



FSPCF

Forestry Service Providers Compensation Fund

Report of the Authority as of December 31, 2019

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. Insolvency for the purposes of the FSPCF is defined in the FSPCF Administrative Agreement.

Forestry Services are limited to those defined in the *Forestry Service Providers Protection Act (FSPPA)* and must have been provided to a tenure holder under the *Forest Act*. On December 7, 2016 BC Reg. 64/2012 was amended by BC Reg. 286/2016 to allow the inclusion of Silviculture Contractors' work as a prescribed activity included in the definition of eligible providers of Forestry Services under the FSPCF.

The FSPCF is administered by Eric van Soeren, the Authority appointed by the Minister of Forests, Lands, Natural Resource Operations and Rural Development under the *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 were completed in the fall of 2016. In April of 2017 the Authority received a further \$350,000 that was directed to the General Fund of the FSPCF. In April 2018 the FSPCF received a further \$500,000 from the provincial government. That amount was split equally between the General and the Silviculture Funds. Finally, in May 2019 the provincial government contributed a further \$250,000, to be directed to the General Fund.

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.

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 fourth quarter of 2019 several requests were made about possible FSPCF assistance as a result of slow payments by licensees. Given the dramatic slow-down in the forest industry this was expected. However, in most cases the licensee was not insolvent, and so the FSPCF was not able to provide compensation. It appears likely that the outstanding invoices will be paid, but slowly.

However, towards the end of the fourth quarter of 2019 I was informed of the bankruptcy of Errington Cedar Products Ltd. The Trustee in Bankruptcy was contacted, and a list of the unsecured creditors was obtained. The Authority reviewed the list, and by the end of the month sent letters out to each of the creditors that appeared to be forestry service providers as defined in the FSPCF Administrative Agreement. As of year-end the number of potential claimants and the amount they may be eligible to claim as compensation is unknown. However, the total of eligible claims is expected to be less than \$300,000, so it is well within the capacity of the FSPCF to handle.

There are no other active claims at this time, and no expected recoveries of compensation payments made previously.

FSPCF Account Balances as of December 31, 2019

As of December 31, 2019, the FSPCF account balances per the bank statements, reconciled for outstanding cheques, were as follows:

Forestry Service Providers (FSP)

Account Balances

FSP General Compensation Fund	\$7,660,540
FSP Silviculture Compensation Fund	<u>\$786,643</u>

Total available funds **\$8,447,183**

Distributions to beneficiaries to date

Related to the insolvency of

Greey Forest Products Ltd.	\$343,929
International Aircraft Management Inc.	\$37,902
Murch Timber Ltd.	\$109,443
Yaorun Wood Products Ltd.	<u>\$155,867</u>

Total Distributions to beneficiaries **\$647,141**

Less recoveries from insolvent companies \$10,896

Net Distributions to beneficiaries **\$636,245**

Total available funds plus net distributions **\$9,083,428**

Looking ahead

During the first quarter of 2020, the following activity is expected in the FSPCF:

- The Authority will make several compensation payments to the unsecured creditors of the bankrupt Errington Cedar Products Ltd.
- 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