

# REPORT TO THE FORT ST. JOHN PILOT PROJECT PARTICIPANTS

## ***Introduction***

As required under s.50 of the *Fort St. John Pilot Project Regulation* (“the Regulation”), we have been engaged by the “Fort St. John Pilot Project Participants”(Canadian Forest Products Ltd., Cameron River Logging Ltd., Tembec Inc., Louisiana-Pacific Canada Ltd., Dunne-za Economic Development Corporation and BC Timber Sales-Peace-Liard Business Area Fort St. John TSA operations) to examine compliance with the requirements of the Regulation for the period from April 1, 2007 to March 31, 2009 (the most recent year-end for Pilot Project reporting purposes under s.51 of the Regulation).

Compliance with the Regulation is the responsibility of the Fort St. John Pilot Project Participants’ management. Our responsibility is to express an opinion as to whether the Participants have complied with the *Fort St. John Pilot Project Regulation* in all material respects.

Our duties in relation to this report are owed solely to the Participants, and accordingly we do not accept any responsibility for loss occasioned to any third party acting or refraining from action as a result of this report.

## ***Conduct of the Engagement***

We have conducted our examination having regard to the *Fort St. John Pilot Project Regulation* and “*audit principles that are generally accepted for use in the forest industry*”.

An examination includes assessing, on a test basis, evidence relevant to the information presented in the Participants’ annual reports and the Participants’ compliance with the requirements of the *Fort St. John Pilot Project Regulation*. The scope of our work and the criteria were agreed with the Participants. The main elements of our examination were:

- Identification of activities and obligations subject to assessment, including planning, harvesting, road construction, maintenance and deactivation, silviculture and public consultation.
- Review of Sustainable Forest Management plans, Forest Operations Schedules and related amendments developed under the Regulation for consistency with the Regulation.
- Field examination and review of site level plans for a sample of planning, harvesting, road construction, maintenance and deactivation and silviculture activities.
- Examination of Annual Reports prepared by the participants and examining back-up data supporting performance against a sample of SFM indicators.
- Assessment of records related to public consultation and interviews with a sample of members from the public advisory group.

The Participants reported the following activities carried out during the period and subject to assessment

Activity	Canfor managed allocations <sup>1</sup>	BCTS
New SFM Plan	Amendments only	
New Forest Operations Schedule	Amendments only	
Harvesting (blocks)	120	41
Road construction (road sections) <sup>3</sup>	418	120
Road deactivation	543	164
Planting (blocks)	203	61
Establishment and MSQ Surveys	275	77

The activities examined during the assessment included:

Activity	Canfor managed allocations <sup>1</sup>	BCTS
New SFM Plan	Amendments only	
New Forest Operations Schedule	Amendments only	
Harvesting (blocks)	18	14
Road construction (road sections)	19	12
Road deactivation	14	8
Planting (blocks)	10	9
Site preparation (blocks)	5	9
Establishment and MSQ Surveys	10	6

Notes:

- 1 The Cameron River Logging, Tembec, Dunne-za Economic Development Corporation and Louisiana-Pacific allocations are managed by Canfor and are therefore combined for reporting purposes.
- 2 Harvesting, site preparation, bridge installation, planting and survey field samples all included consideration of road maintenance activities on the access roads to the sites.
- 3 Road construction includes installation of bridges.

We planned and performed our examinations so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to support our opinion on the Participants' compliance with the *Fort St. John Pilot Project Regulation*.

## Findings

### Overall level of compliance

Overall, activities carried out by the pilot project participants exhibited a high level of compliance. One minor non-compliance was identified during the assessment.

### SFM Planning, CSA and ISO 14001 Registration

The Regulation provides for the development of a Sustainable Forest Management (SFM) Plan through a public advisory group to guide operational planning activities within the Pilot Project Area. The SFM plan was submitted and approved during a previous audit period. Minor

amendments have since been made to the plan and are summarized in the Participants' Annual Reports. The Participants first achieved Canadian Standards Association SFM registration for the pilot project area in the fall of 2003 and were successfully re-registered under that standard in 2006 and 2009. BC Timber Sales and Canfor managed operations also successfully maintained separate ISO 14001 registrations throughout the current audit period.

### Performance against the SFM plan

The annual reports for the year ended March 31, 2008 and the year ended March 31, 2009 outline performance against the SFM plan. Section 42 of the Regulation requires the participants to conduct operations consistent with the specified targets and landscape level strategies.

The Participants' annual reports did not identify any targets related to the landscape level strategies that were not met during the two reporting periods.

The annual reports noted the following targets, not explicitly linked to the landscape level strategies that were not met:

Year ending March 31	Target	Reported findings
2008	35 – Water Quality Concern Rating (WCQR)	The number of stream crossings on active roads with a “high” water quality concern rating was 48% compared to a target of 25% with a maximum variance to 30%.
2008	56 – Elements pertinent to treaty rights	As Indicator #35 is relevant to indicator #56 the above non-conformity affected indicator #56 also.

### Regulatory Non-compliances Identified by Participants

The Participants reported one compliance and enforcement measure that was imposed by the government in relation to activities carried out by the Participants during April 1, 2008 – March 31, 2009 reporting period.

- Confirmation was sought from the Ministry of Forests and Range and the Ministry of Environment with respect to compliance and enforcement measures imposed by government and the number and nature of non-compliances reported by the Participants. Both agencies confirmed the one compliance and enforcement measure imposed by government during the period which was reported in the Participants' annual report (for the year ending March 31, 2009). In addition, the Ministry of Forests and Range (MoF&R) identified two additional compliance and enforcement measures imposed by government during the period which were not fully captured in the annual reports' “Contraventions Reported to Agencies” table (Appendix 6). However, further review of these measures determined that the “Harvest Inspection and Alleged Non Compliance Summary” report issued for one of the incidents and the “Incident and Non Compliance Summary” report issued for the other did not include such actions as the laying of a charge, the issuance of a ticket with fine or warning or the levying of an administrative penalty. In addition, the participants did disclose these two additional compliance issues in the annual reports, although the manner of disclosure could have been improved upon as indicated in opportunity for improvement #9 below.
- Non-compliances were identified by the Participants during the period and reported to the Ministry of Forests and Range and the Ministry of Environment. The non-compliances were reported in the Participants' annual reports for the year ending March 31, 2008 and the year ending March 31, 2009.

## **Minor Non-compliances identified by our assessment**

Our assessment identified the following minor non-compliance:

1. One log fill stream crossing installed by BCTS on a defaulted fish-bearing stream (road permit #R15490) was not removed following use by a Donaren moulder in 2007 (or following subsequent use by planters in 2008). Additionally, there was severe erosion of the road surface leading into the stream. Consequently, this issue represents a minor non-compliance against the FSJPPR, Clause 28 (1)(g) which requires water quality and fish habitat be protected by (ii) providing for safe fish passage, (v) protecting stream bank and channel stability and (vi) minimizing sediment entry into streams.

Note: A fisheries assessment conducted in 2001 recommended that multi-year sampling be done to verify the stream's suspected non-fish-bearing status, however this recommendation was not implemented. Also, although the road permit required a snowfill crossing (providing entry for harvest equipment) be removed prior to spring freshet, no similar prescription relating to the removal of this subsequent log fill crossing could be located.

## **Opportunities for Improvement identified by our assessment**

In addition our assessment identified the following opportunities for improvement:

- 1 Our assessment was unable to determine the full linkage between the Forest Operations Schedule (FOS) and long term actions necessary to achieve target #1 (as required under FSJPPR S.80 (2)(b)) which addresses percent distribution of forest type (deciduous, deciduous mixedwood, conifer mixedwood, conifer) > 20 years old by landscape unit. The FOS only partially addresses this target and has queued stands as conifer, deciduous or mixedwood only.

NB: A portion of the queued stands (approximately 40%) in the FOS have been fully analyzed with respect to this target as they represent blocks approved under the previous Forest Development Plan that were unharvested and thus rolled into the FOS once it was approved. The status of these blocks with respect to target #1 were analyzed and reported on by forest type in the SFM Plan.

- 2 Site level plans (and associated harvest plan maps) were found overall to accurately describe site conditions as required under FSJPPR S.19. However, despite BCTS harvest plan maps being important operational controls referenced by all operators, they did not always include key prescriptions associated with the blocks (e.g., retention specifications, 5m machine free zones, avoidance of wet areas, etc.). Additionally, BCTS site level plans contained vague, discretionary language respecting stub tree retention requirements, resulting in a wide range of stub tree retention levels on the sample of blocks field reviewed.
- 3 Although the audit verified that site level plans are being prepared prior to road deactivation occurring as required by the FSJPPR S.18(a), the field audit identified a gap in the BCTS process for monitoring and addressing damage done by site preparation equipment to roads previously deactivated by TSL holders under the site level plans (i.e., rutting and breaching of cross ditches observed, including near streams, on roads leading into A84189-02077 and A63393-1).
- 4 BCTS scheduled free growing surveys in the last year of the free growing window for several openings (in 2008). Due to a survey contract being cancelled, staff submitted several last minute requests for the amendment of late free growing dates in order to avoid non-compliances on these openings as per the FSJPPR S.32(4). The scheduling of free growing surveys could be improved upon to prevent such occurrences in future.

- 5 The field review of a BCTS block planted in 2008 (AS 63403) revealed significant concerns with planting quality (i.e., “j” roots, seedlings planted at 45 degrees to vertical orientation and planting too shallow). Discussion with the BCTS representatives revealed that there were also other blocks where concerns with quality issues were noted.
- 6 Although BCTS’ TSL A63404 is captured in the summary table of harvesting activities conducted for the year, the 2007-08 annual report relating to Indicator 34 (Peak Flow Index) inaccurately states that no new harvesting occurred in the Charlie Lake watershed. Harvesting in this TSL (which is located in the watershed) ran into the period covered by this annual report. Subsequent disclosure of this omission was documented in the 2008-09 annual report.
- 7 One Canfor bridge (Mile 86) installed and deactivated during the winter of 2008-09 was not reported on in the 2008-09 annual report as required by FSJPPR S.51(3)(a).
- 8 Copies of past FSJPPR independent compliance audit reports are available for public review at BCTS and Canfor offices during regular business hours as required by FSJPPR S.57(3)(d), however they are not made more widely and readily available to the public via postings on the FSJPP website (as the Participants have done for the annual reports).
- 9 Two non-compliance events were disclosed in the annual reports. However the manner of disclosure could have been improved upon to more fully meet the requirements of FSJPPR S.51(3)(g) as follows:
  - Skidder encroachment within a Machine Free Zone under frozen ground conditions (Canfor – A83318-S25006) – Although this incident was reported to the MoF&R and captured in the 2007-09 annual report, it was disclosed in the current status and comments section underlying Indicator 36 (*Protection of Streambanks and Riparian Values on Small Streams*) but was not also disclosed in the “Contraventions Reported to Agencies” table (Appendix 6) of the annual report. The MoF&R investigated the incident during snow free conditions and a compliance action was taken in the form of the issuance of an “Harvest Inspection and Alleged Non Compliance Summary” report, which indicated that the impact within the machine free zone was negligible. No further action was taken by government.
  - Out of block skid trail (Canfor – 428-42001) – This incident occurred during the 2006-07 reporting year and was reported as required in Appendix 6 of the annual report for that year. However, there was no disclosure that a compliance action was taken as the MoF&R did not issue a compliance action until a subsequent inspection occurred under snow-free conditions during the 2007/08 reporting year. The MoF&R issued an “Incident and Non Compliance Summary” report which indicated that the area of contravention was small, there was no environmental damage, no loss to the crown and no economic gain to the participant as a result of the incident. This subsequent investigation and associated compliance action was not noted in the 2007/08 annual report for transparency and completeness purposes (i.e., the issue was left as per the 2006/07 annual report, which indicated that “a future visit during snow free conditions were recommended by the MoF.”). No further action was taken by government.

These opportunities for improvement do not have a material impact on the Participants’ performance under the Regulation.

## **Opinion**

We have conducted an independent audit of the “Fort St. John Pilot Project Participants” (Canadian Forest Products Ltd., Cameron River Logging Ltd., Tembec Inc., Louisiana-Pacific Canada Ltd., Dunne-za Economic Development Corporation and BC Timber Sales-Peace-Liard Business Area Fort St. John TSA operations) compliance with the *Fort St. John Pilot Project Regulation* as required under Section 50 of the Regulation.

The *Conduct of the Engagement* section of this report describes the basis of the audit work performed in reaching our opinion. The audit was conducted in accordance with audit principles that are generally accepted for use in the forest industry.

In our opinion, except for the one minor non-compliance disclosed in the *Findings* section of this report the forest management planning and operations carried out by the Fort St. John Pilot Project Participants complied in all material respects with the requirements of the *Fort St. John Pilot Project Regulation* for the period April 1, 2007 to March 31, 2009.

In reference to compliance, the term "in all material respects" recognizes that there may be minor instances of non-compliance that are not detected by the audit, or that are detected and not considered worthy for inclusion in the report



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