134678	Beliveau Consulting Ltd.	\$1,337,090
		SOTSA134683	Leasing Consulting	\$131,273
		SOTSA134703	Leasing Consulting	\$128,989
TSA 15	Lillooet	SOTSA154679	Beliveau Consulting Ltd.	\$22,955
		SOTSA154708	Timberline Forest Inventory	\$1,488
TSA 18	Merritt	SOTSA184680	Beliveau Consulting Ltd.	\$682,772
		SOTSA184707	Timberline Forest Inventory	\$12,125
TSA 22	Okanagan	SOTSA224681	Beliveau Consulting Ltd.	\$19,315
		SOTSA224685	Weyerhaeuser Company Ltd.	\$35,107
		SOTSA224709	Timberline Forest Inventory	\$27,792
TSA 29	Williams Lake	SOTSA294682	Yun Ka Whu'ten Holdings Ltd.	\$0
TFL 15	Inkameep	SOTFL154686	Weyerhaeuser Company Ltd.	\$10,298
TFL 35	Jamieson Creek	SOTFL354687	Weyerhaeuser Company Ltd.	\$4,051
Total for Region				\$4,356,066
TFL 23	Arrow Lakes		Pope & Talbot	\$624,357
TSA 07	Golden		Lousiana-Pacific Canada	\$436,679
TSA 24	Prince George		Canfor	\$92,631
TSA 24	Prince George		Chelsatta Forest	\$149,770
TSA 27	Revelstoke		Downie Street	\$59,723
TSA 24	Prince George		Stella-Jones	\$5,232
TSA 22	Okanagan		Lousiana-Pacific Canada	\$56,176
TSA 24	Prince George		Takla Forest Mgmt	\$108,703
TSA 11	Kamloops		Canfor	\$74,582
TSA 26	Quesnel		Canfor	\$30,500
TSA 24	Prince George		Canfor	\$47,949
TSA 24	Prince George		Canfor	\$27,120
TFL 23	Arrow Lakes		Pope & Talbot	\$19,389
TSA 01	Arrow		Atco Lumber	\$21,803
TSA 24	Prince George		Canfor	\$223,076
TSA 40	Ft St John		Canfor	\$932,654
Section 108 Payments Total				\$2,910,344
Grand Total (Recipients)				\$7,478,411

Appendix 2

Summary of Total Projects and Dollars for Each Forests for Tomorrow Component and Activity by Region as at March 31, 2007

Activity	Northern Interior Forest Region		Southern Interior Forest Region		Total #	Total \$	Total %
	#	\$	#	\$			
Environmental Maintenance Projects on Non-status Forest Roads	0	0	1	3,466	1	3,466	0.08%
Infrastructure - Roads Total	0	0	1	3,466	1	3,466	0.08%
Brushing	0	0	1	68,645	1	68,645	1.50%
Planting	0	0	1	52,456	1	52,456	1.15%
Site Preparation	2	212,200	0	0	2	212,200	4.65%
Surveys	0	0	1	6,706	1	6,706	0.15%
Stand Establishment and Treatment - Backlog Reforestation Total	2	212,200	3	127,807	5	340,007	7.44%
Brushing	0	0	2	85,279	2	85,279	1.87%
Planting	0	0	16	868,241	16	868,241	19.01%
Site Preparation	0	0	17	2,466,359	17	2,466,359	53.99%
Surveys	0	0	21	804,915	21	804,915	17.62%
Stand Establishment and Treatment - Current Fire and Pest Reforestation Total	0	0	56	4,224,793	56	4,224,793	92.48%
Grand Total	2	\$212,200	\$60	\$4,356,066	\$62	\$4,568,266	100%