



BC Forestry Revitalization Trust

Report of the Trustee as of December 31, 2004

General

In March 2003 the province of British Columbia established the BC Forestry Revitalization Trust (BCFRT) and funded it with \$75,000,000. The mandate of the BCFRT is to provide mitigation to forest workers and replaceable contractors that are negatively impacted by timber reallocations resulting from the Forestry Revitalization Act.

In April 2004 the province appointed Eric van Soeren as Trustee. Shortly after that he appointed a seven member Advisory Board, as required by the Trust Deed. That Board has developed draft forest worker and contractor mitigation guidelines. In order to develop an estimate of the cost of those guidelines, the Trustee polled all the major licensees that were to lose some of their allowable annual cut. They were asked to provide their best estimate of the effect of the timber reallocation on their workers, their contractors, and their contractors' workers. The Trustee received a 100% response rate from Coastal licensees, and a 90% response rate in the Interior. The main reason for the lower response in the Interior was the lack of a response from New Skeena, which is involved in bankruptcy proceedings.

Utilizing the best estimates of industry, seniority estimates obtained from the IWA pension plan, seniority estimates obtained from contractor industry associations, and the proposed guidelines, the Trustee arrived at an estimated cost of delivering the proposed guidelines. Based on that estimate, the Trustee estimates that the BCFRT requires approximately \$50,000,000 more than what is available in the BCFRT accounts as of December 31, 2004, plus what the BCFRT is likely earn in interest while holding mitigation funds in trust.

The Trustee and the Advisory Board have approached the province to attempt to get sufficient extra funds to allow the draft mitigation guidelines to be finalized. As of December 31, 2004, the province was considering the request for additional funds. If the funds are not available, it will not be possible to deliver on the draft guidelines. Given the strongly held views of the majority of the Advisory Board that anything less than the draft guidelines would not be equitable to displaced forest workers and replaceable contractors, this would be a serious blow to the BCFRT.

On the other hand, if the province does support the request for additional funds, the draft guidelines will immediately be finalized, and the BCFRT will be ready to start providing mitigation payments, based on those guidelines.

Account Balances

As of December 31, 2004 the market value of the BCFRT accounts were as follows:

Account Balances

Administration Account	\$5,007,854
Contractor Mitigation Account	\$23,966,382
Forest Worker Mitigation Account	\$49,268,751
Total value of BCFRT accounts	\$78,242,987

Distributions to Beneficiaries to date

Contractor Mitigation	Nil
Forest Worker Mitigation	Nil
Total Distributions to Beneficiaries	Nil

Total available funds plus distributions	\$78,242,987
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Administration Account

When the BCFRT was created, \$5,000,000 was allocated to administration. To date, administration expenses of the BCFRT have been close to the interest earned by the Administration Account, so the initial principal is essentially intact. While expenses will increase as the BCFRT becomes more active, it appears likely that a portion of the Administration Account will be able to be transferred to one of the Mitigation Accounts at a later date, and on an as needed basis.

Contractor Mitigation Account

The principle being used for contractor mitigation is that contractors who lose their replaceable contracts as a result of Forestry Revitalization Act (FRA) restructuring will receive mitigation that approximates what the contract might reasonably have been worth at the time it was reduced or eliminated. Generally, this will be based on a per cubic metre value, but contracts that were calculated based on some other measure will be treated accordingly. A detailed description of the calculation to be used is in the draft Contractor Mitigation Guidelines.

As of December 31, 2004, no contractor mitigation amounts had been paid. This is partially because the Contractor Mitigation Guidelines are still in draft form, as discussed above, and partially because no Forestry Revitalization Plans have been finalized to date.

Forest Worker Mitigation Account

The principle being used for forest worker mitigation is that workers who are severed because of FRA restructuring will receive severance funded by the BCFRT. The Advisory Board felt it was fair that all workers who lose their jobs as a result of FRA restructuring be treated the same. Because the Steelworkers (previously IWA) contract mandates what employees that are affected by a permanent logging camp closure receive severance of 10 regular days pay per year of service, plus 10/12^{ths} of a regular day's pay per completed month of service, that standard was used. The detailed calculation and discussion appears in the draft Forest Worker Mitigation Guidelines.

As of December 31, 2004, no forest worker mitigation amounts had been paid. This is partially because the Forest Worker Mitigation Guidelines are still in draft form, as discussed above, and partially because no Forestry Revitalization Plans have been finalized to date.

Looking Ahead

During the first quarter of 2005 I expect the following activity:

1. The province will decide whether or not to provide an additional \$50,000,000 to the BCFRT to fund the estimated cost of the draft mitigation guidelines.
2. If the BCFRT does not receive an answer about the requested additional \$50,000,000
 - a. The BCFRT will have to wait until it does receive an answer, because it cannot make payments or consider alternatives without an answer.
3. If the BCFRT is told it will not receive any additional funds
 - a. The draft mitigation guidelines will have to be shelved.
 - b. The Advisory Board will have to reconvene to consider its options. However, the Advisory Board members have made it clear that they believe anything less than the draft guidelines would be unfair to affected contractors and workers.
4. If the BCFRT receives an additional \$50,000,000
 - a. The draft guidelines will be finalized and posted on the BCFRT website.
 - b. The first forest worker mitigation and replaceable contractor mitigation payments will be made to one or more coastal operators, and one or more of the forest workers or replaceable contractors currently working for ungrouped interior licensees

Eric van Soeren
Trustee