

# **EMERGING NEW FOREST TENURE APPROACHES IN ONTARIO**

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# Revitalizing Ontario's Forest Tenure System: Foundations for a 21<sup>st</sup> Century Economy

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# GOALS OF TENURE MODERNIZATION

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- ✘ Greater variation in forest management to reflect local circumstances
- ✘ Strong local role in decision-making
- ✘ Greater economic development opportunity for Aboriginal peoples,
- ✘ A more dynamic tenure system – responsive to opportunities and markets
- ✘ Change forest from cost centre to value centre – more investment in the forest

# GOALS OF TENURE MODERNIZATION

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- ✘ Tom and I describe the tenure system as creating the set of incentives for forest managers and we contend that the current incentives are not in the long term interest of the sector or the forest
- ✘ 2008-09 was not a cyclical downturn in the sector

# OVERVIEW

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- ✘ Local Forest Management Corporations
- ✘ Enhanced SFLs
- ✘ Conclusions

**LOCAL FOREST MANAGEMENT CORP'S**

# LOCAL FOREST MANAGEMENT CORP'S

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- ✘ Bill 151 provides the Minister with the authority to create LFMC's
  - + Crown corporations
  - + Objects of the corporation spelled out in 151
  - + Different funding model
- ✘ Limit of two during the five years following passage of Bill 151

# LOCAL FOREST MANAGEMENT CORP'S

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- ✘ LFMC concept has been criticized as untested
  - + AFA has been in existence since 1974
  - + AFA has survived the downturn relatively well
  - + AFA describes itself as a commercially-oriented, self-financing operational agency - No provincial government meddling in operations

# BILL 151 OBJECTS

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- ✘ Holding forestry resource licences and managing Crown forests in a sustainable manner,
- ✘ Providing economic development opportunities for aboriginal peoples,
- ✘ Managing as a self-sustaining business entity and optimizing the value from Crown forest resources
- ✘ Marketing, selling and enabling access to a predictable and competitively priced supply of Crown forest resources.

# BILL 151 - PRICING

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- ✘ Crown has indicated that the LFMCs can retain the base stumpage and if prosperity returns a dividend might come to the Consolidated Revenue Fund.
- ✘ Forestry Futures and renewal charges would continue to be paid
- ✘ Stumpage is no longer a big number but it would probably from \$500,000 - \$1 million/year / FMU
- ✘ This is additional money that would go into the forest.
- ✘ Expectation is that LFMC's would move to a mix of long and short term contracts and tendered sales.

**ENHANCED SFL'S**

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# ENHANCED SFL'S

	Single Entity SFL	Co-op SFL	Enhanced SFL	LFMC
Licensee	Forest Products Company	Forest Mgmt Company	For Mgmt Company/ Other	Crown Corp
Board	Company Board	Wood Users *	As per LFMC?	Range of skills, incl local & Ab
Chain of command	Forest mgr Senior staff Board	Forest mgr Board	Forest mgr Board	Forest mgr Board Govt

# ENHANCED SFL'S

	Single Entity SFL	Co-op SFL	Enhanced SFL	LFMC
Selection of Board members	Co share-holders	Individ Co's	Board – by committee	Appointed by Prov govt
Mgmt goals	Good wood @ low cost	Good wood @ low cost	Depends on objects and Board	Meet corp objects (Bill151)
Where the wood goes	SPF to SFL-holder; HW by commit	Share-holders' mills	Up for debate	Trad mills by contract, tend sale

# ENHANCED SFL'S

	Single Entity SFL	Co-op SFL	Enhanced SFL	LFMC
Payments to Crown	All charges	All charges	All charges	Dues = 0, renewal & FFT paid
Revenue	Cost paid by co; some mgmt fees	Wood users pay mgmt fee	Wood users pay mgmt fee	Contract & sales price & other

# KEY QUESTIONS

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- ✘ What is the legal mechanism to recognize an ESFL?
- ✘ What incentive is there for an SFL to convert to an ESFL?

# CONCLUSIONS

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# MEASURING LFMC EFFECTIVENESS

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- ✘ All management entities
  - + LFMCs, ESFLs, Coop SFLs, Single Entity
- ✘ An impossible comparison “scientifically”
  - + too many moving parts.
- ✘ Regular comprehensive management audits
  - + Indicators prescribed
  - + Financial performance
  - + Compliance with Objects

# MEASURING LFMC EFFECTIVENESS:

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## Indicators

- ✘ Conventional
  - + harvest volume, value per cu m wood, renewal funding
- ✘ Social
  - + Employment, incomes, investment
- ✘ Unconventional
  - + New forest-based companies, especially Aboriginal
  - + Bump ups (should go down)
  - + Inclusiveness
  - + Number of revenue streams /retained earnings
  - + Community use of the forest