

Forests for Tomorrow

2007/08 Annual Report
March 31, 2008

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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, 2008.

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 2007/08, PricewaterhouseCoopers ("PwC") administered nearly \$9.0 million of provincial funds and \$3.2 million on Federal funding on behalf of the Ministry of Forests & Range ("MFR"). During the fiscal year, PwC approved 173 projects (\$12.1 million) for eligible FFT Recipients, including Section 108 eligible licensees. The majority of the funding allocation was expended on planting projects (over 50%), while other silviculture activities such as site preparation (including danger tree assessment and falling) and surveys (regeneration/free growing/backlog and impeded reviews) were completed in the eligible management units identified by the MFR.

April and May 2008 have been busy for PwC as project completion summaries and audits of the 2007/08 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 2009 second quarter report.

One of the keys to the success of the program administration has been the working relationships we have with government, industry and consultants. 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, 2008 we have approved projects for \$11.7 million (not including Section 108 payments) in the FFT investment schedules (\$8.5 million in provincial and \$3.2 million of federal funding), representing 96% of the entire FFT budget (\$12.2 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, 2008

Component	#	\$
Stand Establishment and Treatment	133	10,961,932
Strategic Resource Planning	23	535,263
Infrastructure	9	176,692
Training and Meetings	4	44,562
Section 108 Payments	4	404,888
Total Approved	173	\$12,123,337
FFT Allocation Under Investment Schedules		\$12,189,583

The summary of those Recipients involved in the 2007/08 FFT can be found in Appendix 1. As can be seen above, based on PwC's discussions with the MFR, 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 MFR.

The majority of projects approved under FFT during 2007/08 were focused on the Stand Establishment and Treatment component (90%). Under this component, planting, especially in wildfire areas in the Southern Interior Forest Region ("SIFR"), made up over 50% over the 2007/08 funding. SIFR Recipients also spent nearly 28% of their funding on survey projects aimed at identifying future areas requiring plant under the FFT program. In the Northern Interior Forest Region ("NIFR"), Recipients were ramping up their programs during 2007/08 and expended nearly 46% of their funding on survey projects. NIFR Recipients also spent approximately \$0.4 million on planting (25% of their allocation) and just under \$0.3 million (19%) on site preparation work during the fiscal year. A summary of the projects submitted by region is shown in Appendix 2.

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3. Administrative Analysis

Financial Statements

As of March 31, 2008, \$12.1 million (March 31, 2007, \$7.5 million) of the FFT funding has been distributed to Recipients.

Auditing

Leveraging our past experience, PwC's planned audits for the FFT will be completed in a manner to ensure that these audits are carried out efficiently and effectively. Planning for the 2007/08 performance audits commenced in the third quarter and auditing (both financial and performance) is scheduled to take place during April to June, 2008. PwC has contacted the Recipients that will be audited during the fourth quarter and anticipates that the audit reports will be completed by the end of June, 2008.

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4. 2008/09 Administrator Objectives

The following is a summary of objectives that PwC has established for the upcoming 2008/09 fiscal year:

- PwC will continue to work with the MFR Forest Practices Branch and the regions 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 MFR.
- PwC will continue to work closely with the Recipients and monitor project progress (in the field and office) to enable PwC to detect any issues early on so Recipients are working effectively and efficiently to meet the FFT objectives.
- The 2007/08 financial and performance audits will be completed by the end of the first quarter in 2008/09. PwC will forward completed audit reports to the MFR as these reports become available.

Appendix 1

Forests For Tomorrow Allocation by Region and Management Unit 2007/08

Management Unit	Location	Investment Schedule #	Recipient	Expenditure
Northern Interior Forest Region				
Provincial Funding				
TSA 14	Lakes	NOTSA141054	Forsite	243,947.32
		NOTSA142744	Tweedsmuir Forest Limited	30,096.59
TSA 20	Morice	NOTSA202743	Tweedsmuir Forest Limited	38,806.98
TSA 24	Prince George	NOTSA242714	Canadian Forest Products	385,920.98
				698,771.87
Federal Funding				
TSA 14	Lakes	NOTSA141051	Forsite	350,480.91
TSA 20	Morice	NOTSA201052	Forsite	56,999.06
TSA 24	Prince George	NOTSA242726	Canadian Forest Products	174,451.08
		NOTSA241055	Pope & Talbot	90,338.94
		NOTSA241056	Erafor	50,120.48
				\$722,390.47
Southern Interior Forest Region				
Provincial Funding				
TSA 01	Arrow	SOTSA013060	True Blue Ventures	25,257.41
TSA 05	Cranbrook	SOTSA053058	Arbourtech	2,017,272.44
TSA 09	Invermere	SOTSA093057	Arbourtech	295,095.84
TSA 11	Kamloops	SOTSA113051	Forsite	572,141.37
		SOTSA113052	Timberline Forest Inventory	844,239.21
TSA 13	Kootenay Lake	SOTSA133056	True Blue Ventures	1,005,076.52
TSA 15	Lillooet	SOTSA153070	Forests for Tomorrow Forsite	145,244.64
TSA 18	Merritt	SOTSA183053	Timberline Forest Inventory	393,607.68
		SOTSA183061	Forsite	379,646.23
TSA 22	Okanagan	SOTSA223054	Timberline Forest Inventory	687,241.22
		SOTSA223059	Forsite	83,311.84
		SOTSA224824	Weyerhaeuser Company Ltd	82,427.06
		SOTSA224841	Louisiana Pacific Canada	119,664.37
		SOTSA224865	Okanagan Innovative Forest Society	84,985.58
TSA 26	Quesnel	SOTSA263063	B.A. Blackwell	739,708.62
TSA 29	Williams Lake	SOTSA293062	B.A. Blackwell	277,126.33
TFL 23	Nakusp	SOTFL234826	Pope & Talbot	27,164.55
TFL 35	Jamieson Creek	SOTFL354825	Weyerhaeuser Company Ltd	41,862.39
				\$7,821,073.30
Federal Funding				
TSA 01	Arrow	SOTSA013071	True Blue Ventures	50,087.97
TSA 02	Boundary	SOTSA023077	True Blue Ventures	23,854.60
TSA 05	Cranbrook	SOTSA053069	Arbourtech	111,970.14
TSA 09	Invermere	SOTSA093068	Arbourtech	32,418.85
TSA 11	Kamloops	SOTSA113066	Forsite	848,838.54
TSA 13	Kootenay Lake	SOTSA133067	True Blue Ventures	108,936.20
TSA 15	Lillooet	SOTSA153076	Forsite	48,776.75
TSA 18	Merritt	SOTSA183075	Forsite	307,735.06
TSA 22	Okanagan	SOTSA223074	Okanagan Nations Alliance	243,911.35
		SOTSA224851	Weyerhaeuser Company Ltd	0.00
TSA 23	100 Mile House	SOTSA233073	B.A. Blackwell	139,299.00
TSA 26	Quesnel	SOTSA263065	B.A. Blackwell	172,543.05
TSA 29	Williams Lake	SOTSA293064	B.A. Blackwell	243,459.64
		SOTSA294852	Alkali Community Forest	23,494.89
TFL 18	Clearwater	SOTFL184849	Canadian Forest Products	44,172.16
TFL 35	Jamieson Creek	SOTFL354850	Weyerhaeuser Company Ltd.	41,747.76
TFL 49	Okanagan	SOTFL494846	Tolko Industries Ltd	23,129.82
TFL 52	Bowron-Cottonwood	SOTFL524842	West Fraser Mills Ltd	11,837.80
				\$2,476,213.58
2007/08 Provincial/Fed FFT Expenditure				\$11,718,449.22
Total Provincial FFT Expenditure				\$8,519,845.17
Total Federal FFT Expenditure				\$3,198,604.05
FRPA Section 108 Payments				\$404,888.00
2007/08 Provincial FFT Budget				\$8,971,641.00
2007/08 Federal FFT Budget				\$3,217,942.00
Total FFT Budget				\$12,189,583.00

Appendix 2

Summary of Total Projects and Dollars for Each Forests for Tomorrow Component and Activity by Region as at March 31, 2008

ACTIVITY	Northern Interior Forest Region		Southern Interior Forest Region		Total #	Total \$
	#	\$	#	\$		
Infrastructure - Roads						
Environmental Maintenance Projects on Non-status Forest Roads	-	-	9	176,692	9	176,692
Infrastructure - Roads Total	-	-	9	176,692	9	176,692
Stand Establishment and Treatment - Backlog Reforestation						
Brushing	-	-	1	37,809	1	37,809
Planting	2	301,377	-	-	2	301,377
Site Preparation	2	84,544	-	-	2	84,544
Surveys	2	174,451	7	373,940	9	548,391
Stand Establishment and Treatment - Backlog Reforestation Total	6	560,372	8	411,749	14	972,121
Stand Establishment and Treatment - Current Fire and Pest Reforestation						
Brushing	-	-	1	28,257	1	28,257
Planting	-	-	5	242,862	5	242,862
Surveys	-	-	4	120,888	4	120,888
Stand Establishment and Treatment - Current Fire and Pest Reforestation Total	-	-	10	392,007	10	392,007
Stand Establishment and Treatment - MPB and Other Pests						
Brushing	-	-	5	281,468	5	281,468
Danger Tree Assessment	-	-	2	80,318	2	80,318
Planting	2	57,243	11	793,013	13	850,256
Site Preparation	1	189,663	1	78,406	2	268,069
Surveys	8	412,545	21	1,760,686	29	2,173,231
Stand Establishment and Treatment - MPB and Other Pests Total	11	659,451	40	2,993,891	51	3,653,342
Stand Establishment and Treatment - Wild Fire Areas						
Brushing	-	-	1	23,443	1	23,443
Danger Tree Assessment	-	-	9	583,020	9	583,020
Planting	-	-	30	4,525,959	30	4,525,959
Site Preparation	-	-	1	146,824	1	146,824
Surveys	1	61,968	16	603,248	17	665,216
Stand Establishment and Treatment - Wild Fire Areas Total	1	61,968	57	5,882,494	58	5,944,462
Strategic Resource Planning - Developing Management Unit or Watershed Level Strategies						
Silviculture Strategies	2	68,904	-	-	2	68,904
Strategic Resource Planning - Developing Management Unit or Watershed Level Strategies Total	2	68,904	-	-	2	68,904
Strategic Resource Planning - Work Plan Development						
Work Plan Preparation	3	70,467	18	395,892	21	466,359
Strategic Resource Planning - Work Plan Development Total	3	70,467	18	395,892	21	466,359
Training - Training and Meetings						
First Nations Capacity Building	-	-	2	16,575	2	16,575
Training Needs Assessment, training strategy development, course development, etc.	-	-	2	27,987	2	27,987
Training - Training and Meetings Total	-	-	4	44,562	4	44,562
Grand Total	23	1,421,162	146	10,297,287	169	11,718,449