



FORESTRY FUTURES TRUST ONTARIO

2011/12 Annual Report

Forestry Futures Trust Committee

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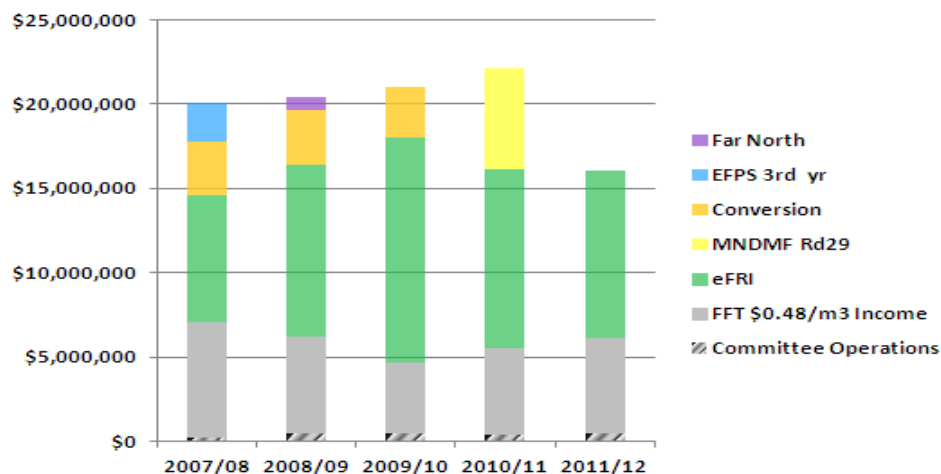
CHAIR'S MESSAGE

This year we, along with the broader forest community, experienced ongoing changes in the forest business community and regulatory environment. The Ontario government's ongoing discussions surrounding forest tenure arrangements for Crown lands, and tighter fiscal realities, remind us that we need to continue to review and streamline our processes. This coming year the Forestry Futures Committee (FFC) will carefully review and document our processes in a revised strategic plan. This will help us focus our management efforts and funding allocations within a fiscally responsible framework that reflects the new realities in both the forest industry and government regulatory environment. I anticipate that this will be a living document. It will evolve, as required, to reflect the outcome of the forest audits, the changing framework for forest management.

It's my ongoing goal that the FFC, through its mandate, will encourage and support environmentally sustainable forestry practices throughout Ontario. We have the opportunity to collaborate with the forest industry, the Ontario Ministry of Natural Resources (MNR) staff, and applied regional and provincial researchers to be part of the changes that are facing Ontario. Special thanks to the MNR's Thom McDonough who worked with the Committee for many years before his retirement of the spring of 2011.

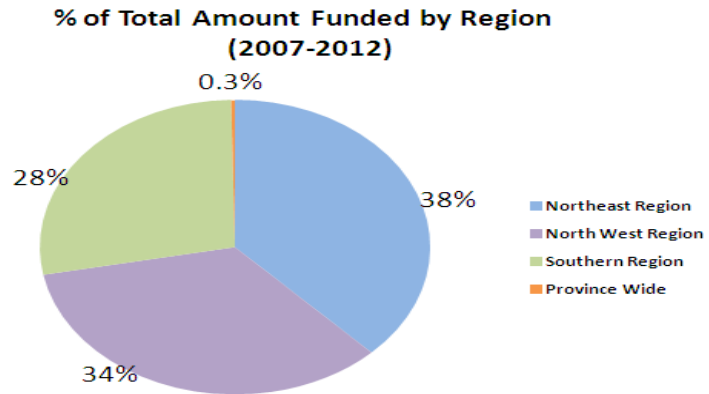
The \$0.48 per m³ charge levied on harvest volumes to support the post-disturbance silviculture and the Independent Forest Audit programs has remained the same, since the Trust was established. The Forest Inventory program is funded through a different model that ensures a \$10 m dollar income per year for this program. The tenure program is also funded through a separate budget. The figure below displays funding allocations by program in relation to our operating budget. This year our overhead costs were 2.8%.

**Operating Budget vs Funds Managed
(2007-2011)**

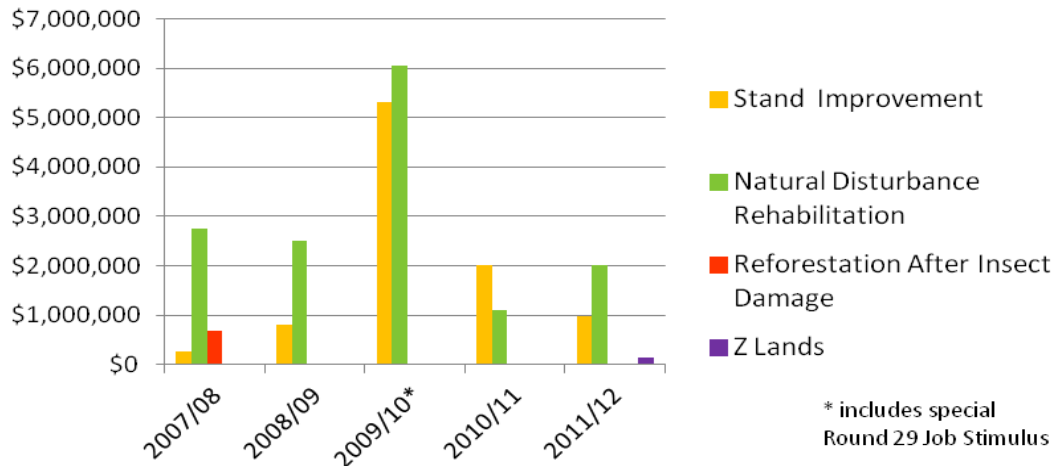


Note: FFT income supports Silviculture and Independent Forest Audit

The focus for investments varies with region. Broadly speaking, natural windstorms and fires remain the major disturbance in northwestern and northeastern Ontario and stand improvement is the primary focus in southern Ontario.



Distribution of Funds by Category and Year (2007-2012)



The FFC has a program management role in the Tenure Modernization process. We look forward to the development of the inaugural Local Forest Management Company Conversion (LFMC) and Enhanced Sustainable Forest License (ESFL) in the coming year.

This past year the committee members met for 14 in-person meetings and many conference calls to carry out their mandate. Meetings were held in Sault Ste. Marie, Thunder Bay and Toronto. We welcomed a new committee member, Herb Bax, at year end.

As in past years, it has been a privilege to chair the FFC and work with such a strong team. I would like to thank committee members Ric Monzon, who retired this year, Bob Elliott R.P.F., Mike Barker, Erik Wang R.P.F. and Herb Bax R.P.F. for their dedication to the committee. The support of a small contract team of professionals, who carry out the day to day work of delivering the FFC programs, is greatly appreciated.

H Maureen Kershaw

WHO WE ARE & WHAT WE DO

Forestry Futures Trust

The Forestry Futures Trust (FFT) was established under the authority of the *Crown Forest Sustainability Act* (1994), Part V. Section 51 of this Act states that the Minister may appoint a Forestry Futures Trust Committee to provide advice on for the following matters:

1. *The funding of silvicultural expenses in Crown forests where forest resources have been killed or damaged by fire or natural causes.*
2. *The funding of silvicultural expenses on land that is subject to a forest resource licence, if the licensee becomes insolvent.*
3. *The funding of intensive stand management and pest control in respect of forest resources in Crown forests.*
4. *Such other purposes as may be specified by the Minister.*

Source: *Crown Forest Sustainability Act, Part V, Section 51(3)*

Other purposes specified by the Minister for which Trust funds are used include:

- Independent Forest Audit Program - IFA
- Enhanced Forest Productivity Science Program - EFPS
- Far North Forestry Development Initiative - FNFD
- Enhanced Forest Resource Inventory - eFRI
- Enhanced Sustainable Forest License - ESFL development

The Trust fund is managed by the Trustee, RBC Dexia Investor Services Trust. Funds are allocated to successful applicants under the direction of the Forestry Futures Trust Committee Chair, supported by decisions made through consensus by the Forestry Futures Committee (FFC).

The Committee members are appointed by the Minister for a three-year term, which may be renewed at the discretion of the Minister. The Trust is primarily funded by harvest volume charges on Crown timber.

Forestry Futures Trust Committee

CHAIR

Maureen Kershaw, R.P.F., (member since inception 1995) manages her own consulting firm following a 10 year career with the Ontario Ministry of Natural Resources. She has taught soil science ecology and conservation biology at Nipissing and Laurentian Universities. An active outdoor enthusiast, she volunteers her spare time with Cross Country (Ski) Canada.

MEMBERS



Mike Barker, (member since 1999) had a 32-year career with the Ontario government holding positions such as District Manager, Ministry of Natural Resources, and Assistant Deputy Minister, Northern Development and Mines. He now runs his own business consulting firm.



Bob Elliott, R.P.F., (member since 2006) has had a varied career with the government of Ontario's Ministry of Natural Resources, MacMillan Bloedel and Weyerhaeuser. He now owns a consulting business.



Ric Monzon, R.P.F., (member since 2006) has held several positions in the Ontario government including that of Assistant Deputy Minister, Ministry Natural Resources. He also served as Executive Director and Registrar for the Ontario Professional Foresters Association (OPFA). Ric retired from the Committee in the fall of 2011.



Erik Wang, R.P.F. (ON and BC) (member since 2011) holds Bachelor and Masters degrees from Lakehead University and UNB. His 30 year career in forestry has included positions

with industry, university and consulting sectors primarily in NB and BC with technical expertise primarily in the areas of resource planning and timber supply forecasting.



Herb Bax R.P.F., (member since 2012) is a forestry consultant with over 35 years experience. He is past president of the OPFA and has served on numerous international committees and boards. Herb's work as an environmental and forest auditor across Canada and the US brings an international perspective to the Committee.

Our Support Team

Assisting the Committee is a small team reporting to the Chair:

- Mona Wiltshire, R.P.F., General Manager
- Ken VanEvery, R.P.F., Independent Forest Audit and Far North Program and Enhanced Forest Productivity Science Program Coordinator
- Sarah Bros, R.P.F., Independent Forest Audit Analyst
- Anastasia Frisby, Administration Assistant
- Claire Riddell, Financial Information

FFT Secretariat – The Ministry of Natural Resources

Since its inception in 1995 the FFC has enjoyed a productive working relationship with Ministry of Natural Resources (MNR) staff. As the Committee's mandate expanded over the decade, the lines of communication and the number of Ministry contacts correspondingly increased. In this regard, the Ministry Secretariat functions are provided by Thom McDonough (silviculture) and Diane Black (financial). The FFT Secretariat continues to fulfil its role while honouring the principle of committee independence on all matters related to funding allocations for projects. Other MNR staff with

whom the Committee confers, include the following:

- *IFA Program* – Spooner Collins, R.P.F., Troy Anthony R.P.F. and Bill Morrison
- *FNFD Program* – Louis Corbeil for the Northeast
- *eFRI Program* – Frank Kennedy, R.P.F., Joe Kapron, R.P.F. and Murray Radford.
- *Tenure Modernization*– Kirsten Corrigan R.P.F., Kevin Coombs, R.P.F. and Andy Lemmetty, R.P.F.

Thanks to Bill Thornton, Assistant Deputy Minister, MNDMF, and Chris Walsh, Director Forest Branch; and Mark Speers, Director, Industry Relations Branch for their continued support.

OUR PROGRAMS

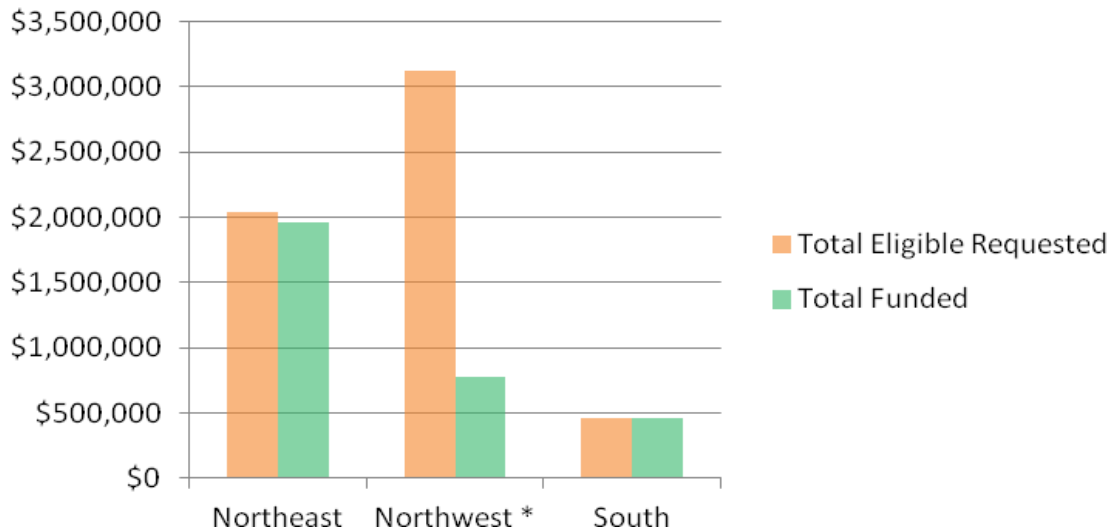
Silviculture Program

This program funds silviculture needs resulting from forces of natural depletion such as fire, wind, insects, disease and flooding and past poor forestry practices.

The Committee extended two invitations to apply for FFT Silviculture program funding for 2011/12-fiscal year: Round 32, Round 33. Funds are distributed as a reimbursement program after work is completed. There were eleven Round 32 applications received for funding requests of over \$4.5 million for Silviculture Round 32. A total of \$2,267,287 was approved for funding. There were eight applications for Round 33 that totaled \$2.5 million in requests for funding. Six applications were approved for a total of \$955,842.

A total of \$ \$3,191,919 was awarded this fiscal year (see following graph). Note, Northwest region funding excludes a request to treat wood left roadside for multiple SFL's where wood ownership was unclear*. The other proposals not funded did not meet the

2011/12 Silviculture Project Funding



eligibility criteria or did not provide sufficient information to support their application.

The FFT Silviculture fund compliments work that is carried out under the Renewal Trust Program. Signs are provided by the FFT to the companies for completed projects. During the summer of 2011, a total of 23 project signs were erected - 9 signs Northwest Region, 8 in the Northeast Region, and 6 in the Southern Region in areas of high public visibility.



FFT Project Inspections

Date: May 17, 2011

Location: Bancroft-Minden Forest

Project # 487-1-R17

Purpose: Mid-tolerant Hardwood and Oak Renewal

Participants: This site was selected as part of the IFA for the Bancroft Minden Forest. Representatives of the MNR Region and District along with Craig Howard, his Audit Team and Sarah Bros, Mike Barker and Erik Wang from the FFC viewed the site.

Description: This is part of larger project treating 900 ha of forest land carried out in 2006, to increase the presence of red oak, white pine, and yellow birch. Manual tending, of established advanced regeneration was carried out to release yellow birch crop trees on 268 hectares

Site Visits: The picture to the left shows one of the FFT candidate stands 4 years after-thinning to improve regeneration of Yellow Birch. There were inconsistent results.

Date: June 20, 2011

Location: Temagami Crown Management Unit

Project # 770-1-R30

Purpose: IFA field visit to view results of Forestry Futures Trust funded pre-commercial thinning in a red pine plantation.

Participants : MNR district, regional representatives, FFC contract staff (Sarah Bros), KBM audit team and Temagami LCC Chair participated in the visit to this site.

Description: This project targeted a conifer plantation established by MNR between 1983-87. A pre-commercial thinning was carried out to release crop trees to yield higher value products (e.g. utility poles) at an earlier age. The FFT project was carried out in the late winter 2011.



Site Visit: Surveys have yet to be carried out to determine if the project will maximize volume at an earlier age. Discussions in the field suggest this thinning could have been a commercial thinning due to the size and age of the tree stems.

Date: June 13 2011

Location: Algoma Forest

Project # 10-1-R1

Purpose: IFA field visit to view intensive stand management to increase timber production where critical shortages occur.

Participants : Staff of Clergue Forest Management Inc., representatives of Sault Ste. Marie District, Region and Corporate MNR,

representatives from the FFC (Mike Barker) and contract staff (Sarah Bros) and, auditor team members with Arborvitae Environmental Services Ltd. (AVES) attended the site visit.

Description : The Project comprised the first thinning of a 40-year red pine plantation in 1996/97 and was intended as a release to promote growth. Tree marking was carried out by MNR staff and the thinning operation was contracted locally, with 38 ha successfully completed.



Site Visit: The project overview was given regarding the establishment of this plantation in the late 50's. The stand responded well to the release.

Date: September 19, 2011

Location: French Severn Forest

Project # 763-2-R29

Purpose: IFA Field visit to view intensive silviculture project to increase white/red pine and spruce on conifer strip harvests.

Participants: MNR district representatives, Westwind Forest Management Inc., KBM (IFA auditors) and FFC contract staff (Sarah Bros).

Description: This project was funded through FFT as part of the Silviculture Job Stimulus funding in 2010. This project combines site preparation and planting in an effort to increase and improve the conifer (mainly white/red pine) regeneration in stands that

would otherwise not receive the additional intensive silvicultural. The stands treated had some prior site preparation treatment but had been left for natural regeneration. This project created employment for silvicultural contractors and nursery production workers.



Site Visit: Field surveys to assess treatment success had not been carried out at the time of the audit. From what was viewed during the site visit, severe competition on some of the strips is hampering survival of the trees planted. This site requires follow up tending and assessment to determine if further treatment is required to meet SGR objectives.

Date: September 19 2012

Location: French-Severn Forest

Project # 776-1-R30

Purpose: IFA field visit to view shelterwood stand improvement project.

Participants: MNR district representatives, Westwind Forest Management Inc., KBM (IFA auditors) and FFC contract staff (Sarah Bros).

Description: This project removed unmerchantable trees from the stand during the harvest operation to help achieve silvicultural objectives. The stems that were

felled in conjunction with the harvest would otherwise interfere in creating required optimum light and space conditions for the establishment and maintenance of desirable regeneration



Site Visit: As the picture indicates the project was successful in removing unmerchantable stems from the canopy in addition to regular harvest. Subsequent site preparation will allow for successful future silviculture efforts.

Independent Forest Audit Program

In 2011 the Committee reviewed proposals from five audit firms to conduct the Independent Forest Audits on behalf of the Ministry of Natural Resources on 14 forests. The Committee selections are as follows:

Arborvitae Environmental Services Ltd.:

Algoma Forest,
Black Sturgeon Forest
Spruce River Forest

Arbex Forest Resources Consultants Ltd.:

Armstrong Forest,
Black River Forest,
Lake Nipigon Forest,
Pic River Ojibway Forest
Sudbury Forest

Craig Howard RPF:

Bancroft-Minden Forest
Nipissing Forest

KBM Forestry Consultants Inc.:

French Severn Forest,
Magpie Forest
Temagami Crown Management Unit

TECO/John Cary:

Lac Seul Forest

The fourteen IFAs were awarded at a total cost of \$1,493,285. Significant delays were experienced in the production of the Lac Seul report as the initial contractor (TECO) hired to complete the audit entered bankruptcy proceedings. One of the joint lead auditors assumed the remainder of the contract.

Eleven of the 2011 Independent Forest Audits were positive. In three cases the results were less positive; in once case the audit team did not recommend extension of a sustainable forest license, one audit revealed noncompliance with legislation, regulation and policies and one sustainable forest license was recommended for extension but with conditions. Most of the audits had an average number of recommendations for improvement. Detailed action plans to address issues found

Forestry Futures IFA Role

Since 2002, the Forestry Futures Trust Committee has taken on a significant role in the administration of the IFA Program for the Ministry of Natural Resources. FFTC responsibilities include: the allocation of funds; selecting audit firms; contract management and communications with the audit firms and key audit participants; attending audit meetings and field examinations; ensuring the audit program is implemented according to the IFA process and protocol; reviewing all draft final reports. The Committee also provides recommendations to MNR concerning revisions to the audit program and IFA process and protocol, coordinates auditor orientation sessions with MNR, and may make recommendations to the Minister of Natural Resources as required or appropriate.

during the audits are being prepared and will be posted on the Ministry of Natural Resources website alongside the audit reports.

The 2011 final reports and the action plans will be publicly available once they are tabled in the legislature by the Minister of Natural Resources.



Tenure Modernization Programs

SFL Conversion to Cooperative Initiative Program

Forestry Futures Trust SFL Conversion to Co-op Role

This FFT program assists in the conversion of single entity SFLs to shareholder SFLs where the following benefits can be reliably anticipated: increased wood availability, reduced delivered wood costs, equitable sharing of costs amongst shareholders, increased wood supply reduced management cost and more efficient management of disputes with management unit amalgamations.

This program saw no activity during this reporting period. The committed funds (approximately \$540,000) held in the SFL Conversion Account for this program, were released as per MNR direction. This will allow future allocation to Tenure Modernization related programs (specifically the Enhanced Sustainable Forest Licence program).

Forest Management Component Program

Forestry Futures Trust Forest Management Component Program

In the event Sustainable Forest Licenses (SFLs) are returned to the Crown due to bankruptcy or insolvency, MNR Assumes responsibility for all forest management activities on that management unit. Expenditures that are incurred by the Crown are funded from additional revenue to the Forestry Futures Trust paid from the Crown Stumpage system charge to the Forestry Futures charge. This has been termed the "forest management component".

In August 2011, the Minister as legislated by the Crown Forest Sustainability Act section 51(3) amended the above purpose to the Terms of Reference for the Forestry Futures Committee. At this time, component charges were established on three management units; Big Pic, Sapawe, and Whiskey Jack. These funds will be held and administered in separate sub-accounts in the SFL Conversion Account by the FFC.

The FFC and FFC contract staff worked with the MNR to establish the program protocols and invoicing procedures for this program. A summary of the program projects can be found below:

- FMC - 01 Big Pic Forest – Wawa District MNR support claims for reimbursement for eligible forest management work on the Big Pic Forest.
- FMC - 02 Sapawe Forest – Fort Frances District MNR supports claims for reimbursement for eligible forest management work on the Sapawe Forest.
- FMC – 03 Whiskey Jack Forest – Kenora District MNR supports claims for reimbursement for eligible forest management work on the Whiskey Jack Forest.

Invoicing activity for this program began in November 2011.

Enhanced Forest Resource Inventory Program

The eFRI program is designed to complete a new enhanced Forest Resource Inventory for the portion of the province within the "Area of the Undertaking" as defined by the Timber Class Environmental Assessment and additional area as approved. Funds for this program come from a portion of the stumpage charge that is paid by the Sustainable Forest Licensees to harvest Crown timber. These funds are administered from a separate account within the Forestry Futures Trust account.

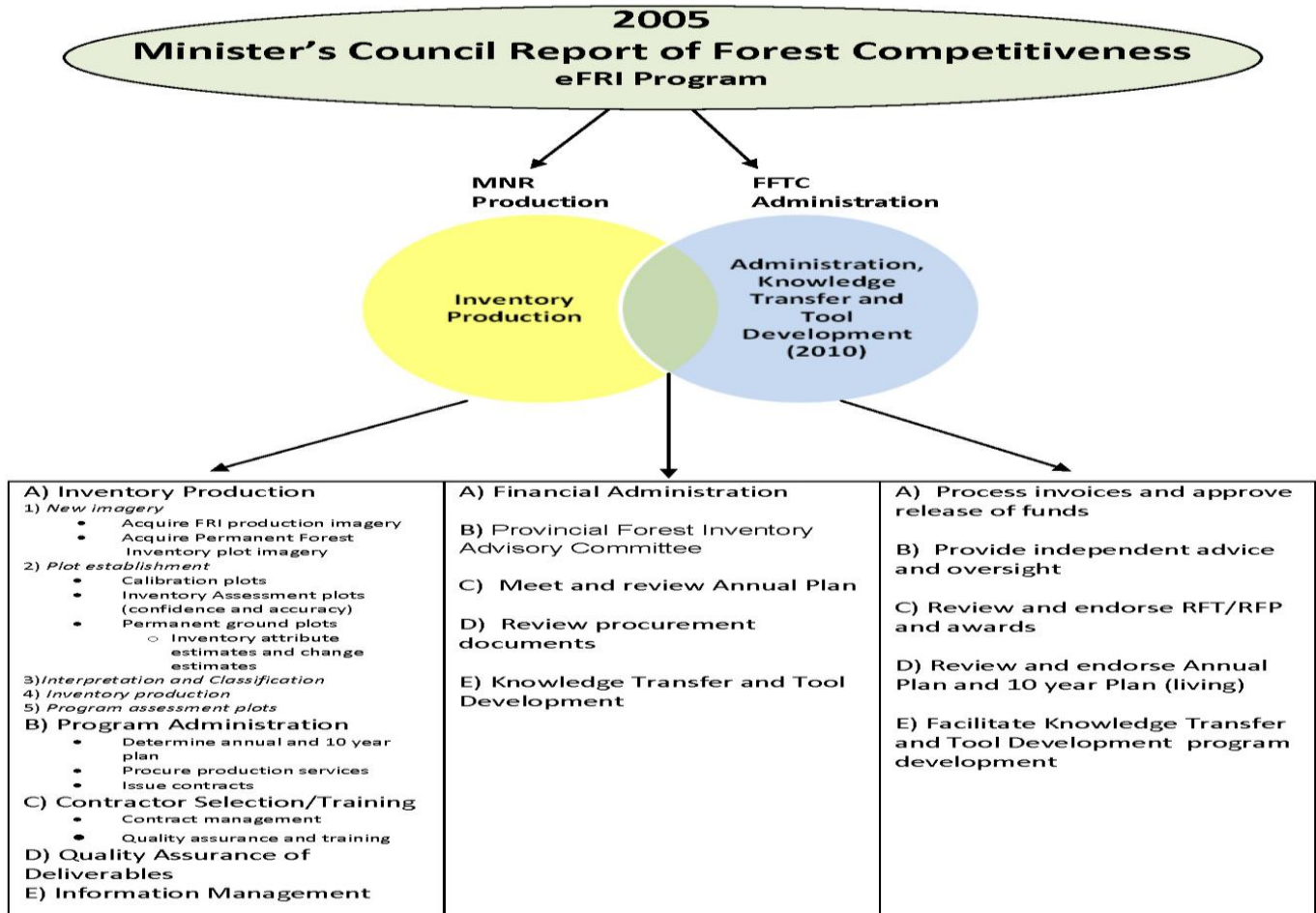
FFTC administers the eFRI program, in partnership with the MNR. The MNR manages the business procurement component including program design, image capture and image interpretation phases and inventory ground plot establishment. As such MNR follows government procurement and contract

management requirements.

Forestry Futures Trust eFRI Role

The FFTC will take an active role, working in partnership with the MNR, to administer the eFRI program. The MNR has assumed the full responsibility for the delivery of the forest resource program focusing on accuracy, completeness and currency. The MNR and FFTC will share a lead role in administering the program. The MNR retains the overall scheduling and priority setting, standard setting, and quality control. FFTC takes the lead on designing and delivering the Knowledge Transfer Tool Development component.

The diagram below illustrates the working relationship between the MNR and the FFTC regarding the eFRI program:
The 2011/12 fiscal was the fifth year of the new program.

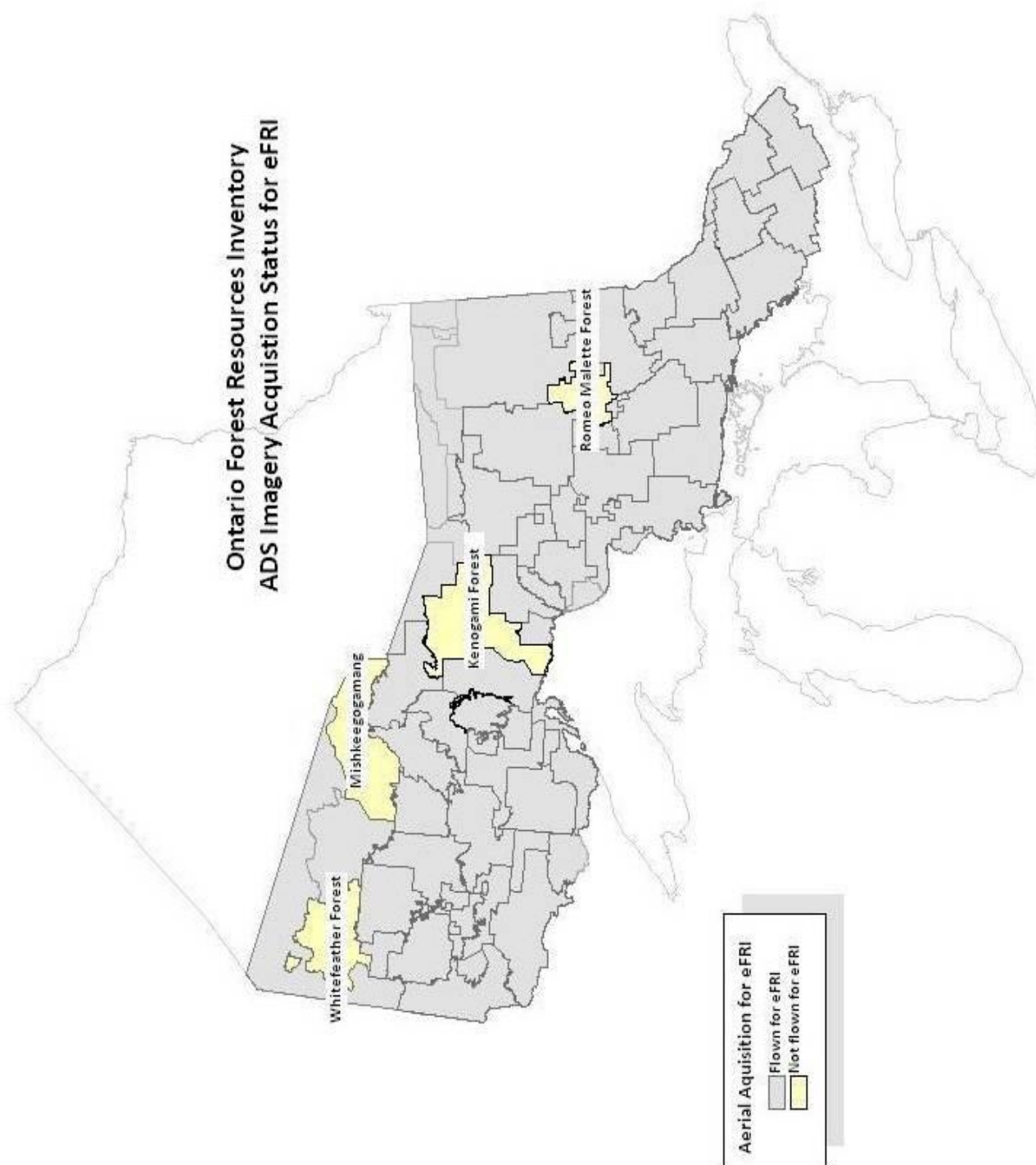


Program activities that were carried out in 2011/12 included:

- Acquisition of digital imagery covering approximately 40,130 sq. km. Imagery capture is 99.7% complete but the remaining area will not be captured, as areas remaining are small in size or isolated (Refer to map).
- Measurement of 193 permanent forest inventory ground plots.
- FRI Production for the Bancroft-Minden Forest –approximately 199 sq. km interpreted.
- FRI Production for the Hearst Forest – approximately 3,080 sq. km interpreted.
- FRI Production for the Constance Lake Area –approximately 375 sq. km interpreted
- FRI Production for the Lakehead Forest –approximately 860 sq. km interpreted.
- FRI Production for the Crossroute Forest – 138 calibration plots installed and measured, approximately 7,681 sq. km interpreted.
- FRI Production for the Ogoki Forest – approximately 5,321 sq. km interpreted.
- FRI Production for the White River Forest –approximately 1,461 sq. km interpreted.
- FRI Production for the Abitibi River Forest Phase1 – 3,715 calibration plots installed and measured.
- FRI Production for the Algonquin Park Forest – 1,218 calibration plots installed and measured.
- FRI Production for the French-Severn Forest – 1,260 calibration plots installed and measured.
- FRI Production for the Pineland Forest – 780 calibration plots installed and measured.
- FRI Production for the Red Lake Forest – 625 calibration plots installed and measured.
- FRI Production for the Wabigoon Forest – 1,331 calibration plots installed and measured.
- Continued development of the FRI Assessment Plot Sampling Design
- Meetings held with the Forestry Futures Trust Committee and the MNR (Information and Services Section)
- Training sessions held for field crews and photo-interpreters that will be producing the FRI for the Abitibi River Phase 1, Algonquin Park, French-Severn, Pineland, Red Lake and Wabigoon Forests
- Research and Development component of eFRI was re-defined as “Knowledge Transfer and Tool Development”. Questionnaires were distributed to gather input and this resulted in 2 workshops being held: 1) June 2011, 2) February 2012. A MNR/FFTC Communications Committee was formed and met various times via teleconference.

Update of Knowledge Transfer and Tool Development Component of eFRI

FFC kicked off their formal adoption of the Knowledge Transfer and Tool Development Component of eFRI by holding a FOCUS Group workshop June 2, 2011 in Thunder Bay. The input received from the questionnaire sent out in the winter of 2011 and direction gleaned from the joint session held with CIF/MNR in Kapuskasing in January 2011 helped shape this day's session. Thanks are extended to a small group of people representing industry, academia, government, and other stakeholders for their input. The morning began with presentations by guest speakers which led into two concurrent groups. The two concurrent sessions addressed: 1) Research needs and 2) Training Needs.



Three top priorities identified by the FOCUS group session for the Knowledge Transfer and Tool Development component of the eFRI were:

- 1) Access to imagery and data.
- 2) Knowledge transfer.
- 3) Applied Research:
 - a) Integration with other databases
 - b) Invasive Species, disturbance events integration.
 - c) Continuous inventory
 - d) Faster attribute data availability & integration of new tools

The second major activity facilitated by the FFC was the Pilot Training Workshop – eFRI Familiarization. It was held on February 10, 2012 at Lakehead University in Thunder Bay. It was a joint venture by FFC, MNR and Lakehead University. Eighteen participants from government, industry, First Nations, and communities came from across the province. This session covered:

Introduction to eFRI products

- Hardware and software requirements
- Limitations of data
- Introduction to Stereo Analyst Interface
- Effective Screen set-up
- Management of imagery

A discussion forum was created post-workshop to allow for participants to share thoughts and questions about the workshop content.

FFC also participated with MNR in two Canadian Institute of Forestry sponsored workshops: 1) Taking Stock (Kapuskasing) (pre-2011/12 Annual Report period) and 2) Counting the Forest and the Trees: Forest Inventory Workshop (Thunder Bay).

Enhanced Forest Productivity Science Program

ELIGIBLE PROGRAM APPLICANTS

The Enhanced Forest Productivity Science (EFPS) program was established in January 2005 with an allocation of \$2.3 million per year from the Forestry Futures Trust fund.

The EFPS program has funded 42 projects for a total of \$6.4 million, with \$16.4 million in matching contributions. The \$16.4 million of partner funding can be further broken down as \$5.6 million in cash and \$10.8 million of in-kind contributions.

By the end of the 2011/12 fiscal year all approved EFPS projects had been successfully completed. A case study generated by FFC can be found on the website (www.forestryfutures.ca) in the EFPS section



Far North Forestry Development Initiative Program

In June 2005, the Ministry of Natural Resources announced that the Ontario government was providing a \$2.0-million fund to be used by First Nation communities for projects related to land use planning and collection of background information which is necessary to evaluate the feasibility of commercial forestry in Ontario's far north. All funds were allocated to the Forestry Futures Trust for disbursement in 3 rounds of applications from 2005-2008.

In 2011 the Forestry Futures Committee continued to support three projects which include the First Nation Communities of Cat Lake, Constance Lake, Moose Cree, and Slate Falls. These communities successfully completed their projects by the end of 2011.

The Ministry of Natural Resources has embarked on a new Far North Initiative and FFC is no longer involved in the Far North Program.

COMMITTEE OPERATIONS

Committee Operations Budget - 2011/12

Available Funds

Received from the *Forestry Futures*

<i>Trust Fund</i>	\$675,871.00
Prior Year unspent balance	\$174,130.05
TOTAL Funds Available	\$850,001.05

Expenditures

Meetings/Travel	\$72,927.54
Committee	\$79,097.20
Professional Fees/Contract Staff	\$169,312.64
Admin Support	\$57,987.06
Supplies	
(Communication/consumables)	\$14,057.04
Equipment / Signage	\$11,635.85
Overhead	\$54,402.60
TOTAL Expenses	\$459,418.93

Note: A list of New, Ongoing and Completed FFT Program projects can be found on our website.

<http://www.forestryfutures.ca>

