



Forestry Service Providers Compensation Fund

Report of the Authority as of June 30, 2014

FSPCF

General

The Forestry Service Providers Compensation Fund (FSPCF) was created on March 30, 2012 by the *Forestry Service Providers Compensation Fund Regulation* (BC Reg. 64/2012) and was seeded with a contribution of \$5,000,000 provided by the provincial government. Its purpose is to provide relief to Contractors that provided Forestry Services and were not paid for those services because the recipient of the Forestry Services became Insolvent. Forestry Services are limited to those defined in BC Regulation 3/2013, Section 3, and must have been provided to a tenure holder under the *Forest Act*. Insolvency for the purposes of the FSPCF is defined in the FSPCF Administrative Agreement.

The FSPCF is administered by Eric van Soeren, the Authority appointed by the Minister of Forests, Lands and Natural Resource Operations under the *Forestry Service Providers Protection Act (FSPPA)*. Mr. van Soeren operates pursuant to an Administrative Agreement between the Authority and government. The Authority is not an agent of the government for the purposes of the *FSPPA* or the regulations under it. More detail on the FSPCF is available on the FSPCF website at www.fspcf.com.

Sources of Funds for the FSPCF

In addition to the \$5,000,000 seed money provided by the government, the *FSPPA* contemplates other sources of funding. Part 2 of the *FSPPA* refers to “contributors” who will be identified by regulation and who will make contributions to the fund in accordance with the regulations. Additionally, the provincial cabinet may, by regulation, impose a levy on stumpage bearing timber that must be paid into the FSPCF. Finally, any amounts recoverable from an Insolvent Licensee relating to a financial loss for which a Forestry Service Provider has applied and received monies from the FSPCF, must be repaid to the FSPCF. This is to prevent double dipping. To date no additional contributors have been identified or stumpage levy created.

Activities of the FSPCF to date

As of June 30, 2014, an Advisory Board has been established, a website has been created (www.fspcf.com), a claim form template has been developed, and templates for the assorted documents that will need to be generated to allow claims to be made and processed are ready to go. What has been developed to date is consistent with the *FSPPA* and the Administrative Agreement. No meetings of the Advisory Board have been held yet, because

no situations have arisen that required decisions or recommendations with respect to policy to be made.

During the first quarter of 2014 the FSPCF received applications from two contractors that had worked for but not been paid by International Aircraft Management Inc., a licensee whose timber sale expired in October 2013. All the work was performed in September 2013. During Q2 2014 the Authority deemed the licensee to be insolvent for purposes of the FSPCF, and compensation was provided to one of the two affected contractors. The second contractor was deemed to be a related party and was deemed to be ineligible for compensation by the Authority. The total payout was \$37,902. Recovery from the insolvent licensee will be attempted but is unlikely to be successful.

FSPCF Account Balances as of June 30, 2014

As of June 30, 2014 the FSPCF account balances per the bank statements, reconciled for outstanding cheques, was as follows:

Account Balances	
Forestry Service Providers Compensation Fund	\$5,199,564
Total available funds	<u>\$5,199,564</u>
Distributions to beneficiaries to date	
Related to the insolvency of International Aircraft Management Inc.	\$37,902
Total Distributions to beneficiaries	<u>\$37,902</u>
Total available funds plus distributions	<u>\$5,237,466</u>

Looking ahead

During the third quarter of 2014, the following activity is expected in the FSPCF:

- The Authority will continue to monitor licensee insolvencies in the Province and work proactively with Forestry Service Providers to determine whether or not they may be eligible for FSPCF assistance.
- The Authority will continue to work with the province and the forest industry to develop a mechanism to build the FSPCF to a level where it will be able to react to a significant insolvency should one occur.

Eric van Soeren
Authority