

**CSA Community Advisory Group
To Island Timberlands
December 10th, 2008
Minutes
Town Centre Hotel**

Attendance: refer to attached sheet

6:00pm: Meeting called to order
Quorum noted

Welcome and Introductions

Chair welcomed Makenzie Leine and CAG members.

Safety Review

Facilitator noted fire exits and first aid attendants in case of emergency. Meeting place in case of emergency was noted.

Code of Conduct

Code of Conduct for Community Advisory Group was reviewed

Review and Acceptance of Agenda

Agenda was accepted

Correspondence

Copies of recent correspondence was provided and reviewed

- Letters to PRPAWS
- Letter from Nadja Hocking to Bill Waugh regarding Myrtle Creek

Makenzie Leine –Decision to Halt Meetings, Certification and the Direction of the Group

Makenzie said that the underlying reasons for postponing the meetings are the financial situation and current market conditions. The world economic situation is similar to the forestry economic crisis. The strengthening dollar is difficult for IT and for its customers, the decreasing demand due to mill closures and due to the US housing crisis is an issue. IT is losing contractors and suppliers. The company's main contractor on southern Vancouver Island is having serious financial difficulty. The expectation is the 2009 is going to be worse. Log prices are continuing to decline. In light of all of these difficulties the company needs to be very prudent with their money. The company is not in trouble, but it is a difficult time to do business. They believe they continue to fair reasonably well due to their good product, good customer relationships, a good team, and investors who are willing to invest in the long term.

Certification costs are significant. The next steps for CSA are very costly. The next steps would be putting in the SFMP and developing internal reporting systems. These steps as well as the audit have a significant cost. Meetings and all of the administration associated with the meetings with the three CAG groups (not including Wayne and Makenzie's time and travel costs) is approximately thirty thousand dollars per year. Makenzie believes a conservative estimate of the cost of CSA preparation is seventy

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thousand dollars, not including training, registration fees, branding, documentation, or setting up of internal procedures and checklist. The company has opted to postpone their meetings through the worst times for cash flow for a forestry company, which are the first and last quarters.

Question: Are you still meeting with Port Alberni?

We met with them in a meeting like this because they requested it. We did not meet with Campbell River.

Makenzie is going to take the time to evaluate all of the certification systems. She believes that the company should be evaluating the systems annually. What is out there? What do the systems have to offer? What is the best choice for the business? Makenzie believes that the groups are very valuable and the company needs to be certified by some system in order to operate and sell its product.

Port Alberni has requested presentations from the three certification programs: SFI, CSA, and FSC to see what the programs are about.

Question: Did Port Alberni agree to postpone the meetings and were they receptive?

Yes. We just met once like this to talk about it. They understood our financial situation. They already had WFP postpone their meetings for around six months.

Question: Have you broken down the cost by cubic metre?

No. Just annually, but I could do that.

Action: Makenzie to break down the cost of setting up a new certification program by cubic metre.

Question: How much did you say it would cost?

I just did some rough estimates. The audit would be about fifteen thousand, developing the SFMP would be ten thousand, and setting up the reporting systems would be at least fifteen, because we would need to get Crystal Report writers. I based the estimates on experience with setting up other certification programs to get a rough idea. The point is, we would have to put out a lot of cash at the worst time of the year in the worst economic situation we've ever seen. It would be a bad time to do it.

Question: How much of your logs go down to the States?

When we are operating normally approximately thirty percent of our logs are US exports. Right now it is almost none.

Question: What are your other choices? Are you trying to develop other customer bases?

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All of the time. The most important thing is to be diversified. Under normal circumstances thirty percent of our product goes overseas and thirty percent to the US.

Question: You spoke of the high Canadian dollar. Did I misunderstand you? I believe the Canadian dollar has been dropping.

It was really terrible when the dollar was a par. It was higher than our forecast and we are anticipating that it will go higher. I wasn't referring to day to day fluctuations.

Question: How much harvesting is going to continue in the Powell River area this winter?

I don't know what the volume is, but we are harvesting in this area this winter. I have an operational update from Wayne that we can go through. If you have any questions that I can't answer I will take them back to Wayne and get the answers for you.

Action: Makenzie to find out how much harvesting is going to continue in the Powell River area this winter and how it compares to previous years' harvests.

Question: Are you going to curtail logging in your southern area because your contractor is unavailable? Will you log Campbell River or Powell River?

We will be offsetting in other areas to make up for it, but our harvest rate is going to be lower than anticipated because of the markets.

Question: On southern Vancouver Island or everywhere?

Overall as a business will be less than anticipated.

Question: Here?

I don't know. I will have to check with Wayne if the harvest rate dropped here. If we decide to lower our harvest rate we don't unilaterally lower it everywhere. We will look at what areas have the product that customers are buying.

Question: Is the product that customers are buying here?

There is a really nice product here on the sunshine coast. Are you asking if the harvest rate will go up here because it went down in the southern operations?

Comment: I want to know if you are going to keep harvesting at the same rate that you have been harvesting for the last two years.

I think so. I haven't heard about any curtailments in this area.

Question: I just want to know how much you are going to log? What did you log last year?

I will get those numbers for you.

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Question: Are you comparing the costs of the different certification programs?

No. We won't just be choosing the cheapest program. We already have SFI running. It is the cost of setting up an additional program that is the hold up. SFI and CSA would probably cost about the same to run. It is difficult to find out how much it would cost to run FSC. We will look at several factors including cost when we compare them.

Question: When they broke away the private lands from the TFL was there any commitment to continue with the certification process?

There was a condition that included that we had to be CSA or ISO certified for two years. That term was over in 2006 and we are ISO certified. There is no legal requirement that we have a forest management certification program.

Question: Do your customers demand certification?

About 80% of our customers ask for us to be certified and want to see our certification information, but they don't specify what kind of certification.

Question: When the economic climate improves, if you don't proceed with CSA, what do you see as the role for this group?

It is my role to make recommendations regarding the best way to pursue certification. I've made it clear that these advisory groups are valuable to the company. I don't know what that would look like as CSA has a well defined process for the CAG and this group has gone above and beyond the requirements.

Comment: It is quite different with WFP than IT because WFP has answers for us right away and IT does not due to all of the confidentiality.

Many believe that CSA does not work with private owned companies due to the confidentiality. Unfortunately, there confidentiality requirements are not going to change and we will have to work around that as a group.

Question: In what way is it different from WFP that also has investors?

It is a publicly traded company and IT is privately owned.

Comment: Our concern in this committee is that the amount of timber is being cut right to the boundaries and that the volume coming out is not sustainable in this area.

Our cut rate is over our entire holdings. When we do our timber supply analysis we break it down by area, but we don't do a growth and yield for Powell River and do an annual allowable cut for this area. Almost everywhere in Powell River is right at a harvestable age.

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We are a small player in Powell River compared to WFP and BCTS, and if your concern about sustainability is about sustainable jobs and economic stimulus in the community, I would argue that our even flow harvest rate would not be enough for the community to rely on as an economic source because we are just not big enough. Regarding cut lines right to the boundary, our property in Powell River are the size of postage stamps. It doesn't make sense to leave behind an undulating boundary or isolating timber on lots this size.

We far exceed the legal requirements around creeks. We will be harvesting in Powell River and then be gone for what will probably be a long period of time and then coming back.

Regarding the tax issue, we do get a reduced tax rate for being forest land. We don't need sewer, water, or schools for children on our land. We are a different type of land use and for that reason we pay less taxes. However, we do supply a lot of money to this province's tax base which we are proud of. We pay taxes on the land, taxes on the timber when we harvest the trees, and should we change our land use type we have to pay fees.

Comment: Sustainability is important from the point of view of how things look for tourism. I like to know what is happening so I can explain things to visitors. They aren't seeing clear cuts thirty years from now when they are all reforested.

They wouldn't be able to get out into the forests without logging roads.

Comment: I tell them that.

I believe sustainability has three legs; economic, environmental, and social. We need to effectively balance all three. Sometimes they are in serious conflict. What works for the environment may not be economical. I'm sad that people come here and look at what has built our communities in such a negative way and wish that they could come to their playground untouched. I think it is unfair to people that live directly or indirectly off of this business. The unfortunate thing is that the optics of our business are initially not very good. The industry has fallen down as far as educating people what the long term view is. Clear cuts are just part of the cycle.

Comment: Who owns which part of the fractured forest industry land base is very confusing for anyone driving out in the woods. Sometimes people think one group is logging when in fact another group is involved and the wrong company is blamed for bad practices.

Question: BC Timber sales is now logging up against an IT block that has already been logged and a huge swath is going to be opened up. How can we get around that happening?

Comment: When Myrtle Creek was logged by IT. The question of what happens when somebody logs adjacent came up again. Somebody higher than us or IT needs to deal with that. Some of your cuts are not very picturesque. These pictures that we are passing around the table of your cut block up near Fiddlehead are disgraceful. There is so much debris on the ground, I don't know how you can reforest it. You are shooting

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yourself in your foot locally, if that is the way you leave your forests. I know it is private land, but it blackens forestry.

Question: Why won't you let anyone in to clean it up?

We do. We have salvagers and firewood cutters.

Question: why don't we know who they are? Local people have tried to get firewood permits from you and it's almost impossible to reach someone.

If there is a designated firewood cutter for the area we don't have public cutting. We talked about this a year ago. Let's figure out a way to make it work.

Comment: If you fix how your cuts look it will go a long way in this community. It is visible to everyone that drives the road.

Comment: Member questions why the Fiddlehead block has been left in such a mess. He said most of the blocks IT has are close to the highway and it is easy for their salvager to get in. This block is an hour out. Why didn't they prepare the block at the end of the harvest to deal with the burning and planting.

We're not burning very much any more because we aren't allowed to burn due to air quality issues. So we've decided to stop piling because we are not burning and we get so many complaints about the piles. That is our situation right now. We get criticized for burning, for not burning, for piling, and for not piling.

Comment: That makes sense for blocks close to residential areas, but this is an area that is very far removed. WFP piles and burns in removed areas in the late fall.

Where we do burn we do the same. We pick the best times.

Comment: Some of the ditches are blocked with debris. Why?

I have not been up there so I will not be able to address all of your questions right now. I will check with our production person when I get back.

Comment: Some areas of the block are fine, but the area near the SCT is a mess.

I think the SCT is being moved.

Waste is a difficult topic, and it is an issue on crown land as well. When the value of timber dropped waste started to be left behind because the negative margins of the product could not be absorbed by higher value product, such as sawlog. Although the optics of waste aren't good, as long as there is room to replant then the waste is not completely negative. It can provide habitat, it gives critters places to hide and biomass.

In this case it could be that the salvager just hasn't been there yet. I just don't know the answer at this point.

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Comment: Other groups are able to make their sites look more appealing under the same economic circumstances.

Crown land is regulated on residue and I wonder what it would look like there if it wasn't regulated.

Comment: That is the problem; private land is not regulated.

Consider that some crown tenure holders are going out of business.

Question: Why doesn't IT open the Myrtle Creek lot up to the woodcutters since it is so close to town? You could charge them a small fee and give it to our CAT scan fund.

I would like to be able to get an arrangement with a charitable organization on doing firewood. So, if you know any group that would be interested.

Comment: CAT scan. IT gave \$1000 to the CAT scan.

Comment: IT gives Dry Grad firewood permits for free every year.

Comment: Great. We just want to get it cleaned up so that it isn't a fire hazard and so that it looks better. Pile it up so it looks better.

We get beat up about the piles.

Group unanimously says it likes piles better than debris.

Company Updates and Other Business

The streamlining of IT's Environmental Management System (EMS) has been completed. The auditor came to Powell River and went to Goat Lake, Myrtle Creek, the sort block, interviewed contractors and reviewed sites. The audit came out very positive. There were some opportunities for improvement. There were no non-conformances or non-compliances. Nothing illegal or against the standard. EMS is the system for managing environmental risk.

Question: What were the suggested improvement opportunities?

Most of our areas of improvement were related to fire extinguishers and spill kits. Fire extinguishers had to be inspected monthly and have a full overhaul annually. Either our contractors were doing it, but were not documenting it correctly or they were not doing it at all. We are working on ways to better communicate what the expectations are. Many of our contractors are working for multiple clients with varying standards and expectations. We are trying to make it as easy as possible. Kip Brown trucking had a major plus on the audit because they had a system of marking and documenting fire extinguisher inspections. The truck driver we talked to said he looks at his every day. Other opportunities were internal such as better communicating to our senior management about our environmental performance.

We had a couple of train the trainer session for all supervisors and of approximately one

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hundred and thirty contractors only one hasn't been trained and their contract will not be renewed until they have done the training. The EMS requirement is seventy five percent. Only one IT employee didn't make it because he was overseas for a funeral.

At Northwest Bay there are some really old buildings that go back to the original Northwest Bay camp. We decided to have an auction to get rid of a lot of excess furniture and assorted other things and give the money to charity. One of the most coveted items was a big oak desk. Kraig pointed out that he thought the desk had belonged to Dr. Brooks from the original Powell River Company. We pulled the desk out of the auction, called the Powell River Heritage group and offered to give them the desk. They accepted. It comes with a long history of who used it. They've kept track and documented where it has been and what it was used for.

OIM Review

Current Activities

Active Logging – Paradise 882351 (visual issues – VIA completed and block was reviewed with CAG) falling started December 5th for January production)

Question: That was the Rod Tysdale experimental forest. I assume there was a lot of documentation created on all of the long term experiments such as different thinning levels. Is that all lost now?

I don't know if we received any of that information with the purchase of the land. I can find out if we did.

Action: Makenzie to find out if IT received any data collected from the Rod Tysdale experimental forest with the purchase of the land.

Comment: That would be a real shame if that information has all been lost.

I'll find out if we got any data out of it. We have some of our own thinning trial going on now.

Road Construction for 2009 - Stillwater Main 4 ½ mile, Stillwater Main 9 mile, Lois 0.5 (SCT is below the block and pruning has been prescribed to reduce windthrow 793417), Canoe Main (visuals are identified as a possible issue), and Fiddlehead (Giovanni Lake Trail crosses through and will be reestablish after harvesting)

Harvesting for 2009 – Thunderbay (been in regular conversations with neighbouring land owner), Duck Lake 884103, Cemetery Block 883262 (been in regular conversation regarding funeral services).

Question: No plans for Lot 450?

Not right now.

Question: Where does the group go from here?

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We made the decision to postpone CSA until the spring. We also thought we would postpone the meetings because I presumed incorrectly that nobody would want to meet without being CSA related meetings. Port Alberni said they would like to meet and have the same type of forum as this. They would like to have a presentation from a representative from each of CSA, FSC, and SFI. So far the only group that has responded is SFI regarding the presentation. They are hoping to do that in January. If this group would like to meet again and just communicate that would be fine. The meals are not the problem, it is just the cost of setting up a whole new reporting system for certification that is holding us back.

Group decided to continue meeting every other month.

Question: If you weren't going to be logging in Powell River for the next thirty years what would be the purpose of having CSA here would you just continue with Port Alberni and Campbell River?

If we weren't going to be logging we would possibly pull the area out of the land base for the CSA because CSA is tagged to the production (we would have to evaluate this when the time came).

Do you feel like you are getting anywhere on the issues that you are concerned about?

Comment: I think our communication with the community helped to take the sharp edge off of issues.

Question: Was it good to have Esther here regarding Myrtle Creek?

The group found having Esther come to speak about her concerns very helpful.

Comment: I think the group is a benefit to the company. It gives members an opportunity to verbally vent.

I really trust this group to challenge us and approach things in a level headed manner. You ask tough questions and rationally process the information.

Comment: WFP used to put up signs with information regarding when it was cut and replanted so that people could see the progress of the growth. It doesn't happen any more. FRBC funded it. I'm sure it must be expensive

I agree. The only problem is they are easy targets and expensive to replace. I keep pushing for more signage. Perhaps if we put them on footpaths and not on roadways.

Comment: The Regional Board has been invited to meet with MP John Weston on January 10th. He wants to know if we have any application in for the Canada Building Infrastructure Program and if we did what was it. If you have any ideas about how forestry can be activated or enhanced I think he has the power to go back to Ottawa and ask for money with a proposal for what it will do for the forest industry in Powell River. There is money out there to be spent on the forest industry. Please give me ideas.

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Comment: Fir pellets. Talk to the value added people in the community. We can give you a list of contacts.

Action: Group members to provide Colin Palmer with a list of people involved with value added industry in Powell River area.

Port Alberni has a group called Woodtech 21. They have been researching value added manufacturing opportunities for small communities. I can give you some contact names for them as well.

Action: Makenzie to provide Colin Palmer with contact names for Woodtech 21 group in Port Alberni.

Comment: For the last two months Makenzie and I have been trying to meet with Chris Doyle, the lands management person for IT. I wanted to sit down with him and talk about his land use plans in this area for IT. He has been working on the highest and best use of land, which means some of it is for real estate and some of it is for forest. After Makenzie, the regional planner, and I have met if I think it would be worthwhile for CAG to be in on the information we could suggest that he comes to one of the meetings.

Independent Power Projects

The planning committee of the Regional Board had a referral from Integrated Lands Management Branch regarding the fact that Plutonic Power wanted a two year investigative study of the Freda Creek project. We objected to that to let them know that the planning committee does not want them in Freda Creek. We got a message from ILMB about a week later stating that they have given them permission to do it. Another example of the province pushing these projects. Don McInnes informed the Regional District at their November meeting that the two provincial government teams for Butte and Toba have strongly recommended that the preferred route be the one paralleling the existing line. The project that they are working on now is just the two turbines in Toba Inlet and then they have the upper Toba River projects which they are environmental assessing right now. That will be carried on the line that they are building now. The 500 kv line would be built not just for the 900 mwh Butte/Knight Inlet project which is massive – I think it is twenty four sights way up in the mountains – but for more projects in the future. We still don't know about Hawkeye. They are going to get power out of the little Toba and some other project down the back route to Malaspina substation on the Sechelt Peninsula. Every time we mention Hawkeye joining in with PPC we get comments about how under funded Hawkeye is and they will never do it, but in actual fact Hawkeye have put in an application which would mean there would be another powerline unless the government forces Hawkeye to use the PPC lines. Hawkeye are going to the Malaspina substation which is the one south of Saltery Bay and so is the PPC Butte Inlet 500 kv line. The only power that is going to the new Saltery Bay substation is the one that is being built right now.

Comment: That means a new crossing over to Nelson Island.

Yes.

When I was at the Powell River Regional Economic Development Society meeting last time, Jeff Ternan from WFP sits on that board, we spoke of these issues, and he said

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WFP was upset not only by the amount of forested land being taken by the existing line but now by the parallel one as well. He also pointed out that he was disgusted, as is the broader community, that Kiewitt have been leaving piles and piles of logs that they cannot get out on some of the spur roads. They are sitting there rotting and apparently they are just going to leave them there.

Comment: I heard that they applied to the government to have an exemption. The government apparently told them to pay the stumpage and leave them where they are.

Next CAG meeting – January 14th with WFP

Next IT meeting – February 11th

Meeting Adjourned 8:40 pm

**Stillwater CSA Community Advisory Group
Island Timberlands
December 10th, 2008
Attendance**

Name	Position	Member Seat
PRESENT		
Jane Cameron – Chair	Primary	Member at large
Ken Jackson	Primary	Recreation
Rory Maitland	Primary	Contractor
Bill Maitland	Alternate	Local Business
Doug Fuller	Primary	DFA Worker
Wayne Borgfjord	Primary	Forest Dependent
Paul Goodwin	Alternate	Forest Dependent
Nancy Hollmann	Alternate	Tourism
Ron Fuller	Alternate	DFA Worker
Colin Palmer	Primary	Local Governments
Mark Hassett	Primary	Local Business
Dave Hodgins	Alternate	Recreation
8 Seats represented		
ABSENT MEMBERS		
George Illes	Alternate	Environment
Barry Miller	Primary	Environment
Dave Rees	Primary	Tourism
PRESENT		
Resource – others		
Makenzie Leine	IT	
Valerie Thompson	Secretary/Facilitator	