Department of Natural Resources

3.2.13 Forestry Management (2002 Annual Report, Part 2.10)

Introduction

In 2002, we performed a review of forestry management at the Department of Forest Resources and Agrifoods. The objective of this review was to determine whether the Department had systems, policies and procedures in place to adequately manage its harvesting and silviculture activities to determine if the goals and objectives for forestry development are being achieved; whether forest management program activities were adequately monitored and reported; and whether there was compliance with legislation and policies.

We concluded that forest inventories were not up to date and accurate; the accuracy of reported harvest levels was not being verified; planned silviculture activities did not meet program objectives; forest management plans were not submitted in accordance with legislation; unmanaged land taxes were not being collected; and annual reports to the House of Assembly on the progress towards the achievement of forestry objectives were not submitted in accordance with legislation.

Update

In October 2004, we contacted the Department of Natural Resources requesting an update as to the progress on the comments and recommendations included in our 2002 report. The information provided by the Department in response to our request is outlined below.

2002 Recommendation

The Department should ensure forest inventories are up to date and accurate.

Action Taken

The Department indicated that the Inventory Program first was established some 40 years ago and the Forest Service has worked hard to keep the Province's forest inventory up to date. Maintaining the 10 year re-inventory cycle originally envisioned, is challenging. Demand for inventory detail has increased while financial resources have remained static. This has led to a lengthening of the cycle in some parts of the Province from 10 to 15 years.

The Department also indicated that the problem of the irregular photo acquisition still exists. In years 2002 and 2004, the Forest Service obtained little new photography, while in 2003 three complete Districts were flown. Some of the irregular nature of photography acquisition is due to the lack of financial resources, as funding for annual photography has been obtained from a range of different funding sources. The Inventory Program requires dedicated funding for the annual acquisition of photography and this requirement has been identified as a Departmental priority under Program Renewal. In addition, in order to catch up on the mapping backlog and to interpret as many of the most recent photographs as possible, a decision was made for several years not to obtain new photography.

2002 Recommendation

The Department should establish procedures to verify the accuracy of reported harvest levels.

Action Taken

The Department indicated that currently, commercial harvesting permits are issued by District offices and operators are monitored through periodic field inspections by the Department's Conservation Officers. Permit returns are reported on a quarterly basis and royalties paid at that time. The Department has long recognized that this type of reporting structure is predominantly based on the honour system and the need for the development of a "verification/tracking" system. In 2000-01, the Department hired a consultant to investigate and develop such a system. The solution was two pronged: the development of a "Load Slip system" and modifications to the computerized reporting system (FORST system).

The Department also indicated that in 2002, it created the position of Fibre Tracking and Consumption Coordinator whose primary responsibility was to develop and implement the Load Slip System and to work with District offices in streamlining the FORST system. Much has been accomplished since that time. The Load Slip System which is now in full use across the Province requires all vehicles transporting roundwood to have a properly completed load slip stating the following: permit number, owner of the wood, estimate of scale and other information pertaining to that load. Purchasers of roundwood (sawmills and pulp mills) cannot receive any load without a properly completed load slip. Copies of load slips are returned to issuing District offices for verification and filing. This system gives the Department the ability to audit each and every commercial permit holder, and the ability to issue fines to contractors for

failure to produce a properly completed load slip upon request. During 2003, some 40,000 load slips were issued to operators for transporting commercial timber which identifies the movement of unreported timber.

It was further indicated that the FORST system is designed to aid in the administration of timber harvest and production by requiring the computerized issuance and tracking of permits and licences and their subsequent fees and royalty returns and is now being fully utilized at the District offices. Modifications have also been made to the FORST system, based upon regular meetings between District offices and the Fibre Tracking and Consumption Coordinator. FORST has been revised to identify the actual sources of timber harvest to ensure that the drain for each timber class and ownership is accounted for and credited to the proper allowable cuts.

2002 Recommendation

The Department should ensure silviculture activities meet program objectives as outlined in the 20 year Forestry Development Plan.

Action Taken

The Department indicated that under-performance was a function of external funding forces beyond the Forest Service's control, (i.e. Government fiscal constraints and decisions on job creation programs). In Forestry's new 20 year strategy document, there is no reference made to proposed treatment levels based on possible ad hoc, external funding. A base silviculture level is set each year, with an associated annual allowable cut (AAC). If the Program underperforms, the AAC will be adjusted accordingly and vice versa. The Crown's planned silviculture treatment levels for 2002 to 2004 were met.

2002 Recommendation

The Department should ensure the Crown and pulp and paper companies comply with legislative planning and reporting requirements.

Action Taken

The Department indicated that as of November 2004, seven 20 Year Plans are in place and 11 in various stages of development. It is important to note, however, that a major overhaul of the management planning regulations has been completed and changes to the *Forestry Act*, reflecting these new planning requirements, including the requirement for a District 20 Year Plan, has been placed on this fall's Legislative Agenda. Under the

new planning regime the Provincial 20 Year Sustainable Forest Management document replaces the District Strategy Document.

The Department also indicated that currently, of the 36 parcels referred to by our Office, only four are without Five Year Operating Plans, all of which are in Labrador. One of the four is currently under environmental assessment review and the planning process has recently commenced in a second Labrador District. The remaining two Labrador Districts without plans have no forest inventory information (a fundamental building block for a plan) and essentially no forestry activity, with the exception of domestic cutting, and no plans are under development in these Districts.

The Department further indicated that at this time, the timeliness of Annual Operating Plan (AOP) submission, review and acceptance remains an issue, but there has been much improvement, particularly in the case of industry AOPs. Additionally, fewer Crown Districts are delinquent in the submission of AOPs. In each of the past three years (2002, 2003 and 2004), Corner Brook Pulp and Paper submitted its AOP on the deadline date (October 15). In the case of Abitibi Consolidated, the plans have been submitted several weeks late. The Crown approved both industry AOPs for 2002 on 21 January 2002, the 2003 AOPs on 12 January 2003 and the 2004 AOPs on 15 January 2004.

It was indicated that the Crown monitors Pulp and Paper Company harvesting activities on the companies' limits. On the planning side, the Crown reviews and approves industry Five Year and Annual Operating Plans. As the plans are implemented, District staff regularly visit industry operations to assess compliance. Reports are prepared and non - compliance issues are identified to industry. The Department is currently refining a draft Bill to allow Crown harvesting regulations, fines, etc., to be applicable to company limits. The Bill is expected to be placed on the 2005 Legislative Agenda.

In terms of harvested volumes, industry submits a formal Past Annual Report each fall, identifying the volume harvested by operating area and District. These volumes are cross checked against the industry AACs.

With regards to unmanaged land taxes not being collected, the Department indicated that due to repeated scheduling conflicts, and the subsequent need to reconstitute the Appeal Board on several occasions, it took considerable time to finally set a date for a Board hearing. Eventually, the Board was put in place in 2002 and a hearing date was set. Prior to the hearing, the pulp and paper company presented the Crown with an offer to resolve the issue. They proposed to drop their appeal and instead of paying an unmanaged tax fine of $69,000, the company would invest twice this dollar value in reforestation. The Crown reviewed the proposal

and received Cabinet permission to accept the offer. The company has since carried out over 80% of the work. The final 20% will be completed in 2005. It is noted that the value of the company's silviculture work, being twice the amount of the penalty, more than covers the interest rate charged on overdue penalties.

2002 Recommendation

The Department should provide a report to the House of Assembly on the progress towards the achievement of forestry objectives.

Action Taken

The Department indicated that the Forestry Branch has a full set of Annual Reports up to 2003. These reports now directly reference the progress made on objectives identified in the Branch's Business Plan and have, in the past two years, been tabled in the House of Assembly.

Department of Tourism, Culture and Recreation

3.2.14 Marble Mountain Development Corporation (2002 Annual Report, Part 2.24)

Introduction

In 2002, we performed a review of Marble Mountain Development Corporation. The objective of this review was to assess the financial position and operations of the Corporation, and determine whether the Corporation was complying with the *Public Tender Act* and *Regulations*.

We concluded that although the Province continued to provide significant operating funding to the Corporation, the Corporation continued to incur operating deficits. We also concluded that the Corporation was not complying with the *Public Tender Act* and *Regulations*.

Update

In October 2004, we contacted Marble Mountain Development Corporation requesting an update as to progress on the comments and recommendations included in our 2002 report. The information provided by the Corporation in response to our request is outlined below.

2002 Recommendation

The Corporation should closely monitor its financial position and take action to address its annual deficits.