



Forestry Service Providers Compensation Fund

Report of the Authority as of March 31, 2023

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 stumpage levy has been created. However, between 2015 and 2020 the provincial government made additional contributions to the FSPCF totaling \$3,600,000, of which \$2,850,00 was allocated to the General Fund, and \$750,000 was allocated to the Silviculture Fund.

In addition, in the fourth quarter of 2020 the Trustee of the BC Forestry Revitalization Trust, on the advice of its Advisory Board, wound up the BCFRT because it had fulfilled its mandate. A Surplus of \$24,237 remained, and it was transferred to the General Fund of the FSPCF.

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

During the first quarter of 2023 no requests were made about possible FSPCF assistance as a result of slow or no payments by licensees. Notwithstanding the general economic slowdown caused by the Covid-19 pandemic, lumber prices have increased, forest activity is coming back, and I have not become aware of any licensees that are not able to pay their contractors within normal contract terms. Recent drops in lumber prices, the possible threat of a recession and the increase in interest rates may negatively affect the licensees, but that has not translated into any requests for assistance from contractors because of defaulting licensees. Licensee insolvency does not appear to be an issue at this time. Even protests against old growth logging and the announced old growth logging reductions seem to have been expected and do not seem to be causing any insolvencies of licensees.

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

Account Balances as of March 31, 2023

As of March 31, 2023, the market value of the FSPCF accounts reconciled for outstanding cheques, but not including accruals for interest on term deposits, were as follows:

Forestry Service Providers (FSP)	
Account Balances	
FSP General Compensation Fund	8,410,249
FSP Silviculture Compensation Fund	<u>\$815,677</u>
Total available funds	<u>\$9,225,926</u>
Distributions to beneficiaries to date	
Related to the insolvency of	
Errington Cedar Products Ltd	\$67,289
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	<u>\$714,430</u>
Less recoveries from insolvent companies	<u>\$10,896</u>
Net Distributions to beneficiaries	<u>\$703,534</u>
Total available funds plus net distributions	<u>\$9,929,460</u>

Looking ahead

During the second quarter of 2023, the following activity is expected in the FSPCF:

- The Authority will continue to monitor potential licensee insolvencies in the province and work proactively with Forestry Service Providers to determine whether 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