

FORESTRY FORUM

AVICC and the Truck Loggers Association sponsored a Forestry Forum on Friday, April 3, 2009 from 8:30 a.m. to 12:30 p.m.

Chair Joe Stanhope, Director at Large for AVICC introduced the Honourable Pat Bell, Minister of Forests.

Minister Pat Bell

First I want to thank everyone for coming early this morning. I know the original start time was 9:30 but unfortunately as my good friend Ron Cantelon knows we are five and a half weeks away from provincial election and Prince George hasn't seen me for some time. About eight or nine months. Gerry Furney – how are you this morning? Morning Gerry, morning Ken. So we are getting into that period of time we need to spend more time at home and the Ministry of Forests has certainly kept me away from Prince George for the last eight or nine months. I am happy with some of the headway we have made and we have much more work to do.

I would like to take a few minutes today to talk about some of the things that we've been focused on over the last nine or so months since I had this role and what I believe the future of forestry is in the coming decade particularly in communities that are so important to us. The ones that were built around forestry traditionally in British Columbia although the coastal communities like Nanaimo look a bit different from Prince George in the essential interior but they have much in common. Forestry is what built our economy in the first place and it has the ability to continue to drive our economy and we need to make sure that we have the right framework for forestry going forward so that we can capture the value that our forests offer around us.

You've likely all heard me talk about the four key initiatives that I have been focusing my attention on. Those are maximizing the value from our forests, fully utilizing the resource and using the waste that is left behind. We need to refocus our efforts on growing trees as opposed to simply cutting them down. Marketing into the Chinese marketplace and working on the new non-residential larger buildings, buildings like this that could be built out of wood if we take the time and effort that is required to design and engineer those buildings.

So I want to update you on those four initiatives and share with you some of the work that we have been doing over the past nine or so months to try and advance those agendas. I want to touch briefly on the Roundtable Report and one specific area of the Roundtable that I think is important to you. I have one announcement that I'm going to make then I'd like to take a few questions. I have to tell you that I am on the 9:20 floatplane over to Vancouver which means I have to be out of here by about ten too in order to get checked in so I will try and cut myself off at quarter too and leave time for a few questions. That means I'm going to talk at the speed of a Ritchie Brothers Auctioneer for the next few minutes.

So with that said starting out the focus of full utilization of the resource and how we can capture more value from our landscape. Many of you will know that we released a document about a week and a half ago that focuses on a brand new further manufacturing industry in British Columbia. It speaks to the need to take the products that we produce as primary forest products and manufacture them to a much higher degree. It acknowledges the fact that we have not been successful in that in Canada over the years. We average \$125 per cubic metre of economic value from our forest products. That is the second lowest value in the world. Only in front of China ironically. The United States captures about double that value, about \$260 per cubic metre of log harvested. If you look to countries like Japan it literally is astronomically higher over the years, about \$600 in economic value. So how do we do that, how do we move to that new world and that new opportunity? Part of it is about creating a Value for Wood Secretariat, an advocate within government, a senior government official who will work with all of your individual communities to help enhance and build manufacturing. We need the knowledge that we are a softwood industry, not a hardwood industry. So we're not the cabinetmaker, the floor maker, and the jurisdiction that is going to expand on a typical hardwood manufacturing opportunity.

But where the real opportunity lays links to my last key item, which are large, commercial and industrial buildings. The United States in a typical year assumes about 65 billion board feet of lumber. This year they are expected to consume about 28 billion board feet of lumber. So it doesn't take long to work those numbers through and realize why we're having the challenges that we're having in the forest industry today. But there is a more important statistic in that and that is that the split between the residential and non-residential sector in the United States is about equal in the consumption of lumber. It's a little over 30 billion board feet in both the residential and non-residential sector. But the estimates in the residential sector for 2009 are a consumption level of just 5 billion board feet. So out of the total reduction in the United States is in the order of 35 – 37 billion board feet. A full 25 – 26 of that is coming out of the residential sector. So the stability of the residential sector really offers a unique opportunity for us and I believe that is where further manufacturing comes into play. Many of you will either have seen the Richmond Ice Oval as you fly into Vancouver or you will have seen pictures of it and hopefully you will have an opportunity to get in the Richmond Ice Oval. That is a great example of a made in BC building. The gleam beams that support that 120 foot span were manufactured in Penticton, British Columbia. The wood was milled in Thrums, British Columbia which is in between Nelson and Castlegar at a little mill called Kalesnikoff Lumber, which has been there for over fifty years. The trees were grown in the Kootenay area. The lumber that lines the ceiling of that is beetle killed pine from the Chilcotin Plateau area. It's a magnificent structure and it's consumed a large volume of wood. So the manufacturing opportunities that are associated with larger buildings are very real and its one of the key themes that we need to focus on in terms of capturing more value.

But there is another key point that I want to make in how we extract more value out of our forests and that is through full utilization. There are not very many places in the province that I can go that people say I love to see all kinds of residual piles left behind in the forest. I just think it looks great. In fact you hear exactly the opposite. Why aren't we utilizing that resource more effectively? I can tell you that seven months ago there was not a location in British Columbia where we were capturing value from those

piles that were out there. About six months ago there was a pilot project started near my hometown of Prince George where they are taking that biomass, grinding it up and taking it into a pellet plant and making pellets out of it. This was unheard of previously. In this particular situation they had never captured that biomass for use in pellets. In fact it was exactly the opposite. It was assumed that that could not be done. So this particular operation started grinding up piles, residual piles, bringing the biomass in to Prince George and was used in the pelleting process by a company called Pacific Bio-Energy. 60% of that company's production is now made up that material, ground up wood residue from our forests. It's a great example of how we're taking biomass and making something out of it. But that's not the end of the story. I told you that seven months ago there wasn't a single grinder working in the province. Six months ago there was one grinder working in the province. Today there are ten grinders working in the province. Annualized that will capture about a million cubic metres of biomass that we were previously putting up in smoke. So there are very real things happening out on the landscape and that's just one of them.

Nexterra Energy is working on a technology around gasification of those same logging residues where they take the material and make it into a product that can be piped and can be burned in your home furnace that you wouldn't know is not a natural gas product. We've provided a series of grants to that particular company. They're very close to a commercialized product. In fact they have a commercialized plant that appears to be functioning pretty successfully now and there is a great opportunity. Lignol Energy is another one that is making cellulose ethanol. It has a pilot plant at BCIT that is capable of producing about 100 thousand litres not on a commercial scale but a significant scale. So there is a series of things that is starting to take place and we've removed the barriers that are there that say leave the residue behind in the forest. In terms of how we charge for the material, in terms of how we calculate the allowable cut what we need to do is expand those opportunities across the rest of our region. This is the chicken or the egg. Do you get the pellet plant first or do you have the biomass to build the pellet plant and that's really where we're at on Vancouver Island in this point in time. There's an opportunity for several pelleting facilities or biomass facilities on the Island and likely one in the North, one in the central island and one in this region. We need to move forward. It's happening very, very quickly and we should be encouraged by that.

The second theme is the focus on growing trees. I'm very happy to be able to tell you today that at seven o'clock this morning we released the first ever call in North America for carbon offsets through the Pacific Carbon Trust. This is a call that has gone out and we would like you to bring your ideas, your suggestions, your thoughts to the Crown and we have up to \$5 million dollars to purchase carbon offset to offset the travel and emissions the provincial government creates and you know as a provincial government we've committed to being carbon neutral by 2010. I know many of your communities have also signed on to that. So every time I get on a plane or we take a forestry pickup outside the compound someone puts some money into the Pacific Carbon Trust that is then utilized to purchase offsets. There has never been a call for purchasing offsets from forestry until today. We're very, very excited about this opportunity. This will speak to things like using improved seed, reforestation fertilization and other opportunities for growing trees faster and more efficiently. Many of you will have heard me talk about this in the past. I think this is a huge opportunity for all of us. Last

week I released a discussion paper that is focused on advanced silviculture practices. I think we can operate our forests in a new and effective way going into the twenty first century where we're really thinking about of growing trees on a more confined land base. That can only be good for our industry when we can shorten our haul distances, create a more effective model of forestry that will keep us competitive globally but also puts people to work in our communities because it will mean multiple entries into each of those stands through the growth created. Instead of simply planting the stands and then walking away after the first plantation and not going back or perhaps going back and brushing it a second time, we'll be going in and spacing those stands, and thinning those stands and fertilizing those stands and nurturing those stands. So instead of rotating them at 50 to 70 years here on the coast or in the interior at 70 – 120 years we'll be able to rotate some of those stands in perhaps as little as 30 years on the coast and in the interior in as little as 50 years. I'm very focused on that. The discussion paper is asking all of you questions about what you think the appropriate methodology are going forward because it is a huge shift for all of us. This is not the model of forestry we have traditionally followed in British Columbia. It perhaps means new models of tenure. It perhaps means new roles for communities, aboriginal and non- aboriginal. It really creates the window into the low carbon future that I think we've all been looking for and can help create that extra revenue stream into our communities. We have 25 million hectares of timber harvesting land base across the province and we grow an average of 3 cubic metres per hectare across each of those 25 million hectares. I have often asked a room full of professional foresters if I could provide you with additional funding could you grow me more trees? The answer is inevitably yes we could do that. I asked them, "Could you grow me an extra cubic metre?" and most of them say, "Yes we could do that". So how do the economics of that work? If we were growing four cubic metres per hectare instead of three cubic metres per hectare, that's twenty five million cubic metres. The conversion from metres to tons of carbon is .9 to 1 so for simplification of math I'm going to say it's one to one in this case. Carbon currently trades at about \$30 per ton so if you were sequestering an additional 25 million tons of carbon per year there is no better place to do that than here on Vancouver Island. That means the potential of three quarters of a billion dollars per year in carbon offsets. That's a lot of work on the landscape. That's a lot of people that can go out be nurturing those stands and bringing them through to fruition. This morning at seven o'clock was the beginning of all that because it's the first time ever in North America that there has been a request for proposals for carbon offsets from our forests. It's a significant moment that will likely go unnoticed. Its not something that a lot of people will pay attention too but if we get this right it will be a key economic driver for all of our communities.

Now I'm really going to have to speed up because I'm only on two and its already quarter too. Final two initiatives I talked about China. Joe was good enough to remind me that there is a ship coming into Port Alberni just about every other week right now. Where is that ship headed too? I thought so – China with lumber, manufactured lumber. So it's happening and it's happening as the result of a very focused effort on the part of industry and on the part of government to make sure that we market our products effectively. We spent about 7.5 million dollars in China last year marketing British Columbia forest products. There will be a significant increase that we will be announcing in the next few days for the 2009 year. I had a great discussion with Jim Shepherd of Canfor yesterday about their initiatives in China. He told that they have

significantly increased the percentage of two and better lumber that is going into China. I know he is going to be releasing some statistics around that in the near future. I think we have very good news on that front. I've already talked about the opportunity to associate with non-residential construction so I'm not going to go into detail. We have announced a new opportunity in Prince George that we're going to be putting more arms and legs on to building larger commercial and institutional residential buildings.

I want to finish up with one thing and that is the Roundtable. The Roundtable I think did some tremendous work. It was a very diverse group of individuals. Nineteen individuals ranging from small community Mayors to union leaders to first Nation leaders to industry leaders, both large and small to academics. It was a very diverse group and a very effective group and I think they did a tremendous job. One of the discussions that was continuous throughout the process was how we support communities. When we traveled to all of your communities, nineteen of them there was one world that I heard in every community and that was appurtenency. There was not a community that we didn't hear that from in some way, shape or form. So at the Roundtable we sat and talked about that and said, "How is it that appurtenency is supposed to work and what is it supposed to accomplish?" We looked back at the history of appurtenency and discovered that it really hadn't accomplished what it was intended to do when it was in place in the 80's and 90's. It was intended to keep mills open and operating in each individual community and many of you will have had mills close in your community when appurtenency was fully in place and you will I'm sure agree with me that it didn't accomplish its intended objective. So we asked the question, "What is appurtenency intended to do and what are we trying to accomplish by it?" There was really two things that we believe that people were saying to us that we are looking for a stronger tie to the forest. The first was you decision making control over the forest in your area. You want the ability to direct the harvest and make decisions about which stands are harvested and which stands aren't harvested and what happens to that wood and where it goes. Do you want it to go to a value added manufacturer in your area or do you want it exported. Those are your choices not the provincial governments choices or anyone else's choices. That is one of the two things that we believe we heard when we heard the word appurtenency. The second thing that we believe we heard was we want more benefit from the forest around us. We want to get more value from the forest and if logs are being harvested from our community we want to get more direct monetary benefit as a result of that harvesting. So with those two things in mind we asked ourselves, "How do we accomplish that, how do we achieve that?" In our view appurtenency had not worked previously. The answer for us was very simple; it was to create much larger and much stronger community forests for all of you. Right now we have about 13% of the harvest utilized either in community forests, First Nations forests or woodlots. Those three forms of tenure. So the recommendation by the Roundtable was to expand those opportunities and really create significant size and volume of community forest in and around your communities so that you get both the ability to direct the harvest, make the decisions on what happens to that resource but also get direct value to your communities. Our goal is to grow that harvest from the existing 13% to 20%. That's a significant commitment. It would make community forest holders, aboriginal and non-aboriginal the same size as BC timber sales in the province which the largest single tenure holder across the province. It would mean that 40% of the timber would be available to the open market through either BC timber sales or community forests and we think that can deliver

whatever it is that communities were hoping to achieve. We're working very hard on that, as you know. There are 51 community forests around the province right now. We've made some significant decisions as recently as last week. We passed a piece of legislation which removes the probationary period for community forests so when you apply for that tenure it becomes automatic renewable tenure of a minimum of 25 and a maximum of 99 years and that tenure of course is area based defined and allows you to capture other values as well as forest values. It is the only form of tenure that allows you to access non-timber forest products in the province. So I am going to leave it at that. I'm going to tell you that anyone who tells you that they have a quick and easy answer for forestry is not being honest with you or they don't know the business because we are facing some of the most challenging economic times ever in the globe. US industry – 65 billion board feet per year, 28 billion board feet per year. That's the difference. It's likely to continue to be challenging for the next several years. I don't expect us to turn around quickly. I do think if we focus on extracting more value from our resource, if we re-focus our efforts on growing trees, if we target China very specifically in our marketing initiatives and if we start building bigger buildings out of wood we can have an industry that will support our communities for the long term.

Mayor Janyk thanked Minister Bell for taking the time out of his schedule to attend the Forestry Forum.

Chair Joe Stanhope introduced Dace Lewis from the Truck Loggers Association. Dave is the Executive Director for the TLA.

Mr. Dave Lewis

Before I begin I want to say thanks to someone here in the audience. Rod Sherrell when we were up in Penticton last year, he and I talked about bringing this about. He started all of this with his vision and then Joe picked it up. Rod I would really like to thank you for everything you did to bring this about today.

Just because you are being told that forestry is important doesn't really mean that it is to you and you shouldn't expect that. Even if you were to think that its important to you, what does that mean and are you prepared to do something about it. What would that something be? Before we begin I would really like to understand where we're at in the room. If I could just get through a show of hands how many of you feel that the future of forest industry is important to your community and your constituents? How many of you are willing to do something about it? How many of you are prepared to make it a top priority? How many of you think you know what needs to be done? Port Alberni, imagine that and your Worship Mayor Furney. I think we're all in this position of okay, what do we do? We're engaged. The economy right now has really shown us and exposed how we really require this industry to keep some of our communities going.

The current forest policy that we have is this mish mash of stuff that's been developed since the 50's. It came out of the Sloan Commission and the key driver from the Sloan Commission was to create a world-class forest manufacturing industry. That was the end game that we wanted to get too. Everything that we've done over time has been to get us there and keep us there. I think we were extremely successful in getting there,

almost too successful. In the last two decades what we've found is that we haven't been able to sustain it. Every part of our industry has held onto what they've got. They have refused to realize the situation we're in. They've refused to let go of what we have to try and find that new vision. I think that's really critical that we understand that. With the exception of specialty mills on the coast we've seen very little investment over the last two decades. That's a prime reason because it hasn't been profitable. There hasn't been the reason for people to invest. The cost structure isn't there and the profits aren't there and what that's done, the factors that have influenced that are environmental expectations, the First Nations rights and title issue, trade disputes, labour unrest, timber supply certainty, regulatory burdens. They all made it very difficult to make a profit. So who is going to invest money when you're not making a profit? As a result our manufacturing plants became less and less competitive. As Pat mentioned a minute ago we can't compete with the interior. They've got a cheaper log supply and they continue to invest in their mills. They have a cheaper manufacturing cost as a result. So terms of the commodity and product we really struggle on the coast. As a result those that held the licenses had to reduce their costs over time. Their mills couldn't keep up so they had to find other places that they could reduce and that meant that labour suffered and they had fewer jobs and they had to do more with productivity. They had contract issues. Contractors have suffered. There are lower rates and higher costs. We want more productivity and there is less security. Communities have suffered. You've got fewer people in your community working. Your tax expectations have been dropped down. They've fought you on those and you've also had costs downloaded from the government. The government in turn has had their stumpage revenues reduced. So it's this vicious cycle of reduce, reduce, reduce because we don't have this competitive manufacturing sector which all of our policy is built on.

To move forward I think we're really going to have to address this. The situation right now when it comes to making a decision is not how do we change what we're doing so that we can harvest timber? We've tried all that. We're now at the point where we just say we can't afford to harvest that timber. If a stand is worth \$100 a cubic metre and it costs \$101 to get it, we don't get it anymore. We can't do anything. We're not flexible in that regard. So we have this situation where our biological rotation of timber, which is how the timber grows each year that provides us the information for our annual allowable, cut. That biological amount that we could harvest is far greater than what is actually economic to harvest. We see an AAC on the coast of 25 million metres we're harvesting somewhere around 16 – 17 thousand right now. Some of that presently is about demand. We've seen this drop over the last two decades and this increasing drop between what is growing and what we can afford to harvest and that's the issue we need to address. That's what brings us to the Roundtable.

The TLA when we presented put a fair bit of time and effort into our presentation. I think it was sixty some pages. The big core issue we pushed was we need a new vision. Everyone has to give up what they've been hanging onto and walk into this thing and say, "what is the future, what's it going to look like and how do we get there?" Our new vision we insisted had to include certainty, it had to provide opportunity, it had to have a stable business climate and we had to maximize the focus on getting the most value. As the Minister talked about commodity plays are going to be tough on the coast. We have to focus on value. So in terms of the roundtable recommendations and in terms of certainty I can name of number one, four, seven, twelve, twenty six, twenty

seven, twenty eight. There are a number of these that deal directly with certainty. One of the key ones, number one. Continue to inform British Columbians and forest product consumers about the beauty, carbon friendliness, economic and other benefits of BC forests and forest products. Now that's kind of flighty stuff. But what it talks about is advocacy. It says the government is going to take a role in being an advocate for this industry and pushing it. Instead of being ashamed of the industry, instead of knuckling under to pressure about oh you do this wrong, you do that wrong they're going to come up and say, "we do this right. We do that right and we've got nothing to be ashamed of. We're proud of how we do things here." That is a huge shift in how government thinks. Number seven – you should establish commercial forestland reserves for key portions of the current land base where wood production will be a primary focus. Certainty of timber supply is critical to people that want to invest money. We need investment. That's one of the critical parts. If someone is going to put two or three million dollars into a mill wants to know they can get their timber from somewhere. Now we're big proponents of making sure there is enough opportunity out there so that we create a market for logs. In the States almost all of the timber that is bought from mills is bought from the open market. They don't control a lot of their own tenure. On the Eastern Seaboard studies have shown that the manufacturers there want to hold at a maximum 17% of their log needs in their own tenures. That is so they can take advantage of market so they can make up for shortfalls and supply that the market may have. For most of the time they want to just go out and buy off the market. Here in BC, especially on the coast we've got into nuclear arms race of timber tenure and we say, "well they've got two, I need four, if they've got four I need eight". We got to where we have companies that have more than 150% of their needs in tenure. We have to change that. Number twelve – we should clearly define compensation rules for agreements between governments and licensees. It goes into a bunch of other stuff. Critical stuff. If I'm going to invest in a mill and I have to wait a 100 years or 60 years for that timber I want to know that if I do silviculture work, advance silviculture work and if I create a high value log and something changes in that sixty years and someone wants to take that away that I'm going to get compensated. We don't have that security right now and that stops people from putting money into our industry. It's a really key one. Number twenty-six to twenty eight is around First Nations. Rights and title is a huge, huge barrier to us moving forward. The TLA has taken an approach that right now we need to ensure that First Nations communities that are involved in the forest industry are successful. They are going to be huge players in this industry. They are going to be huge players in controlling land base and resources. If they don't like forestry and they get a sour taste in their mouth because we've come in and had someone work as a partner with them and at the end of the day the timber is gone and they've got no money in their jeans, if that happens they're going to say why do we want to be involved in forestry. So we're going a great deal right now to try and ensure they are successful so when we get to that point of rights and title, settlement and interim measures that they enjoy forestry and that they like it and they want to keep engaged in it. We see lots of stuff happening right now to that end. That was Roundtable recommendations in terms of certainty.

When it comes to opportunity I go through this list and I see thirteen, fifteen, and sixteen to nineteen, twenty-three, and twenty-five. There is another huge amount of them that are dealing with important stuff. One of the key ones, number twenty-five talks about this concentration on the coast. It says we should create more long-term

area based forest tenures that are economically viably based as well as creating legislation for First Nations forest tenures. So on the coast if you employ an internationally known standard for judging concentration, it's called a Herfindahl-Herschman index. We are a highly concentrated industry in terms of who can hold tenure. If we can find way to diversify that tenure it looks like the economy is going to do some of that on its own right now. We're seeing some of that happen. That's a critical component of the Roundtable recommendation.

In terms of a stable and attractive business climate, number eight, ten, twenty-nine deal with that. In terms of a critical one number eleven states we must establish labour agreements that advance productivity and support competitiveness in investment while maintaining good working conditions and an adequate standard of living. Here is a fact. Over 50% of our forest workers are over the age of fifty. The average age is 54 years old. It does not matter what else we do, labour is going to be a problem. With demographics that is going to be a problem. So we have to think of that going forward. Do we want a mill that employs three hundred people? We may not have those people. Maybe we want a highly mechanized mill that employs 120 people or 50 people or 18 people. Those are the mills that are running right now. So we have to consider all that stuff and number eleven addresses that.

Finally in maximizing the value of the resource. Number three, six, nine, and twenty-two. Number twenty-two talks about log exports. Logs that are surplus to British Columbia manufacturing needs should be exported until local manufacturing capacity exists. Now I'm going to talk about this a bit later when we get into this. That's a really critical component as well.

Back to the initial question. Who knows what to do now? How many of you think we got a lot of fluff in these recommendations, a lot of high-level flighty stuff. Very few of them say this is what we're going to do. I've heard that criticism from numerous people. A million bucks, nineteen communities, four hundred and some days, its all fluff. Well go to recommendation number twenty-four and it states forest policy should reflect the unique forest attributes and socio-economic circumstances in different parts of the province. Ask yourself; do you really want government to tell you how to do it in your communities when they're all different? I would venture to guess you wouldn't. I think what you should be doing right now is using these Roundtable recommendations as a framework and as guidance. The government has committed to these being the guiding principles going forward and then you want to develop what it is specifically that you want in your area and tell government this is how we're going to achieve that. Don't expect everyone to agree. The reason there wasn't a list of comprehensive undertakings from the Roundtable report was the broad diversity of people they had involved. By being inclusive you're going to get a guarantee that you can't come to agreement on details. So you're going to have to make some tough decisions as you move forward. Part of the reason we're in the situation we're in because no-one has been prepared to make those tough decisions. You are going to have people that scream and cry and say, "that's not what we've done before, we're going to lose." We have to get rid of our contracts we've always had and that's the way its got to be if we're going to survive otherwise we're going to continue to see what we've seen over the last two decades, something that looks like a stock market graph where you have peaks and you have troughs but when you look at over time it's a

negative trend. Every time we come out of one of these we get a bit better and times are better and people say, “oh it’s a cyclical industry: but we never get back to where we were. We have to change that trend and that’s going to take some huge changes in how we think and it’s going to take leadership and not everyone’s going to agree.

So I would suggest that each of your communities or regions approach this like an OCP and you decide what it is you want. So get those people together, establish your goals and objectives and lobby the province to help move those forward. Next week I’m in Campbell River for a lunch session with the Mayor and Council talking about just this stuff. We’ve got a bunch of industry investors and operators and critical stakeholders and they’re going to be going through this process and I bet you they’re going to say we’ve had sawmills, we have paper machines, pulp mills and we’re seeing this stuff change. Here’s what we want. How to we get there? What I would suggest is that you use those Roundtable recommendations. The government has said this is what we support, figure out where your strengths are in that and move ahead. The communities and regions that do that first and do it best are going to be the ones that succeed.

Private Forest Lands – What Does The Future Hold For Us?

Chair Stanhope introduced the panel. First is Ed Hughes is a woodlot licensee with two woodlots. Next is John Mitchell who was appointed Chief Forester and Director for Environment and Sustainability for TimberWest in 2007. Last but not least we have Rod Bealing, Executive Director for the Private Forest Landowners Association.

Ed Hughes

The topic of my talk and presentation is “Woodlots Must Be Off The Expropriation Table”. This is collaboration by the foresters for small-scale forestry, myself and Nancy Frizzell. I’m making this presentation wearing two hats, a professional forester hat and woodlot licensee hat. Last year we also gave a presentation to your association on the importance of the woodlot model to forest dependent communities. This is a follow up to that presentation. Dave Lewis earlier asked how do we do it and how to make it happen and I think woodlots are a part of that. Hopefully this presentation will help you as regional district and municipalities convince the government that there should be some change in direction.

I’ll start with what woodlot licenses are. Woodlot licenses have come to be recognized as well managed cost effective management options for medium and small size forest areas. Woodlot licensees are a combination of crown and private forestland holdings that are managed for a broad range of forest values. Timber is the obvious one but recreation, parks, visual quality, development and free parks basically. Woodlot licensees are small area based tenures that combine private land with 800 hectares. Basically that’s two Stanley Parks in size. They are managed by individuals, First Nations and small corporations and they are replaceable tenures awarded for twenty years and replaced every ten years for an additional twenty years. They’re considered be evergreen. I just wanted to make a note here to avoid confusion because last years presentation because people did think that woodlots exploited private and crown forestland and we don’t. They thought they were not sustainable and they are.

Woodlots are not allowed to entirely clear cut, they're not allowed to develop for building and they're not used for non-sustainable forestry use. I'm not referring by noting exploitation to other large managed forests or crown tenures rather unmanaged and unregulated land. In the end there is a lot of that. Woodlots are prevented from clear cutting or creating large progressive clear cuts by the individual operators integrity and also by government rules. Based on a 60 – 120 rotation a maximum of approximately 15% of the land base could be clear cut in any single decade. Often by doing intermediate cuttings by thinning the harvest area could be slightly larger but the impacts are much larger. My partner and I have a woodlot 1466 which is up on the map. It's about the size of Stanley Park. Over the past fifteen years we've commercially thinned about 120 hectares, approximately 50%. We basically take out one of every five trees. Our prime market is primarily poles. Poles are one of the highest value products we can get out of the second growth from the forest. Approximately \$120 per cubic metre for a pole. A typical log going across the log dump would be say \$60 with the cost of production being \$30 the pole is basically three times more valuable. Roughly 25% of the area is patch cut and that's targeting small opening between two and five hectares where we primarily target health problems, root disease, etc. Community forest licenses and small forest holdings managed sustainability similar to dairy farms in size are akin and similar to woodlots. When I speak about woodlots I'm also referring to steward management.

One of the things I was really disappointed in with the Roundtable recommendations were woodlots weren't mentioned at all. If you do a word search in that whole document there is not a single mention of woodlots. Small area based tenures are akin to woodlots and when Minister Bell spoke earlier he did say woodlots, community forests were part of that area based solution. There are currently 828 active woodlot licenses that include about 547,000 hectares, approximately 1,400 Stanley Parks in British Columbia. In 2005 woodlot licensees generated \$183 million dollars in economic activity and harvested just over three million cubic metres, approximately 100,000 logging truckloads of wood. Each woodlot generates local jobs in planning, harvesting and road construction maintenance, silviculture, small timber processing.

The state of the woodlot sector in the forestry industry. Woodlots have not been immune in the collapse of the forest sector but to date none have gone broke. Most are still active maintaining the minimum level of employment in roads, silviculture and new ideas for an upturn. Hopefully there will be one. They're all well positioned to start up quickly when there is a rebound in the markets. They're looking at diversification and trying to do other things. Some of the popular ones are maple syrup. I think there were 2,200 people at the Duncan forum. Honey, botanical products but these are all pet projects and quite honestly they are not profitable. Many are improving their forests by pruning. It's a thirty year investment but its very labour intensive, provides benefits by producing clear wood, visual appearance of the stand is improved which enhances recreation by opening up some of the trails. I've implemented about seven pruning projects in the past few years and that is one of the side benefits that most people locally around the woodlot recognize. Reforestation of many of the really poorly stocked stands – it's a very expensive option and if you ask any of the woodlot licensee about that they'll kind of cringe because it's a huge cost but its well worth it in the long term so they continue to do. In the last few years when the log markets have been so poor other markets such as poles, lumber, consulting

contracts for silviculture have replaced logging as a source of income for woodlot licensees. In our woodlot at the base of Hidden Plateau we haven't harvested since May of 2007. It's very difficult financially but we're weathering the storm I think.

I would like to make it clear that the forest sector is suffering and change is inevitable. Many companies have already gone broke and hundreds of jobs have been lost. Re-tooling forest sector priorities are critical. One of the best alternatives available is to encourage small and medium sized forestry businesses to repopulate the forest sector. By diversifying we will become more innovative, spread out the opportunity, risk and emerge with a better woodlot model. Change is a lot to change since giving up institutions like MacMillan Bloedel, Harmac, Domans, which have provided high taxation, have provided large scale mega projects and huge commodity values have continued to take their toll. With new small and medium sized forestry businesses there will be an improvement over time. Local business owners who know their employees and customers intimately will over the long term grow and become more socially acceptable. We need to make a deliberate change now to make this happen. I think examples of success that I can relate to are that we look after the forestry end of a pole plant in Courtenay, they have about 400 hectares of private forest land in conjunction with 700 hectares of crown land with a cut of about 7,200 cubic metres a year. They have the same twenty people working that were there when I started twenty years ago. It's a very stable business, all the people there enjoy their job and it's one of the few success stories on the coast right now.

Woodlot facts and the support. It was roughly fifteen years ago that Peter Pierce who was the last Royal Commissioner came to speak to the Federation of BC Woodlot Association in Williams Lake to say that he agreed that woodlots are great but he couldn't find any facts to support that statement. Since that time the Federation has produced vast amounts of evidence to demonstrate the value of the woodlot. Cost and revenue are compared favorably with other options like large industry and timber sales programs. Free green space and parks, regional districts are realizing how expensive it is to maintain a park. Woodlots provide this for free. Jobs per cubic metre. Some say it's three times higher. Innovation – if you put thousands of different people or licensees out in the woods you'll have a broad and diverse opinion of how to look after the forest. Some would cut all the trees; others want to save them all. Some want to protect all the fish and wildlife, others want to hunt and fish. Some want to log with helicopters, others want to use horses. Some want to sell lumber products, some just logs. Some want to work with their neighbours, some want to keep to themselves. All of them are trying something different and innovative, which will result in new ideas and opportunities over time. For instance in German forests 80% of their revenue come from non forest products, not traditional forest products. Things like boughs for the floral industry, things like hunting rights, water; logs are only 20% of their revenue. Also the Federation has put tons of input into planning and implementation. We provide press releases to highlight specific topics like forest management. We produce an almanac that comes out every three months that talks about small scale forestry. The Woodlot Communicator, which I think most of you receive and if you don't you just have to ask. We also participated in forestry discussions like the Roundtable. I would say there was probably a 100 woodlot licensees throughout the province that contributed to that Roundtable report, local debates and presentations like this. We also have an annual general meeting similar to this with a small scale forestry theme and

two years ago it was at the MacLean Mill and it was well received and it was really well put on event.

New Opportunities in the Woodlot Sector. Minister Bell in his press release for new advertised woodlots states, "woodlots appeal to British Columbians who are natural stewards of the land, their passion, vision and long term approach to forestry promotes silviculture enhancements, maximizes the growth potential of our forests and support local communities and economics". I can't talk as fast as Minister Bell and I'm probably not as good a speaker but he's definitely done things in the woodlot sector by pushing and promoting new woodlots to be issued. There have been seven woodlots advertised on the lower coast since 2008. Five in the Campbell River district and two on the North Island. The two I'm talking about are on Malcolm Island and they were just bid on in the last month or two which has been great and interesting since its been done with the new award criteria that focuses on dollars. I hope that the current expansion continues after the election and that the government over the next three years is committed to seventy new woodlots throughout the province. We now have a combination throughout the woodlot sector of old farm woodlots that were issued in the 50's, large landowners that were issued in the 80's, foresters that were issued in the 90's and I call the new group the millionaire club although most woodlots haven't been that expensive to purchase. Woodlot expansion is overdue and needs to be implemented without any further delay. Ask any displaced forest worker who is still interested in the sector if he would prefer to have a woodlot or the jobs back and they would likely have a strong consideration for the woodlot. Many want them. There is a high demand and yet only 90 exist on the entire coast. There is lots of room for expansion if the current tenure system is adjusted to allocate volume and area to new area based tenures in woodlots and community forests. Dave mentioned earlier that people have to stop holding onto what they've had. There is a re-tooling happening and I think the restructuring that you guys can promote for the provincial government is more community based and small area based tenures and I think that will really help over the next few years to create a more vibrant forest industry on the coast especially.

Woodlot Expansion. It is often stated that the woodlot program should expand to 1% of the AAC from a low of .01% twenty years ago. My goal is 33%. I was glad to hear the Minister talk earlier about taking the BC Timber Sales program and turning it into community forests. It really was kind of a shock. On the lower coast the historic model is broken and needs to be replaced with a new balanced approach. During this time of collapse and deterioration there is no better time to get on with the job and I believe your group of local politicians who know the value of woodlots and small scale forestry need to hammer the nail home. Soon to come off the press is a coffee table book, which will showcase many of the individuals and woodlot licensees throughout the province and promote the woodlot culture. Last year I talked quite extensively about Quadra Island where there are seven woodlots, two First Nation woodlots that are larger at 800 hectares and there still is 10,000 hectares of private industrial forest land. Small medium and large owners have significantly reduced the forestry conflicts on the Island. I interviewed the Ministry of Forest District Manager for last years presentation and Charlie you will be interested to know that fifteen years ago they had one person who employed in that district had just responded to Quadra Island complaints. They couldn't recall last year the last complaint from Quadra Island about forestry. In less than five years there is a change that has occurred in what was considered a hotbed of

forest complaints to what I would call a very successful forest dependent community. We need to focus on the critical need to change now to the woodlot model. Many small area based licenses throughout the province will spread out the benefits and obvious pitfalls of corporate concentration. There are many examples of small businesses that continue while the huge forest sector stalls. All of the woodlot presentations including this one today are freebies from the woodlot sector. We've put together an extraordinary amount of time to pass on the word and to be heard all over the place because we're passionate about woodlots. Likely we are beginning to sound like a broken record but usually we're asked about this time what the Association of Vancouver Island and Coastal Communities should do. We need you as local government to force your hand and tell the provincial government to make the new change to expand the program based on fact and the demand of the public. Remember Premier Campbell last year in his presentation saying that you guys were the conduits to his provincial group who I noticed are always so busy. You guys are much more relaxed and maybe more available to listen to people like myself but you are the direct link to the political BC politicians that could maybe change some of the rules and policies to promote area based tenures in small scale forestry. We want to meet the test of public interest in sustainable managed forestry options, which as a forester I'm held to defend. When we do all this promotion its not that often that we have a request but we today. Woodlots are intended to be forever and not converted to other uses any time soon when someone thinks of a new idea. Our two hundred year plans are intended to be complete, if not completed by us but rather by the next generation after we leave them with a healthy well managed forest to provide a full range of forest benefits. Unfortunately woodlots may be the favored place to provide to solve current problems or challenges of government. Woodlot expropriation by highways, crown land sales, environmental issues and currently First Nations treaties seem to be our most serious challenge. Thus the title of today's presentation Woodlots Off The Table. Not to say that there is no room for other opportunities, there is but we must promote and protect the woodlot success story to encourage good stewardship. Woodlot expropriation and woodlots have been feasted on by the corporation table for the government's flavor of the day. It seems every few years the government looks at licks their lips. In the mid 90's the Inland Island Highway required to pass up the Island and carved a right of way which when it reached woodlots, the one I'm specifically thinking about is the one between Qualicum and Parksville, Woodlot 31 there are signs on both sides of the highway was widened since it was just crown land and didn't cost very much. If you recall or will on future drives it was a forested strip, the only section on the entire highway at Woodlot 31 but if you notice it didn't happen again and as it got farther and farther toward Campbell River the highway narrowed because I think foresters and large forest companies pushed the expropriation body and said, "Look its too expensive to take these areas when you could have something narrower." In the 1990's crown land sales were promoted over some woodlots to be replaced by huge real estate developments. Local public revolt and I think Parksville will remember this from Area H and Qualicum Bay was the target but that ended very quickly due to the outcry and evidence that it was wrong. The local community literally pushed the crown land guys out the door. A couple of years ago the conservation data centre identified the coastal Douglas fir geoclimatic zone which you guys would think of as the banana belt as having older forest characteristics. When they looked for older forest characteristics on crown land woodlots became the target of environmental expropriation since many have older forests on them. We were able to convince the Minister of Environment that

the stewardship on woodlots and the protection of sensitive eco systems offered by this management would adequately protect the environmental integrity and they have actually backed off. Over the last decade government specifically treaty negotiators have targeted woodlots for conversion to treaty settlement land for future First Nations communities. This isn't a private woodlot going to a First Nation woodlot; this is a private woodlot going to development or conversion into subdivision urban sprawl. Seven woodlots, three in Campbell River and four in the South have been either identified or offered for settlement. When you consider there is only ninety in the whole region, probably only 50 or 60 on Vancouver that is a significant number of them. Do not misunderstand me though, First Nations need to be offered land and resources but our group has the opinion that woodlots are not land base that should be destroyed to meet these obligations. There are other alternatives exist such as cash, the private forest land sales or trading for more remote crown land. Using the E & N belt, forested crown public land especially woodlots is not the logical option and should not be offered. Small tenured woodlots are less than 1% of the forest population and they should be protected and worthy of a significant policy change. Woodlots need to be off the table. We need your support to stop this disruption as it deflects from long term goals of forest management and makes woodlot licensees feel like renters. I want to make it clear that once long term forest management agreements are created should not be changed whenever the next hot issue comes along. Risk and the perception of change in land use is a major frustration for long term forest managers and needs to be eliminated as it has been in the most successful forest dependent society and I was thinking of parts of Europe. As soon as you indicate woodlots are not forever the investments become risky and individuals are reluctant to do anymore than the minimum obligation.

When I was asked to speak by Joe a few months back was after seven coastal woodlot licenses were at serious risk of being taken and considering the endless expropriation threats we have gone through I thought no way. I was a little bit frustrated but when I shook my head and thought as a forester and woodlot licensee I must challenge the decision makers with all the values that will be jeopardized with these decisions. Woodlot licensees know every stream flow winter and summer. We know every unique tree, we know the biggest Western Yew on our woodlot has ribbons around it and anyone coming up close to it we always take them there to make sure they know where it is. Old snags, old growth, every skid trail, recreation user, every plantation, it's age, species and we know most of the local residents and the ones we don't know we go out and meet. Knowing all the different and unique values that can be provided, these are many of the characteristics of woodlot licensees. Woodlots are often put in the urban/rural fringe between communities and the industrial forest lands. We need the support from communities to win the expropriation war in the woods.

To finish off, solutions to avoid damage and disruption to woodlots is in our option to encourage small and medium sized managers defending the right to manage for a broad range of forest values and uses. Woodlots are managed for a full range versus single use, which ensures the future holds options that are not limited by short term decisions of today. Secondly stop the expropriation of woodlots and take woodlots off the table for any current or future crown or private land alternate use idea. Thank you.

Rod Bealing, Executive Director, Private Forest Landowners Association

Thank you for the opportunity to be here today. I'm joined here today by a host of private landowners and interests. We've got Jim Trebbett, a local forest owner, Blair Robertson from closer to Victoria. I've got friends here from TimberWest and Island Timberlands as well. We have in the area next door we have our display booth and we're joined by friends from Silverdale Nursery, from alternative forest operations a sustainable forestry initiative, the Marmot Foundation. There is a host of folks here today that have an interest in private forest land. Part of my message today is that I think that includes everyone in this room. If you live on the BC Coast and Vancouver Island chances are that your community is close to a private managed forest. We need to get along and we need to talk. We need to talk regularly because what happens on our land affects you. If we're successful your community will be more successful too. I just wanted throw that out there. I talk about how important it is that we keep the dialogue going and that we're good neighbours and that we keep talking with each other.

As you can tell from my accent I didn't grow up on Vancouver Island. I came here twelve years ago. What brought me to BC is I'm a passionate believer in forestry. Its one of the coolest things when you think about it. We've got these little trees at our display booth and if we make the right choices where we plant these things and we take care of them we can do amazing things. We can grow timber, we suck up CO². We can create all these values that forestry provides but society has role in that. The policies that are out there that affect my confidence as a landowner and where I plant my trees is a huge influence. The reason I moved to BC is because I had practiced forestry in the UK for years. Its got about 10% forest cover and its hard scrabble business. It's a tough place to be in forestry and I always looked wistfully at the mountains and photos of BC and you've got this vast province with timber everywhere and communities that depend on a successful forestry business. So the fundamentals for having a successful forestry sector are still there. We've got some policies that we've been hearing about that just aren't helping us and we need to look to our future but the fundamentals are there. We've got the land, we've got the people and we can work with that. Its not like we're trying to create the resource out of nothing. The key for us is to get things right policy wise.

We're going to be in this event for the next couple of days. Private forestry is hugely complex and there is no way I can explain in the twenty minutes so I would strongly encourage you if you have any concerns to come talk to us. If you can't talk to us in the next couple of days pick up our business cards and get in touch. We want to talk to you. That's why we're here, that's why we come every year. The message I'm trying to deliver is that we have a provincial managed program; we have a provincial regime that sets up to manage private forest land. It's a tiny part of the overall picture, however we punch way above our weight in that 5% of the land base generates 10% of the timber harvest. We're a very diverse group and we all look at different ways to get value out of our land. I would argue that we're as innovative as anybody right from maple syrup through to salal, mushrooms through to timber. Ultimately its harvesting timber, selling timber, selling logs, that's what pays our bills and that's what keeps our business going. We have a strong interest in producing timber and selling it. Out of BC

approximately 2 million hectares of private forest land, compared to other jurisdictions that's tiny. Its one of the reasons that the Private Forest Landowners Association works hard to reach out to groups such as this and all levels of government to remind them that there is a difference between crown and private land. Policies that work and make sense for crown land don't necessarily make sense for private land.

The managed forest program and again I'm going to stick my chin out here in a few minutes and I may regret it in a big bad way. I'm looking too tackle some of the myths and misinformation that I've heard in the last few years on private forestry. Not everybody is going to want to agree with me and its our own special way of stimulating some discussion around this and letting you know that we recognize the issues and we'd like you to give it some thought from our perspective. The managed forest program has been around for a long time. It's a common policy right across North America and other jurisdictions. Its intended to encourage responsible forest stewardship on private land. It's basically a partnership between government and the private owners. The owners make the investment in the land and the husbandry of that land and government offers some stability regarding the carrying costs through property taxation and some stability for those forest practice rules. I'll get into that further detail. The key question that comes out of this audience is there is some concern that local government doesn't have enough say in what happens on private managed forest lands. The reason we have the policies as they are is that the provincial government has recognized that forestry is a consistent provincial priority. So whether you have a managed forest in Vancouver or on Vancouver Island or in the East Kootenays or in the Okanagan the rules are the same. You have incentives to plant trees through your property taxation assessment and you have some protection over your right to harvest those trees in the future. Those are the key things that really encourage participation in the program. Forestry is a long term investment. Take a look at this tree. What does it take to turn that into something of value? It takes a long time. It takes water, its takes being planted in the right place. It takes protection and it takes a long time. So to ask people to take those kinds of risks and put their money where their mouth is they need some sense of security that they're actually going to be able to go back and harvest that tree sometime in the future.

We've seen that local government priorities can be more dynamic, more diverse and that the rules can change quite often. That's something that makes forest owners very nervous when you see tree cutting bylaws or restrictions on what you can do with your forest land. It's a strong disincentive against planting trees. We've got an incentive program that is supposed to encourage people to plant them and manage your land for timber. In a lot of ways it's similar to incentives that are in place for farm land. The managed forest program is a voluntary program. It's an incentive driven program intended to attract people that own land that is suitable for forestry to participate. It currently holds about half of all the private forest land in British Columbia so one thing we often hear is well private land isn't regulated. Nothing could be further from the truth. We've got about thirty acts and regulations that apply to managed forest land however there is some truth in that not all private forest land is regulated the same. Specifically today I'm talking about private managed forest land and that's the group that PFLA represents. We've just crunched the numbers earlier in the week and I find that out of the membership in Private Forest Landowners Association 80% of it is certified, independently certified and sustainable managed. That's something we're

very proud of. We have a lady here today from a sustainable forest initiative and she can speak to that particular certification program. That's something to be proud of. We also have forest practices regulations that are intended to protect water supplies, fish habitat, reforestation and critical wildlife habitat and conservation. Those lands and those regulations have harsh penalties and there is a public complaint process. There are audits. So our group as I hinted at earlier, it's a very diverse group. We've got individuals, we've got families, and we've got investors that have got large companies. It couldn't be a more diverse group; we have some very interesting meetings. We focus on the things we agree on and we find that the things we agree on are having the right to practice forestry, having some certainty that we can manage our land for forestry in the future, some recognition and protection of private property rights. These are things that PFLA members have found common ground on. Interesting hearing Ed's presentation about the woodlot licenses. When I looked at the managed forests in British Columbia over 70% of them are smaller than 400 hectares, which is the coastal woodlot license size so it's very similar in some respects. Just to give you an idea of the scale, the largest PFLA member has something like 320,000 hectares and the smallest has 12 so it's a very diverse group.

Talking about challenges. It's not all roses and we're in a tough business. We believe that we're responsible forest stewards. We're investing heavily in our land and growing timber on our land but it's a very complex and costly business. We are celebrating that we've planted since 2003 seventy five million trees. That's small by crown land standards but when you think that is a voluntary program that has a set of policies in place that is intended to encourage people seventy five million shows there is something positive going on. It's working. I crunched the numbers based on the amount of carbon dioxide that absorbs. It's equivalent of 180,000 cars so those are numbers that we should be proud of. It's happening on private land. It's a piece of good policy.

Here's where it gets interesting. We have world class practices. We have world class costs. We need world class markets. We have some detail on the competitive marketing of timber and why it's important to us. Our number one source of revenue is logs, growing and harvesting timber. So I told you I was going to stick my neck out. I've got some points up here that are probably the more contentious items and again I want to start a conversation there and I encourage you to keep it going based on some of things we've heard. So I'm just going to jump straight to it. There is often some criticism and confusion around why the private managed forest land regulations are different than those on crown lands. There are some economic objectives but also to recognize some key public and environmental objectives. Also in the context of British Columbia to recognize that there is a very small proportion of land that is private. When it comes down to the bare bones protection of fish habitat and water quality there is no free ride on private forest land. We don't have the options of not protecting those things. The difference is the approach. However and I would welcome the chance to get into the detail on this and we have had the regulatory model in place for fifteen years now. It's been largely very, very successful. I'm not saying there hasn't been the odd mistake but when you look at the amount of work that has been done on the land base those values have been protected and that's something we're really proud of. It's mostly been protected in a very cost effective way. We have a regulatory model that is essentially funded by the owners with government oversight. It's a model that delivers

results on the ground but it's not process orientated. When it comes to one of the main areas of contention and there is criticism that private owners don't consult to the same extent that crown operators do with the public. That's quite deliberate. The public just doesn't have the same stake in our land. We bought it. We are managing it to grow and harvest timber. We're not actually asking to be able to get away with things and do things that are negative and are going to damage water quality and fish habitat and we're going to talk and we're going to notify our neighbours. We don't have the same kind of consultation model as on crown land. I would argue and this is a good topic for later on today is can we afford the consultative model that we've got on crown land. Is that really the best model for managing that land? Is the private land model a little bit more effective in finding important public values and protecting them? I think that debate needs to go on.

Another key things that comes up is that there has been a lot of attention paid to land removals from the TFL. I think it's important to remember that this affected a very small proportion of BC's forest area and it concerned only fee simple, private land. This owners name was on the title. It wasn't public land. It's also important to recognize the rules under which those private lands were managed as part of the TFL have changed beyond recognition since the TFL's were formed in the 50's. It got to the point that the public land regulatory model devalued the private land and limited the options not just for the owner or the people that work on the land but also for the community. It meant that land use planning and the control of what went on the land was driven by provincial program and this meant a loss of potential opportunities for local communities. On the largest proportion of land that has been removed from the TFL's that is private managed forest land is still the primary objective. Where there has been some interest in changing the land use where we have clearly seen especially in the Capital Regional District local government has the hand on the steering wheel and sits in the drivers seat so that land use cannot change without the community being on side. Its essentially taking the private land out of the TFL, shifting the control over land use from provincial government to local community. I would expect this audience would recognize that as a positive thing. It gives you more of a say in what happens. Also it's an opportunity to diversify away purely the business of growing and harvesting trees. In some places that land may provide better benefits to the community for tourism or other things.

I need to explain that I'm not criticizing the recommendations in the Roundtable Report. There have been some calls for a private forest land reserve where all the private forest land in BC be locked up and used for forest land forever. I probably don't have to remind everybody in this audience that that was tried in the 90's and it didn't work. Whereas now since the managed forest program has been voluntary the program has grown so there is more land coming into the program every year. When it was a mandatory reserve it shrunk even though it has a no net loss policy it shrunk. One of the big things that impacted local governments was that local government had not control over smart growth planning because of this provincially designated reserve that meant that land couldn't be used. The worst thing from the owner's perspective was that it penalized owners that had committed to growing trees and managing their land so it was a strong disincentive to practicing forestry on private land. The other thing we

really have to stand back and have a look at it as I said earlier that BC has 2% of its land base in private managed forest land. Why would we be spending so much time focusing on restricting that 2% when there's lots of fiber and lots of land in British Columbia? My argument here is that control has shifted to local government.

Taxation, I heard some comments already today that gee those managed forest owners are getting a free ride. They're not paying as much tax as we'd like them to pay. Here is the thing. Dave Lewis started off today by asking his audience do they support forestry, do they want to see a strong forest economy going forward and I saw a strong show of hands. One of the key things to having that and sure anyone would agree that we have to be competitive. We have to be able to produce the product and get it to the market for less than the competition is doing. The cost of growing timber is no different when it comes to owning land on which we're growing trees, the carrying cost the annual cost of taxes, interest and ownership is a huge, huge part of the business. So if we want to encourage owners to plant trees on their land we have to send them into a property tax regime that encourages that. We can have our philosophical reasons for thinking that's not a good idea but our competitors sure don't. If we want to have a competitive business we have to recognize that. One of the concerns is always that you can have forest land and build a house on it and the house is taxed as managed forest. That's not true. The house is typically subject to split class, which means it pays the same tax rate as any other residential land in the area, and again we're looking for balance here. The growth of the program and all the trees we're planting is a good success story and something we should all be proud of.

Another issue that often comes up and a lot of this is because of where we operate. BC private forest owners are literally in your backyard. I'd like to argue we were there first and you put your backyard next to us and that's true. What we do, the nature of our business is we change the landscape we go out there and we harvest trees and we plant new trees. A thing that has been brought up as a matter of concern is well what is with all these residues that we're seeing left after you harvest. We have concern about that too. I would argue that we're more concerned than you are. We would dearly like to have markets for those tops, those short logs off the butt, rotten logs, we would love to be able to sell that stuff and anyone in this room, I can show you any amount of it just bring your truck. The trouble is we're in the same pickle as everyone else in British Columbia right now is that there is a glut of fiber, low domestic fiber prices. It's expensive to get the stuff out. We have restrictions on where we can sell the wood and there is also a disincentive to potential energy producing customers. So these are all things that frustrate the business or the potential for that business. So we're on the same page as folks that want to see more done with that wood.

This is where it's going to get interesting. I know this crowd or this audience I should say has expressed some interest on log export issues in the past. I'm really going to stick my neck out today and my colleagues on the panel said, "Go for it Rod, fly at it." We're talking about reality today. I came to BC because I knew it was a terrific forest industry here and by cracker it was some years ago. However the industry has changed beyond recognition even in the short time I've been around and I'm sure everyone in the room is going to agree with that. We have private land log export restrictions. I'm not going to get into the crown land argument, I'm just going to stick to my knitting

and talk about private land today. We've had these restrictions for a long time. They haven't protected BC mills. I've lost track of the amount of closures in the past few years. If we talk about fiber supply and logs being available for domestic manufacturing we need to step back and look at the fiber supply picture in British Columbia. There is a huge public land undercut. Furthermore because we have restrictions on international market access we find that the domestic log market is manipulated, it's artificially low and it's dysfunctional. You have again the real test there is you stand back and say, "Why are logs worth more on the international market than they are in BC. What's driving that?" Another test and this is a key thing for this group community forests, First Nations forests agreements and woodlot agreements are floundering because there is a lack of viable markets in BC. Well what happens when you depress the value of logs and depress the value of the log market, those independent log producers suffer too. It's a complex issue and I'd love to get into the details with you. This isn't the place to do it up here but I will be around for the next few days and be pleased to discuss it with you. In addition the purses of revenue that we receive as taxpayers and residents of BC are from our crown land. I'm wary of Joe's direction to move ahead here. Thousands of forestry jobs depend on this ability to export and that's just how it is. Its regrettable that we've seen the harm that has happened to processing sector however it doesn't mean it makes sense to harm the private land timber growing and log selling business. There are people here with us at this event that rely on selling logs. When the domestic market disappears what are our options? We either shut down or go do something else or we sell logs overseas. Its quite a complex policy around private logs, our major issue is that the federal government restricts where we can sell our private property logs and in no other province does that apply. Again I would like to get into the detail but I won't do it now because I've got some slides that I want to show you.

So the myth that there is a shortage of timber in British Columbia. How can there be a shortage of timber in British Columbia when we're worried about residue, when we have an undercut on crown land, when we have a consistent undercut on the coast since the late 90's. The graphic shows why you don't need to be concerned about private land log exports. Here's the public land allowable cut, that's the 85 million and the 2 is the two million cubic metres of private land exports for 2008. Why you don't have to worry about the 85 is because last year and it will be worse this year is because the undercut on the crown land was over 30 million cubic metres. Don't focus on the two million that we can find customers for and try and restrict that. Let's try and figure out how to make that wood on the crown land the 33 million cubic metres economically viable. Exporting a log is exporting a job – we've all seen the banner on the Malahat. Tree planters, nurseries, forest management crews, loggers, truckers all rely on having access to export markets. Despite all the policies to interfere with the business the most stable jobs have been on private land on the coast. Let's not forget the domestic market has collapsed on the coast.

The other myth I'd like to tackle here is when private owners export logs their communities and the workers don't receive any benefits. Just without getting into too much detail here there is a pie here. When we sell a log this is the amount economic activity it generates if we sell a log. If we don't sell a log there is no pie. The green bit

of the pie is the bit the owners get. The rest of the pie goes to communities, workers, property tax, and economic activity so again what I'm trying to demonstrate here is if we get to sell out logs everybody benefits.

Customers have no choice but to buy our lumber if we refuse to sell them logs. How often have we heard that? The latest information from the Japanese log market – things aren't entirely rosy there. It's shrunk over the years but this shows market share, where the logs come from and the biggest market share in the Japanese market is from the US and then its former Soviet Union then its New Zealand. New Zealand created its forestry resource. It planted trees from California. It didn't have a softwood resource. Its selling more logs into Japan than we are and we've got softwood coming out of our ears. We've got a huge amount of softwood in British Columbia. Germany is 0.4, even Germany realizes there is value in selling logs to customers that want them. So my point is we could say, "Right we're not going to sell another log to Japan and that will force them to buy our lumber." I'm sorry, that's just not true. They can get the wood they need from our competitors and it's important that we all recognize that.

John Mitchell, TimberWest

In terms of what I'm going to talk about I just want to go into a bit of who we are and touch on certification that came up earlier. You're going to hear more and more about certification. I want to talk to the specifics about our environmental system and touch again as most people have the current economic conditions and then hopefully finish on a slightly upbeat note looking ahead to where we see opportunities.

So just who we are. We are a public ally traded company. We're the largest private timberland owner in Western Canada with 322,000 hectares and we're largely on Vancouver Island in the southeast quadrant of the Island. The majority of our revenue has and will continue from selling manufactured logs to a diverse customer base. Just to give you a sense when we're operating we typically will have between 75 and 100 sorts being made. We also to a lesser extent get revenue through selling real estate. I did just want to point a few places that people will recognize that have been part of our real estate program over the years. Mount Washington Ski hill was our private timberlands that was sold and developed into a ski hill. Crown Isle was a development in Courtenay, the golf course and residences was very successful. The North Island highway took a big chunk of our private timberlands. Just to remind people that is part of our real estate and has always been ongoing. In 2009 the company created Couverdon as a business unit for real estate. The intent is to have an in house staff and it fits into more of a long term planning mode. We can work with communities and hopefully realize more value from the land and also work with communities for long term use of the land in their communities. I just want to echo as well that our land is held in managed forest and none of that changes until we have the support of the communities around us for that to happen. Over the next fifteen years a consultant report identified 17% of our land base as having potential for real estate. That's a long period of time and I think there might have a comment earlier aimed at us talking about getting out of forest land. It still leaves 83% of our land base that we're looking to manage long term for timber.

Again safety is a big item with us in the forest industry. In 2007 as a company we achieved safety certification under the BC Safety Council. We've also tried to lead in this program along with our contractors. We had a goal for them where we demanded that they achieve safe certification by 2008. We didn't just set the target for them; we also aided them financially with technical support to help them through that process. Over the last few years the industry has had a terrible year a number of years ago. We have seen a steady trend and we think the Forest Safety Council and with the focus we see a steady improvement there.

Just to touch on certification forestry initiative has a booth here and there will be a lot more information there if anybody wants to go through it. TimberWest in 2000 became the first company in Canada to certify our private lands under SFI and in 2007 we added that onto our public timber lands in Johnson Straits. We also in 1999 had our environmental management system registered under the ISO14,000,001 standard. More recently our chain of custody system was certified under the PFCN forest standard. Those that aren't familiar with the third party certification system, KPMG is our independent auditor so we have annual audits where they come and spend time with us in our operations, go through our files and with our crews and ensure we're following the processes that are established in these certifications.

In terms of being a largely a private timberland owner we're motivated to understand our land base and also to manage for the long term. Some of the differences that you'll see on our private lands versus public lands are that we're quickly becoming a second growth operator. Our inventory is probably a little more detailed than most public land operators. Since 2003 we've pruned nearly 60% of our second growth. This is a continual operation. Every ten years we'll turn through all our second growth by cruising 10% of it every year. Eco system mapping is another place where we've covered our entire land base where a number of people haven't. It helps us in our sustainable forestry initiative requirement for management of threatened or endangered eco systems and species. It also helps our foresters with planting prescriptions. In terms of managing our land a little more intensively we also run a seed orchard at Mount Newton on the Saanich Peninsula. We're working on improved seed and we're on track for a goal of by 2017 to be producing seed that will generate a 70% increase in volume when harvested. We've also when the economic dictate and last year wasn't one of those years with fertilizer prices spiking through the roof but since 1986 we've fertilized over 40,000 hectares of our land. We focus heavily on having a short regeneration delay and getting trees back in the ground after the harvest. In the last five years we have planted about 4 ½ million trees per year. We see ourselves through a combination of prompt reforestation and improved seed and fertilization we manage our land more intensively and we generate more fiber. In our minds the benefit of that flows back through the community through employment and taxes. Again back to Rod's stats that private forest land makes up 4% but we generally kick out about 10% of the harvest. It is a results based regulation. We think it's more like other jurisdictions around the world. We're moving from the way that forest practice code was on public land to more of a results based system. We do have a compliance and forest element through Private Managed Forest Council inspections and also our third party audit system provides that service.

Over the years we've had a number of different partnerships. The Nature Conservancy of Canada, in 2000 we signed an arrangement with them. The starting point was a donation of 130 hectares for the CRD Sea to Sea corridor. We've had an ongoing relationship with the Marmot Recovery association and provide them with resources. The Pacific Salmon Foundation, we've had a strong relationship with them for years and we currently are just wrapping up with the Nature Trust a land conservation covenant in the Cowichan River. We've done a bit of work with Ducks Unlimited and we also have five hatcheries operating on our lands.

Certification, I'm really going to go quick here. Certification really started in the early 90's and the concern was really was with deforestation in tropical rain forests. The way certification has evolved though is that really the jurisdictions that can become certified were places that heavily regulated in the first place and had good practices. So really what's happened is that the certification has drifted to North America. This is going to become more and more of an issue. The issue of illegal logging is popping up. We hear from our customers in Japan and we hear it more and more and I think in general people are going to become more and more concerned about buying products that have a seal on it or a certification so that they know its coming from well managed forest. 50% of the timberland in North America is uncertified. The pieces are made up of Canadian Standards Association, FSE and FSI are the three main sustainable forest management groups. At times working in our industry we tend to feel little bit beat up, we tend to feel like we can't ever do anything right but in terms of certified forest on the planet 10% are certified and 50% of those are in Canada. So in terms of producing sustainable certified products we lead the world in this and this should be a competitive advantage as there are more and more focus on illegal logging. And just to put it in perspective the illegal logging in Russia is estimated to be in 15 million cubic metres a year. So it's the cut of the coast of BC basically comes out of Russian forests illegally. The FSI internationally recognized standard certification program – there are a list of standards and principles and I'd be happy to talk to anybody about this after and there is a booth set up outside. ISO14,000,001 is a certification of our environmental management system and basically what the environmental management system is, is you look at your business, you look at places where there is a risk to the environment and you build processes to ensure your business doesn't damage the environment. It can be used in any industry or third party certification. Both our certifications are built on this framework of planning, implementing, checking and improving.

This is just to give an idea of when we go to harvest a block what our planners go through, a typical sequence for them. It's a bit of a demonstration of the tools that we make available for the folks. In terms of our sustainable forest management one of the number is that eight is a legal compliance. Rod mentioned that there is the sense that we're unregulated on private lands. I can tell you that people working in our operations don't feel unregulated. There are a long list of items that we need to look after. One regulation itself focus on fish habitat, water quality, critical wildlife habitat, soil conservation and reforestation. Within TimberWest we've also been very fortunate to have an in house group includes a professional engineer, a professional biologist and a resource technologist and these folks provide support to our planning group. Again the core of our EMS is dealt with through a checklist and this is within our GIS. There are more than a hundred items that we have to go through before we finalize a block.

Our land base is divided up into I think somewhere around 375 sub basins where we'll manage the rate of cut in those sub basins. The equivalent clear cut area science is based on the most recent work done at SFU. So again running through we've got our inventory, we've got blocks we're going to focus on. Our biologist has done overview mapping for the entire land base for biodiversity for deer winter ranges. This was a way for the fellows to see if there is an area of interest or block overlap and may require a visit by the field biologist. Range stability, we've had a geo-tech do overmap of our entire land base and again indicators were whether the fellows should be aware of terrain study issues. We manage a detailed fish inventory in our GIS and keep track by the government website where the water licenses are. We put a lot of effort into road design and drainage structure design. In the end the product that goes into the hand of the logging is a logging plan map. In the time that I've worked in the industry this is probably one of the biggest changes that has occurred and has been driven by the environmental management system. All the information that used to sit in a file is now summarized on a map. This goes into the hand of the fellow actually doing the work, the operator on the machine. When we get audited the KPMG auditor doesn't talk to the engineers or the planners, they go and talk to the crew and their expectation is that the crew can show them their map and show them where the environmental concerns are in the block. Like in say in my mind that is one of the biggest and most significant changes that has happened and in my time.

Economic value is another thing that we track through out system and unfortunately right the map doesn't look very good. We're suffering through some tough times. In terms of transitioning into the current economy. In January of 2006 US housing starts peaked at annually adjusted rate of about two million houses. Last year they ended up around 600 thousand so it's a staggering reduction in the number of houses being built and a massive amount of wood that's been pulled out of the market and we're suffering badly because of it. At times I think we get a little bit of tunnel vision and we think we're the only ones suffering. Boise Cascade is a Pacific Northwest company and the list of shutdowns blamed on the drop in house construction is massive. Here's a plywood plant in Maine shutting down because all the sawmills around it shut down. Atibiti in Eastern Canada is shutting down mills. And perhaps the worst of them, ghost towns dot Finland as forestry collapse threatens. We're not the only ones suffering, it's a world wide issue. Every jurisdiction that has a forest industry is suffering badly. I also want to talk a little bit in my mind an underlying issue on the coast that we mostly understand but we don't talk about a lot. It's kind of a structural change that happened to us. In 1995 most people would remember the Kobe earthquake and there was a significant number of fatalities. The Japanese looked at their building code and made the first change. A significant revision since 1950 and they were concerned about how earthquake proof their houses were and they were concerned about what they considered some shoddy contractors. So they made changes to make their houses more earthquake proof and to improve their insulation qualities. They also brought in a law where old homebuilders had to give a ten year warranty when they build a house. In the good old days we sell them a green hemlock post and five years down the road if that post as it drying warped in the wall it was the home owners problem. Now it's the builder's problem. So that combined with an ageing Japanese population and a shortage of labour and they're moving more and more to pre-cut factories for their post

and beam where again it's a stable product that has to go through the mill. A piece of wood that is warped will shut the project down. Combined with the 1997 collapse of the bubble economy. They've really swung into preferring kiln dried wood products and the Scandinavians have been taking away what used to be a big part of our hemlock market. They used to be our hemlock market. We start at 1996 where we were having some great years and out in 2008 and you can see the change in our share of what we used to sell to Japan hemlock wise and what we do now. Fir isn't as bad but there is a similar trend, a downward trend. The significance of this is that Japan is a place that has very strict specifications and they really demand high quality but they're also prepared to pay for that. They were a market that paid a lot of money for our wood. The growing emerging market China I do believe that it will be a success story for us and will be great opportunity. China lives on the low specification, low price point and I know Associations that do a lot of work and Pat Bell referred to it. He has been on at trip over there and I do think there is optimism to move them more into the US range which will do a lot more for us.

I just pick one log to demonstrate the log prices. I'll pick that large hemlock log. In 1997 it was \$132 per cubic metre. In 2008 it was \$66 per cubic metre. I think that 60% of the wood the coast is hemlock and a standard hemlock saw log is kind our meat and potatoes log and you can see what that has done to our business. If you take any other business and take their top line, think of the impact. That's where we see the impact and the pain that has been through our industry in the last ten years.

Hopefully to end on a slightly upbeat note and looking ahead. We do have optimism and we do think there is a great future for forestry in BC. The US will recover. They have a growing population and things will recover and get back to building houses again. At par we're down to 80 cents. Fuel prices have gone down and transportation has become more favorable. China again – the numbers are staggering. One point three billion people and they're growing at a rate of fourteen million people per year. Just the general idea that as their wealth builds typically people consume more commodities so the consumption of forest products, building materials and paper will increase. On the climate change front we see this as one of the positive indicators for wood in the future. Wood is a more environmentally friendly. It consumes less energy than substitutes of cement or steel. On the bio mass fronts we're optimistic that we don't see making a lot of money on the waste that is currently left in the woods but we certainly are optimistic that it will be utilized and there will be some revenue flow from it. We also have some optimism around the offset projects that may present opportunities. On the supply side of our business there are things going on so like I say we see the demand for fiber picking up. On the supply side what's a tragedy in the Interior in some ways will help in some ways with fiber. In Ontario and Quebec have reduced their harvest. On the mid coast we just announced the other day, a Great Bear Rain Forest announcement came with a 20% reduction of cut in that timber supply and the Russian import tax which they backed off a little bit because it had unintended consequences but the uncertainty they're creating by threatening to put a tax on favors us because people will come to look to us for more wood. The illegal logging issue also favour us. The chart shows the last two recessions and the sharp recovery we had. Ideally we can expect a relatively sharp recovery so when it does turn we should be doing a bit better relatively quickly. Again just along the climate change and this is a quote that comes out of the

Intergovernmental Panel on Climate Change that we certainly like to see in the forest industry and as foresters we've always recognized that wood is the very best building material. Its sustainable and wood from sustainably managed forests we know is going to gain momentum as a favored building product. The basic tenant of that is that as trees grow they absorb carbon. Wood products basically become sequestered carbon and so managed sustainably it becomes part of the solution to the climate change issue. We're encouraged by the bio energy and these are some of the announcements that have come out, targeting 50% of the provinces fuel renewable fuel requirements by 2020. BC Hydro currently has a call for power out that is exploring the use of wood waste in those projects. We're encouraged by this. We're exploring this and we're hoping that it will have positive outcomes. Again just to wrap up. In our mind the key star to success are that the private land and the regulations we operate under provides us the flexibility we need to respond when the market changes and make good decisions. As a company we see our role and we're very focused on establishing and growing fiber. We have strong planning and good contract management and good merchandising our wood to recover the maximum value from it. The entitling process of higher value land we also see as a key piece of our path to success and an opportunity to work with communities on their long term planning as their community grows. We see this an opportunity to generate better returns for us but also be very beneficial to communities. Again we also see an opportunity through the increased demand for bio mass or carbon offset credits.

ADDRESS BY CHAIR ROBERT HOBSON
UBCM PRESIDENT

Thanks to President Mayor Barry Janyk; compliments on Barry's contributions to UBCM Executive and the Community Economic Development Committee. It is unusual to see someone as shy as Barry hold public office, so he's a wonderful example to all aspiring introverts!

Acknowledge Member-At-Large Mayor Chris Causton, who serves on UBCM's Resolutions and Community Safety committees.

Acknowledge UBCM past Presidents Mayor Frank Leonard and Director Jim Abram.

It is a real pleasure to be with you today as part of your annual meeting.

I have a lot of appreciation for the strong working relationship that AVICC and UBCM have developed over the years. From my perspective there are three factors that keep the relationship strong:

AVICC continually maintains 100% membership in UBCM;

You consistently provide excellent leadership on UBCM's Executive; and

We share staff through the position of the Executive Coordinator.

Now we all know that Eydie Fraser is just a month away from retirement. I am heartened, though, to know that plans are in place to maintain the position of the Executive Coordinator. Eydie also tells me that we aren't getting rid of her just yet, and that she will help with the transition at next year's convention.

I also want to mention off the top that there has been *some* improvement in the delivery of the Province's responses to the resolutions from the 2008 Convention. In years past these would often come out *after* your annual meeting. When we received the responses Thursday, we posted them immediately on our website. If there is a particular resolution you are interested in from last year's convention, please check on CivicNet in advance of resolutions session.

This morning I want to review the key themes in UBCM's work since your convention last year at Bear Mountain.

April of 2008 now seems like a lifetime ago. Last year at this time, the average price of a home in Greater Victoria had increased by \$55,000 over the previous year. Dramatic escalations in real estate prices had become commonplace in many of your communities. Economically it was full steam ahead and bring on the 2010 Winter Games!

By the time of the federal election, many still believed that we would escape serious impact from the bursting housing bubble in the United States. The economy became an issue late in the campaign, but had little bearing on the outcome, which saw the election of Canada's third minority government in a row.

At a provincial level, the initial forecast was that the housing meltdown would hurt forestry, but the other areas of the economy would carry us through. That confidence collapsed as the third quarter numbers came in. By February, the Premier was calling back the legislature to overturn the balanced budget law from 2001.

The impact of the recession has been very hard on your communities. North Cowichan, Port Alberni, Campbell River and Powell River are dealing with Catalyst's request to pay only a portion of its taxes, putting at risk millions of dollars in revenue for your communities. This comes in the wake of significant cuts to the industrial tax rate made in recent years by communities like Nanaimo and Port Alberni.

I could go on and discuss similar, though less dramatic, impacts in tourism and construction. Local government offices that used to have line-ups for building permits are empty. Most communities are facing the prospect of a choice between service cuts or steep increases to taxes. If there ever is an easy time to be a local government leader, this isn't one.

We all realize that there are no quick fixes for these issues. The scale of the issues, in fact, dwarf the powers of even the federal or the provincial government to repair. At the same time, we need to work with senior levels of government to mitigate the impacts of the recession on our communities. This has been UBCM's number one priority in recent months.

Through this time, UBCM's basic message has been "*now is an excellent time to invest in local infrastructure*" – to build our communities and to keep people working.

In December I was invited to a consultation session on the infrastructure file. Premier Campbell and the federal Transport, Infrastructure and Communities Minister John Baird were amongst those in attendance.

At that session I advocated for an allocation-based funding model such as the one in place for the Gas Tax Fund. We were advised, however, that the Government of Canada preferred an application-based model. One item highlighted at the meeting was the need to streamline the environmental assessment process.

In February, the federal government delivered Budget 2009, which included a number of provisions to increase funding for infrastructure. There were many measures announced, so I will touch on the highlights:

Building Canada funding will be accelerated so that funding budgeted for 7 years will be allocated in 2 years.

The Communities Component will receive a \$500 million top-up nationally. Based on population, B.C.'s share would be \$65 million.

Budget 2009 also provides \$500 million over two years to construct or upgrade recreational facilities across Canada. This initiative will support up to 50 per cent of the total cost of eligible projects.

In addition, the government promised \$2 billion over two years in direct, low-cost loans to municipalities to finance improvements to housing related infrastructure, such as sewers and water lines. We would likely need some special program design within B.C. to allow this program to be administered by MFA.

Budget 2009 also demonstrated a deepening federal commitment to social housing. \$2 billion will be made available nationally to renovate existing units and build new ones for seniors, people with disabilities, people in northern communities and First Nations.

The most important aspect of Budget 2009, though, is the \$4 billion Infrastructure Stimulus Fund. UBCM has written to the Premier and spoken to Minister Krueger to express our readiness to work with the province to ensure that the funding reaches communities quickly and efficiently. At our March Executive meeting a resolution was adopted that we should pursue a designated amount of the new funding.

Earlier this week I was in Ottawa to press our case further with the BC Caucus of the federal government. I suggested two principles to guide the roll-out for the Stimulus funding:

- 1) A designated portion needs to flow through to local governments. Local governments own a significant share of the infrastructure that requires remediation so we need a significant share of the new funding to flow through to us.
- 2) All areas of B.C. have been impacted by the recession, so all need to benefit.

We also provided five comments on program design that reflect the feedback we have received from you on program delivery

1. UBCM is broadly supportive of funding delivery that is transparent, eliminates duplication, and has simplified application requirements and an efficient approval process.
2. We should take advantage of existing programs in B.C. that feature collaborative partnerships amongst the 3 levels of government. Not only does UBCM administer both the Gas Tax Fund and the Public Transit Fund, we participate in the Oversight Committee for the Communities Component of Building Canada. UBCM would also support a program that maintains the sustainability focus of existing programs.
3. There should be some consideration of the advantages of proposal-based funding over application-based funding. The provincial Community Tourism program, which UBCM administers, is a good example of the efficiencies with proposal based funding – every local government in BC could access allocated funding through the submission of project plan. The main advantage here is speed – not only during the application stage but in the approval stage as well.

4. The Stimulus funding should encourage infrastructure projects of all sizes. Large-scale projects are indeed important, but we need to balance these with small and medium-sized projects that all communities can access in the short term.

5. In our opinion, the existing funding for the Communities Component and the carve-out for communities over 100,000 in population is too small. At most, only half of the local governments in the province will benefit from this existing funding. If we want to provide stimulus to all regions of the province, the funding levels will need to increase.

I have spoken at length about infrastructure because I know how each of you are working to increase investment in your communities. Let me conclude on this topic with a few final thoughts on local government expectations:

1. We expect at the very least that the Province will match the acceleration of the funding for Building Canada that has been committed by the federal government.
2. We also expect that the Province should match the top-up funding for the Communities Component of Building Canada.

As I mentioned earlier, the program to deliver Stimulus Funding has not yet been designed. If B.C. local governments are going to get a reasonable share of that funding, we need to keep our eye on the ball, and I want to assure you that UBCM will be doing just that.

In addition to our advocacy work for increased infrastructure funding, UBCM has taken further steps over the past year to address the question of local government finance.

Following the 2008 Convention, UBCM sought a commitment from the province to create a joint working group on the issue of fiscal balance. I will be blunt and say the province has not been willing to participate in this effort. That isn't the end of the issue, of course; it simply means that UBCM will do further research to build a case that will bring the province to the table. This will be our priority over the coming year, and we will have a further update at convention.

In addition, the Province's 2009 Throne Speech called for discussions with UBCM regarding light and industrial property assessment classifications. In our view, local governments should determine matters of local taxation, and the province is over-reaching on this issue. We know this issue is critical to you, so we will monitor it closely.

UBCM is aware that the Forestry Roundtable is an important issue for AVICC communities. In response, the Executive has invited you to provide us with feedback on the Roundtable's 29 recommendations to help us prepare our submission to Minister of Forests.

Some of the initial comments that we are hearing is that the Roundtable is short on substance and needs a lot of work. I understand that there was good discussion at your Forum on this issue yesterday, and we look forward to receiving the resolutions that you will bring forward from this meeting.

Another item requiring decision from UBCM in recent months are the Province's Strategic Investment Funds. UBCM Executive agreed with this arrangement because we were concerned that the existing funding levels could have been reduced in future budgets. We have been very clear in our discussions with Minister Krueger that once we are through the accelerated period, we expect that the funds will be distributed as before, with the reporting requirements removed.

UBCM recognizes that the short-term accelerated approach does not work well for all local governments, particularly for local governments who anticipate increased policing costs in 2010, but we believe that the approach taken was the best option in the current economic environment.

UBCM has also been active representing your concerns regarding the Indigenous Recognition Act.

At its March Executive meeting, UBCM met with Minister De Jong to raise questions about the proposed legislation, and to point out that adequate consultation had not taken place with UBCM.

In response, the Minister assured us that the legislation would not be introduced prior to the election.

At the same meeting, Minister De Jong stated that the proposed legislation would not:

Alter or create new constitutional rights;

Alter constitutional division of powers;

Provide First Nations with a veto vote; or

Affect the status of existing provincial crown grants or tenures in land or resources, including fee simple title.

We anticipate that this will be a very active file following the election, and we will have more to say at the Convention.

As a final item, I would like to update you on the Regional District Taskforce.

A resolution from UBCM's 2007 convention called for the province to institute a Community Charter for Regional Districts. The response from the province was that a Charter would not be forthcoming, but that they were willing to look at revisions to the Regional District process.

To this end, UBCM and the Ministry of Community Development signed a MOU at the 2008 UBCM Convention to formalize the review process.

The Task Force and Provincial officials agreed to investigate three key issues:

Electoral Area Governance;

Crown – Regional District interface, and

Fringe planning and servicing issues.

Inherent in this discussion was the recognition of the need for a range of potential solutions for each targeted area – everything from “tweaks” to structural changes. This flexible approach is necessary because a solution for one Regional District may be totally inappropriate for another.

As a next step, we want to identify the best consultation mechanism to move forward on the issues identified. We will be updating you on this shortly.

I know that the work of the Task Force is very important to many of you, and I hope you will share your thoughts on the issues or the best consultation process while I am with you over the course of your meeting.

One of the guiding principles of the Task Force is that the issues facing Regional Districts are not just electoral area issues or municipal issues. They are both, and as such, they matter to every local government in B.C.

The Task Force is of the view that we don't want to rush this process. The process needs to be run correctly and this takes time, and we look forward to reporting out at the 2009 UBCM Convention.

In conclusion, let me say a word on behalf of UBCM's 2009 Convention at the newly expanded Vancouver Convention Centre.

Convention takes place every year, and like any other annual event, it is easy to take for granted. There was a moment though from last year's convention that underlines its importance to UBCM and why we should never take it for granted.

In the lead-up to Convention 2008, many of our members were vocal about the impact of the carbon tax on local government operations. The result? Before any resolutions made it to the floor, the Premier came forward at the convention with the Climate Change Incentive program. Would we have got that outcome without the forum provided by Convention? I don't think so. Your participation each year ensures that Convention remains one of the most important dates in BC's political calendar.

We anticipate that two themes will shape the agenda for this year's convention – economic recovery and the 2010 Winter Games. I look forward to seeing you there.

Thanks for the opportunity to speak, best wishes for a successful conference.

HONOURABLE GORDON CAMPBELL
PREMIER OF BRITISH COLUMBIA
AVICC CONVENTION ADDRESS

Thank you. It's a pleasure to be here again in the traditional territories of the Snuneymuxw First Nations. It's not a pleasure to be reminded that I was voted the sexiest of anything, anywhere. I can tell you I looked at myself in the mirror today and I don't fit that bill at all anymore. When I was first elected somebody said "I'm sure I've seen you on television." I said, "Well you might have, I'm the Mayor Vancouver". He said "Oh you're Mike Harcourt". I said, "No Mike Harcourt is the Premier of the Province of British Columbia. My name is Gordon Campbell and I'm the Mayor of Vancouver and it's my brother Michael that is on television all the time." This guy looked at me and he is now focused, he is paying attention and he says "so there's three brothers then?" Stick with it. You're just one of the folks out there. It's great to be here in Nanaimo at this Vancouver Island Convention Centre. This is a centre that was borne out of City Councils vision. It was borne of dedication and commitment. It was borne of partnership and I know that John Ruttan would allow me to do this. I want to congratulate Gary Korpan for the work he did on this but I want to say to John how much I appreciate the work that Nanaimo City Council always does moving not just Nanaimo but the whole mid Island forward. I think they've done a great job for us and this is a great facility for everybody. I'm also really pleased to be here today with Murray Coell who is the Minister of Advanced Education and Labour and Market Development. Thank you very much for coming today Murray. And Ron Cantelon who is the Minister of Agriculture and Lands as well. Thank you Ron for coming today.

And you know as I stand before you I can recall just a few years ago, it was about four years I think that we announced the Vancouver Island and Coastal Community Trust. I want to just say to Barry and through Barry to all of the members of the Board that you really understood the power of the Trust and you put it to work on behalf of all of your communities. And you thought of yourself as a region and that was exactly what we were hoping would happen. I can tell you it's an exemplary service that you have all done and I just want to say thanks for the work that you have done and that all of your Board have done as well.

Before I go forward I have to ask Eydie to stand up. Wave your hand. Everyone look at Eydie back there waving. Wave again Eydie. I think Eydie was the one that took me by the hand and led me around the first UBCM convention that I was ever at, at the first Area Association meetings that I was ever at and of course Eydie is going to retire after 18 years. She is going to move you into Municipal House, which I think is a good plan Eydie. It's good to finish your projects first. I can tell you this. There is no one who has served the UBCM and local governments better in British Columbia than Eydie. Eydie. I wanted to say how much all of us appreciate your work at the provincial level and at the local level. You have been a real public servant. Thank you very much for your contribution. (Standing ovation). It's interesting when I think of what Eydie is doing over the next few months. She is obviously going to go through some significant

changes as she leaves this life and goes into, sorry Eydie. Leaves this career and goes on to the next one. We'll all eventually leave this life but I'm not planning on that for the short term for you as she retires and goes on to another area of endeavor.

I think its kind of reflective; the things that we have depended on, the things that we've counted on, the things that have always been there are shifting on all of us. We have never faced a time of more dramatic, more comprehensive and frankly more rapid global change than we do right now. For those of you, many of you have been involved in local government for many years, some of you a lot longer than me. Gerry Furney has been involved I think since about 1804 and discovered $\frac{3}{4}$ of the towns in British Columbia. But it is really tough sometimes to see the world as it is actually today and imagine how its going to be over the next ten and twenty years. Our biggest single challenge I believe is to think about how it is going to be in the future and how we can pool our resources and combine our creative talents and make sure that we create an even better province. So as I stand here again in Nanaimo and I think of what Nanaimo has done to prepare itself for the future, whether its with this new convention centre, whether it's the Vancouver Island University that we now have in Nanaimo or whether its other activities, the new relationship that they're building with the Snuneymuxw First Nations. All of those things are preparing Nanaimo and the Island for moving forward into the future and for building a different future and a different future, a more diverse and more I think in many ways a higher quality future than the one that we have had before. The challenge I think is the foundation that we all actually thought we were standing on is shifting dramatically. For example as we look at our forest industry, we look at dramatic changes. Many of which are outside of our control. The pine beetle was outside of our control is one way, it is in our control now and we're going to have to take actions to actually move forward and take advantage of the opportunities that may be created by that. We may have to think of things in different ways. We have to think of investing in different ways. We may have to think of tenures, we have to think of expanding different markets. I think the first thing we have to do is look to ourselves. We shouldn't always look to others. We shouldn't always look to someone else and say it was his or her job. I think we actually have to look at ourselves and say what can we do to improve things.

So let me just give you a quick example of some of the changes that have taken place in the province and some of the changes that we have to, I believe pursue if we're going to build on the foundation that we've created over the last five or six years as we build that foundation if we're going to find security in that foundation and go through it to an even better future. We've watched in the province I know that the first thing we'd all like in government is more resources so that we can invest in all the great things that we'd like to invest in. We've watched in the province as we lost between September of 2008 and January of 2009 an estimated 6.6 billion dollars in revenue. Easy to say, tough to comprehend – 6.6 billion dollars of revenue. Just last year in the summer time about this time, a little later I was meeting with the Governor of the Bank of Canada and the Premiers and the Governor was telling us that he expected economic growth in our province to be between 1 and 1.5%. September 12, 2008 Colin Hansen presented what we call the first quarterly report of our budget. We were estimating a surplus of about 1.9 billion dollars. By January that surplus was dramatically reduced. By January of this year we faced the largest single reduction of provincial revenues that had been experienced by anyone in the Ministry of Finance – \$300 million dollars in one day. So

that creates a significant challenge for us. So you know this year we're running a \$495 billion deficit in the province. That's not something we wanted to do, it's something we felt we had to do to protect the health services that we've got, to protect the education services that we've got and to ensure that we could actually get through this in a way that we could plan out for the future and ensure that we maximize the benefits as well as minimize the challenges in front of us. Probably the toughest single budget that I've been involved in public life. And I'm sure that we're going to continue to be challenged by those things as we go ahead.

So as we look to the world it appears that we have to put on a new set of glasses and recognize both where the problems are and where the opportunities are. It's pretty obvious where the problems are. We start with the problems with our American market place where the best we can say is that they are in very, very difficult economic times. They have the highest level of unemployment they've had since 1983. They have the lowest level of housing starts they've had in seventy years. That's longer than I've been alive. It's a long time, a long, long time that you have to go back to find when the housing starts are as low as they are now in the United States. That's been our primary market since 1988 we've focused most of our market activities in the United States. We actually watch some of our market opportunities deteriorate and drive Japan and other market places in the world and in Europe. We watched as other people moved into our marketplaces for some of our major trade. We are now in some ways reaping the benefits or the challenges of that. So as we look to the world we have to ask ourselves how do we change how we think not just about one of our major projects which is our forest products but how do we change how we think about ourselves. We are in a totally different position than we were before. You at the front line should know that one of the biggest assets that we have in British Columbia is that we can trade, we can sell, we can build on in British Columbia and that is the quality of life in our communities. From the largest community to the smallest community in our province we are recognized for having communities that people want to live in. They are sustainable, they're healthy communities and as we continue to design those communities around the new needs of our new populations I think it's going to be incredibly important for us to recognize that we have to celebrate those as we move ahead. So Eydie is expecting to retire. I would guess that Eydie is going to be doing different things when she retires than she was doing to fifteen or twenty years ago when I first met her. I know I'm planning to do different things. I think the fact of the matter is that as we all age we put different demands on our communities. We ask for different services. We require different ways of accessing those services. We know that today that we have to do that. We have to plan for it now. We have to build towards it now so that in ten years and twenty years we have the communities we want to live in. We have to plan for the fact that the world is changing. As we look at trade which is one of the simple ones we have to expand our trading opportunities and balance of the trade that we have with the United States and other parts of the world. Now we couldn't be in a better place to do that. We are the closest jurisdiction in the world to the fastest growing markets in the world – China, Korea, Japan, India, the Asian countries, those Asian marketplaces are going to be driving economic opportunity for us. And they're going to be so everyone is still a little bit comfortable; they're going to drive activities that we've always done. British Columbia has always been a small, open trading economy. When we started we traded lumber across the ocean to China. We sent huge, frankly flawless wood beams to help build their Imperial Palaces. We

had lumber that we were using to build trading ships so that people could move goods. We shipped coal from Nanaimo, we shipped furs, and we traded. We're 4.2 million people in BC. We're a small economy. One lumber mill, one plywood mill in our province could supply all the needs of our province's population. So what we have to know is if we want to have many plywood mills and thousands of people who work in forestry we have to expand demand for our products.

Where do we start? I'll tell you where I think we should start. Right here at home. I travel around the province, as I know many of you do and I see schools built of concrete and steel when we've got the best forest products in the world. I see hospitals built of concrete and steel when we've got the forest products in the world. So we've done a number of things. First we've said is in our government we will pass wood first legislation that requires that wood be the building material of choice as long as it can be used safely. We want to make sure that all of our school boards and hospital authorities, public authorities, that all of those people are thinking about using wood. I'll tell you what, when you do you're going to be surprised with the results because wood is the best environmental building material we've got. We are the best growers of wood in the world. We have the most productive workers in the world and as we move our building code so that you can build instead of just four storey structures, you can go to six floor structures you will not just improve the environment, reduce greenhouse gases but you also substantially reduce your costs and you store carbon for years and years and years ahead. So in our province we're going to go for wood first.

It's interesting and I come to Vancouver Island and people say we've got a huge hemlock stand here on Vancouver Island and we don't know what to do with it. Well I hope that you have over the next little while a chance to go to the new convention centre that opened in Vancouver. That Convention Centre shows you hemlock. There is hemlock there and if you turn a corner there is more hemlock and then there is more hemlock still. That hemlock product, that building product already is something that people are coming from around the world, meeting planners in particular and they're saying. "This is incredible. This is one of the finest facilities we've even seen", and they cannot believe the wood there. How warm it is, how rich it is, what a great building product it is so what we have to do now is take that example and export it. When the world comes to the 2010 Winter Olympics, some of them are going to see the Richmond Speed Skating Oval. They're going to see a million board feet of pine beetle in a roof. For the first time ever, that's the largest roof span anywhere in the world. They're going to see spectacular fir supports above it. Glulam parallel beams that have been produced in British Columbia. You know what? We're going to be able to export that product. As we expand our building opportunities from four floors to six floors we expand the markets for our products in Canada. We don't have to go to the United States. We don't have to go to China. We expand the markets right here at home. It costs you less money and it helps the environment. We're doing that with Alberta, we're doing that with Saskatchewan. We hope to move it across the country. I know James Lunney who is with us today is an advocate for making sure that we use wood in Canada. We're the world's best forestland anywhere. We should use our wood, we should show it off and we should use it wherever we can think of to use it. If we do we will expand markets, we will expand economic opportunity and more importantly we'll stabilize that economic opportunity across the world. That's a big change. That's a big change and guess what? It's going to be uncomfortable for some people. Some people

would rather we lived with the old problems as opposed to come up with new solutions that build a different kind of quality of life for people. I think we can't rest on that. I think if we do we're going to lose the qualities of life that we've all taken for granted. I think it's important for us to take those steps and take those chances.

Someone said to me the other day "You know without leadership there is no progress". How many of you walk into a bookstore occasionally and think you'd like to get a book and you go to the book person and say, "could you show me the shelves where you have books on follow ship?" Let me know where to go to find books on how to do things second and third?" People don't do that. We all want to be leaders but to do it we actually have to take steps to get us there. That's what we've done with our climate change initiative and as we've done that we've worked with communities, we've worked with rural and northern places. You'll find in our last budget that rural and northern residents will get an additional home owner grant to ensure they offset those costs so they have the chance to build the bridge to a cleaner, healthier environment where we actually deal with the problems in front of us. We're all dealing with them. You're facing them. I'm facing them. And more important than you and me is our kids and our grandkids are going to face them. We can turn our backs to them but we are not going to be acting responsibly if we do that. So what we've said is let's try and see if we can build bridge. Lets do it in a way that is constructive. Lets do it in a way that increases our competitive advantage. Lets do it in a way that increases our productivity and the productivity of our economy. Right now there are 18,000 people across the province that are involved directly in new clean technology and as we look at building those technologies and creating that new clean energy for the people of British Columbia I think it's really important again that we know we have to be willing to take on some challenges to do things in different ways. Sometimes we have to build on the successes of the past. Sometimes we have to be willing to say we've learned something. So I'm going to use an example here that I know you're going to talk about – run of the river projects. Run of river projects weren't invented by this government. Actually about half of the run of river projects that we have going right now in British Columbia were established under the NDP. Thousands and thousands of megawatts of electricity are generated by run of river. Its clean power. Its enough clean power we have right now in British Columbia when you think of the opportunities to generate about enough electricity for 600,000 plus homes. We want to be energy self sufficient by 2016. We are doing something that no other jurisdiction in the world has done. We're saying 90% of all of our energy is going to be clean energy. 50% of our all new energy demands are going to be acquired by conservation, by doing things differently. All this falls into place that says what we have is an energy plan for the first time. We have the BC Utilities Commission to look over that plan. We have environmental assessments to make sure that we do these things appropriately but we are the only jurisdiction in Canada or the world with 90% clean energy. Virtually all of our new projects are clean energy. People come from every other part of the world except British Columbia and say this great. Now some people say we should keep importing dirty energy. We don't agree with that. If we want to lead we have to be out front. You don't lead by pretending to lead and importing dirty energy from other jurisdictions. We can do that in British Columbia and we should. We've got carbon neutral energy options throughout the province as we look at new bio energy opportunities. We invested \$32 million dollars yesterday, which will create about 1,200 jobs. Its about 200 million dollars of additional investment in new clean alternative energy opportunities. Some

here on Vancouver Island where they're taking new wave technology to generate new energy, where we're looking at how we can actually commercialized those so we can take those to other jurisdictions who have similar opportunities and use our expertise and our research and our development and actually trade into those market places. I've been going to China for about twenty years. Twenty years ago they were just staring to open up China. Six years ago they were still talking about how powerful their economy was becoming. Three years they were talking about the environment. We have an opportunity to give them the tools they need and expand our environmental technologies sector of our economy just by developing it here first in British Columbia and taking those products and giving them elsewhere.

We have to do that with local government. Because local government and small businesses are a critical component of our economy. We are very fortunate in our province. We have the largest small business sector of any jurisdiction in Canada. About a million people depend on small businesses for their jobs. The province with the term small business is it sounds small because you use that word small at the beginning. Small business is big business in British Columbia. The Working Roundtable that we had with small business has said to us consistently we have to reduce our tax burden. We have to reduce our regulatory code. You have to let us take the chances we need to do to step out and be entrepreneurial to take some risks and to be successful. Frankly what they generally say to the provincial government is "if you could possibly get out of our way we'd really appreciate it". When you think about small businesses across the province right now are like every other business. Do you know what lots of small businesses are doing right now? They lie awake at night and they're not lying awake at night because they're worried just about their bottom line. They're lying awake at night because they're worried about what they're going to get in terms of their financing, they're wondering if their operating line is going to continue. Do you know why they're worried? They might have five, they might have ten, they might have twenty employees and every one of those employees are part of their family. Every one of those employees – they're worried about whether that employee keeps his or her job so they can pay the rent, take care of their mortgage, so they can take care of their kids. One of the things that we want to make sure we do is that we continue to work with small business. We reduced their small business interest tax by 44% last year as a result of the acceleration that took place. As we've done that we've done it in a way that I think is going to be helpful for small business and we've reduced in some cases some of the property taxes that small businesses are facing around the province in manufacturing and small manufacturing facilities. We're also looking at small business and continuing to reduce the regulatory burden. So one of the things that we said in British Columbia is that we're going to take down the trade barriers between Alberta and British Columbia and the labour mobility barriers between Alberta and British Columbia. As we do that frankly I think its good that Canada decided, all ten provinces have agreed that they will take down all labour mobility barriers across this country of Canada. I'll tell you why I think that's important. I understand there are some that disagree with this.

We should start to understand that Canada is a small country in a big world. We have large geography and a small population – 32.5 million people. This country achieved its greatest by thinking of itself as one country. We achieved our greatness by ensuring the citizens of Canada had the same rights regardless of where they lived in Canada. We

achieved our greatness by working together to build economic opportunity. We achieved our greatness by saying together as a country we'll invest in the St. Lawrence Seaway, which will create huge new economic opportunities not just for Central Canada but also for all of Canada. We're going to achieve our greatness as we open of the Pacific Gateway here in British Columbia not because it's British Columbia but because it will help all of Canada. In our province it will create we expect now and 2020 about 250,000 new jobs. Billions of dollars of investment and that's just in British Columbia. If we go to open skies in this province – we're here in Nanaimo where they're expanding the airport. We've expanded airports in Prince George and Nanaimo, in Comox, in Terrace, in Kelowna, in Victoria. Those are all places where international visitors may want to land. What we're saying now, what we're advocating to the federal government is take away the barriers that stop them from landing here. Look people around the world are smart. If you are in the rest of the world and you looked at Canada where would you want to visit? Why would you go to Montreal if you can come to Nanaimo? Why would you go to Toronto if you can come to Vancouver? Why would you do that? Of course they want to land on the best place on earth and we might as well give them the opportunity to do that because that in itself, removing that barrier, that one barrier will cost us, guess how many tax dollars it will cost us? Zero. It will create 800 million dollars of economic activity at the Vancouver International Airport alone. I can't speak for what economic activity it will create in Cranbrook where they've got one of the great resort areas of the world. Right here on Vancouver Island, where you've got this great green is an enormous not just research and educational centre but it is an enormous environmental centre as well and recreational centre as well. The world will love it but lets let them get here. It would be great to be able to land in Nanaimo airport and not worry about the fog don't you think? I certainly think it would be great to be able to land here or Victoria or Campbell River or Comox. Those are things we have to think about as we recognize ourselves as an international crossroads. We can't keep on going back. We have to go forward. The way to go forward is to take down extra costs. So small business in British Columbia can now become a medium sized business by expanding to Alberta with no additional cost. A teacher from Manitoba can now teach in British Columbia if she wants to. A Doctor from Ontario can now come and open practice in British Columbia if he or she wants to. That what's we have to do if we're going to maximize the benefits that Canadians can bring to building the quality of life for all of us. Your communities here on Vancouver Island know this. Your communities are like magnets for people. You've attracted many, many people across the country and around the world to come and live here. We want to make sure that we continue to do that.

Let me close by saying this. We have to build partnerships. This is no longer going to be a world where as I said earlier one group points a finger at another or someone says you do that. We're all going to have to come together and have some common purpose and some common objectives. When we have a community that comes to us at the provincial level and says this where we're trying to go, this is what we're trying to do and they say what are you trying to do? We say, "Well let's bring those things together and see what can happen." I can tell you and I say this with James in the room, our BC MP's have been great with us as we try and build partnerships with our federal government. When we talk to them about the opportunities for expanding education investment they say, "What can we do to help?" When we talk about the opportunities for expanding transportation investment they say, "What can we do to help?" Or

community investment they say, "What can we do to help?" Literally millions of dollars were allocated by the federal government just a couple of weeks ago just to make sure that we can move forward with programs like Towns for Tomorrow and Locomotion and expand those opportunities because there was real demand in communities for those. I think that's a partnership that we have to recognize and a partnership that we have to build on. When we come and Bamfield wants a water system improvement it may sound like a small improvement in a city like Surrey, \$160,000. It makes a big difference to Bamfield. When we have the Kerry Village in the Cowichan Valley come and ask for support for their sewer system that 400 thousand dollars makes a big difference to them. It's a partnership. We have Spirit Squares that have opened up and flourished in eight communities across Vancouver Island, from Campbell River to Ladysmith from Qualicum Beach to Sidney to Sooke. We have recognized that thousands and thousands on new trees are being planted. In Colwood and Esquimalt, in Lake Cowichan and Port Alberni and in Port Hardy through the Trees for Tomorrow program. Those are partnerships. They're not one group or another group saying we're right and you're wrong. It's all of us saying what are we trying to accomplish together. I think one of the really critical partnerships that we're building is that we're building partnerships with the private sector. When we opened the Royal Jubilee Hospital it's not just the 350 million dollar project that will help serve the regional needs of Southern Vancouver Island it's likely a project that is creating 2,200 jobs right now that will improve health care and that creates a better environment for doctors and nurses to practice to their profession in. Today I'm pleased to announce a new partnership. A partnership that will see the federal government investing 17.8 million dollars for a new Southport water treatment right here in Nanaimo. As we do that with the federal government we'll be supplying better quality of water to 80,000 people in this community. That has been made possible by the partnership what we're creating. I do think its important to recognize as we go through the next number of years that there are limits to what we can do but just because there are limits does not mean we shouldn't take action. So we have invested 14 billion dollars over the next three years in the largest capital investment in the history of the province. Why are we doing that now? Well we have record low interest rates, we have record low commodity prices and in fact we have very high competition. We're going to have to build these capital projects for the future. We're getting advantage of those opportunities now to make sure that we have them for the future. So whether it's in health care or education, or whether it's in transportation or rural infrastructure all those things are going to be a critical part of that. The federal government has come forward with effectively two billion dollars that we will have to work together with them. We've said to them if you have any money left over we'll use it. We think this is the time to build those partnerships so we can build your communities and build our province for the future. There are about 88 thousand direct jobs that could come from that alone. Here is what is really important about the 88 thousand jobs. Sounds like a lot of jobs and don't worry I'll be mentioning the 88 thousand jobs in the weeks ahead. But it is a small number of jobs compared to the 2.27 million jobs that we have today. What that should remind us of that you have to have a strong and flourishing private sector if we're going to have a healthy public life. You have a strong and flourishing private sector if we're going to be able to pay for the 4.2 billion additional health care investments we're making in the next three years alone. We have to have a healthy private sector if we're going to invest the additional 800 million dollars we're putting into education in the next three years alone. You don't get to build and invest record

numbers in public services whether its health or education or transportation or policing unless you know you have a strong private sector to support it. This is important for us to remember. We can pretend that deficits don't matter but we all know that deficits are actually taxing our kids and our grandkids in the future. We know that. Last year I was very fortunate. I had my first grandson was born on August 8th and my second grandson was born on November 25th – two different sons, two different boys. They're not twins. You know when you have grandkids you know you think to yourself the worlds changed a little bit. When I see those kids, I love watching them grow and I look at Jimmy Mitch in the eye or I look at Bowen in the eye and I think these kids are great. You can just see that they're teeming with life. They looking and they're absorbing stuff. I really want to be able to say to my kids and my grandkids in twenty years that when I put in a position where I had a chance to make a difference in their life that I took those steps. I want to be able to say to them that I did everything I could to make British Columbia the best possible place it could be for you. I was willing to do things a little bit differently in my life so you could have a better life. That's actually the history of our province. People come to this province and they were always coming to make life better for their kids and their grandkids. I think that what we have a job to do. I don't think it's a job actually. I think it's a privilege. I think it's a calling. Every one of you has decided that you want to serve the public in elected office. It's a huge opportunity. It's a gift that we have because others sacrificed a lot so we could have that here in BC. Lets do a little bit. Lets make sure we have a better climate. Lets deal with the challenges of greenhouse gases. Lets make sure we have safe and secure communities. Lets make sure we have economic opportunities. Lets make sure we have a whole range of activities. Lets make sure we have healthy clean communities for our kids to grow up in. That's what you try to do everyday. I want to say thank you for doing it. I want you to know this. We want to work with you to make sure you accomplish your goal.

Thank you all very much. I appreciate this opportunity.

ADDRESS BY THE LEADER OF THE OFFICIAL OPPOSITION
CAROLE JAMES, MLA

Thank you so much for that warm welcome. It really is wonderful to be back again, to join you and to be able to offer my congratulations to AVICC, the Executive and to your staff and to all of you. I think we're always ahead, us Islanders and Coastal folk because you're the oldest regional association in British Columbia and I know you are also tremendous advocates for your community. I've also heard from people that you've had a great weekend. Been a good conference? Everybody has enjoyed themselves, hear, hear.

I know some members of my Island and Coastal Caucus have been with over the weekend and I just want to let you know that it is the largest regional caucus that we have and they certainly are an outspoken group when it comes to the issues that matter to you and your communities. Whether its talking about improved safety on the Malahat, whether its standing up for seniors cars, whether its talking about the importance of talking about ferry fares or fighting the give away of our forest lands I have to tell you they are a group that stands up on your behalf. I'm going to run through the names really quickly as I know many of them have been with you over the weekend: John Horgan, Malahat Juan de Fuca, Maureen Kariaganis from Esquimalt-Metchosin, Rob Fleming from Victoria, Claire Trevena from North Island, who I know was here yesterday, Scott Fraser from Alberni-Qualicum, Doug Routley who is here today from Cowichan-Ladysmith, Nick Symons from Powell River-Sunshine Coast, Leonard Krog who is here from Nanaimo, David Cubberley from Saanich South and of course myself from Victoria-Beacon Hill, a proud Islander for all of my life.

With the provincial election just a few weeks ago I want to take some my time this morning to talk to you about the direction I believe that we should be heading in British Columbia. A direction that is built around the principle that guide my leadership, an inclusive open and optimistic vision that supports people and communities. These are the fundamental principles I bring to my job and that I'll bring to government if British Columbians give me their trust. They are the principles that I learned working at the local level. They are the principles that you live by every day, making a real difference in the lives of your constituents. I believe when we lose sight of these values we lose our way. We lose touch with the people who were here to serve. I believe that's what has happened to our government. After eight years in power they have become disconnected to the people they were elected to serve. We see it in all kinds of examples. Millions of dollars spent on a new roof for BC Place while families struggle with increased costs and economic uncertainty. Thousands of jobs lost in the forest industry and virtually no response from the government. Everyday there are more and more questions about special deals for friends and insiders. Questions that the government refuses to answer. We've seen privatization schemes fail while critical infrastructure needs go unmet. We've seen our rivers auctioned off while the government refuses to let BC Hydro develop new sources of clean, green energy. Just a few examples of where the government has lost its way. With the global economy

facing severe recession British Columbia can't afford to have a government with the wrong priorities. In the tough times its even more important that we focus on the fundamentals, on getting the most out of every dollar we have for the communities to stay strong. You know that reality better than anyone. The economic downturn has put huge pressure on all of you, on local government with revenues declining you face very difficult decisions every single day. You know there is no room for frills. You face very difficult decisions every single day.

You know there is no room for frills. Communities count on you to spend your dollars wisely. You have to get your spending right in order to ensure services are protected and that you keep your taxes competitive. I believe the same should be proof for the provincial government. In tough times governments need to help families, people and communities today and set the foundation for growth and recovery tomorrow. But I don't believe the current government is doing that. Their plan for higher taxes combined with cuts to important services hurts our economy and makes life harder for hard working British Columbians. It's exactly the wrong time. A year ago the warning signs were there but the government ignored them. Instead of taking steps to prepare for a slowing economy they acted as though everything was just fine. Instead of directing infrastructure dollars to local governments for your community infrastructure and affordable housing they spent on lavish spending projects in downtown Vancouver. Instead of tightening their belts they accelerated wasteful spending on advertising and high salaries. Instead of giving average families a break they pushed through with the punishing gas tax, which was both unfair and ineffective. And now with the BC economy in recession, the gas tax is in fact taking out hundreds of millions of dollars from people's pockets, out of cash registers and businesses and out of the economy at exactly the wrong time. Its certainly hurting the forestry industry which is already reeling because of other conditions. Its hurting small businesses, which already operate on a small, margin and now have an added burden to pay. Its hurting the not for profit sector and what's worse it hurting families and its due to go up this year, next year and the year after that. In fact Mark Jacquard, the governments top advisor and the architect of this tax says that the gas tax should go up 24 cents a litre to make a real dent in greenhouse gases. Twenty-four cents a litre. This is economic recklessness of the worst kind. It's a tax that doesn't do what its intended to do but certainly will have huge unintended consequences for our economy and for our competitiveness. Choking growth when we need it the most. The government's gas tax in my view must go and should I have the opportunity if I'm successful. Yes in the short term that will add to the deficit but eliminating this unworkable and reckless tax is vital for us to stay competitive particularly in the economic times we are seeing. It's vital to your communities, to the families that you serve and its vital to our short and long term prospects. When we're talking a look at businesses around the world and they're looking at where to invest British Columbia is the only place with a carbon tax which is not a place you are going to see business take a look at to be able to come and invest. We need that investment now in these difficult economic times. Now as you know my position on the carbon tax has been controversial in some places. I have enormous respect for BC's environmental community. They've done an amazing job in making sure they're standing up for a green future for all of us. I believe deeply in that. I believe in the need for regulations and I support cap and trade but I don't believe in symbols for having and it doesn't matter who proposes them. A bad tax is a bad tax and in a serious recession a bad tax is worse than that. I believe we need a government

that gives us more than simply feel good symbols. In these tough times British Columbians deserve a government that delivers as much as it promises. A government that focuses on the fundamental priorities. That's my commitment,

In small communities on the Island and across the Coast throughout BC, we've seen the collapse of the forest industry and it's been devastating to your communities. What have we seen the government do. They haven't reacted at all. In fact we've seen forestlands handed over to big forest companies like Western Forest Products with no consultation, with no discussion and certainly no return to the public when they gave away that forestland. We see raw logs shipped away by the truckload. We see First Nations not being consulted and we've seen destructive logging practices destroy watersheds and polluting our rivers and streams. I've laid out a plan to revitalize our forest industry, to support coastal communities in touch economic times. We will listen to local communities. We'll re-invest in the forestland bas. A major investment in reforestation, in silviculture. We'll reform our outdated tenure system and we'll put a tax on raw logs to keep those logs and those jobs in Island and Coastal communities.

There is another promise that the government broke and to me again this is a fundamental commitment that this government promised to keep and didn't. That is support for seniors. Across our province and you certainly see it in your communities. This government promised that they would build 5,000 long term care beds for seniors. Remember the government quote, "Health care where you need it". It certainly hasn't been delivered. British Columbians are still waiting for those long term care beds and anyone who walks into a hospital knows the kind of pressure that people are seeing in emergency rooms. The effect on people is severe. Particularly for seniors who can't get the care that they need. I was very proud to table a Private Members bill in the legislature that will be a commitment as we go into this election which is to put in place an independent seniors advocate so that seniors will always have a voice speaking out for them and will never see the kind of neglect and abuse that we've seen of seniors in British Columbia.

I also made a commitment that all public reports, health care reports, licensing reports on long term care facilities will be made public. I find it ironic that right now you can go and find a report, a health inspection report on a restaurant you might want to go to for dinner because the government requires those to be posted on the website. But when you're looking for care for your loved one, for your parents, for your spouse you can't get access to those licensing reports to find out if there has been any cases in those long term care facilities. That seems to me to be common sense to be able to ensure that those reports are also public and you can do the kind of investigation that you want to do. At this critical time its even more important in these economic times, its even more important to make sure that we're supporting out health care system and our education system and that we're making life affordable for average people.

Over the last eight years we've certainly seen increased costs for everything from tuition fees to ferry fares. Now British Columbians expect costs to go up. They recognize there is a rate of inflation but that's not what we're seeing under this government. We've seen costs skyrocket and we know something is not right. On the island and the coast we've been hit hard with these costs particularly for travel. By 2011 fares on ferry routes will have increased by 100% since 2003. That's way above the cost

of inflation. My ferries critic, Gary Coons has been holding public hearings in many of your communities listening to people who live in those ferry dependent communities about the impact that these increases are having on business, on tourism and on revenue. We're committed to restoring accountability and transparency at BC Ferries. It's critical that our major ferries that are the highway for many of our communities, that we have access to the books and that we find out what's really going on around the increase in fares. But that's not the only place that we've seen government put additional pressure. This government has also worked on the other side in keeping wages down. BC's lowest paid workers haven't had an increase for eight years. That's just one of the reasons that we have the highest child poverty rate in this country. For almost six years running British Columbia has had the shameful record of having the highest child poverty rate across Canada. That has to change. That's not a support to anyone in society and to help hard working British Columbians I tabled a bill year to increase the minimum wage and if we get the nod on May 12th by the public not only will we increase the minimum wage to \$10 an hour, we'll also decrease the small business tax to make sure that small businesses get a break as well. Because that's my belief around a balanced approach. Our hardest working British Columbians, people who work on minimum wage deserve to have their hard work rewarded and small businesses who create the jobs and the employment deserve to get a break as well and you'll see that as we come out with our platform by making sure we're lowering the taxes for small businesses. That's just a few of the policies that I've brought forward over the last four years. Many of you know that I always say there are two roles for the opposition. One is to oppose the government and to hold their feet to the fire, the traditional role that you might think of. I'm very proud of the work that we've done but the second role is to also propose solutions, to put ideas forward to make things better for British Columbians. I've always said to Gordon Campbell and the Liberals if you want to take our good ideas, if they'll make things better for people go ahead. That's our job as politicians to stand up for British Columbians. And the ideas that I've put forward are based on the values as I said earlier that I learned at the local level just as you did. Eleven years on School Board. I learned around our table that you make better decisions when you include people who are impacted by the decisions you are making. You don't push people away at the local government table. You don't decide one group can come in the door and the other group is left outside. You make sure that everyone is at the table. You have the tough discussions with everyone involved. I think there is a lot to be learned at the provincial level from the work that happens in communities and local governments. Those are the values if the public says yes on May 12th that I will bring to a provincial government as well.

Thank you so much for the opportunity to speak to you today and I look forward to your questions and thank you most importantly for the work that you do in your communities every single day. Anyone who works in local government knows whether it's the three hours to get out of the grocery store for people who are stopping you to chat with you. I know it's coming to tax time so I know those conversations are going to get longer over the next couple of months. I know the kind of commitment you put by serving your local community and we're all better off in British Columbia because of it so I want to express my appreciation to all of you for your hard work as well. Thank you very much.

Financial Statements of

**ASSOCIATION OF VANCOUVER ISLAND
AND COASTAL COMMUNITIES**

Year ended December 31, 2008



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AUDITORS' REPORT

To the Directors of Association of Vancouver Island and Coastal Communities

We have audited the statement of financial position of the Association of Vancouver Island and Coastal Communities (the "Association") as at December 31, 2008 and the statements of revenue and expenses, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Association as at December 31, 2008 and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Burnaby, Canada

February 13, 2009

ASSOCIATION OF VANCOUVER ISLAND AND COASTAL COMMUNITIES
Statement of Financial Position

December 31, 2008, with comparative figures for 2007

	2008	2007
Assets		
Current assets:		
Cash	\$ 14,795	\$ 27,229
Investments (note 3)	107,505	98,901
Accounts receivable	-	4,442
Prepaid expenses	-	9,400
	<u>\$ 122,300</u>	<u>\$ 139,972</u>

Liabilities and Net Assets

Current liabilities:		
Accounts payable and accrued liabilities	\$ 7,356	\$ 24,317
Deferred contributions (note 4)	44,665	45,335
	<u>52,021</u>	<u>69,652</u>
Net assets:		
Unrestricted	70,279	70,320
	<u>\$ 122,300</u>	<u>\$ 139,972</u>

Contractual commitments (note 5)

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director

Director

ASSOCIATION OF VANCOUVER ISLAND AND COASTAL COMMUNITIES
Statement of Revenue and Expenses

Year ended December 31, 2008, with comparative figures for 2007

	2008	2007
Revenue:		
Annual meeting - sponsorships	\$ 26,000	\$ 23,285
Annual meeting - registration	37,035	28,658
Association dues	72,429	70,801
Grants from Province of British Columbia	671	3,933
Interest	4,627	5,389
	<u>140,762</u>	<u>132,066</u>
Expenses:		
Annual meeting	65,265	39,445
Communication and staff travel	3,084	2,102
Executive meetings	8,020	8,023
Other meetings	2,016	5,426
Postage, office and miscellaneous	2,192	7,751
Professional fees	9,555	5,500
Treaty advisory committee	671	3,933
Union of British Columbia Municipalities contract fees (note 5)	50,000	45,000
	<u>140,803</u>	<u>117,180</u>
Excess (deficiency) of revenue over expenses	\$ (41)	\$ 14,886

See accompanying notes to financial statements.

ASSOCIATION OF VANCOUVER ISLAND AND COASTAL COMMUNITIES

Statement of Changes in Net Assets

Year ended December 31, 2008, with comparative figures for 2007

	2008	2007
Balance, beginning of year	\$ 70,320	\$ 55,434
Excess (deficiency) of revenue over expenses	(41)	14,886
Balance, end of year	\$ 70,279	\$ 70,320

See accompanying notes to financial statements.

ASSOCIATION OF VANCOUVER ISLAND AND COASTAL COMMUNITIES
Notes to Financial Statements

Year ended December 31, 2008

1. Operations:

The Association of Vancouver Island and Coastal Communities (the "Association") represents the various municipalities and regional districts of Vancouver Island, Powell River and the Sunshine and Central Coasts. It was incorporated under the Society Act on January 2, 2007 and is exempt from the requirement to pay income taxes. Its purpose is to promote autonomy within local government and to advance the principles of local government.

2. Significant accounting policies:

These financial statements are prepared in accordance with Canadian generally accepted accounting principles for not-for-profit organization, incorporating the following significant accounting policies:

(a) Basis of presentation:

These financial statements present the financial position, results of operations and changes in net assets of the Association and, as such, do not include all the assets, liabilities, revenue and expenses of the members of the Association.

There is no provision in the accounts for income taxes as the activities of the Association are considered to be carried on a not-for-profit basis.

(b) Revenue recognition:

The Association follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount received can be reasonably estimated and collection is reasonably assured.

(c) Financial Instruments:

All financial instruments, including derivatives, are included on the statement of financial position and are measured at fair market value, with the exception of loans and receivables, investments held-to-maturity and other financial liabilities, which are measured at amortized cost. Measurement in subsequent periods depends on whether the financial instrument has been classified as held for trading, available-for-sale, held-to-maturity, loans and receivables, or other liabilities.

The Association classifies its cash and short-term investment as held for trading which are measured at fair market value. All changes in fair value are recognized in earnings.

ASSOCIATION OF VANCOUVER ISLAND AND COASTAL COMMUNITIES

Notes to Financial Statements (continued)

Year ended December 31, 2008

2. Significant accounting policies (continued):

(d) Future accounting and reporting changes:

Section 1535, *Capital Disclosures* establishes requirements about the Association's objectives, policies and processes for managing capital. The Association must also disclose quantitative data about what it regards as capital and whether it has complied with any externally imposed capital requirements and, if not, the consequences of such non-compliance. Management is currently determining the impact of the adoption of these standards on the financial statements for the 2009 fiscal year.

3. Investments:

Investments consist of amounts on deposit in the Municipal Finance Authority of British Columbia's money market fund.

4. Deferred contributions:

Deferred contributions consist of provincial grants restricted for the facilitation of the activities of the treaty advisory committee.

5. Contractual commitments:

The Association has a contract with the Union of British Columbia Municipalities for secretarial and office services which commenced January 1, 2002. Payments under this contract are currently \$12,500 quarterly subject to adjustment each January.