

Ministry of
Forests and Range
and Minister Responsible
for Housing

2007/08
Annual Service Plan Report



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Message from the Minister and Accountability Statement

Over the last year, B.C.'s forest sector has experienced one of the worst downturns in 30 years, due to a slumping U.S. housing market, the lowest lumber prices since 1991 and a high Canadian dollar. Last year, forest product exports were at a 10-year low. Analysts expect market conditions will improve in late 2009, and the long-term predictions for British Columbia's forest industry are positive. In the meantime, the provincial government is doing everything possible to ensure the present and future viability of the industry.

Over the last year, the Ministry of Forests and Range worked to ensure diverse and sustainable forest and range values for British Columbia. In October, we released the Coastal Forest Action Plan which builds on previous actions for strengthening the coastal forest industry, and includes a shift of the harvest from old-growth to second-growth stands. The Pulp and Paper Task Force also released a report that highlights opportunities for success in that sector.

We explored options together with First Nations to make their forestry tenures more economically viable. Since September 2002, we've signed forestry agreements, including direct awards, with 150 First Nations, providing nearly \$200 million in revenue-sharing and access to over 33 million cubic metres of timber.

We continued to fight the mountain pine beetle infestation on many fronts, including pursuing the use of mountain pine beetle attacked timber as a bioenergy source. Since 2001, British Columbia has committed about \$642 million to battle the beetle and mitigating future impacts.

Ministry staff are acting on recommendations from the Auditor General's review of forest worker safety and a comprehensive forest safety action plan will be released in summer 2008.

Despite the economic challenges this past year, our perspective continues to be to influence those factors within our control — this includes ensuring that our actions today maximize the future health of our forests. Last year, a record 276 million seedlings were planted and in the spring of 2008, we planted the six billionth tree since reforestation began in the 1930s. This major milestone symbolizes our approach to sustainable forest management and our optimism about the next step in the evolution of the forest sector.

In January, the Premier announced the Working Roundtable on Forestry to solicit new ideas for the long-term success of British Columbia's forest sector. Ideas and recommendations will help form the basis of a long-term plan for the forest sector. Meetings are being held in communities around the province and Roundtable findings will be reported to Cabinet quarterly.

As Minister Responsible for Housing, I'm proud of our continued success in implementing Housing Matters B.C., the Province's comprehensive strategy for reducing homelessness and ensuring British Columbians have access to safe and affordable housing. Through a comprehensive range of programs and the highest housing budget in B.C.'s history, we provided housing support to more than 85,000 households throughout the province last year.

To assist those in an immediate housing crisis, we provided funding for cold/wet weather emergency shelter beds to open year-round and introduced access to a range of support services through those shelters. Through an expansion of our successful homeless outreach program — including the introduction of Aboriginal homeless outreach workers — we helped more than 2,500 homeless people find stable homes and connect to income assistance, health services, addictions support and other services to support them as they regain independence.

To support off-reserve Aboriginal housing, more than \$50 million was committed through the Aboriginal Housing Initiative to create safe, secure and culturally appropriate housing for youth, women, elders and those struggling with addictions.

For the second year in a row, we improved the Rental Assistance Program to help even more low-income families with the cost of safe, affordable housing. Building on last year's success in protecting affordable rental housing, we purchased nine more buildings this past year in six communities around B.C., preserving 655 units to house those in need.

We also invested in long-term housing solutions. By funding pre-development costs, we reached agreements with the cities of Vancouver, Victoria, Kelowna and Surrey to ensure city-owned sites will be ready for the construction of new supportive housing. We also invested \$250 million to create the Housing Endowment Fund, which will provide an estimated \$10 million each year for innovative housing programs.

The Residential Tenancy Branch provided information about rental laws in B.C.; and ensured dispute resolution services were affordable and accessible. Today, tenants and landlords throughout B.C. have improved access to information and dispute resolution services through an expanded service centre based in Kelowna.

As part of our continuing efforts to combat climate change, we took a major step forward in reducing the impact buildings have on the environment. We are implementing green provisions in the B.C. Building Code that will set new standards for water and energy efficiency and we continue to develop green Code provisions which will reduce greenhouse gas emissions and increase the energy efficiency of buildings.

The *2007/08 Ministry of Forests and Range and Minister Responsible for Housing Annual Service Plan Report* compares the actual results to the expected results identified in the Ministry's 2007/08–2009/10 Service Plan. I am accountable for those results as reported.



Honourable Rich Coleman
Minister of Forests and Range
and Minister Responsible for Housing

June 19, 2008

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Section A:

Ministry of Forests and Range Highlights of the Year

- The Working Roundtable was established by the provincial government to identify key issues and opportunities facing the forest sector in British Columbia. The Roundtable's recommendations will help to ensure a strong, vibrant, sustainable forest industry in B.C. for future generations. The Minister of Forests and Range will report to Cabinet quarterly on progress. For more information, please visit www.for.gov.bc.ca/mof/Forestry_Roundtable.
- In January 2008, the Premier announced a full regulatory review of programs affecting forestry to streamline procedures, reduce unnecessary red tape, cut processing time, and eliminate unnecessary cost burdens resulting from regulation to improve efficiency of forest management.
- The Premier's Forestry Climate Action Meeting, held in Prince George in February, 2008, provided an opportunity for the forest sector to identify opportunities for greenhouse gas reduction and to articulate a climate action vision.
- The Future Forest Ecosystem Initiative released its report, "Climate Change and BC's Forest and Range Management: Climate Change, Impacts and Adaptation Scenarios" in January 2008. This first of two technical reports aims to increase awareness of the potential impact of climate change on forest and range resources in British Columbia.
- In 2007/08 the Ministry initiated the planning for a climate-based seed transfer system to assist in reducing some of the negative effects, and capitalizing on some of the benefits that a changing climate will have on forest productivity.
- Government announced the Coastal Forest Action Plan on October 29, 2007, which focuses on changes needed to enable the forest sector to respond to emerging trends.
- Market Pricing Systems for Crown timber on the Coast and in the Interior were updated and enhanced on June 1, 2007 and July 1, 2007.
- To control the spread of the mountain pine beetle north of the Peace River, into Alberta and Canada's boreal forest, over 97,000 trees were treated on provincial Crown land using fall and burn techniques. Detection and treatment activities were completed in collaboration with Alberta, BC Parks, Parks Canada and Natural Resources Canada.
- The Ministry established an entity that has started necessary socio-economic planning for communities in the third of three geographic areas of the province that will be impacted by the mountain pine beetle epidemic with the incorporation and funding of the Southern Interior Beetle Action Coalition. Over the course of 2007/08 the Cariboo-Chilcotin Beetle

Action Coalition and the Omenica Beetle Action Coalition also advanced their planning work by drafting or completing several sector strategies for their specific regions.

- Addressing forest worker safety continued to be a priority in 2007. The Province, working closely with the BC Forest Safety Council and WorkSafeBC, continued to address a wide range of operational and policy issues as well as address the recommendations of an Auditor General report on forest worker safety.
- The Province has been working with First Nations to provide economic growth and opportunities, especially in traditional areas like forestry. The ministry increased the number of forest and range agreements and opportunity agreements to 120 during the past year. Government remains committed to strengthening relationships with First Nations based on reconciliation, recognition and constructive consultation on social and economic issues.
- To understand how forests can become more resilient to climate change stresses and modify forest policy and forest management accordingly, the Future Forest Ecosystem Initiative expanded both internally and externally in 2007/08, developed a strategic plan and identified 30 projects. One is the establishment of a scientific foundation for adapting the forest and management framework to foster ecosystem resilience to change.
- International demand for British Columbia's wildfire expertise continues to grow each year. In response to Greece's devastating fire season of 2007, nine representatives of the Ministry were invited to participate in a Wildfire Management and Economic Development workshop in Athens. Senior staff from Greece will be coming to B.C. in the near future to observe our program's wildfire operations, and the Ministry plans to provide wildfire training to Greek firefighters in the fall of 2008.
- More area was treated for fuel management than expected, 9,765 hectares, by working collaboratively with the industrial forest sector.
- The ongoing work to monitor and enforce compliance with Forests and Range regulations included several milestones in 2007/08, including: a focus on pricing inspections leading to the recovery of Crown revenue; and a focus on enforcing the *Wildfire Act* resulting in a higher level of investigation resources being applied to wildfire compliance and enforcement.
- 6,500 hectares were planted under the Forests for Tomorrow Program.
- Validation and loading of Vegetation Resource Inventory information submitted by licensees was able to be overachieved, due to a new data management electronic system (VRIMS).
- The ministry was able to exceed internal targets on preparing bills for stumpage paid on the volume of wood harvested during the year, ensuring a more efficient process.



- In March 2008, the Ministry participated in a forestry tour for forestry experts from Cameroon at the request of the Rights and Resources Initiative, Washington D.C. www.rightsandresources.org/. The tour aimed to familiarize the visitors with the use of smaller tenures in B.C., as well as First Nations forestry operations.

Purpose of Ministry

Since its establishment in 1912 as the Forests Branch, the Ministry of Forests and Range (also known as the Forest Service) has continued to protect the public interest and provide leadership in the protection, management and use of the province's forest and rangelands.

The Forest Service is the main agency responsible for the stewardship of 47 million hectares of provincial forest land and fire protection services for 84 million hectares. The Ministry has a broad and general mandate (see Appendix A for a link to legislation), to manage and conserve forest and range resources for short- and long-term socio-economic benefits, to protect and sustain forest productivity and to encourage competitive forest and range industries, while asserting the financial interests of the Crown.



Managing provincial forests and range resources presents a unique and complex set of challenges. More than 90 per cent of British Columbia's forestlands are publicly owned, which means the provincial government, on behalf of the public, plays a much more prominent role in the forest sector than its counterparts in other forestry jurisdictions.

The Ministry of Forests and Range co-ordinates the B.C. government response to the mountain pine beetle epidemic and is working with a number of ministries and the federal government to minimize and mitigate negative environmental and socio-economic impacts of the infestation, while recovering the greatest value and protecting public health, safety and infrastructure. Pine forests dominate the interior of B.C. and their loss has significant implications for the forest environment, economy and the communities that depend on those forests for sustainability.

The Forest Service is responsible for one Crown Agency, Forestry Innovation Investment Ltd., which has a role in the marketing and development of forest products.

The Ministry pursues its goals in a consultative manner with the public, forest and range industries, and other Crown agencies, while recognizing the unique interests of Aboriginal people. This is enabled through a three-tiered decentralized organizational structure (headquarters — regions — districts) that brings the Ministry close to our clients and stakeholders throughout the province. Some delivery methods unique to specific services include:

- Third-party delivery agents are used to provide proposal evaluation, project management and audit functions to increase accountability and efficiency with the Ministry acting in a monitoring role.

- Fire protection services are commonly delivered through local and international agreements.
- Research and development activities are co-ordinated through multi-stakeholder research and innovation groups such as the Forest Science Board, Forest Genetics Council, several Canadian Council of Forest Ministers' working groups and the Canadian Forest Innovation Council.

In keeping with the public service ethic, Ministry staff work at all times to earn the public's trust as they make the day-to-day decisions, which ensure that all British Columbians can look forward to sustainable forests and range and a strengthened forest economy in the future.

Forest and range values in the Ministry's vision statement refer to the social, economic and environmental values associated with our forest and range resources. Economic values include timber, forage and fisheries resources that contribute to our economy. Environmental values include soil, water, fish, biodiversity, and wildlife. Social values include recreation resources, visual quality, resource features, and cultural heritage resources. These values are converted into socio-economic benefits for the British Columbians who obtain their livelihood and recreation from B.C.'s forests, and for all British Columbians who benefit from the Crown revenue collected.

Vision:

Diverse and sustainable forest and range values for British Columbia.

Mission:

To protect, manage and conserve forest and range values through a high-performing organization.

The Ministry of Forests and Range is commissioned in the *Ministry of Forests and Range Act* to protect, manage and conserve the forest and range values identified above. The mission includes people working together demonstrating the organizational values and creating a high-performing organization.

While our vision and mission brings focus and clarity to what we are working towards, our organizational values: integrity, accountability, innovation and respect, guide management and staff in their decision making processes and set the basis for the way we meet our business objectives, the way we work with each other and the way we interact with clients, partners, and others.

Strategic Context

Socio-Economic Trends

First Nations populations in British Columbia are large, culturally diverse and geographically dispersed. Many Aboriginal communities are located in forested areas and are actively pursuing land claims for ownership of Crown land presently allocated for forestry activity. To stimulate economic growth and opportunities, especially in traditional areas like forestry, the Ministry works with First Nations to strengthen relationships based on reconciliation, recognition and constructive consultation on social and economic issues.

In 2007 the B.C. forest industry continued to face bleak economic conditions as a result of many factors. The significant appreciation of the Canadian dollar, a weak U.S. housing market in the wake of the sub-prime crisis, low lumber prices and a 15 per cent export tax due to the implementation of the 2006 Softwood Lumber Agreement between Canada and U.S. all contributed to these conditions. The U.S. represents 87 per cent of the market for B.C. lumber. In British Columbia, forestry represents seven per cent of the province's gross domestic product and directly supports about 85,000 jobs in over 100 communities.

Throughout 2007 the Canadian dollar was strong against the U.S. dollar peaking at over \$1.10 in November. The strong Canadian dollar will continue to impact the B.C. forest industry by increasing the relative cost of production in B.C., and reducing B.C. companies' profits as most forest products are sold in U.S. dollars. It is estimated that every sustained one-cent rise in the value of the Canadian dollar against the U.S. dollar cost the B.C. forest industry \$130 million a year.

Competition in the global market for forest products continued to grow in 2007. European countries, China, Russia, and Brazil are becoming strong competitors. At the same time, Asian countries are emerging as customers of B.C. forest products. B.C.'s wood products sales to China, Taiwan and Korea increased 17 per cent to \$289 million in the 12 months ending February 29, 2008, compared to the same period last year. China had the biggest increase of 36 per cent as B.C. exported low grade lumber to China when markets in the United States collapsed.

Given that more than 80 per cent of the sales by the B.C. forest industry continue to be destined for non-Canadian markets, there is continuous pressure to maintain and improve the forest sector's competitiveness. As world competition is increasing returns on capital investment are tight. PricewaterhouseCoopers estimates that the average return on capital employed (ROCE) for the B.C. forest industry fell below zero in 2007 — well below the target of 10-12 per cent.

Lumber prices trended downwards in 2007 as a result of a decline in U.S. housing starts, rising interest rates and higher energy prices. Due to the interconnectedness between the pulp and paper and lumber industries, the strength of the pulp and paper industry is an important factor

in the health of the entire B.C. forest industry. In 2007, B.C.'s pulp and paper industry faced increased global competition, growing concerns about fibre availability and affordability and rising pressure from the strong Canadian dollar. Despite these challenges in 2007 average Kraft paper prices were up 17 per cent from 2006. Supply factors drove the rise in prices despite rising pulp production costs related to energy prices, transportation costs and wood costs. The average price of newsprint was down 11 per cent from 2006. Investment in the B.C. pulp and paper industry has, as a whole, been below the level required to maintain its current competitive position in world markets.

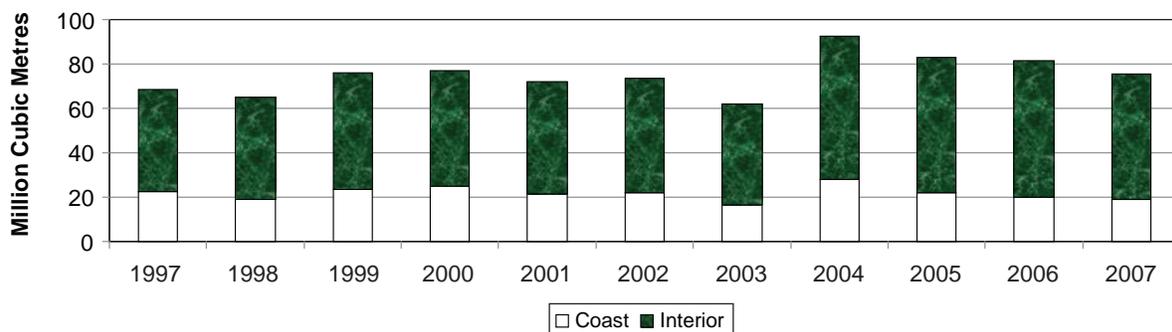
The economic circumstances in the ranching sector are similarly difficult due to the high Canadian dollar. As a result, the value of Canadian beef and live cattle exports to the United States declined in 2007. High labour and operating costs, such as machinery and fuel, and an increase in the price of grain, continue to erode profit margins. Trade and market restrictions on the export of mature cattle, mainly resulting from the occurrence of Bovine Spongiform Encephalopathy in 2002, continue to challenge the industry. Consequently, the price of feeder cattle shipped out of B.C. to Alberta and beyond fell to an historic low in 2007. Trade of cattle to the U.S. is expected to normalize in 2008, following a full five years of restrictions.

Environmental Trends

Globally, every year nearly 13 million hectares of forest is lost due to deforestation. Global and national policy arenas focused on climate change have identified deforestation and forest degradation as important sources of greenhouse gas emissions. Carbon emissions from land-use change are estimated to account for one-fifth of current global carbon emissions, and maintaining existing forests has been promoted as one of the least expensive climate change mitigation options.

In Canada, there has been no significant change in the total forest area over the last 15 years. Most of Canada's rangeland is contained in the four western provinces. In B.C. about 85 per cent of the land area used by the ranching industry is owned by the Crown.

Figure 1: B.C. Coast and Interior Annual Timber Harvest 1997–2007



In British Columbia, less than one half of a percent of the forest is logged each year and, building upon B.C.'s strong legacy of reforestation, in early 2008 the B.C. government committed to pursue a goal of zero net deforestation. In 2007, the B.C. timber harvest was 75.6 million cubic metres — about seven per cent lower than 2006, and almost nine per cent lower than the 10-year average — a reflection of multiple market pressures in 2007 including those previously described.

Addressing potential long-term environmental consequences in our forests and rangelands due to climate change continued to be a key challenge at the provincial, national and international levels. In British Columbia climate change may increase forest and range productivity in certain areas of the province. However, it may also cause adjustments in watershed hydrology which could have implications for vegetation composition, forest-damaging events such as ice storms, floods and droughts, a shorter winter logging season and a longer fire season. Implications of climate change for rangelands include water and forage shortage, potential introduction of new invasive plants and the spread of invasive plants already present. In 2007/08 invasive plant populations continued to expand, most notably in riparian habitats, at higher elevations, and in those areas affected by the mountain pine beetle. A few invasive plant species are declining in density due to successful containment and biological control programs.



Climate change impacts forest health by contributing to conditions that foster insect and disease outbreaks. The mountain pine beetle continues to devastate the mature pine forest in the interior of the province. The Ministry projects that 76 per cent of the merchantable pine in the province will be killed by the beetle by 2013. The total volume of trees infested by the mountain pine beetle increased in 2007 to 710 million cubic metres of timber

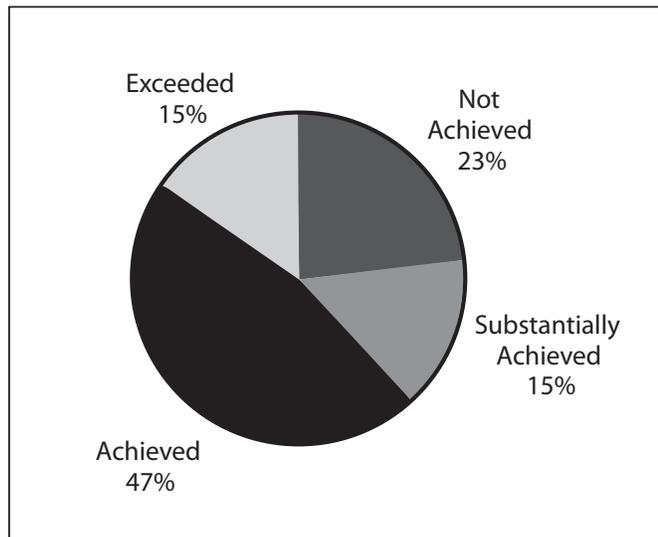
from 582 million in 2006. The cumulative area of British Columbia now affected is estimated at about 13.5 million hectares.

Report on Performance

This year's annual report is based on the Ministry Service Plan published in 2007/08. There was a transition in government-wide service planning in 2008/09 to streamline performance measurement and reporting to better align with the strategic priorities of Ministries. This year's annual service plan report for the 2007/08 fiscal year will not reflect this streamlined set of measures. However, some notable changes that will be seen in next year's report include a reduction from 12 performance measures to five which take the vital signs of the Ministry's performance at the strategic level.

Those measures that no longer appear in the Ministry Service Plan are retained as corporate performance measures that will track progress at the operational level in the Ministry's business plans. Further, the Ministry of Forests and Range relies on its entire organization's commitment to performance accountability by making full use of internal performance measures to link progress from the top down and bottom up through its tradition of monitoring and reporting on its key functions, strategies and operations at the Corporate, District and Regional levels.

The achievements reported in the performance results section are categorized following central government's guidelines as "exceeded; achieved; substantially achieved; not achieved; data not available." The Ministry applies these categories to each performance measure individually, as the variance from targets range in value among measures. For example, one percentage point in gross revenue can represent millions of dollars, but +/- 10 per cent on another measure would not be a significant difference.



As shown in the chart above, among the thirteen performance measures presented in this report, the Ministry has substantially met or exceeded 77 per cent of its performance targets. Those three targets that were not achieved this year are mainly affected by factors noted in the strategic context, including the U.S. housing and credit crisis which has profoundly impacted the forest sector and the Ministry's ability to meet all targets.

Performance Results Summary Table

Goal 1: Sustainable forest and range resources For greater detail see pages 17 to 30	2007/08 Target	2007/08 Actual
1.1 Wildfire and forest pests are detected, managed and prevented Per cent of wildfire contained at less than 4 hectares	92%	92% ACHIEVED
Per cent of area of mountain pine beetle units that achieve treatment targets:		
• Aggressive Emergency Management Units	100%	69% NOT ACHIEVED
• Special Management Units	100%	97% SUBSTANTIALLY ACHIEVED
1.2 Exemplary stewardship of forest resources Ratio of area reforested to area harvested or lost to fire and pest	0.86	0.83 NOT ACHIEVED
1.3 Compliance is promoted and statutory obligations are enforced Per cent of forest operators' compliance with statutory requirements that regulate forest practices	94%	94% ACHIEVED
1.4 Sustainable forest management of public forests is fostered and improved through Forest Investment Account programs <i>Assessed by Forest Investment Account third party administrators</i>	N/A	N/A

Goal 2: Sustainable socio-economic benefits from forest and range resources For greater detail see pages 30 to 46	2007/08 Target	2007/08 Actual
2.1 Crown range is healthy and sustainably managed for multiple-use and supports a competitive ranching industry Per cent of available Crown range under a form of agreement	94%	94% ACHIEVED
2.2 Conditions that foster a competitive forest industry <i>Assessed annually as part of Ministry's strategic context</i>	N/A	N/A
2.3 Fair market value for the use of public forest and range resources Crown forest and range gross revenue (\$ billions)	1.066	1.088 EXCEEDED
2.4 Use of allowable annual cut is optimized through effective tenuring Per cent of Timber Supply Area and Tree Farm Licence allowable annual cut under a form of tenure	90%	90% ACHIEVED
2.5 Long term economic stability is encouraged for communities affected by the mountain pine beetle epidemic Per cent of mountain pine beetle impacted communities covered by a socio-economic adjustment plan	15%	15% ACHIEVED
2.6 A safe, reliable and environmentally sound forest road network which balances industrial, commercial and public use in a cost-effective manner reflecting the level of use Per cent of non-industrial use Forest Service road kilometres open for vehicular access	90%	95% EXCEEDED

Goal 2: Sustainable socio-economic benefits from forest and range resources For greater detail see pages 30 to 46	2007/08 Target	2007/08 Actual
2.7 Increased First Nations' opportunities for participation in the forest sector; stability on the land base; and forestry operations that respect First Nations' interests on the land base Total number (cumulative) of Forest and Range Agreements and Forest and Range Opportunity Agreements signed with First Nations	130	120 SUBSTANTIALLY ACHIEVED
2.8 Market Crown timber through BC Timber Sales to establish market price and capture the value of the asset for the public Per cent of total provincial allowable annual cut auctioned by BC Timber Sales	20%	17.5% NOT ACHIEVED
Goal 3: Highly effective, innovative and responsive organization For greater detail see pages 47 to 48	2007/08 Target	2007/08 Actual
3.1 Effective, innovative and responsive management framework and infrastructure that supports the achievement of Ministry goals and objectives Ministry of Forests and Range staff engagement level	>63%	67% ACHIEVED

Goals, Objectives, Strategies and Performance Results

This section details the results of performance measures linked to the objectives under each of the Ministry goals. In addition, strategies have been restated to briefly indicate what has been done in advancing the objectives over 2007/08.

Goal 1: Sustainable forest and range resources

This goal is the foundation of all Ministry of Forests and Range functions. B.C.'s forest and range resources will not be available for use now and in the future, if they are not managed sustainably today. In addition, the global definition of sustainability is undergoing constant review and refinement, and this dialogue will no doubt inform the Ministry's strategic planning as it addresses issues like climate change and an effective response to the mountain pine beetle epidemic.

The entire forest sector, including forest and range licensees, the public, other agencies and groups, all influence the achievement of this goal. For this reason, achievement of the goal is best assessed by looking at long-term trends in selected attributes of forest and range resources, such as forest soil and water capacity, range carrying capacity and timber productivity. Detailed assessments of these attributes are published periodically in the Ministry's State of B.C.'s Forests Report www.for.gov.bc.ca/hfp/sof/. The Ministry has focused its contribution to achieving the goal of sustainable forest and range resources by setting clear objectives for Ministry activities.

Objective 1.1: Wildfire and forest pests are detected, managed and prevented

This objective reflects the Ministry's intent to protect forest and range resources and investments by minimizing losses and mitigating future risks from wildfire and forest health infestations, including insect pests, diseases and invasive plants. Wildfire and forest pests are managed and reported separately.

a) Wildfire



Over the past four years, achievement of this objective has been supported by implementation of recommendations from the internal and external inquiries of the 2003 and 2004 fire seasons. The strategy has provided funding for 86 community wildfire protection plans to date and 192 fuel management projects have been initiated to date. As well, British Columbia has taken on a key role in developing the Canadian

Wildland Fire Strategy to help protect communities and accelerate improvements to the provincial and national wildfire infrastructure. The strategy has now been endorsed by all territorial, provincial and federal forest ministers.

Achieving this objective for wildfire depends on the severity of hot dry weather, ground fuel accumulations, and availability of trained crews, equipment, air tankers and other resources. Preparedness, in the form of having crews and resources available, is the best way to address the risk of hot, dry weather. Availability of resources depends on partnerships with the federal government, local governments, communities and the forest industry, which the Ministry pursues as a key strategy.

Strategies

- 1) Ensured fire preparedness and rapid, effective initial attack by continuing to implement the *Wildfire Act* including streamlined regulations.
- 2) Continued to renegotiate agreements with utilities and develop new agreements with other sectors to increase cost recovery for fire protection activities.

- 3) Continued to implement a fuel-management strategy in wildland urban interface areas throughout B.C. by working with the Union of B.C. Municipalities to heighten public awareness through the promotion of FireSmart programs and by assisting communities in developing strategies to identify and reduce the threat from wildfires. This included a First Nations mountain pine beetle fuel management working group, with representation from Federal and Provincial governments, developing a harmonized strategy to address community fire safety issues arising from the provincial mountain pine beetle infestation. The First Nations Emergency Services Society has contacted 95 of the 103 potentially mountain pine beetle affected First Nations communities within the past year. Thirty First Nations communities are actively pursuing funding opportunities to carry out fuel management planning and treatments in affected areas.

Performance Results

Performance Measure	2002/03 Baseline	2005/06 Actual	2006/07 Actual	2007/08 Target	2007/08 Actual
Per cent of wildfire contained at less than four hectares (on a five year rolling average)	93%	92%	92%	92%	92% ACHIEVED

Data Source: Fire Reporting System.

Discussion of Results

This is a measure of the Ministry's success rate for initial attack on wildfires, as an estimate of fires less than four hectares in final size. If fire size is kept to less than four hectares, damage and costs for fire suppression are minimized.

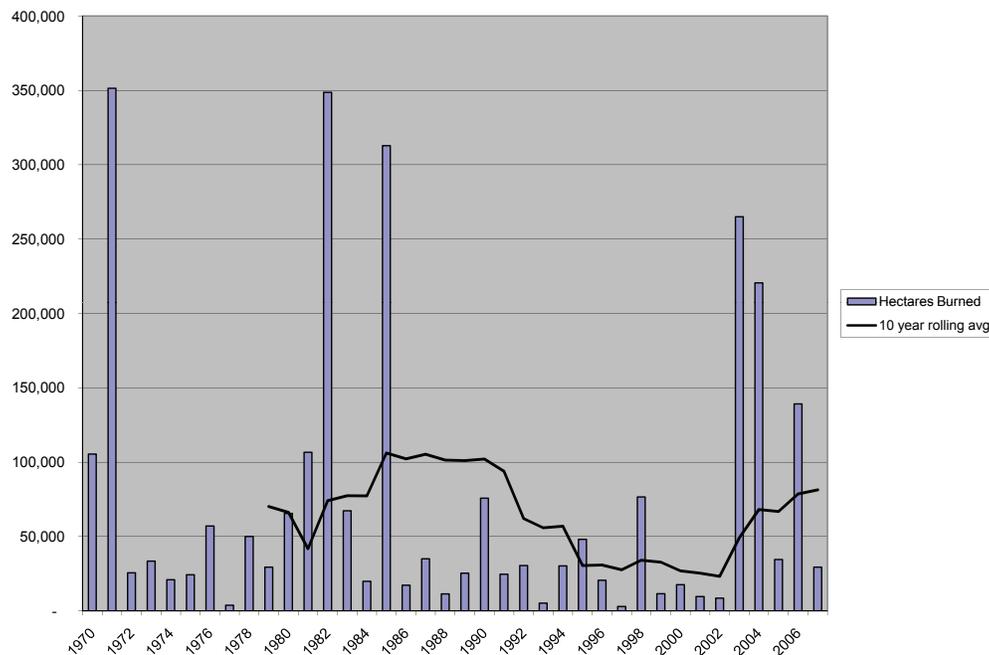
In 2007/08 there was no variance from target. B.C. has the highest average number of fire starts in Canada at 1,805 per year (based on a 10-year average as at 2006). Alberta and Ontario, with 1,277 and 1,390 respectively, also track success of initial wildfire attack. Alberta's most recent published target is 94 per cent (in 2006). The last published data for Ontario shows



an initial attack success rate of 96.4 per cent in 2001. While the information cannot be compared directly year to year, it appears that all three jurisdictions target and achieve initial wildfire attack success rates between 90 and 96 per cent. Differences in land ownership, policy, access, forest type and climate conditions account for the six per cent variation.

See Appendix A for further information on wildfire prevention and fuel management.

Figure 2: Total Hectares Lost to Unwanted Wildfire, 1970 – 2007



b) Forest Health

The capacity of the Ministry to prevent forest pest infestations is largely influenced by our ability to predict insect population cycles, and perform ongoing monitoring and detection. The Ministry co-ordinates research and modeling of insect populations with other agencies,

and ensures that an aerial overview survey of provincial forests is done each year to detect new or growing infestations. Managing forest pests is done in partnership with the federal government and forest industry, and in the case of an epidemic with economic impacts like the mountain pine beetle, in co-ordination with communities, First Nations and other government agencies.

Gypsy Moth Suppression

In 2007/08, 100 per cent of the province's gypsy moth infestations were contained. The infestations occurred on Vancouver and Saltspring Islands, where aerial and ground spraying and mass trappings treated 532 hectares of land.

Strategies

- 1) Early detection and treatment of insect infestations other than mountain pine beetle, including gypsy moth and other defoliators. In 2007/08, 55,000 hectares were treated for defoliators and 100 per cent of gypsy moth infestations were contained.
- 2) Continued implementation of Objective 5 of the Mountain Pine Beetle Action Plan, specifically controlling mountain pine beetle infestations to prevent or reduce damage to forests in areas that are susceptible to, but not experiencing, epidemic infestations. In collaboration with Alberta, BC Parks, Parks Canada and Natural Resources Canada, the Ministry completed detection and treatment activities to slow the spread of the beetle north of the Peace River and into Alberta and Canada's boreal forest. This collaboration included the initiation of a 10-year prescribed burning plan for critical beetle pathways through the southern Rocky Mountains into Alberta.
- 3) Forest health status was monitored through an annual aerial overview survey of the province and evaluated.

The Mountain Pine Beetle Action Plan

This Action Plan provides a long term government-wide approach to mitigating the impacts of the mountain pine beetle infestation in British Columbia. The federal government contributed funding to some components of the plan, and the Province and licensees are funding others. There are nine specific programs under the plan which mitigate environmental impacts of the epidemic and support economic sustainability. For more information visit: www.gov.bc.ca/pinebeetle.

Performance Results

Performance Measures ¹	2005/06 Actual	2006/07 Actual	2007/08 Target	2007/08 Actual
Per cent of area of mountain pine beetle management units that achieve treatment targets:				
• Aggressive Emergency Management Units ²	69%	71%	100%	69% NOT ACHIEVED
• Special Management Units ³	100%	100%	100%	97% SUBSTANTIALLY ACHIEVED

Data Source: Aerial and ground surveys and treatment records.

¹ The performance indicator for the success of the treatments each year is represented as a percentage of the number of Aggressive Emergency Management Units that met the 80 to 100 per cent treatment target divided by the total number of units identified and funded for Aggressive Management. The success of the spread control efforts within the Special Management Units is calculated as the percentage of Special Management areas treated to target levels.

² Areas of the province that have been assigned suppression targets are designated as Aggressive Emergency Management Units.

³ Areas of the province that have been designated as Special Management Units to indicate where treatment efforts are being made solely for limiting spread versus population suppression.

Discussion of Results

The infestation continues to expand within B.C., and effects of an unprecedented massive flight occurring in the summer of 2006 are still being felt in the Peace Forest District and Alberta, reaching as far east as Slave Lake. An unusual weather event coinciding with the peak of beetle flight caused the mass migration. The large increase in new attacks resulted in a lower than projected achievement of targets in both 2006/07 and 2007/08.

By March 2008, the beetle had attacked 13.5 million hectares to varying degrees of severity, and the density of the attack intensified. The infestation is classified by the severity of attack in two types of management units or designated areas: Aggressive Emergency and Special (shown in Table 1). The areas are mapped and can be viewed at: www.for.gov.bc.ca/hfp/mountain_pine_beetle/maps/ebbma.

*Table 1
Mountain Pine Beetle Management Unit Treatment Types*

Management Unit	Main Focus of Treatment
Aggressive Emergency	High-level: population suppression (target: 80-100% reduction to endemic levels)
Special	Secondary level: spread control (target: stem flow eastward v. reduce to endemic levels)

Population Suppression

The Ministry achieved only 69 per cent (46 of 67) of its Service Plan target of 100 per cent of Aggressive Emergency Management Units achieving effective treatment levels.

Aggressive Emergency Management Units are sites where new infestations occur and are treated through targeted small-block harvesting, falling and burning, use of pheromone baits, or other methods. To effectively suppress a growing beetle population below endemic levels, the objective of aggressive control treatments is to destroy 80 to 100 per cent of the detected mountain pine beetle brood before they fly and attack other pine trees. In the ever-expanding infestation throughout the central interior of B.C., effective aggressive treatment is very limited mainly due to difficult topography.

Harvesting the beetle infested trees rather than burning them is a preferred treatment option. However, the downturn in B.C.'s forest industry and the unprecedented pressures and challenges facing licensees resulted in harvesting operations being curtailed in many areas of B.C. Areas of specific concern include the Mackenzie and Skeena-Stikine Forest Districts, where the problem of reduced harvest rates was compounded by the greater than predicted expansion of the beetle, hence effective treatment levels were achieved in only three of their 22 Aggressive Emergency Management Units. However, four of the six forest districts with Aggressive Emergency Management Units were still able to achieve treatment targets in the majority of their Units.

Spread Control

In 2007/08, the Ministry substantially achieved its Service Plan target with 97 per cent (36 of 37) of Special Management Units achieving the Canadian Forest Service target, i.e., that greater than 75 per cent of infested trees must be treated before the next beetle flight. In the one Special Management Unit that did not meet the recommended treatment target, 60 per cent of the infested trees were treated.



Spread control priorities are highest closest to the Alberta-B.C. border. These areas have been designated as Special Management Units where treatment efforts are being made solely for limiting spread versus population suppression. Minimum treatment targets are lower in these Units primarily because they are usually more difficult to access.

The spread control treatment strategy in the Peace Forest District changed in 2007/08 to focus north of the Peace River in the Fort St. John Timber Supply Area. The Ministry has successfully treated the southern Rocky Mountains portion of the border to minimize spread into Alberta, in doing so assisted Alberta to achieve 100 per cent of their suppression targets on the eastern slopes of the Rockies.

Ministry Response

The Canadian Forest Service predicts a significant potential for the beetle to spread into the vast jack pine forests that are common throughout the entire country. A new spread control management system will target infested areas with the largest potential for spread into Alberta and the boreal forest from B.C.'s Special Management Units.

In addition to provincial objectives, the Ministry communicates regularly with the Province of Alberta, National Parks Canada and the federal government to co-ordinate mountain pine beetle spread control efforts to limit the eastern spread of the B.C. outbreak. More information on the extent of the infestation and government's plans can be found at: www.for.gov.bc.ca/hfp/mountain_pine_beetle/.

Objective 1.2: Exemplary stewardship of forest resources

Exemplary forest stewardship is the result of the creation of a stewardship culture among professionals and managers involved in forest management. It is identified by integrated resource management, maintaining ecosystem resilience, ensuring all productive areas are reforested and, where possible, enhancing productivity.

The Ministry manages risks to achieving this objective and the associated strategies by working with professional associations, engaging in regular discussion with the public and effective consultation with First Nations. The Ministry strives to base stewardship decisions on quality inventory and data management; operational monitoring of forest practices and the outcomes of licensee strategies; maintenance of long-term environmental monitoring studies; analyses of greenhouse gas emissions and carbon sequestrations; measuring site productivity and predicting the growth and yield resulting from specific activities.

Climate Change and Future Forest Ecosystems

The Future Forest Ecosystem Initiative launched by the Chief Forester looks at the impacts of climate change on forestry. By producing high-resolution spatial data and modeling current and future climate change scenarios, the initiative will assist in revising species selection guidelines to maximize future forest productivity and forest health.

www.for.gov.bc.ca/hts/Future_Forests/

In addition best management practices are achieved through improving gene and seed resources, growing improved seedlings, applying natural disturbance ecology principles, reforestation and other silviculture activities. Many of these activities are undertaken collaboratively using multi-stakeholder committees and inter-agency partnerships. The level of funding available largely determines the extent that forest resources can be restored or enhanced. Specific funding is allocated from the Forest Stand Management Fund, the Forest Investment Account and the Forests for Tomorrow Program.

Strategies

- 1) Continued to collaboratively evaluate, improve and manage the forest policy framework. In 2007/08 the Ministry initiated the planning for a climate-based seed transfer system to assist in reducing some of the negative effects, and capitalizing on some of the benefits that a changing climate will have on forest productivity. Making the transition from current transfer rules to new climate-based rules will require careful management given the range and complexity of policy and operational implications of this change. Over the next 3-5 years, an assessment of options will be undertaken under the guidance of the Forest Genetics Council of BC.

- 2) Adapted forest stewardship policy and practices to changing social, economic and environmental conditions. For example, in 2007/08 the Ministry initiated work on a scientific foundation for adapting the forest and management framework to foster ecosystem resilience to climate change. This is one of 30 projects underway through the Future Forest Ecosystem Initiative.
- 3) Applied up-to-date and accurate forest resource information and best research and analysis to inform decision makers, clients and the public. In January 2008, the Ministry released its Climate Change, Impacts & Adaptation Scenarios report, which outlines possible future climate scenarios for B.C., and describes potential impacts on forest and range resources. It includes options for and challenges to adapting to climate change, and makes recommendations for potential responses: www.for.gov.bc.ca/hfd/pubs/Docs/Tr/Tr045.htm.
- 4) Developed and implemented programs to restore, maintain or enhance forest resource values. In January 2008, the Future Forest Ecosystem Initiative released its Strategic Plan www.for.gov.bc.ca/hts/Future_Forests/ for the period 2007 to 2010, which describes the Initiative's direction and how it will be implemented by the Ministry in collaboration with delivery partners.

Performance Results

Performance Measure ¹	2005/06 Actual	2006/07 Actual	2007/08 Target	2007/08 Actual
Ratio of area reforested to area harvested or lost to fire and pest (unsalvageable losses)	0.94	0.90	0.86	0.83 NOT ACHIEVED

Data Source: The ratio uses data from the past five years (a five-year rolling average), submitted by licensees and the Ministry, to RESULTS (Reporting Silviculture Updates and Landstatus Tracking System). Data is submitted, according to legislated requirements, before June 1 each year for the previous year ending March 31. The information used to calculate the ratio (Table 1: Changes in the Not Satisfactorily Restocked Crown Land) will be posted in the fall 2008 at: www.for.gov.bc.ca/hfd/pubs/docs/mr/annual/ar_2007-08/tables/.

¹ The data methodology for this measure was updated for the 2007/08 – 2009/10 Ministry of Forests and Range Service Plan and is used here to report on accomplishments. The retrospective data has also been updated using the new methodology. See Figure 2 in the 2007/08 Service Plan www.bcbudget.gov.bc.ca/2007/sp/pdf/ministry/for.pdf for the comparison of old versus new methodologies, which shows that the trend is consistent although the new ratio is higher. The retrospective data has been updated using the new methodology.

Discussion of Results

The ratio of area reforested to area harvested or lost to fire and pest is a high-level indicator of stewardship and restoration of forest resources and ultimately, of sustainable forest productivity. A ratio of 1.0 indicates areas being reforested are in balance with those being harvested or lost to fire and pests. A ratio of less than 1.0 reflects a trend towards increased Not Sufficiently Restocked (NSR) area with more productive area being harvested or lost to fire and pest than reforested.

The ratio combines all Crown land areas to be reforested. This includes:

- areas under licensee basic silviculture obligations, which track close to 1.0 as a steady state, indicating industry is meeting their basic silviculture obligations; and
- areas where there is no basic silviculture obligation including those resulting from unsalvageable fire and pest losses, and areas of backlog reforestation. These areas are addressed as funding is available through the Forest Investment Account and the Forests for Tomorrow program.

This indicator now uses net area harvested instead of gross area harvested. Net area (defined under the *Forest and Range Practices Act*) does not include roads and landings permanently removed from the productive land base or uncut reserves established for wildlife or visual objectives. The change was made to more accurately reflect the area being actively managed and to be consistent with the silviculture indicator used in the Ministry's State of the Forests Report. The trend shown in the old and new indicators is consistent although the new ratio is higher.

The present 2007/08 ratio is slightly lower than the forecasted ratio due to several factors:

- The NSR balance was higher at the start of 2007/08 due to increased harvesting activity in the previous fiscal. The actual harvest area for 2007/08 was slightly higher than the forecast harvest area used to develop the performance measure for the service plan. In addition, the area that is NSR from natural and plantation failures has increased.
- The actual identification of NSR area from mountain pine beetle affected areas and other impacted stands was also higher than the forecast area. The Forests for Tomorrow Program and other government programs (e.g., Forest Investment Account), are responsible for funding the subsequent treatments for this type of NSR.
- The actual planted and naturally regenerated area for 2007/08 was also higher than the forecast regenerated area used to develop the performance measure for the service plan. However, the resultant impact on the actual NSR ratio is insufficient to elevate the ratio significantly higher toward the target ratio due to the increase in plantation failure and additional identified NSR from government funded reforestation surveys.

Ministry Response

Key specific strategies planned to achieve this performance objective:

- Forecasted elevated planting programs due to the increase in harvesting noted above in 2007/08. There is an inherent lag time after logging (typically 2 to 3 years maximum in the interior of B.C.) that harvested areas are planted and then positively impacting the NSR ratio. Therefore it is anticipated that this lag will begin commencing next fiscal year.

- The Forests for Tomorrow Program will accelerate its planting programs with in the next two fiscal years on mountain pine beetle and fire impacted areas. However, new identified NSR from mountain pine beetle and wildfire will follow a similar time lag as harvesting. In addition, the Forests for Tomorrow Program is ramping up its survey program in areas affected by mountain pine beetle; therefore additional NSR may be added thus further impacting the ratio.
- Forests for Tomorrow/Forest Investment Account funding for Backlog NSR surveys will have a positive impact on the ratio.

Objective 1.3: Compliance is promoted and statutory obligations are enforced

The implementation of a compliance and enforcement regime for *Forest and Range Practices Act* and the *Wildfire Act* and a compliance and enforcement regime for pricing and revenue will protect the Province's forest and range resources and ensure British Columbians receive fair value from the use of those resources, by upholding the law.

Risks to achieving this objective are mitigated by having professional accountability for forest practices, a risk-based inspection regime, well-trained staff, effective legal counsel, and by working in partnership with other law enforcement agencies.

Strategies

- 1) The Compliance and Enforcement program introduced a revised compliance procedures manual to reflect forest stewardship plan results and strategies inspections under the *Forest and Range Practices Act*, new procedures for enforcement of the *Wildfire Act*, and new risk assessment processes and procedures for timber pricing inspections.
- 2) A revised training matrix was completed and new training courses were developed for all compliance and enforcement staff and managers.
- 3) Applied quality assurance principles and procedures to verify government's compliance with its own statutory obligations, and to verify Ministry compliance with its compliance and enforcement policies and procedures. Quality assurance programs were active in all three regions, and additional reviews were completed by some districts. A provincial quality assurance program was initiated at Branch level and various audits were performed by outside agencies used for programs' continuous improvement.
- 4) The principle of continuous improvement was applied on an ongoing basis with new compliance procedures completed, and training and job descriptions updated. All compliance and enforcement policies were reviewed and updated in 2007/08.

- 5) Balanced compliance and enforcement requirements among forest practices, revenue/ pricing and forest stewardship plan results and strategies based on established priorities and risks. In 2007/08, pricing risk assessment was developed, pricing inspection training was delivered, and all program activities included a risk assessment process. Pilot inspections were completed on some initial forest stewardship plan results and strategies.

Performance Results

Performance Measure	2001/02 Baseline ¹	2005/06 Actual	2006/07 Actual	2007/08 Target	2007/08 Actual
Per cent of forest and range operators' compliance with statutory requirements that regulate forest practices	90%	91%	94%	94%	94% ACHIEVED

Data Source: Ministry of Forests and Range Compliance Information Management System.

¹ The rate of compliance has consistently been greater than 90 per cent, the 2001/02 baseline, for the past nine years.

Discussion of Results

This is a measure of how well forest and range operators are complying with the statutory requirements that regulate forest practices. It is an indicator of goal achievement, rather than the objective of the Ministry in promoting and measuring compliance and enforcing obligations. This measure was selected as an indicator of the management decisions of forest and range operators and the effectiveness of the Compliance and Enforcement Program which are key to the outcome of sustainable forest resources.

Forest and range operators are all industry (major and small business) licensees. Compliance is with the *Forest Practices Code of B.C. Act*, *Forest Act*, *Wildfire Act* and the *Forest and Range Practices Act* and their associated regulations.

This indicator measures the number of inspections completed without any non-compliances that lead to a determined or prosecuted enforcement action versus the number of inspections completed. The sites inspected are assessed for environmental, social and or economic risks. In 2007/08, efficiencies in inspections were gained by redefining available sites, focusing on higher risk sites and through continued staff training. In addition, attention to quality assurance improved the consistency of inspections recorded in the Compliance Information Management System.

The baseline was set at 90 per cent in 2001/02 using existing data, which was the first year that the Compliance and Enforcement Program was restructured as an independent and integrated organization within the Ministry. The target was set slightly higher than the baseline to promote

continuous improvement toward higher standards. The performance measure does not include any compliance actions that may have been initiated for incidents of alleged non-compliance where the impact or significance was deemed low.

Although Ontario tracks compliance, it is difficult to compare performance directly between B.C. and Ontario due to substantively different resource laws, policies and land ownership. Ontario tracks “the rate of compliance with resource laws”, reported as 93.4 per cent in 2004/05 and targeted at 92 per cent for 2006/07.

Objective 1.4: Sustainable forest management of public forests is fostered and improved through Forest Investment Account programs

The high-level objective of the Forest Investment Account is to assist government in developing a globally recognized, sustainably managed forest industry.

Fostering sustainable forest management is pursued through all Forest Investment Account programs. Investment dollars are directed to incremental activities on public land in such areas as research and enhanced forestry. Risks associated with achieving Forest Investment Account objectives and demonstrating value-for-money are effectively mitigated through third-party administration and audit agreements, program boards and councils, technical standards and oversight provided by a multidisciplinary Forest Investment Council.

Strategies

- 1) Develop and implement sound business practices incorporating strong financial controls, a performance management framework, and a monitoring, audit and evaluation program.
- 2) The advisory body for each Forest Investment program will provide input towards determining direction and guidance for recipients of program funding.

Discussion of Results

The Ministry has required structures and processes in all programs under the Forest Investment Account to ensure efficient and effective use of government funds. In 2007/08 all five Forest Investment Account programs achieved the set strategies by having an annual planning and priority setting process, a proposal review process, financial controls and monitoring, and a reporting of performance. Having an advisory board or steering committee overseeing all Forest Investment Account programs has resulted in funding being focused at the highest priorities in each area and an ongoing process of continuous improvement. These groups were involved in program planning, management, and either direct administration or administration through an external third party organization.

Achievement of Forest Investment Account objectives and strategies is accomplished through program activities carried out by proponents under the co-ordination of the program administrator. Assessment of outcomes and outputs is captured through annual reports generated by each program, found online at the following links. The Crown Land Use Planning program reports achievements directly to the Forest Investment Council.

Land Based Investment Program: www.fialicensees.com

Forest Science Program: www.fia-fsp.ca

Forest Genetics Conservation and Management: www.fgcouncil.bc.ca/

Market Development Program: www.bcfii.ca

Goal 2: Sustainable socio-economic benefits from forest and range resources

Forest and range resources are managed for social and economic benefits for all British Columbians. These benefits include a healthy economy resulting from competitive forest and ranching industries, which in turn generate fair public revenue from the use of Crown forests. Sustainability of these benefits also relies on a sustainable, safe and innovative workforce. Balancing the benefits for the public, First Nations, communities, industry, forest workers and other stakeholders is a complex function of government. While some components of this goal are within the control of the Ministry, other aspects are subject to external influences such as international markets, trade agreements, the level of investment by forest companies, treaty negotiations with First Nations, and forest fire and pest epidemic impacts on the economies of forest-based communities.

Objective 2.1: Crown range is healthy and sustainably managed for multiple-use and supports a competitive ranching industry

In 2007/08, this objective focused on protecting Crown range and optimizing the use of Crown range resources through administration of rights through the *Range Act* and the *Land Act*, and the management of rights under the *Forest and Range Practices Act*.

In 2007/08, the Range Program initiated the development of a strategic plan that will guide its activities and priorities over the next five years. Ecosystem restoration planning and treatments were expanded from two to nine districts. Although funding under the Natural Range Program of the Mountain Pine Beetle Action Plan ends this year, it has helped to mitigate the impacts of the loss of natural range barriers and maintain fences impacted by timber and/or salvage harvesting. However, additional resources and efforts are required to continue mitigating the impacts of mountain pine beetle.

Challenges of the range program included ever-increasing stakeholder and public pressures on range resources for multiple uses, and the downturn in the ranching industry.

Strategies

- 1) To evaluate rangeland health and effectiveness of range management practices the program continued to audit and monitor range practices, and worked in close collaboration with the Forest and Range Evaluation Program.
- 2) Seven additional districts initiated ecosystem planning and treatments to restore rangeland ecosystems degraded by forest ingrowth, and forest encroachment.
- 3) To rehabilitate ecosystems that are degraded by invasive plants, the program continued the containment of priority invasive plant species to reduce further spread, and to reduce the area under infestation using biological control insects, and chemical and mechanical treatments.
- 4) The program continued to increase awareness and education on proper range management practices by delivering four rangeland management schools through a collaborative initiative that involved BC Cattlemen's Association, the Ministry of Agriculture and Lands, Thompson Rivers University, Prairie Farm Rehabilitation Administration, and Ducks Unlimited.
- 5) The range program continued the allocation, administration and management of range use, including grazing leases previously held by Land and Water BC Inc.

Performance Results

Performance Measure	2005/06 Actual	2006/07 Actual	2007/08 Target	2007/08 Actual
Per cent of available Crown range under a form of agreement	93%	94%	94%	94% ACHIEVED

Data Source: Forest District Offices.

Discussion of Results

Per cent of available Crown range under a form of agreement measures the effectiveness of the Ministry's allocation and administration of range available for grazing or hay cutting and is based upon possible and actual range agreement areas.

The measure assesses the efficiency of the range program in allocating Crown range with the ultimate outcome of maximizing economic benefits from Crown range by supporting a multiple-use and a competitive ranching industry.

In 2007/08, the range program allocated 94 per cent of available Crown range. This target was achieved despite numerous challenges in First Nations' consultations, and the vacancy allocation process.

Objective 2.2: Conditions that foster a competitive forest industry

A competitive business climate that attracts capital investment and allows the forest sector to maintain and expand its role as the province's leading goods export industry is critical to the well being of communities and provincial revenue.

The Ministry of Forests and Range, as the manager and regulator of the provincial Crown forest, can have an impact on the competitiveness of the forest industry. In addition to the role of land owner and regulator, many government policies (federal, provincial and municipal), such as building and maintaining a strong infrastructure, providing competitive tax regimes, world-leading environmental regulation and excellent education and training, all influence the forest sector's ability to grow and compete internationally.

Strategies

Three areas in which the Ministry can assist in providing conditions that foster a competitive forest sector are: regulation, market access and encouraging innovation.

- 1) The Ministry has been diligent in ensuring new regulations, policies and their implementation do not unnecessarily reduce competitiveness.
- 2) The Ministry worked with the federal government to make sure that the operation of the 2006 Softwood Lumber Agreement, and changes arising from further negotiations and discussions called for in the Agreement, assist in providing access to the U.S. market. The Ministry also continues to work with Forestry Innovation Investment Ltd. on market access and acceptance issues to build new markets for B.C. forest products in China and other Pacific Rim countries.

International Exchange

In fall 2007, senior Ministry staff participated in 'Megaflorestais', an annual international meeting of heads of large forest agencies, held in St. Petersburg and gave presentations on tenure systems at meetings on forest policy at the Continuous Forest Education Institute in Pushkino (near Moscow) with support from the World Bank funded Sustainable Forestry Pilot Project.

The Russian Federal Forest Agency visited British Columbia in December 2007 to learn about the ministry's forest tenure and pricing systems, compliance and enforcement, log exports, forest management and timber auctions. While in B.C. they visited the Forestry Innovation Investment offices, the University of British Columbia, FPInnovations and a logging site, the Arrow Boundary and Kootenay lake district offices, South East fire centre and a sawmill in the Kootenays.

- 3) The Ministry worked cooperatively with other agencies and the forest industry to develop a shared vision for growth in value-added products, including encouraging a greater synergy between primary and secondary manufacturing sectors, and supporting innovation through investing in research, development and product development.

Discussion of Results

Regulation

Ministry of Forests and Range policies and actions can directly affect the cost of logs to mills, which is a major determinant in the sector's ability to compete. The implementation of market-based pricing ensures the stumpage system is responsive to market conditions and reflects the value of the resource. The movement to a results-based forest regulation has allowed for efficiencies in forest management.

A full regulatory review of programs affecting forestry improve efficiency of forest management was announced in January 2008. The 90-day review is a comprehensive process that examines legislation, regulations, policies and processes affecting the forest industry. In March 2008, forest licence holders and forest sector associations were invited to suggest changes. To date, over 540 submissions were received from the forest industry covering 26 subject areas, ranging from quick fixes to major legislative initiatives.

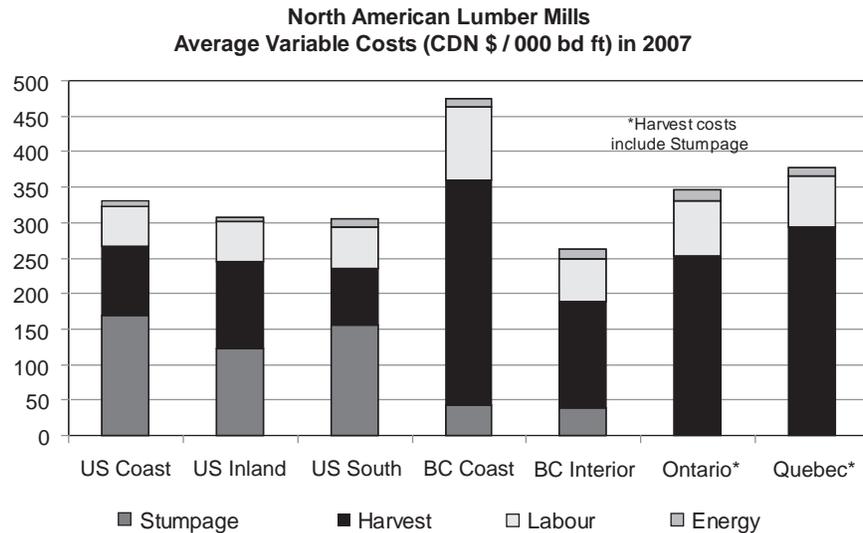
Market Access

Maintaining and building access to markets is key to keeping the forest sector competitive. The Ministry commissioned PricewaterhouseCoopers to study the effects of the 2006 Softwood Lumber Agreement on the remanufacturing sector.¹ The study found that most independent lumber remanufacturers benefited from the 'first mill' provision, i.e., those without tenure pay the lumber export tax on the lower value of fibre input rather than the value of final products, thus paying less tax.

The Ministry also monitors the competitiveness and market access of the forest sector. For example, one way of determining the relative competitiveness of the B.C. lumber industry is to compare average variable costs to those in competing North American jurisdictions. B.C. Interior lumber mills had the lowest delivered wood costs (Harvest and Stumpage) and average variable costs in North America in 2007. However, B.C. coastal lumber mills had much higher costs compared with other North American regions (See Figure 3, following). The Ministry is reviewing approaches to comparing annual delivered wood costs to periodically assess the effectiveness of its policies.

¹ PricewaterhouseCoopers' report can be found at:
www.for.gov.bc.ca/het/Softwood/Lumber%20Reman%20Final%20Report%20Sept%2028%202007%20with%20cover.pdf

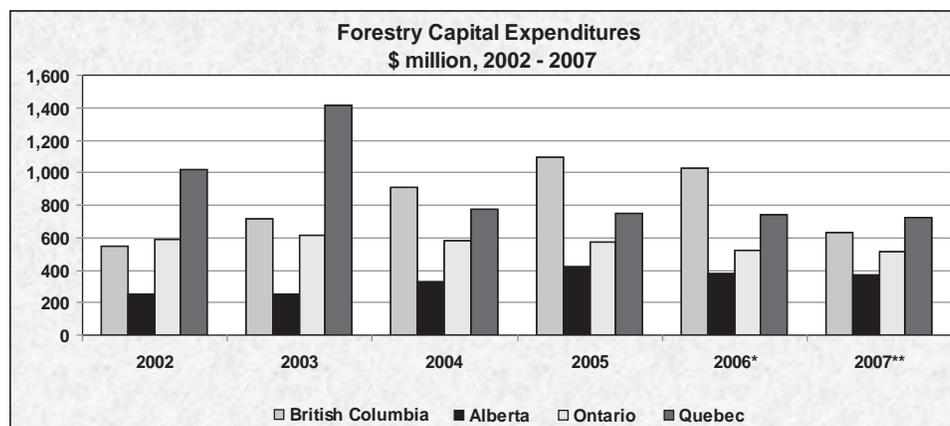
Figure 3: Average Variable Costs Comparison, 2007



Source: RISI; one of the leading information providers for the global forest products industry. The data do not include lumber export charge paid on Canadian exports to the U.S. Refer to their publications/analyst reports/data at: www.risiinfo.com/.

Industry can increase its competitiveness through capital investment in construction, machinery and equipment. Total forest industry investment declined 39 per cent in B.C. in 2007 as companies did not generate the profits to fund investment (see Figure 4, below). The figure shows the cyclical nature of investment across Canada. Quebec experienced strong investment in 2003 and 2004 due to major investments in pulp and paper. B.C. lumber companies invested heavily between 2003 and 2006 in order to bring down their costs of production so they are the lowest in North America. Now as the mountain pine beetle epidemic is peaking and markets are weak, their investment levels are falling. In contrast, in Alberta, Ontario and Quebec, investment has declined only slightly in recent years.

Figure 4: B.C. Forestry Capital Expenditures in Comparison to Alberta, Ontario and Quebec



* Preliminary Actual ** Revised intentions *** Intentions
Source: Statistics Canada.

Innovation

While difficult to measure, innovation is key to long-term competitiveness. Innovative thinking is encouraged across all Ministry business areas in order to find new efficient ways to deliver our programs, provide services to clients, and address future trends in climate change.

The new Coastal Forest Action Plan focuses on changes needed to enable the sector to respond to emerging trends. Highlights include encouraging innovation through science and technology, more efficient timber marking, improving land use certainty, moving to harvesting second-growth forests, improving First Nations' policies and encouraging harvest of deciduous tree species.

View the Plan at: www.for.gov.bc.ca/mof/CoastalPlan/cap07.pdf

Objective 2.3: Fair market value for the use of public forest and range resources

The Ministry has a legislative responsibility to assert the financial interests of the Government in its forest and range resources in a systematic and equitable manner. The Ministry continually reviews and modifies revenue policies and procedures to ensure that fair value is received.

Strategies

- 1) The Coast market based pricing system equations were fully updated on June 1, 2007.
- 2) The Interior market-based pricing system equations were fully updated on July 1, 2007.
- 3) The Interior log grade changes of July 1, 2006 are now fully implemented and continue to be monitored.
- 4) Changes to the timber pricing components of the 2006 Softwood Lumber Agreement were notified to the U.S. as required.

Performance Results

Performance Measure	2005/06 Actual	2006/07 Actual	2007/08 Target ¹	2007/08 Actual
Crown forest and range gross revenue (\$ billions)	1.154	1.181	1.066	1.088 EXCEEDED

Data Source: Ministry of Forests and Range Harvest Billing System.

¹ Revenue targets are set by the Ministry of Finance and continuously updated throughout the year; since published in the Service Plan in February 2007, the 2007/08 FY target of 1.371 was updated in January 2008 to 1.066, which the Ministry of Forests and Range exceeded.

Discussion of Results

Crown forest and range gross revenue represents the value that the public receives from the use of its forest and range resources. The total amount of revenue realized by the Ministry and collected by the Government of British Columbia during each fiscal year includes stumpage and other revenues from timber tenures, BC Timber Sales, range use and other Ministry non-forestry revenues. The Softwood Lumber Agreement came into effect October 12, 2006 and gross revenue forecasts from this date forward include the “Softwood Lumber Border Tax.”

During 2007/08, the actual Crown forest and range revenues were below the target due to an unprecedented decline in the U.S. housing market. This reduced housing demand resulted in significantly lower prices for lumber and other forest products. With the continuing strength of the Canadian dollar and the impacts of the mountain pine beetle infestation in the Interior, stumpage revenue declined considerably during the year. Even though the 2007/08 revenue was down from the original target expectations for the year, it remains within the range of the Ministry’s historical revenue performance benchmark range of \$987 million to \$1.3 billion (from 2001/02 to present). This difficult market cycle is expected to continue through 2008/09.

Table 2: 2007/08 Revenue (Unaudited) by Category and Forest Region

REVENUE CATEGORIES	COAST	N. INTERIOR	S. INTERIOR	VICTORIA	TOTALS
	Revenue (thousands of dollars)				
TIMBER TENURES STUMPAGE	\$162,976	\$119,861	\$169,654	\$18,920	\$471,411
HARVESTING RENTS & FEES	6,479	9,596	9,122	(7,381)	17,816
ALLOWANCE FOR DOUBTFUL ACCOUNTS	0	0	0	(3,255)	(3,255)
EXPORT	1,239	310	134	87	1,770
RANGE	2	352	1,419	0	1,773
WASTE	2,547	318	422	0	3,287
PENALTIES	2	57	8	0	67
INTEREST	383	1,004	554	270	2,211
MISCELLANEOUS	872	309	393	(14)	1,560
SLA EXPORT BORDER TAX	0	0	0	328,584	328,584
FOREST PRACTICES CODE - SILVICULTURE	0	0	(1)	(16)	(17)
B. C. TIMBER SALES	69,344	71,396	100,137	7,763	248,640
RESIDENTIAL TENANCY ACT FEES & LICENCES	0	0	0	1,075	1,075
B. C. HOUSING ENDOWMENT FUND	0	0	0	11,428	11,428
OTHER REVENUE (NON-FORESTRY)	27	10	3	1,378	1,418
TOTALS	\$243,871	\$203,213	\$281,845	\$358,839	\$1,087,768

In the 2008/09–2010/11 *Ministry Service Plan*, this performance measure is considered an indicator of the extent to which the Ministry achieves its second goal: sustainable socio-economic benefits from forest and range resources. After this annual report, Crown forest and range gross revenue will be reported against the goal instead of the more specific objective of fair market value for the use of public forest and range resources.

Ministry Response

The Ministry will continue to work closely with the Ministry of Finance when preparing revenue forecasts. As the 2007/08 year progressed, the Ministry of Forests and Range completed several revised forecasts which ensured that all aspects of the changing key revenue drivers (i.e., lumber and forest products markets; Canadian and U.S. currency fluctuations; and other factors impacting stumpage revenues, such as the mountain pine beetle infestation) were continually monitored and incorporated into the revenue revisions. These revised revenue forecasts reflected the market volatility.

Objective 2.4: Use of allowable annual cut is optimized through effective tenuring

Forest tenures are used to allocate, manage and monitor forest resource opportunities to meet social, economic and other public forest policy objectives. Allowable annual cut in area-based Tree Farm Licences, Woodlot Licences and Community Forest Agreements is available directly to these license holders. For allowable annual cut apportioned in Timber Supply Areas, a fair and effective tenure system is needed to ensure that volume is made available to clients.

Allowable annual cut in Timber Supply Areas and Tree Farm Licences accounts for the majority of the provincial allowable annual cut. BC Timber Sales is accountable for and tracks the issuing of tenure agreements for the allowable annual cut apportioned to their program (see the BC Timber Sales indicator on page 46).

Achieving this objective may be impacted by delays in concluding First Nations consultation processes. The Ministry addresses this risk throughout the First Nations Forest Strategy, which has an objective to increase First Nations' participation in the forest sector, and includes negotiation of Forest and Range Opportunities which document an agreed-upon process for consultation and accommodation on forest management decisions.

Strategies

- 1) Continued to implement the *Forestry Revitalization Act* including timber reallocation.
- 2) Effectively issued and administered an increased number of licences to address key initiatives such as harvesting of mountain pine beetle and other damaged timber, timber reallocation to First Nations, Woodlot Licences, Community Forestry Agreements and BC Timber Sales programs, and the transferring of harvest rights. Specifically, in 2007/08 the Ministry:
 - entered into more than 32 direct award licences with First Nations totalling over 950,000m³/year;
 - invited seven communities to apply for a probationary community forest agreement totalling 131,500m³/year;

- issued 10 new probationary community forest agreements for 258,000m³/yr; and replaced two probationary community forest agreements with long term agreements totalling 28,844m³/yr;
 - issued over 900,000m³ of small scale salvage volume under Forestry Licence to Cuts, and 17 Intermediate Scale Salvage Licences.
- 3) Continued to incorporate continuous improvement principles to ensure tenure administration is as streamlined as possible.

Performance Results

Performance Measure	2005/06 Actual	2006/07 Actual	2007/08 Target ³	2007/08 Actual
Per cent of Timber Supply Area and Tree Farm Licence allowable annual cut under a form of tenure ¹	N/A ²	N/A	90%	90% ACHIEVED

Data Source: Regions and Districts.

¹ This measure excludes Woodlot Licences, Community Forest Agreements and BC Timber Sales. The measure is taken as at March 31 annually as the annual allowable cut is subject to change at the discretion of the Chief Forester.

² This measure was revised in 2007/08 when Tree Farm Licences were included to reflect the uncommitted allowable annual cut within Tree Farm Licences that has resulted from timber volume reallocation and that will be redistributed to First Nations and other new small tenures.

³ The target published for this measure in the 2007/08 – 2010/11 Service Plan was 80 per cent. Shortly after publication, the target was revised to 90 per cent reflecting that uncommitted volumes became available for disposition faster than expected — from mountain pine beetle allowable annual cut uplifts in the Southern and Northern Interior Forest Regions and from timber reallocation in the Coast Forest Region.

Discussion of Results

This indicator is intended to report on the diligence of the Crown in optimizing provincial allowable annual cut under a form of a tenure agreement to make it available for harvesting. It includes allowable annual cut apportioned under Timber Supply Areas and allowable annual cut from Tree Farm Licences, but does not include allowable annual cut from Woodlot Licences, Community Forest Agreements or the BC Timber Sales Program.

The Ministry is monitoring and managing potential delays in reallocating the volume taken back from forest licensees under the *Forestry Revitalization Act* and from the increase in workload needed to administer tenures for the additional volume approved for cutting as part of the mountain pine beetle salvage operations.

Objective 2.5: Long term economic stability is encouraged for communities affected by the mountain pine beetle epidemic

This objective reflects the Ministry's intent to recover the greatest value from dead stands impacted by mountain pine beetle through ensuring that market access and manufacturing problems are not the limiting factor to a successful long-term salvage program, and to encourage long-term economic sustainability for affected communities.

This objective is supported by the development and implementation of strategic regional socio-economic adjustment plans for forest-dependent communities within mountain pine beetle affected areas. Implementation of this objective is achieved through the co-ordinated efforts of the Ministry of Forests and Range and other ministries guided by community diversification and stability actions under the Mountain Pine Beetle Action Plan.

Strategies

- 1) Investigated immediate manufacturing problems to improve the profitability of the dead dry wood.
- 2) In 2007/08 new products and markets for the beetle-impacted wood were developed through Forestry Innovation Investment Ltd., including new product and applications of mountain pine beetle wood such as enhanced termite resistance for borate-treated lumber, development of hardened flooring, coating of hot oil-treated siding using mountain pine beetle impacted Lodgepole pine, development of mountain pine beetle wood composites, and manufacturing and testing of glulams made from mountain pine beetle laminating stock.
- 3) Socio-economic adjustment planning proceeded, including exploring possibilities for economic diversification, economic pre-feasibility analysis on opportunities, investment recruitment, business retention, community marketing and general economic research.

Forestry Innovation Investment

Forestry Innovation Investment has a lead role in the B.C. government's Mountain Pine Beetle Action Plan with responsibilities for supporting market research, market development, product development, technical and manufacturing research, as well as market communications associated specifically with these topics. Further information can be found at: www.bcfii.ca/.

Performance Results

Performance Measure	2005/06 Actual	2006/07 Actual	2007/08 Target ²	2007/08 Actual
Per cent of mountain pine beetle impacted communities covered by a mountain pine beetle socio-economic adjustment plan	N/A	N/A ¹	15%	15% ACHIEVED

Data Source: Ministry of Forests and Range, Mountain Pine Beetle Emergency Response Division.

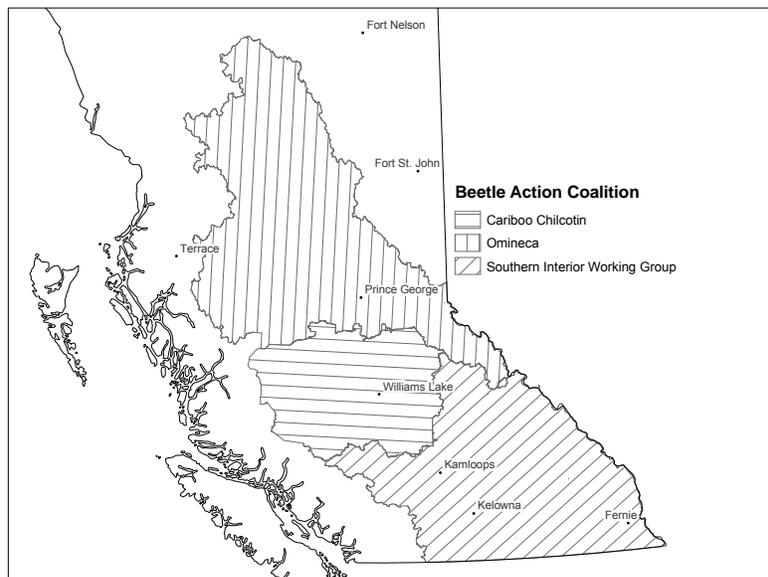
¹ New measure in 2007/08; funding was first provided to local governments' Beetle Action Coalitions in 2005/06.

² Targets are set such that each of the three Beetle Action Coalitions will report to government over a three year period. The targets set in 2006/07 for the first of three years of plan development were based on an initial estimate of impacted local governments' and First Nations' communities of 34 and 70, respectively, for the entire area of the province then-affected by mountain pine beetle. Each Coalition represents a percentage of the total number of communities affected.

Discussion of Results

Response to the mountain pine beetle epidemic requires a high degree of planning at all government levels. This measure assesses the extent to which necessary planning is completed at the local government level. The Ministry encourages local government planning by providing funding to local governments based on Beetle Action Coalitions' business plans, which define the proposed work required to complete their socio-economic adjustment planning. Local governments submit their completed socio-economic plans through their Beetle Action Coalition to the Province of B.C. Figure 5, below, shows the geographic areas of the three coalitions.

Figure 5: Beetle Action Coalition Geographic Areas



The 2007/08 service plan target was met as the Cariboo-Chilcotin Beetle Action Coalition (central interior), the first to incorporate in 2005/06, has completed their socio-economic adjustment plan. This plan represents a culmination of almost three years collaborative planning work and study, and presents sector and integration strategies and recommendations to government.

Omineca Beetle Action Coalition (northern interior) was the second coalition to form in 2005/06 and has submitted a new business plan, to be assessed in the first quarter of 2008/09. During 2007/08 the third coalition, the Southern Interior Beetle Action Coalition, was formed and funded based on its first business plan.

However, the number of communities impacted by mountain pine beetle has changed within those geographic areas as the epidemic spreads and local governments, through their Beetle Action Coalitions, adjust their membership. In response to the complication of changes in coalition membership, the definition of community will be changed in next year's Service Plan.

The *Local Government Act* offers the regional district structure as an accountable and flexible platform on which to support communities within such vast geographic regions. While the target percentage for 2008/09 may change due to the new methodology, the three-year 2009/10 target of 100 per cent of affected communities covered by a socio-economic adjustment plan will not change. The three coalitions are accountable to the Province for their operational structure, planning process and plans for their respective geographic areas within that timeframe.

Objective 2.6: A safe, reliable and environmentally sound forest road network which balances industrial, commercial and public use in a cost effective manner reflecting the level of use

The intent of this objective is to provide the necessary infrastructure to access timber, range, communities, recreation, and other resource values while minimizing environmental impacts. Routine activities that contribute to achieving this objective include carrying out maintenance on Forest Service roads in conformance with legislation and policies, replacing deteriorated priority non-industrial Forest Service road bridges, deactivating Forest Service roads that are no longer required, and enforcing legal obligations with respect to forest road construction, maintenance and use.

Strategies

- 1) Continued to develop legislation, in cooperation with the Ministry of Energy, Mines and Petroleum, Resources, Ministry of Transportation, Ministry of Agriculture and Lands, Ministry of Tourism, Sport and the Arts, the Oil and Gas Commission and Industry to consolidate road construction, road use, maintenance, deactivation and enforcement standards among all resource users and agencies. The *Resource Road Act* was developed and prepared for an April 10th submission for review by the Legislative Review Committee.
- 2) Continued to support and participate in BC Forest Safety Council's "On the Road Safety and Action Plan" to encourage safe drivers, safe trucks, safe resource roads and safe highways in the Forest Sector. An Assistant Deputy Ministers' safety steering committee was formed as well.
- 3) Continued to work towards rationalizing the provincial road network (Forest Service roads and public roads/highways) between the Ministry of Forests and Range and the Ministry of Transportation. Approximately six kilometres of Forest Service roads were transferred to Ministry of Transportation.
- 4) Engineering continued to balance the industrial, commercial and public use of the forest road network in a cost-effective manner reflecting the level of use — this may include deactivation and transfer to other agencies, organizations and ministries. The ministry capitalized all Forest Service Roads that provide access to Rural Residences and high value recreation sites and trails and important recreational areas as designated by Ministry of Tourism, Sport and the Arts. Capitalization will provide the ministry with

both capital money and money for liabilities associated with deactivation of FSRs and Non-Status Roads (NSRs) in Fiscal Year 2008/09. Road maintenance carried-out by the Ministry focuses on the non-industrial Forest Service road network providing access for communities, rural residences and public recreation sites, trails and important recreation areas managed by Ministry of Tourism, Sport and the Arts, and to protect the environment.

- 5) Assess and, where funding is available, incorporate the increases to the Forest Service road network resulting from timber reallocation, wildfire and mountain pine beetle. The Ministry continued to do one time maintenance and assessments for those roads which the Ministry was looking at taking responsibility for as FSRs due to timber reallocation.
- 6) Improve access infrastructure related in allowable annual cut uplift areas due to the mountain pine beetle infestation. To improve access infrastructure due to increased beetle-wood logging and hauling, safety-related upgrades were implemented on approximately 130 kilometres of Forest Service road and six major structures.

Performance Results

Performance Measure	2005/06 Actual	2006/07 Actual	2007/08 Target	2007/08 Actual
Per cent of non-industrial (community, recreational and general) use Forest Service road kilometres open for vehicular access ¹	100%	92%	90%	95% EXCEEDED

Data Source: Forest Service Districts.

¹ Industrial-use Forest Service roads are maintained by industrial users under road-use permits, and other industrial-use forest roads are maintained under road permits and special use permits. Roads assigned to BC Timber Sales are excluded.

Discussion of Results

This is a measure of the reliability of the non-industrial Forest Service road network which serves communities and recreation areas as well as rural residences and commercial operations. This non-industrial network represents approximately 11,790 kilometres, including community use (1,360 km), recreation use (3,145 km) and general use (7,285 km). Kilometres that are open for vehicular access are those that are not closed for safety or environmental reasons (includes non-industrial bridge removal or closure).

The target for this performance measure was exceeded. The 2007/08 target was 90 per cent and the actual was 95 per cent resulting in a variance of five per cent. The variance is because there were fewer roads closed this year than anticipated. This was a result of additional funding available due to a Treasury Board uplift approved mid-year and also due to minimal damage resulting from spring freshets in the Interior and the fall rains on the Coast. Also road inventories are improving through the addition of road information to the Ministry's Forest Road database.

The surface conditions on these Forest Service roads may vary because the maintenance activities depend on the type of non-industrial use. General use Forest Service roads have only a wilderness level of maintenance which provides for maintenance due to environmental or safety-related issues but does not guarantee motor vehicle access. Community-use and recreation-use Forest Service roads also have a wilderness level of maintenance, but they also have access-related surface and structural maintenance. Industrial-use Forest Service roads are maintained by industrial users under road-use permits, and other industrial-use forest roads are maintained under road permits and special use permits.

Ministry Response

Achieving this objective is largely influenced by the level of funding available to replace deteriorating bridges and undertake emergency and routine repairs. These high-cost activities are offset by the benefits of maintaining industrial and community access important to the forest economy and British Columbians. In addition, when not addressed in the short term, the costs of mitigating environmental damage and re-establishing access are higher over time. The Ministry received additional funding in 2004/05 and 2005/06 to address bridge replacement and this mitigated aspects of this risk in the immediate term. However, continued deterioration of Forest Service road non-industrial bridges over the long term will continue to impact the Ministry's performance in this area.

The capitalization of Forest Service roads that access rural residences and Ministry of Tourism, Sport and the Arts designated high priority recreation sites and trails and important recreation areas is shifting from solely an operating budget to also having capital and liability budgets. This will give the Ministry of Forests and Range the ability to deal with some of the bridge replacements and other capital road works that are outstanding on Forest Service roads which have been designated as tangible capital assets. To better capture non-industrial Forest Service Road maintenance treatment, in 2008/09, community and recreation use roads will be renamed to rural residences and recreation access roads and general use roads will be renamed to environmental maintained roads.

Objective 2.7: Increased First Nations' opportunities for: participation in the forest sector; stability on the land base; and forestry operations that respect First Nations' interests on the land base

This objective supports the Ministry's intent to provide leadership, negotiation skills, advice and guidance and overall co-ordination with respect to forest and range activities in the New Relationship with First Nations. Achieving this objective will support Government's objective to ensure Aboriginal communities share in the economic and social development of B.C. The Ministry of Forests and Range seeks to work on the following strategies in an open, transparent and collaborative approach with First Nations.

Strategies

- 1) Consultation with First Nations was undertaken in accordance with the Crown's legal obligations.
- 2) Agreements were negotiated with First Nations, in addition to those reported below.
- 3) Support was provided for priority treaty tables.
- 4) The Ministry of Aboriginal Relations and Reconciliation was supported in the further development of the New Relationship.

Performance Results

Performance Measure	2005/06 Actual	2006/07 Actual	2007/08 Target	2007/08 Actual
Total number (cumulative) of Forest and Range Agreements and Forest and Range Opportunity Agreements signed with First Nations ¹	76	110	130	120 SUBSTANTIALLY ACHIEVED

Data Source: Ministry of Forests and Range.

¹ Some agreement offers include more than one First Nation in the offer. The number of eligible First Nations to be offered agreements is 176. Although offers are made to all eligible First Nations, it is anticipated that not all offers will be accepted and agreements signed.

Discussion of Results

The Province has reached agreement with 137 First Nations from 2002 to March 2008, providing \$221.4 million in revenue, and access to 33.3 million cubic metres of timber. This includes Forest and Range Agreements, Forest and Range Opportunity Agreements and 68 direct award tenures, including 40 to harvest mountain pine beetle timber.

These agreements provide a period of stability for forest and range resource development. They include the provision of economic benefits in the form of tenure and revenue sharing, and many agreements included consultative arrangements that define an agreed upon process between the Ministry and a First Nation for consulting on and addressing aboriginal interests. Offers to negotiate agreements have been made to all eligible First Nations that have expressed an interest in negotiating an agreement.

As a result of the New Relationship, the Interim Agreement on Forest and Range Opportunities (FRO) was developed to replace the original Forest and Range Agreement (FRA) and is now used on an ongoing basis. The FRO, like its predecessor, provides First Nations with an economic accommodation of their aboriginal interests and commits the Ministry to engage First Nations to develop a consultation protocol outside the agreement to clarify consultation responsibilities of the various parties.

Ministry Response

In 2007/08 the number of agreements signed fell short of the target. This shortfall is due to a number of issues that have slowed the pace of negotiations, including protracted negotiations with First Nations either on the Forest and Range Opportunity Agreement itself due to changes in the legal framework or because of the slowing forest sector economy.

Agreements signed in previous years that expire in 2008/2009 will require replacement. The Ministry will be tracking the replacement agreements internally as well as agreements other than Forest and Range Opportunity Agreements.

Objective 2.8: Market Crown timber through BC Timber Sales to establish market price and capture the value of the asset for the public

In 2006, the BC Competition Council presented to the Premier the reports from its Forest Industry Advisory Committees and made a number of recommendations to the Premier, including one regarding delivery models for BC Timber Sales. As a result, a structural review of BC Timber Sales was undertaken to determine how the organization's structure can most effectively support its mandate and to recommend any needed changes to either the BC Timber Sales structure or delivery model.

The completed structural review confirms the mandate of the BC Timber Sales organization and provides clear direction on what is required for the organization to become more effective and efficient. The recommendations acknowledge the clear expectation of the forest industry that the organization not be diverted from its intent as established in the Forestry Revitalization Plan. The review also recognizes the significant benefits from the strong relationship between BC Timber Sales and the rest of the Ministry, and that this is critical to the Ministry's collective success.

Strategies

- 1) Implement the recommendations of the BC Timber Sales Structural Review.
- 2) Achieve BC Timber Sales goals and objectives through safe and sound forest management practices.
- 3) Be high performing with skilled, motivated and proud people.
- 4) Provide a credible reference point for costs and pricing of timber harvested from public land in B.C.
- 5) Make available a supply of timber to the forest industry, through open and competitive timber auctions, within the parameters of strategies 2 and 4.
- 6) Generate net revenue for the province, within the parameters of strategies 2, 4 and 5.

Performance Results

Performance Measure	2005/06 Actual	2006/07 Actual	2007/08 Target	2007/08 Actual
Per cent of total provincial allowable annual cut auctioned by BC Timber Sales ¹	18%	18%	20%	17.5% NOT ACHIEVED

Data Source: Ministry of Forests and Range Apportionment System and BC Timber Sales Genus System.

¹ This measures the per cent of the total provincial annual timber volume available that was auctioned by BC Timber Sales during the year.

Discussion of Results

The per cent of the total timber volume available that was auctioned by BC Timber Sales during the year is a key indicator of the program's success in supporting the market based pricing system and being a credible reference point for costs and pricing, producing revenues and opportunities to purchase timber by auctioning an increasing proportion of the available provincial timber.

The per cent of Provincial Allowable Annual Cut advertised by BC Timber Sales during the year was 2.5 percentage points less than target and a half point less than the prior year. This was a direct result of BC Timber Sales advertising less timber volume than planned due to local operational challenges, declining fibre quality in beetle areas, completing cultural heritage resource assessments, and other commitments for timber volume in the Prince George Business Area that was planned for auction. The economic downturn also resulted in less demand.

Ministry Response

In 2007/08 BC Timber Sales implemented the recommendations of its Structural Review and staff continued to work hard at overcoming operational challenges to achieve all its objectives and targets. However, the impacts of the high Canadian dollar, declining fibre quality in beetle areas, and poor lumber markets combined to prevent full achievement of all volume and revenue targets for the year.

Full details of BC Timber Sales' objectives and strategies moving forward are set out in its 2008/09–2010/11 Business Plan. Full performance and results are reported in the 2007/08 BC Timber Sales Annual Service Plan Report. Both documents are available on the Ministry's website at: www.for.gov.bc.ca/bcts/.

Goal 3: Highly effective, innovative and responsive organization

The third goal of the Ministry is to create a high-performing organization that will support the achievement of all of the Ministry's goals and objectives. This goal is achieved through innovative leadership and management, support to the organization through effective corporate governance, promotion of a diverse, innovative and productive workforce and provision of efficient management functions and client services, and innovative practices in all core businesses.

While achievement of this goal is largely in control of the Ministry of Forests' leadership, it is influenced by government staffing policies; labour relations and the pool of skilled labour available as well as the workplace challenges related to achieving the Ministry's other two goals.

Objective 3.1: Effective, innovative and responsive management and infrastructure that supports the achievement of Ministry goals and objectives

This objective helps to ensure that the Ministry becomes a more effective organization, which is strong, dynamic and adaptable, and focused on achieving its strategic goals.

Strategies

- 1) Update and align the Ministry's Road Ahead initiative with government's human resources plan and the Ministry's business needs in order to fully engage employees. Specifically:
 - develop a management fundamentals program to include coaching, mentoring, employee performance and other core management skills;
 - develop a Ministry recruitment and retention strategy; and
 - continue to build a learning organization by building capacity within the Ministry through education, experience, application of continuous improvement practices and by applying a percentage of the Ministry's budget to create development opportunities for staff.
- 2) Build corporate processes to develop policy and legislation to maximize business effectiveness.
- 3) Simplify and realign the performance framework to improve ownership and accountability for performance measures and targets.
- 4) Strategically partner with other ministries/organizations on shared/corporate issues/initiatives to allow the Forest Service to maximize the use of internal resources.
- 5) Develop and/or enhance the systems that will most benefit the Ministry and external clients by prioritizing the system requirements against corporate priorities to maximize the use of human and financial resources.
- 6) Continue to work with legal services and enhance education of staff in best practices to mitigate risk.

- 7) Improve corporate services support to the organization including:
- increasing levels of financial training and implementation of key improvements to financial systems and processes to improve financial management; and
 - educating staff in best practices to create a privacy-and-information-access-conscious culture and to manage facilities, vehicles and other key assets to ensure the Ministry receives the best value for money and strategically positions the Ministry for the longer term.

Performance Results

Performance Measure	2005/06 Actual	2006/07 Actual	2007/08 Target	2007/08 Actual
Ministry of Forests and Range staff engagement level ¹	N/A	63%	>63%	67% ACHIEVED

Data Source: BC Public Service Agency Work Environment Survey.

¹ This indicator was first introduced in the 2007/08 Ministry of Forests and Range Service Plan.

Discussion of Results

The Ministry's 2006 engagement level was 63 per cent. The BC Public Service Agency's definition of engagement is that employees are engaged when they are satisfied with their job, satisfied with their organization, and committed to the BC Public Service. The Ministry achieved the target to improve over 63 per cent with a 2007 engagement score of 67 per cent due to a concerted effort to align the service plan with our integrated people practices.

To improve the engagement level over the next three years, Ministry leaders will focus on strategies that will support and enhance the building blocks of engagement, which include: empowerment; vision; mission; goals; recognition; pay and benefits; staffing practices; stress and workload; physical environment and tools; teamwork; professional development; and respectful work environment.

Key to the evolution of a continually engaged employee population is the combination of local and corporate workforce planning. In the spirit of innovation and cost-savings the Ministry is also expanding the use of internal Ministry experts, such as facilitators and coaches, to guide the required changes and to meet challenges. Developing internal expertise increases staff engagement by transforming how they do business, and decreases dependency on and the associated costs of external consultants.

Alignment of internal resources to meet change-readiness targets frees up capacity and resources to strengthen internal programs. For example, the Succession Planning and Knowledge Transfer program which, combined with the greater integration of coaching throughout the entire organization, is greatly strengthening Ministry leadership capacity.

Report on Resources

Ministry of Forests and Range Resource Summary Table

Core Business Areas	Estimated ¹	Other Authorizations ²	Total Estimated	Actual	Variance
Operating Expenses (\$000)					
Protection Against Fire and Pest	124,502	43,360	167,862	179,845	(11,983)
Forest Stewardship	70,298	0	70,298	67,102	3,196
Compliance and Enforcement	28,478	0	28,478	30,908	(2,430)
Range Stewardship and Grazing	6,830	0	6,830	7,906	(1,076)
Forest Investment	121,698	0	121,698	119,111	2,587
Pricing and Selling Timber	140,482	47,513 ³	187,995	180,603	7,392
Executive and Support Services	53,592	0	53,592	51,278	2,314
BC Timber Sales.....	184,200	51,902	236,102	236,102	000
Contingencies		120	120	120	000
Total	730,080	142,895	872,975	872,975	000
Full-time Equivalents (FTEs)					
Protection Against Fire and Pest	810	0	810	875	(65)
Forest Stewardship	401	0	401	401	0
Compliance and Enforcement	292	0	292	292	0
Range Stewardship and Grazing	65	0	65	65	0
Forest Investment	62	0	62	62	0
Pricing and Selling Timber	836	0	836	836	0
Executive and Support Services	583	0	583	583	0
BC Timber Sales.....	649	0	649	649	0
Total	3,698	0,000	3,698	3,763	(65)

¹ The amounts in the Estimated column correspond to the *Estimates* as presented to the legislative assembly in February 2007.

² Other Authorizations include Supplementary Estimates, Statutory Appropriations and Contingencies.

Protection Against Fire and Pests — Supplementary estimates of \$43.360M were approved to address increased fire activity during the 2007 season.

Pricing and Selling Timber — Contingencies approved were \$11.081M for the accounting change for Forest Service Roads, \$1.726M to support First Nations' New Relationship and \$35.000M for Compensation required as part of the Forest Revitalization Plan implementation.

BC Timber Sales — \$51.902M for increased silviculture liability, inventory write-off and road and bridge deactivation.

Contingencies — \$.120M for an ex gratia payments

³ **Pricing and Selling Timber** — Roads accounting change, First Nations and Forest Revitalization Trust.

Core Business Areas	Estimated	Other Authorizations ¹	Total Estimated	Actual	Variance
Ministry Capital Expenditures (Consolidated Revenue Fund) (\$000)					
Protection Against Fire and Pest	5,897	0	5,897	5,768	129
Forest Stewardship	3,369	0	3,369	711	2,658
Compliance and Enforcement	1,548	0	1,548	0	1,548
Range Stewardship and Grazing	7	0	7	0	7
Forest Investment	0	0	0	70	(70)
Pricing and Selling Timber	4,179	5,921	10,100	4,081	6,019
Executive and Support Services	5,671	0	5,671	12,743	(7,072)
BC Timber Sales	801	0	801	447	354
Total	21,472	5,921	27,393	23,820	3,573
Other Financing Transactions (\$000)					
BC Timber Sales	0,000	0,000	0,000	0,000	0,000
Receipts	0,000	0,000	0,000	0,000	0,000
Disbursements	50,200	0,000	50,200	70,130	(19,930)
Pricing and Selling Timber	0,000	0,000	0,000	0,000	0,000
Receipts	0,000	0,000	0,000	0,000	0,000
Disbursements	0,000	4,800	4,800	2,050	2,750
Total Disbursements	50,200	4,800	55,000	72,180	(17,180)

¹ Other Authorizations include Supplementary Estimates, Statutory Appropriations and Contingencies.

Pricing and Selling Timber – Approved Contingency included \$5.921M in capital to make an accounting change for capitalization of Forest Service Roads.

Explanatory Comments

In 2007/08 the Ministry received access to contingencies to record the accounting change for Forest Service Roads, for First Nations payments, to increase the Forest Revitalization Account, and an ex gratia payment.

The variance in Protection against Fire and Pests reflects the increased fire activity during 2007 despite supplementary estimates of \$43.360M to address this. The over-utilization of FTE's by approximately 65 FTE's was also a result of the active fire season. Other variances reflect management of expenditures between core business areas and the distribution of higher than anticipated corporate costs.

A major accounting change in 2007/08 was the capitalization of Forest Service Roads, supported by \$11.081M in operating and \$5.921M in capital approved from Contingency. Capitalization will ensure that upgrade and replacement of roads in the future can be amortized.

Ministry of Forests and Range Core Business Areas

The Ministry has eight core business areas, two of which are defined by unique funding sources, the BC Timber Sales Special Account and the Forest Investment Account.

Protection Against Fire and Pests — Focuses on protecting lives, forest resources and investments in the land-base from wildfire; and forest health activities in parks and protected areas, Crown land, urban areas, and other special sites; control of invasive alien plants; and pest management.

Forest Stewardship — Forest stewardship and management at provincial, regional and district levels including forest practices; timber supply planning and determination; applied research and forest gene resource management; reforestation on land under Crown responsibility; and resources inventory.

Compliance and Enforcement — Activities related to upholding British Columbia laws to protect the province's forest and range resources under the jurisdiction of the Ministry of Forests and Range. Primary activities include inspections for compliance; enforcing environmental standards for forest and range management for government and forest and range tenure holders; enforcing revenue-related legislation; combating forest crimes; and enforcing other legal obligations.

Forest Investment — Provides funding to support sustainable forest management practices, improve the public forest asset based, and promote greater returns from the utilization of public timber. Forest investments are delivered through programs administered by government or through third-party administrators. Forest Investment Account programs provide funding to a variety of recipients including tenure holders, forest sector associations, researchers, manufactures and government agencies.

Range Stewardship and Grazing — Ensuring sound environmental stewardship of the range resource, through the regulation of range practices and forage supply management including allocating, administering and managing range use and grazing leases; evaluating rangeland health and effectiveness of range practices; restoring degraded rangeland ecosystems; and promoting and fostering rangeland use management.

Pricing and Selling Timber — Activities related to timber tenure administration, timber pricing, access to markets, community diversification and stability for forest dependent communities; research and development of wood products; meeting obligations with First Nations; First Nations' participation in the forest economy; and building and maintaining forest service road and bridge infrastructure to provide access to timber.

BC Timber Sales — Focuses on providing British Columbians with benefits from the commercial use of public forests. Primary functions include developing Crown timber for auction, creating and maintaining a BC Timber Sales road and bridge infrastructure and achievement of reforestation obligations.

Executive and Support Services — Executive direction; corporate governance; strategic policy; performance management; legislation development; finance; human resources; Freedom of Information; continuous improvement; best practices initiatives; information technology strategy; and central infrastructure.

Forest Practices Board

The Forest Practices Board is an independent watchdog for sound forest practices in B.C.'s public forests. It informs both the British Columbia public and the international marketplace of forest and range licensees' performance in carrying out sound practices and complying with legal requirements. It also ensures that resource ministries are appropriately monitoring and enforcing forest practices legislation.

The Board audits tenure holders and government ministries for compliance with forest practices legislation; carries out special investigations and issues reports as appropriate; investigates concerns and complaints from the public; and participates in appeals to the Forest Appeals Commission. The Board's mandate is provided by the *Forest and Range Practices Act*.

While the Board operates independently from the Ministry of Forests and Range, its budget vote is the responsibility of the Ministry. Therefore, the Board's financial information is referenced in the Ministry's Service Plans and Annual Service Plan Reports. The Board continues to independently report its accomplishments and priorities through an annual report.²

Forest Practices Board Resource Summary Table

Forest Practices Board	Estimated	Other Authorizations	Total Estimated	Actual	Variance
Operating Expenses (\$000)					
Total	3,761	0	3,761	3,759	(2)
Full-time Equivalents¹ (\$000)					
Total	27	0	27	22	(5)
Ministry Capital Expenditures (Consolidated Revenue Fund) (\$000)					
Total	125	0	125	125	0

¹ Actual consumption of full-time equivalent positions was less than estimated because of vacancies and staff leave of absences.

² Annual reports and other information on the Board can be found at: www.fpb.gov.bc.ca/annual.htm.

Annual Service Plan Report Appendices

Appendix A: Hyperlinks to Additional Information

Forests and Range:

Glossary of Forestry Terms in British Columbia:

www.for.gov.bc.ca/hfd/library/documents/glossary/index.htm

The legislation which is administered by the Ministry of Forests and Range can be accessed at:

www.for.gov.bc.ca/tasb/legsregs/comptoc.htm

More information on the Forest Investment Account can be accessed at:

www.for.gov.bc.ca/hcp/fia/

Wildfire Prevention:

www.bcwildfire.ca/ BC Wildfire Prevention (Ministry of Forests and Range Protection Branch)

www.bcwildfire.ca/Prevention/Property/FireSmart.htm FireSmart (Ministry of Forests and Range)

Fuel Management:

<http://ground.hpr.for.gov.bc.ca/> (Ministry of Forests and Range and Union of BC Municipalities)

www.bcwildfire.ca/Prevention/fuelmanagement.htm (Ministry of Forests and Range)

www.fness.bc.ca/Mt_Pine_Beetle/beetle.htm (First Nations Emergency Services Society)

Crowns, Agencies, Boards and Commissions associated with Forests and Range:

Crowns:

Forestry Innovation Investment Ltd. and Forestry Innovation Investment Consulting (Shanghai)

Company Ltd. (subsidiary):

www.bcfii.ca/

Major Commissions and Boards:

Forest Appeals Commission: www.fac.gov.bc.ca/

Forest Practices Board: www.fpb.gov.bc.ca/

Appendix B: Ministry Contact Information

For more information on the Ministry of Forests and Range, visit our website at: www.gov.bc.ca/for or contact:

Headquarters

Strategic Policy and Planning Branch

PO Box 9515 Stn Prov Govt

Victoria BC V8W 9C2

Telephone: 250 356-7900

Fire Protection Headquarters

Telephone: 250 387-5969

BC Timber Sales Headquarters

Telephone: 250 387-4683

Coast Forest Region

2100 Labieux Road

Nanaimo BC V9T 6E9

Telephone: 250 751-7001

Northern Interior Forest Region

Fifth Floor

1011 Fourth Avenue

Prince George BC V2L 3H9

Telephone: 250 565-6100

Southern Interior Forest Region

515 Columbia Street

Kamloops BC V2C 2T7

Telephone: 250 828-4131

Section B:
**Office of Housing and
Construction Standards**

Purpose of Office

The Office of Housing and Construction Standards (the Office) brings together key areas of government devoted to improving access to safe and stable housing for all British Columbians. The Office is responsible for: provincial housing policy; building policy (including the *B.C. Building Code* and the *B.C. Fire Code*); safety policy (relating to mechanical products and systems); and the Residential Tenancy Branch. The Office continues work on three major initiatives:

- Implementation of the provincial housing strategy;
- Development of green building provisions that will support government commitments to reduce greenhouse gas emissions; and
- Modernization of regulatory systems to achieve safety in the design, construction and occupancy of buildings.

The Housing Policy Branch provides policy advice to government on ways to address housing need along the continuum from homelessness to home ownership. Working closely with the BC Housing Management Commission and other social development Ministries, special attention is paid to the most acute need found among low and moderate income British Columbians who have special housing and support needs.

Maintaining and improving public safety and reducing loss of life, injury and property damage is of paramount importance to government. The Building and Safety Policy Branch provides policy advice concerning British Columbia's building regulatory system to improve building safety in the province and to manage existing and emerging technical and building policy issues including the government's commitment to address climate change. In line with the branch's responsibility for the *B.C. Building Code* and the *B.C. Fire Code*, branch activity focuses on the development and maintenance of building regulations, as well as providing support to industry participants. The Branch provides policy and regulatory advice in the areas of electrical, gas, elevating devices, boiler and pressure vessel products and systems, ski lifts, and amusement rides. The Branch also acts as the secretariat to the B.C. Building Code Appeal Board.

Residential Tenancy Branch supports a balance between landlords and tenants with respect to their rights and responsibilities under the *Residential Tenancy Act* and the *Manufactured Home Park Tenancy Act*. The Residential Tenancy Branch provides landlords and tenants with information about their rights and responsibilities, and dispute resolution services.

Services are delivered directly by the Office or through our service delivery partners, the BC Housing Management Commission, the Homeowner Protection Office and the British Columbia Safety Authority.

Strategic Context

Most British Columbians are successfully housed in the private housing market. According to Statistics Canada, about 69 per cent of B.C.'s households own their own homes, while about 30 per cent are renters. Even with the rising cost of homeownership and renting, 85 per cent of B.C.'s households are adequately housed. New strategies have been employed to ensure all British Columbians have access to affordable, safe and adequate housing.

B.C. is enjoying a robust economy with low unemployment rates and sound economic growth. British Columbia's construction sector has been continuing its momentum from the past number of years. In fact, job creation and tax cuts have combined to solidify B.C.'s vibrant economy. Building and construction industries face pressures in order to meet the demand created by this robust economic environment. These pressures include, but are not limited to, the rising cost of building materials, shortages in skilled trade labour, and the impact of population growth on demand for housing in British Columbia.

One of the challenges of the construction boom and population growth is rising property values. This is particularly true in metropolitan areas in B.C. Due to the high cost of single family dwellings, more prospective home owners, particularly first time buyers, are shopping for multi-family dwellings, such as townhouses and condominiums. These property types tend to be more affordable than single family homes. The Canada Mortgage and Housing Corporation reports that in the Greater Vancouver area, the average sale price of all single family dwelling sales was about \$750,000 in 2007 while the average sale price of all condominium style properties was about \$360,000. Affordability is one reason that an increasing number of British Columbians are buying townhouses and condominiums. Developers are responding to this demand. In Greater Victoria, for instance, the bulk of homes under construction are condominium apartments, and 90 per cent of all housing starts in the Vancouver area were made up of multiple family style dwellings in 2007. Changing demographics also play a role in the demand for multi-family properties. Data from the 2006 Census reveals that there are almost as many one person households as 'couple' households in B.C., further fuelling the demand for condominium style properties. Furthermore, the introduction of innovative financing solutions has increased the number of people able to qualify for mortgages. Examples include lower down payment requirements, longer amortizations and interest-only mortgages.

Few new rental units are being built in the private market due to low return on investment and high land and construction costs. Investor purchased condominiums and secondary suites are an important source of rental accommodation. These forms of housing are especially important in areas with low vacancy rates and high rents.

B.C.'s Aboriginal population is growing more quickly than other demographic groups. Almost 70 per cent of Aboriginal people live off-reserve. Of those Aboriginal people who live off-reserve, 28.5 per cent are in core housing need, compared to 15.3 per cent of non-aboriginal households.³

Despite increased investment in transitional and supportive housing, homelessness continues to be a concern across B.C. Although homelessness is often viewed as an urban problem, it exists in many B.C. communities. Low vacancy rates and the limited number of affordable rental units contribute to homelessness, both visible and hidden.

Based on the 2006 Census, Statistics Canada reports that about 14.5 per cent of British Columbians were 65 years of age or older. By 2021, it is projected that 19 per cent of B.C.'s population will be seniors. Although some of this population is characterized by fixed incomes and a need for housing support, many seniors have substantial equity and other assets. This enables them to purchase additional properties, which also drives housing demand in British Columbia.

³ This is based on 2001 Census data from Statistics Canada. Data about core housing need for Aboriginal households is scheduled to come out in the fall of 2008.

Report on Performance

There was a transition in service planning with the 2008/09 service plans; performance measures were revised to better reflect the priorities of the Office of Housing and Construction Standards. **This year's report is based on the Service Plan developed in 2007/08, and therefore will not reflect these new measures.** Some notable changes that will be seen in next year's report include:

- Measuring the reduction in greenhouse gas emissions resulting from the new “green” provisions in the *B.C. Building Code*; and
- A new measure to focus on outcomes, moving those who are homeless toward more stable housing, will be included in next year's report.

Performance Plan Summary Table

Goal 1: Safety in the design, construction and occupancy of buildings For greater detail see pages 60 to 61	2007/08 Target	2007/08 Actual
1.1 Relevant and responsive codes, standards and regulatory systems in place		
1.2 B.C. Homeowners are protected Home warranty claims within industry norms	3% or less with claims	DATA NOT AVAILABLE
Goal 2: Housing and support services targeted to those most in need For greater detail see pages 62 to 65	2007/08 Target	2007/08 Actual
2.1 Individuals in need have access to emergency shelter or permanent housing Percentage of nights where shelters at full occupancy	50% or less	42% ACHIEVED
2.2 Housing and support services targeted to priority groups Percentage of assisted clients belonging to priority groups	86%	79% NOT ACHIEVED
Number of units/beds created or adapted for priority areas	550 adapted 841 created	674 adapted 2,437 created EXCEEDED
Goal 3: Low and moderate income households have an expanded range of housing options For greater detail see pages 65 to 67	2007/08 Target	2007/08 Actual
3.1 Low income households have access to affordable housing Number of new households assisted through rent assistance program	14,390	7,847 NOT ACHIEVED
3.2 Local governments have access to information and planning tools to achieve their goals with respect to affordable housing options in their communities Percentage of local governments in communities over 100,000 that apply affordable housing planning tools and techniques	N/A	DATA NOT AVAILABLE Performance measure EXCEEDED in 2006/07

Data Source: BC Housing.

Goal 4: Balanced landlord and tenant rights and responsibilities For greater detail see pages 68 to 69	2007/08 Target	2007/08 Actual
4.1 Landlord and tenant disputes are avoided or resolved in a timely manner Percentage of residential tenancy dispute resolution hearings scheduled to take place within 6 weeks of filing	92 %	82% NOT ACHIEVED

Goals, Objectives, Strategies and Performance Results

Goal 1: Safety in the design, construction and occupancy of buildings

Objective 1.1: Relevant and responsive codes, standards and regulatory systems in place

Strategies

Safety is achieved through the application of good building practices and appropriate codes and standards. The Modernization Strategy is continuing to review the system to achieve safety in the design, construction and occupancy of buildings. Phase I of this work culminated in the *Housing Statutes Amendment Act* which received Royal Assent on March 31st, 2007. As the Modernization Strategy proceeds, success depends on the continuing involvement of local government representatives, industry and other stakeholders.

The *B.C. Building Code* is written in an objective-based format to promote innovation in design and construction. This means builders and designers are able to utilize alternative designs and/or building materials that comply with the intent of the Code while maintaining public safety. Traditionally, health, safety and accessibility have been the primary objectives of the Code. This year, technical and policy development began in support of new “green” objectives for the Code so that it will be more relevant and responsive to emerging global sustainability needs. The first new “green” provisions announced in April 2008 include:

- Energy Efficiency Requirements for Single Family Houses and Smaller Multi-Family Residential, Commercial and Industrial Buildings;
- Energy Efficiency Requirements for High-Rise Multi-Family Residential Buildings and Larger Industrial, Commercial and Institutional Buildings; and
- Water Efficiency Requirements.

The BC Safety Authority is delegated authority to administer safety programs for electrical, gas, boiler and pressure vessel, refrigeration systems, amusement rides, elevating devices and aerial tramways under the *Safety Standards Act*. The collection and analysis of consistent and comprehensive data is important to implementing programs that will improve safety. This data is published in an annual “State of Safety” Report.

Objective 1.2: B.C. Homeowners are Protected

Strategies

The *Homeowner Protection Act* requires residential builders to be licensed and new homes be covered by mandatory third party home warranty home insurance. The province passed the *Homeowner Protection Amendment Act* in April 2007 and the new provisions became effective November 19, 2007. These changes strengthen:

- licensing requirements for residential builders;
- the criteria that must be met to build a home under the owner-builder exemption; and
- enforcement provisions, including compliance orders and penalties.

The Homeowner Protection Office (HPO) monitors the number and type of claims made under the mandatory home warranty insurance program. The relative quality of new home construction can be determined by the number of claims under the program. The relative safety can be determined by the incidence of claims relating to structural defects and water penetration. This information is important to ongoing research and education activities by the HPO to improve the quality of residential construction.

Performance Results

Performance Measure	2005/06 Actual	2006/07 Actual	2007/08 Target	2007/08 Actual
Home warranty claims within industry norms	N/A	6%	3% or less with claims	DATA NOT AVAILABLE

Data Source: Homeowner Protection Office — This measure is part of the planning and reporting of the HPO and is not included in the Office of Housing and Construction Standards’ Service Plan for 2008/09 to 2010/11.

Discussion of Results

This measure gauges the relative quality of construction through the number of warranty claims as a percentage of homes covered by mandatory warranty insurance. This information is collected by a homeowner satisfaction survey completed every second year. The next survey will be completed in 2008/09.

Goal 2: Housing and support services targeted to those most in need

Objective 2.1: Individuals in need have access to emergency shelter or permanent housing

Homelessness is a serious issue in British Columbia. There are both economic and social costs associated with homelessness. Research in British Columbia estimates that the cost of homelessness for those hardest to house is about \$55,000/person per year. The greatest expenditures are in health care, criminal justice, social services and shelters.

As a first step in addressing the needs of the homeless, government provides emergency shelter bed funding to community agencies to assist individuals who are temporarily without accommodation. Funding provides for year-round beds and is enhanced during the winter months when additional beds are needed because of weather conditions.

Strategies

- New transitional and support services for the homeless;
- Outreach teams to connect the homeless with housing and services;
- Rent supplements to enable homeless people to access rental units in the private market; and
- Enhancing the capacity of homeless shelters.

Performance Results

Performance Measure	2005/06 Actual	2006/07 Actual	2007/08 Target	2007/08 Actual
Percentage of nights where shelters are at full occupancy	N/A	Baseline established	50% or less	42% ACHIEVED

Data Source: BC Housing. Baseline was established in 2006/07 service plan, and was reported as a service plan measure beginning in 2006/07.

Discussion of Results

The number of nights where shelters were at full capacity was 42 per cent in 2007/08. Shelter space should be well used (i.e., high occupancy rate over the year), but minimize instances where they are at full capacity and must turn people away.

Objective 2.2: Housing and support services targeted to priority groups.

The greatest need for housing is among low-income people who have special housing and support needs. This includes: people with mental or physical disabilities, low-income or frail seniors, the homeless or those at risk of homelessness and individuals or families who have experienced domestic violence. Government's response includes housing, and health and other social supports. Research indicates that by providing adequate, stable and affordable housing with appropriate supports to the most vulnerable, health care and other emergency services costs can be reduced.

Strategies

- Completing the devolution agreement and harmonization of federal and provincial policies for social housing;
- Continuing to build new units;
- Converting existing subsidized housing;
- Providing rent supplements for low income households for special needs;
- Continuing Phase II of the Independent Living BC program; and
- Purchasing single room occupancy hotels and converting them into supportive housing units.

Performance Results

Performance Measure	2005/06 Actual	2006/07 Actual	2007/08 Target	2007/08 Actual
Percentage of assisted clients belonging to priority groups	84%	83%	86%	79% NOT ACHIEVED
Number of units/beds created or adapted for priority areas.	N/A	500 adapted 2,472 created	550 adapted 841 created	674 adapted ACHIEVED 2,437 created EXCEEDED

Data Source: BC Housing.

Discussion of Results

As of March 31, 2008, 79 per cent of all households receiving housing assistance were within one of the identified priority groups, less than the target of 86 per cent.

The actual amount of new subsidized housing for priority groups expanded by 2,437 units in 2007/08. This reflects new units delivered through the Provincial Homelessness Initiative (PHI), Independent Living BC (ILBC) and the Aboriginal Housing Initiative (AHI), and through adapting existing housing to serve priority clients.

The actual increase in new units is not reflected in the overall percentage for two reasons. First, the total number of units was reduced as a result of a data verification process that occurred through 2007/08, primarily within the federal social housing portfolio that was transferred to the province. Some priority units were double-counted or incorrectly categorized; this resulted in a one per cent decrease in percentage of clients belonging to priority groups.

Second, the measure inappropriately includes Rental Assistance Program (RAP) and Shelter Aid for Elderly Renters (SAFER) recipients. Both RAP and SAFER will be removed from this measure in the 2009/10 Service Plan, as the performance of these programs is captured in a separate measure (number of new households assisted through rent assistance programs).

For 2007/08, the effect of including RAP in this measure increased the total universe of housing by 4,766. This factor, in combination with the data clean-up, had the effect of outweighing the percentage increase which occurred in newly constructed and adapted units devoted to priority clients. If RAP had been excluded from this measure this year, the result would have been 84 per cent.

In 2007/08, 2,437 new units were added to the existing inventory of subsidized housing. This includes 425 units and 277 rent supplements under ILBC, 1,552 units under PHI (including the purchase of Single Room Occupancy hotels), 10 units created under AHI, 103 units under the Community Partnership Initiatives (CPI) Program, and five units under the Provincial Housing Program. There were also 65 shelter beds created. These units were added in more than 50 communities across the province as a means of increasing the range of housing options available for vulnerable households.

In 2007/08, 674 existing housing units were adapted to better meet the needs of priority groups. Three hundred thirty (330) individuals with a mental illness or addictions were assisted through the Health Services Program, while 55 women with children fleeing abuse were assisted through the Priority Placement Program. Through the Seniors Supportive Housing Program, 196 units were adapted. In addition, new partnerships were established with local health authorities across the province, allowing for an additional 93 units to be targeted to individuals with specific housing and support needs. Establishing new community partnerships resulted in a greater than expected number of units being adapted.

Ministry Response

It is expected that the percentage of clients belonging to priority groups in subsidized housing will increase over time as existing units are adapted or converted and as new units reach completion.

Goal 3: Low and moderate income households have an expanded range of housing options

The private market for affordable rental housing is becoming increasingly tight, as evidenced by communities such as Greater Vancouver, Victoria and Kelowna. The Vancouver Census Metropolitan Area vacancy rate is 0.5 per cent while the equivalent rate in Greater Victoria is 0.7 per cent.⁴ Kelowna faces a zero per cent vacancy rate.⁵ This is due to the lack of new affordable rental housing supply, coupled with a strong economy and in-migration.

There is minimal construction and investment in affordable rental housing in the private market and those units being added tend to be in the higher rent ranges. In spite of the high levels of demand, market rent levels are below the levels required to generate a reasonable return on investment for new construction. On the other hand, investor-owned condominiums and secondary suites in new and existing homes provide opportunities for expanding the supply of available housing.

In 2006, the Province introduced the Rental Assistance Program to help improve affordability for low income working families already housed in the private rental market. This program was further enhanced in 2007/08, as the income threshold was increased from \$20,000 to \$28,000.

Objective 3.1: Low income households have access to affordable housing

Rent assistance programs assist families and individuals who do not have enough income to find and maintain housing in the private market.

Strategies:

- Provincial funding for Shelter Aid for Elderly Renters (SAFER), a rent assistance program targeted to low income seniors;
- Rent allowances for low income households through the Rental Assistance Program (RAP), which helps eligible families bridge the gap between what a household can afford to pay

⁴ Canada Mortgage and Housing Corporation's Rental Market Report — BC Highlights December 2007 survey.

⁵ Canada Mortgage and Housing Corporation's Rental Market Report — Kelowna 2007.

and current rental costs. This program was enhanced to serve more families in 2007/08 by increasing the income ceiling from \$20,000 to \$28,000; and

- The Provincial Homelessness Initiative, which provides second stage or transitional housing to individuals with multiple barriers who are repeat users of shelters.

Performance Results

Performance Measure	2005/06 Actual	2006/07 Actual	2007/08 Target	2007/08 Actual
Number of new households assisted through rent assistance program (new units)	N/A	New Measure	14,390	7,847 NOT ACHIEVED

Discussion of Results

As of March 31, 2008, 7,847 new households were assisted through SAFER and RAP. This includes 4,224 low-income families and 3,623 senior households, which is below the target of 14,390 new households, primarily due to the lower than anticipated take-up of RAP. Over 20,370 households currently receive rental assistance.

Ministry Response

Further changes to RAP were implemented effective April 2008, to expand the eligibility criteria and assist more households. Changes include:

- An increase in the maximum income level to \$35,000;
- An increase in the maximum rent ceilings, which vary according to family size and location within the province;
- An increase in the maximum benefit levels; and
- A minimum benefit amount of \$50 per month or \$600 a year.

Objective 3.2: Local Governments have access to information and planning tools to achieve their goals with respect to affordable housing options in their communities

Local governments are best placed to improve the affordability of market housing through innovative planning and development practices. The province promotes and improves the flow of information on best practices in this area. As part of a comprehensive educational strategy, the Office works with local governments and industry stakeholders to develop and deliver publications, workshops and advice on improving market housing affordability.

Strategies

- Provide resources, research and expertise on market housing affordability to local governments.
- Tools, guides and workshops developed in partnership with local governments, non-profit housing providers and industry to enhance affordability and increase housing options.
- Planning guides address a number of housing issues including: secondary suite programs, community planning initiatives, design guidelines, financial incentives and land use planning and zoning tools.

Working with other Ministries, the Office makes legislative and regulatory amendments that enhance housing planning tools available to local governments. For example, in 2007/08 legislation was introduced to enable local governments to waive development cost charges for affordable rental housing, small lot subdivisions, and developments with a low environmental impact.

Performance Results

Performance Measure	2005/06 Actual	2006/07 Actual	2007/08 Target	2007/08 Actual
Percentage of local government in communities over 100,000 that apply affordable housing planning tools and techniques	N/A	100%	N/A	DATA NOT AVAILABLE

Data Source: Office of Housing and Construction Standards telephone survey of Local Governments with populations greater than 100,000. Since 100% of local governments apply affordable housing planning tools and techniques, this performance measure has been discontinued.

Discussion of Results

The Office exceeded its target in 2006/07. All local governments in communities over 100,000 now apply affordable housing planning tools and techniques to help increase the availability and affordability of housing within the community. As a result, the performance measure was discontinued after the 2007/08–2009/10 Service Plan.

Goal 4: Balanced landlord and tenant rights and responsibilities

Objective 4.1 Landlord and tenant disputes are avoided or resolved in a timely manner

Strategies

- Improved quality of information materials.
- Quicker response to requests for information.
- Restructuring processes and procedures to reduce wait times.

Performance Results

Performance Measure	2005/06 Actual	2006/07 Actual	2007/08 Target	2007/08 Actual
Percentage of residential tenancy dispute resolution hearings scheduled to take place within 6 weeks of filing	70%	78%	92%	82% NOT ACHIEVED

Data Source: Residential Tenancy Branch internal report.

Discussion of Results

The Residential Tenancy Branch provides information to landlords and tenants on their rights and responsibilities. For those landlords and tenants involved in disputes that they are unable to solve themselves, the Residential Tenancy Branch provides quasi-judicial dispute resolution services.

Over the past two years, substantial progress has been made towards achieving the performance measure target of scheduling 92 per cent of dispute resolution hearings within six weeks of filing.

Ministry Response

The Office has taken measures in three areas to address its performance:

- Information;
- Prioritizing applications for dispute resolution; and
- Continuous improvement.

Information: Information is provided to landlords and tenants so that they can address issues without seeking government assistance. For many years, demand had exceeded the capacity of the Residential Tenancy Branch to provide timely responses. In 2007/08, internal reorganization and efficiencies reduced telephone wait times to an average of 55 minutes from 92 minutes in the previous year, even though the number of telephone and e-mail inquiries rose to 315,000, an increase of 27 per cent over the previous year. Many more questions were answered by information on the Residential Tenancy Branch improved website, which also experienced 27 per cent growth in visits in the same timeframe.

Prioritization: Working with stakeholders, the Office identified and prioritized disputes that were most critical to landlords and tenants. This resulted in applications for dispute resolution relating to:

- Early end to tenancy being heard within 1.5 weeks;
- Orders of possession being heard within 3 weeks; and
- Emergency repairs, access and return of property being heard within 3.5 weeks.

These timeframes are significantly shorter than the six week target identified in the performance measure. This is because the prioritization initiative resulted in some applications regarding monetary orders being heard, on average, seven weeks after the application was filed. Stakeholders have indicated this longer period is acceptable in the context of other expedited hearings.

Continuous improvement: The Office launched a Continuous Improvement Project, inviting front-line staff to identify and develop further procedural changes to enhance services. The first measures will be introduced in 2008/09.

Report on Resources

Resource Summary

The Office of Housing and Construction Standards' budget provides funding for housing and construction standard policy development as well as policy and operations within the Residential Tenancy Branch. Housing and construction standard programs are delivered by Crown Agencies, including BC Housing and the Homeowner Protection Office, with funding transferred from the Office of Housing and Construction Standards.

Approximately 92 per cent of the budget is transferred to BC Housing for housing assistance programs.

Resource Summary Table

Core Business Areas	Estimated ¹	Other Authorizations	Total Estimated	Actual	Variance
Operating Expenses (\$000)					
Housing ²	339,143	0,000	339,143	329,058	(10,085)
Building Policy	1,029	0,000	1,029	1,283	254
Safety Policy	1,008	0,000	1,008	482	(526)
Residential Tenancy	6,665	0,000	6,665	6,620	(45)
Total Housing and Construction Standards	347,845	0,000	347,845	337,443	(10,402)
Full-time Equivalents (FTEs)					
Housing	24	0,000	24	30	(6)
Building Policy	11	0,000	11	12	(1)
Safety Policy	9	0,000	9	4	5
Residential Tenancy	80	0,000	80	66	14
Total	124	0,000	124	112	12
Ministry Capital Expenditures (Consolidated Revenue Fund) (\$000)					
Ongoing Projects	281	0,000	281	281	0,000
Total Housing and Construction Standards	281	0,000	281	281	0,000

¹ These amounts have been restated, for comparative purposes only, to be consistent with the presentation of the 2007/08 *Estimates*. Schedule A of the 2007/08 *Estimates*, presents a detailed reconciliation.

² Amount includes \$10 million in interest generated by the new \$250 million Housing Endowment Fund (HEF). Spending in 2007/08 on HEF projects was \$810,000.

Annual Service Plan Report Appendices

Appendix C: Office of Housing and Construction Standards Contact Information

Office of Housing and Construction Standards

PO Box 9844 Stn Prov Govt
Victoria BC V8W 9T2
Telephone: 250 356-6633
website: www.housing.gov.bc.ca

Residential Tenancy Branch

Telephone: Lower Mainland 604 660-1020
Victoria 250 387-1602
Rest of B.C. 1 800 665-8779
website: www.rto.gov.bc.ca

Victoria

First Floor
1019 Wharf Street
Victoria BC V8V 1X4

Lower Mainland

400 - 5021 Kingsway
Burnaby BC V5H 4A5

Kelowna

101 - 2141 Springfield Road
Kelowna BC V1Y 7X1

