
MINISTRY OF NATURAL RESOURCES

4.13—Forest Management Program

(Follow-up to VFM Section 3.13, *Special Report on Accountability and Value for Money—2000*)

BACKGROUND

Under the *Crown Forest Sustainability Act 1994*, the Ministry is responsible for ensuring the long-term health of Ontario's Crown forests. However, under the Act, licensed forest management companies became directly responsible for forestry planning, harvesting, and renewal. The legislation also includes sanctions and penalties for non-compliance by forest management companies. The Ministry's role in ensuring the long-term health of Crown forests is progressively becoming one of overseeing the activities of forest management companies.

In the 2001/02 fiscal year, the Ministry spent \$58.7 million on forest management. In 1999/2000, it spent \$70.8 million.

In 1999/2000, the Ministry had collected stumpage charges totalling \$155.7 million. In addition, two trusts set up to reimburse forestry management companies for renewal expenditures paid out an additional \$104.8 million for forest renewal and related activities.

In our *Special Report on Accountability and Value for Money (2000)*, we concluded that the Ministry did not have sufficient information to adequately meet its obligation to annually report on the management of Ontario's Crown forests. In addition, the Ministry had not yet completed its transition from directly managing many aspects of forestry to implementing appropriate oversight and monitoring procedures to ensure that forestry companies comply with legislation and ministry policy and that the long-term health of Ontario's Crown forests is managed with due regard for economy and efficiency. Specifically, at that time we noted:

- The Ministry had not reported annually on the management of Ontario's Crown forests as required by the Environmental Assessment Board. In addition, sufficient information was unavailable in some forest management units to properly assess the *harvest area successfully renewed*, which is a key measure of forest sustainability.
- Over half the district offices reported that forest management companies had significantly over- or under-harvested. The actual harvests over the past six years for each of the 68 management units had ranged from 20% to 122% of planned levels.
- In areas where the Ministry had continued to perform compliance inspections after the responsibility for such inspections was delegated to the forest management companies, ministry inspectors were finding significantly more violations than industry inspectors.

-
- Ministry district offices had been inconsistent in imposing penalties for non-compliance and stricter penalties were likely warranted where warnings and less severe measures were not having the desired deterrent effect.

Accordingly, we made a number of recommendations to improve the Ministry's procedures for ensuring the long-term health of Ontario's Crown forests and received commitments from the Ministry that it would take corrective action.

CURRENT STATUS OF RECOMMENDATIONS

Based on information received from the Ministry, some action has been taken on all of the recommendations made in our *Special Report* (2000). The current status of each of our recommendations is outlined below.

MEASURING AND REPORTING ON FOREST SUSTAINABILITY

Reporting Requirements

Recommendation

The Ministry should report annually on the management of Crown forests, as required under the Environmental Assessment Act, so that any necessary corrective action can be taken on a timely basis

Current Status

The Ministry informed us that annual reports on forest management have been released for the years 1996/97 through to 1999/2000 and that they intend to continue producing this report annually and to release it within the eighteen months following the end of the fiscal year. In addition the *2001 State of the Forest Report* (covering 1995–2000) was tabled in the Legislature and released to the public in 2002 (state of the forest reports are required every five years).

Measures Of Effectiveness

Recommendation

To ensure that sound conclusions can be drawn on the state of renewal of Ontario's Crown forests, the Ministry should require that the necessary forest assessments be carried out in each forest management unit.

Current Status

The Ministry informed us that a number of procedures have been put into place to assess key forest performance measures, such as the *harvest area successfully renewed*. For instance,

the *Forest Information Manual* was approved by regulation under the *Crown Forest Sustainability Act* on April 25, 2001; and this manual outlines the requirements for forest renewal assessment and reporting. In addition, the Ministry released the *Silvicultural Effectiveness Monitoring Manual* for Ontario in November 2001. This manual describes the requirements and expectations for forest regeneration objectives, renewal survey methodologies, and the reporting of silviculture effectiveness.

The Ministry will continue to rely on the comprehensive, independent audits that are performed on each forest management unit every five years. These audits provide an assessment of the success of forest renewal and of the health of the management unit's forests.

Finally, the Ministry informed us that in 2001, independent audits were conducted in 20 of the 68 forest management units, and all 20 units reported on the harvest area successfully renewed.

FOREST MANAGEMENT OPERATIONS

Forestry Information

Recommendation

To comply with legislation and the 1994 requirements of the Environmental Assessment Board and to assist in forestry planning and monitoring, the Ministry should:

- *produce the required forest information manual to establish policies regarding the collection of forest resources inventories; and*
- *implement adequate oversight procedures to ensure that forest inventory information is accurate, publicly available, and up-to-date for each forest management unit.*

Current Status

The *Forest Information Manual*, as previously noted, was completed and approved by regulation on April 25, 2001. This manual prescribes policy direction regarding the creation, maintenance, and provision of inventories for forest resources; and it describes a detailed process for companies to provide information in a timely fashion and in a standard and consistent format. With respect to the information being provided, the manual outlines required forest information, standards for data composition, and the roles and responsibilities of the Ministry and the forest management companies for the development and provision of access to forest information.

In addition, the Ministry informed us that a review was carried out on the strategic direction of the forest resources inventory program, and the Ministry is implementing the key recommendations from this review. One of the key recommendations is that the Ministry maintain control and oversight responsibility for the following program

functions: co-ordination, the setting of policy and standards, quality control, quality assurance, and training and development.

Planning And Harvesting

Recommendation

To help ensure that forest management units are managed on a sustainable basis and harvest operations are carried out in accordance with approved plans, the Ministry should require:

- *a thorough quantitative analysis of all substantial variations between planned and actual harvests; and*
- *specific conclusions and recommendations for corrective action whenever there are significant variations from planned harvest volumes.*

Current Status

The Ministry informed us that forest management companies are now required to submit actual harvest levels each year through the forest management unit's annual report. In addition, forest management companies are required to prepare a quantitative analysis of any significant variations between planned and actual harvest levels based on their five-year forest management plans. This analysis is to include conclusions and recommendations for action that are to be incorporated into the next five-year forest management plan.

In addition, any recommendations from independent audits relating to significant variances between planned and actual harvests are to be addressed by the forest management companies and the Ministry. In each case, an action plan is to be prepared that includes specific commitments and timelines to address the recommendations.

Forest Resource Processing Facilities

Recommendation

To promote sustainable forest management practices and optimize economic opportunities, the Ministry should ensure that:

- *all operating mills are licensed, as required by the Crown Forest Sustainability Act;*
- *the required annual information reports from mills are complete and received on a timely basis; and*
- *forest management company plans consider market demand as well as the capacities and requirements of the local mills.*

Current Status

The Ministry informed us that it has implemented new procedures for the application for, and review and issuance of, licences for forest resource processing facilities. The Ministry is

also investigating a more streamlined approach to deal with company mergers and acquisitions—which were a major cause of facilities operating without a current licence. As well, licences can now be issued for one to five years (compared to the previous one-year licences).

With respect to annual information reports from mills, the Ministry informed us that regional forestry staff work closely with district staff to ensure that all licensed facilities submit their annual returns within the timeframe required by the terms and conditions of their licences. In addition, towards the end of the 2002/03 fiscal year, the Ministry expects to begin allowing mills to apply for licences and submit their information reports using electronic means.

The Ministry informed us that it will assess forest management plans to ensure they include and reflect a consideration of projected market demand for wood and the capacities and requirements of local mills.

Forest Renewal and Maintenance

Recommendation

To ensure that all forestry companies manage their units on a sustainable basis and achieve sufficient renewal success, the Ministry should:

- *require companies to identify, explain and report on major variations between actual and planned renewal and maintenance activities; and*
- *identify units where the renewal and maintenance work consistently falls short of target levels and implement corrective action to help achieve renewal success.*

Current Status

The Ministry indicated that the *Forest Management Planning Manual* requires that planned and actual renewal activities be documented in forest management plans, annual work schedules, and management unit annual reports. Ministry staff will now assess the level of reported renewal and maintenance activities and compare this level to corresponding plans. When there are major discrepancies, the Ministry will require forest management companies to provide explanations along with an action plan for addressing the shortfalls.

The Ministry also informed us that it continues to rely on the results of the independent audits to assess how well the forests are being renewed and the level of renewal survey activities being carried out. Any significant problems that are noted must be addressed with an action plan prepared by ministry and company staff. Subsequently, a two-year progress report is to be prepared that reports on the implementation status of the required corrective action.

COMPLIANCE MONITORING

Compliance Inspections

Recommendation

To help ensure compliance with the Crown Forest Sustainability Act through an effective and economical inspection process, the Ministry should:

- *identify areas at high risk of non-compliance where ministry inspection staff should focus their efforts;*
- *provide forest management companies with information based on previous ministry experience and analysis of trends in violations and non-compliance to help them improve their forest compliance plans;*
- *where necessary, monitor and upgrade the skills of forest management company inspectors; and*
- *assess the inspection process as it is currently operating and resolve any concerns that have resulted from the transfer of inspection responsibilities to the industry.*

Current Status

The Ministry informed us it was in the process of enhancing the risk-based assessment process in its compliance, planning, and monitoring programs. For instance, the Ministry now requires that district compliance plans prioritize areas for mandatory spot checks and audits by qualified compliance inspectors. As well, the Ministry will annually review and approve the forest industry compliance plans to ensure that areas at higher risk of non-compliance are identified for inclusion in the forest management company's inspection and reporting procedures.

According to the Ministry, it is committed to providing forest management companies with information that is based on its own inspection experience. During the development and approval of company compliance plans, the Ministry's district office staff will identify trends in non-compliance and violations to ensure that the company's inspection procedures address problems noted in past inspections.

Finally, in 2000/01, the Ministry implemented a competency-training program for ministry and industry inspectors and intends to implement mandatory testing and certification standards for its staff. (The training program is not mandatory for industry staff.) The Ministry indicated that the vast majority of industry inspectors participating in the training courses have opted for certification. The training and certification processes are designed to raise the skill levels of ministry and industry inspectors and assist in enhancing the accuracy and consistency of the inspection process.

Enforcement

Recommendation

To improve overall compliance with the Crown Forest Sustainability Act and protect Ontario's forests from activities that could impair forest sustainability, the Ministry should:

- *implement procedures to ensure that the information recorded in the compliance system is complete and can be used for management decision-making purposes, such as identifying and tracking repeat offenders;*
- *review the enforcement approaches used by district offices to ensure that penalties are imposed in a consistent manner; and*
- *analyze the extent of specific violations to identify trends and areas where more severe penalties or other corrective action may be required.*

Current Status

The Ministry informed us it is currently reviewing the functionality of all of its compliance reporting systems.

In addition, the Ministry is examining the mechanisms used to track trends and repeat offenders as well as monitoring for consistency in the application of penalties. For example, historical enforcement information will be used where data is available to compare offences noted and penalties imposed by different ministry district offices.

FORESTRY TRUSTS

Recommendation

To ensure that the Forest Renewal and Forestry Futures trusts are administered in accordance with trust agreements, policy, and legislation, the Ministry should:

- *monitor Forest Renewal Trust account balances to ensure that each forest management company maintains the minimum balance required so that funds will be available for renewal activities when needed;*
- *ensure that forestry charges are transferred to the Forestry Futures Trust on a timely basis; and*
- *ensure that payments from the Forest Renewal Trust are made only after the required final invoice report is received.*

Current Status

The Ministry informed us that staff now track revenue and expenditures related to the Forest Renewal Trust. The monthly account statements are reviewed and compared to the minimum balances. Quarterly summaries are provided to district staff, and when accounts contain less than the minimum balance, companies are contacted to correct the deficiency.

In April 2000, to ensure more timely transfers between trust accounts, the Ministry and the trustee changed the process so that Crown charges are now transferred directly to the Forestry Futures Trust. In addition, final payments from the Forest Renewal Trust are to be made only after the required final invoice report is received. This requirement has been reinforced with the trustee and compliance with it will be monitored by the Ministry.

FORESTRY REVENUE

Recommendation

To ensure that the province receives the proper amounts of revenue, the Ministry should systematically address any recurring problems noted through its audit examinations of stumpage charges

Current Status

The Ministry informed us that it continues to carry out audits for timber measurement and related stumpage charges for 15 to 20 companies a year. Any company where problems with bills of lading have been noted through audits will be subject to a follow-up inspection within 30 days. In addition, new computer software was introduced in the Timber Resources Evaluation System to track bills of lading and to use the information for verification and audit purposes.

With respect to private wood—which is not subject to stumpage charges—the Ministry implemented new procedures that place the onus on the private landowner to remit and the receiving forest company to obtain proof of private land ownership.