

AAC REDUCTIONS: WHO PAYS THE PRICE & WHO'S GOT YOUR BACK

By TLA Editorial

When people start talking about AAC reductions, the discussion turns almost immediately to the mountain pine beetle and the BC Interior. The story is known all too well now. The beetle hit in the late 90s and it exploded by early 2000. The AAC in many Interior Timber Supply Areas (TSAs) was increased to salvage the dead timber while it had value and then as the dead timber came to the end of its economic life, the AACs have now started falling.

However, this up and down trend in the AAC ensures the sustainability of the resource while at the same time ensuring that damaged timber is used. And despite media reports touting the shock and awe of those unfamiliar with the industry, those in the industry all knew it was coming many years in advance.

Since the beetle epidemic peaked in 2004, forecasts for eventual reductions to the AAC and the inevitable closures of mills that comes with a reduced wood supply, have been forecasted by many.

Despite this understanding, however, for communities, forest workers and contractors, the impact of AAC reductions is immediate and at times devastating.

When an AAC is reduced by the province's Chief Forester, it is then up to the Minister of Forests, Lands and Natural Resource Operations to apportion the new AAC amongst the various licence types within the TSA. Guidelines are provided for this process.¹



Traditionally, when an AAC is reduced, the replaceable tenure holders all share in a proportional AAC reduction to ensure the allocated AAC does not exceed the total AAC. While this approach is an option, not all AAC reductions are done proportionately as the AAC is reduced. As is seen in the guidelines, other facts may be considered including: Innovative Forest Practices Agreements, future or expected commitments to First Nations licences, the potential to create replaceable licences

from those currently designated as non-replaceable, or uncommitted volume that may be used to lessen the impacts of the reductions.

In each TSA, therefore, it is important for contractors to understand that when apportionment decisions are made following an AAC reduction, the specific licence you may operate on may be affected more (or less) than the proportionate AAC reduction indicated.

Not all AAC reductions in BC, however, follow uplifts in the AAC meant to

address the devastation that Mother Nature brought on our forests. It is in those areas where the impact on workers and contractors can be more immediate as it is less predictable than with the beetle.

The case in point is the Great Bear Rainforest (GBR). This area of the BC coast was officially recognized by the BC's government in February 2016, when it announced an agreement to permanently protect 85 per cent of the old-growth forested area within its boundaries from logging. The forest was also

admitted to the Queen's Commonwealth Canopy in September of the same year.

The agreement came after almost 15 years of negotiations between stakeholders that began in the late 90s. While the global significance of the agreement cannot be understated and the certainty that it brought to those forestry related businesses that still operate there is beneficial, the local impact the agreement had on workers often goes unnoticed.

But unlike the impacts of the beetle in the BC Interior, the reduction of the AAC in the GBR resulted from a policy decision as opposed to a forest sustainability decision. This distinction is important.

While the BC Interior AACs are reduced to ensure the sustainability of the forests following the devastation caused by the beetle, the AAC reductions in the GBR followed elimination of large areas of the working forest from contributing to the AAC, together with the adoption of ecosystem-based management on the remaining land base. The latter were policy decisions made by the province in order to appease the environmental non-governmental organizations that made coastal BC their target.

It is these policy decisions, however, that have the potential to most significantly impact workers since they can be immediate and unforeseen. On the positive side, however, AAC reductions based upon policy decisions tend to be tied to government mitigation efforts, as was seen with the Coast Sustainability Trust (CST).

The CST was established in 2002 by the BC government to mitigate the adverse impacts arising from Land and Resource Management Plan land use planning decisions in the Central Coast, North Coast, Queen Charlotte Islands and Haida Gwaii. Large portions of the CST "specified area" eventually were designated as the Great Bear Rainforest.

Essentially, the CST was established when the industry and environmentalists agreed to negotiate the future of the central coast. When they started, the harvest levels were deferred indefinitely and many workers lost jobs and contractors lost contracts.

The government set up the CST recognizing that whatever the outcome of the stakeholder discussions was, the result would be the permanent dis-

placement of workers and contractors through reduction of AAC. However, the government also recognized it would take years for final decisions to be made, so rather than making workers and contractors wait for mitigation of their losses, they dealt with them right away via the CST, thereby allowing them to move along.

The original CST started with \$35,000,000, of which \$25,000,000 was allocated to a Worker and Contractor Mitigation Account, and \$10,000,000 to a Matching Funds Account. About \$3 million was eventually paid to workers, and \$11 million to Bill 13 contractors who lost their investments.

The original CST had a five-year term. However, many of the claims from workers and contractors were not dealt with in that time frame and so a second trust (CST II) was established to ensure that some contractors and employees were not missed because of the delayed timelines.

Once the loss of work resulting from reduced AACs by contractors and workers were dealt with, the remaining funds within the CST were allocated to two separate trust accounts and two sub-trusts to



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allow for continued economic diversification within the area by other means.

The CST template for worker and contractor mitigation was also used in two other key areas where AAC reductions resulted from similar policy decisions.

The first followed the establishment of the Nisga'a Treaty that resulted in an AAC reduction following removal of the Nisga'a settlement lands from affected TSAs. While the government specifically denied any legal obligation to provide compensation to contractors affected by this First Nation Final Agreement, it was prepared, as a matter of policy, to consider the potential of providing redress for certain claims of contractors directly impacted by the Nisga'a Final Agreement (which it did).

The second, and most well known mitigation framework, followed the introduction of the *BC Forest Revitalization Act* and establishment of the related BC Forest Revitalization Trust (BCFRT). Again, as a matter of policy, the government recognized that in order to implement the restructure of the AAC that saw the establishment of BC Timber Sales, expansion of woodlots,

community forests and an increase in First Nations held tenures across the province, that those who lost work, both employees and contractors would be compensated (which they were).

Fast forward to 2017—the *Great Bear Rainforest Management Act* (GBRMA) was announced and additional reductions in the AAC for the area were implemented. This included elimination of the north and central coast, Kingcome and Strathcona TSAs which were replaced by the Great Bear North, Great Bear South and North Island TSAs.

In aggregate, the GBRMA and the changes to these TSAs resulted in a net reduction of over 593,000 cubic metres or fully 17 per cent of the pre-GBR AAC. The subsequent AAC apportionment decision, made in March of this year, then allocated the new AAC within each new TSA to specific licences.

In all three TSAs, several new replaceable tenures were created and awarded to various First Nations entities who can now more fully participate in the industry by having long-term replaceable tenures in their control. For many of the existing major tenure holders, however,

AACs were reduced and that is where remaining contractors in the GBR felt some pain through loss of work.

Depending on the licence, AAC reductions were between 0 and 83 per cent of the pre-GBR apportioned AAC and these reductions flowed through to those contractors who held replaceable contracts.

However, given the government's history of accommodating those who suffered losses following forest policy decisions like the *Great Bear Rainforest Management Act*, we trust that compensation for lost Bill 13 contracts will be forthcoming.

If you are a contractor who was impacted by the latest GBR decision, make sure the TLA is aware so that we might advocate on your behalf. Reach out to David Elstone, TLA Executive Director, at david@tla.ca.🌲

¹<https://www.for.gov.bc.ca/hth/timber-tenures/apportionment/index.htm>

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