



FSPCF

Forestry Service Providers Compensation Fund

Report of the Authority as of September 30, 2016

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 the provincial 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 provincial 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. However, in April 2015 the provincial government contributed an additional \$1,000,000 to the FSPCF to help fund operations and reimburse the fund for compensation paid to date.

In April 2016 the provincial government contributed a further \$1,000,000. However, this contribution was split so that \$500,000 went to the original general fund, and \$500,000 was allocated to a new silviculture contractors compensation fund. Regulations governing access to the Silviculture Fund are being drafted and are expected to be completed in the fall of 2016.

Activities of the FSPCF to date

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. There will be slight modifications to accommodate the Silviculture Fund, but they will be easily done as soon as the new regulations are completed. 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 that required decisions or recommendations with respect to policy have arisen.

During the third quarter of 2016 several inquiries were received about how possible compensation claims could be made to the Silviculture Fund, but no further claims were received or processed. As of the end of September 30, 2016 all compensation claims that have been received have been dealt with. A minor recovery related to the Murch Timber Ltd. bankruptcy compensation claims was expected in the first and then the second and third quarters. It has not yet materialized, and eventual timing or amount of collection is uncertain as of the end of the third quarter.

FSPCF Account Balances as of September 30, 2016

As of September 30, 2016 the FSPCF account balances per the bank statements, reconciled for outstanding cheques, was as follows:

Forestry Service Providers (FSP)

Account Balances

FSP General Compensation Fund	\$6,637,264
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FSP Silviculture Compensation Fund	\$501,174
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Total available funds	<u>\$7,138,438</u>
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Distributions to beneficiaries to date

Related to the insolvency of

Greey Forest Products Ltd.	\$343,929
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International Aircraft Management Inc.	\$37,902
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Murch Timber Ltd.	\$109,443
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Total Distributions to beneficiaries	<u>\$491,274</u>
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Less recoveries	\$6,531
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Net Distributions to beneficiaries	<u>\$484,743</u>
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Total available funds plus net distributions	<u>\$7,623,181</u>
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Looking ahead

During the fourth quarter of 2016, 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.
- The Authority will work with the province to develop and implement regulations to define which phase of silviculture contracting will be eligible for compensation from the FSPCF.

Eric van Soeren
Authority