

SEPTEMBER – OCTOBER 2010

# BC Forest PROFESSIONAL



## VIEWPOINT

Time and Money:  
Getting in Touch with  
Forestry Consultants

**Tenure Reform  
Through a  
Different Lens:**  
Forest Stewardship  
Reform

Survival of the Average  
Efficient Operator and  
Licensee Neutrality

**Tomorrow's  
Forest Professionals:**  
ForesTrust Winners 2010

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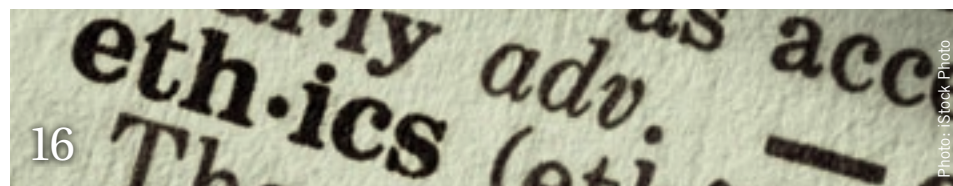


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## Real Vote Needed

Recently our membership received notification that extra funding was needed for the association and that their budget needed at least \$800,000 more annually, which is a 40% boost. There are two glaring problems with this ballooning budget. First, we are given almost no details of the planned expenditures other than some feel-good rhetoric about improving safety and professional reliance. Second, we are not given any option to reject this huge spending increase. Adding salt to the wound is a lame vote that offers us to volunteer the money (for expenditures that have not been disclosed) in the form of an increase to membership fees or have the money taken in the form of a special levy. I am not sure of the history, but I suspect that the purpose of providing discretion to council for applying levies was not to provide for massive budget expansion against the wishes of the membership majority. The way this budget increase has been presented to the general membership could be, and should be, improved rather easily. I urge the council and staff to please give us the details, consider the feedback, adjust your plans accordingly, and finally, allow us to vote on the budget itself rather than on how we would like to pay for it.

On another note, I take issue with the CEO's presentation of the options in the upcoming vote since it discourages voting against the fee increase by stating that "Special levies may not be paid by an employer..." This crosses the line from informative to intrusive. Which professional expenses are reimbursable is specific to each individual's employment agreement. Suggesting that it may be less out of pocket money if you vote yes is speculative and extremely biased. Equally troubling, is the implied concept that if you get your employer to pay the fee increase, it does not cost you anything. This is flawed logic. Any professional expenses paid by an employer come out of the same budget category (payroll cost) as our pay cheques, therefore, increased expenses means less money available for wages. Eventually the money is coming out of your pocket, but it is true that if you do not write the cheque personally, you may not notice it.

**ROD POIRIER, RPF**  
COMOX VALLEY, BC

## Put in Your Two Cents

The **BC Forest Professional** letters' section is intended primarily for feedback on recent articles and for brief statements about current association, professional or forestry issues. The editor reserves the right to edit and condense letters and encourages readers to keep letters to 300 words. Anonymous letters are not accepted. Please refer to our website for guidelines to help make sure your submission gets published in **BC Forest Professional**.



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## What are our priorities?

Rick Brouwer's message in the **BC Forest Professional** discusses the age-old challenge, often a dilemma, that face forest professionals nearly every day of their working lives—that of professionally fulfilling their highest obligation of serving the public interest by managing the province's natural resources in a manner that best meets their environmental, social and economic objectives.

Every decision a resource professional makes, both inherently and practically, is a recognition of and an influence on all of these areas (e.g. locating a cutblock boundary involves hundreds of small decisions including—which trees will be cut, where the boundary will be located relative to water courses, species mix, aesthetics etc.). These decisions indicate the 'professional's' interpretation of the public's interests influenced by his/her employer's or client's objectives influenced by monetary considerations.

In this process the professional weighs all three components and each decision reflects a priority of one over the other(s). Cumulatively they reflect the professional's behaviour relative to which of the three took precedence most often. The professional creates a picture which is a reflection on the landscape of their professional values.

The cumulative result for all resource professionals should always favor the environmental values as humanity cannot survive without a healthy, functioning ecosystem.

What are Rick Brouwer's priorities? At a February meeting of the Regional District of Kitimat-Stikine & the Terrace and District Chamber of Commerce, Rick, as Executive Director of the Skeena-Nass Centre for Innovation in Resource Economics outlined their priority as: "Firstly, there needs to be a sustainable working economy that will support the social and cultural and physical infrastructure."

Thad Box in the April issue of *Rangelands* commented about the 'Worth of Our Work.' He said that—"A prosperous tomorrow depends on good land health. It is essential for us to keep options open for future generations. Finding a way to help land stewards live the good life while maintaining sustainability is a job that fits the principle of Granddad's recipe for curing ham. It reminds us that quality is seldom determined by a single act. It is the outcome of a process. The worth of our work is in the effect on people who husband the land we serve".

**FRED MARSHALL, RPF, P.AG, CERT. ARB.**  
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# President's Report

By Rick Brouwer, RPF



## The Nature of Professionalism

The theme of this issue—consultants—got me thinking... how do I define myself? How do others see me? Do they think of me as a consultant, or as a professional who can provide specific services? Or, because I am a consultant, do people automatically think I might be a “hired gun” or a “mercenary?”

This then led me to consider how I think of forest professionals that are in different employment groups. Over the years I have often witnessed the polarization of our members by employer group, and the associated assumptions regarding how that reflects in our expectations of professional conduct. Those assumptions then can lead to varying perceptions of how ‘professional’ the forest professionals truly are. The following are some of the perceptions that I have heard:

- There are forest professionals who “Just got this stupid designation so I could get (or keep) my job.”
- There are forest professionals who will do whatever their bosses tell them to do. Variations include professionals that are:
  - in the employ of industry – they couldn’t care less about the forest – it’s just “do whatever is necessary to allow us to log.”
  - employed by government – who blindly “follow the book” regardless of whether it makes sense or is in the best interest of the public or the forest.
  - consultant forest professionals who will promise the moon regardless of their competency or ability to perform the task at hand.
- That there are forest professionals who will sign off on anything that is put in front of them.

If these descriptions make you bristle or get your hackles up, then good! That probably means you do not want people to think of forest professionals in that way.

Most certainly, these are stereotypes; but often, stereotypes have some basis in fact. I think that we all have heard, and possibly experienced, some variations on the stereotypes above. But, are these the stereotypes that we want people to think of when we ask them to support us in our mandate to protect the public’s interest? I think not. But what will you do about it? What can you do about it?

Who you work for does not make you into different types of professionals. Your professionalism stands outside your circumstance of employment. In order to break the stereotypes, we have to look in the mirror. Do you talk about those “industry foresters” or those “ministry foresters,” or those “guns for hire?” If so, you are not only buying into, but also promoting, the stereotypes. We’re all forest professionals, and if we remember this, and work to think of ourselves as such, then we have taken an important step towards changing the stereotype.

Look in the mirror. Feel comfortable with yourself as a professional first and as an employee second. Let that feeling expand beyond yourself, and allow yourself to think of and approach others as professionals.

It’s not easy, but true change comes from within ... and leadership starts with one person.

Go ahead. Lead. Be a professional. 🌱



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To enquire about membership, please contact us

**info@cfbc.bc.ca**



# CEO's Report

By Sharon Glover, MBA

## Cruise Based Timber Sales and Implications for the ABCFP

The last major change of the *Foresters Act* was in 2003 when we welcomed RFTs to the ABCFP fold and added advocacy to our mandate.

As many of you know, the Ministry of Forests and Range is now moving towards cruise-based timber sales. The Ministry and the ABCFP has decided to incorporate professional reliance into timber cruises for cruise-based timber sales and this will require changes to the *Foresters Act*. Currently, the ABCFP manages a voluntary certification program for cruisers and we offer both the Accredited Timber Cruiser (ATC) and Accredited Timber Evaluator (ATE) designations. You may remember that in 2009 the ABCFP established the Associate Member class of cruisers, incorporated the Forest Measurements Board and the voluntary certification scheme similar to that originally provided by the Applied Science Technologists and Technicians of BC. The implications for the ABCFP and the proposed changes to our Act are discussed below.

### Mandatory Certification Schemes

Currently the association has the ability to create and administer voluntary certification schemes for technical occupations related to the practice of professional forestry. In order to administer a mandatory certification scheme, our Act would need to reflect the fact that we could administer both voluntary and mandatory certification schemes. The word 'voluntary' would be removed from Section 4(a)(f) and 11 (1) (m) of the *Foresters Act*.

### Authority to Practise

Once a requirement is created through the *Forest Act* and Timber Cruising Manual for only certified cruisers to undertake appraisal cruises then a separate authority for timber cruisers to practise will be created in the *Foresters Act*. In order to ensure that Associate Members can practise independently in the areas they are certified for, a section will have to be added to the Associate Member section (Section 20) allowing all associate members – including cruisers – to practise their specific area of forestry independently.

As Associate Members, cruisers are bound by the ABCFP Bylaws and the discipline process. You can read more about the rights and responsibilities of Associate Members on our website in the Regulating the Profession section (select Bylaws, Bylaw Package).

### Ensuring Competency

Another change that is proposed for the *Foresters Act* is one involving competency of cruisers. In our Act, Council has the authority, to propose bylaw changes that, if approved by the members, will establish quality

assurance programs in such areas as continuing education and peer or practice review. A bylaw change takes 12 months and can cost more than \$10,000. It is proposed that our Act be changed to move this section of the Act into Section 11 Resolutions, which will allow council the flexibility to require continuing competency for specific areas like timber cruising, as part of certification through council resolutions. Foresters Act, Section 9(1)(a)(iii) would be moved to Section 11.

### Sufficient Financial Support

In order to ensure that the ABCFP has sufficient funds to register and regulate certified cruisers it is proposed that the authority to set annual membership dues be moved from the bylaws to the resolution Section of the *Foresters Act*.

I am interested in hearing what you, our members, think about these proposed changes. Please e-mail me at [sglover@abcfp.ca](mailto:sglover@abcfp.ca).

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## Good Luck to Exam Candidates!

The ABCFP council and staff wish all exam candidates good luck as they get set to write the registration exams on October 1<sup>st</sup>.

## Nominate a Colleague for an ABCFP Award

Each year at the annual conference, the ABCFP is pleased to present several awards to both members and non-members. You can nominate a worthy individual by visiting our website ([www.abcfp.ca](http://www.abcfp.ca).) Click on the About Us tab and then select Our Awards from the drop-down menu. The deadline for award nominations is November 12, 2010.

## Mark Your Calendars for the Wood is Good Conference

The ABCFP's annual conference and AGM is taking place in Vancouver February 24-25, 2011. We're dropping the ExpoFor moniker and creating a new conference name each year. The 2011 conference is called Wood is Good and will feature top-shelf speakers, an exciting pre-conference tour and lots of time to network with your colleagues. The conference will be held at the beautiful Fairmont Hotel Vancouver. Watch the next issue of BCFP for the registration brochure.

## Discipline Case Studies



This case study is a result of the final step to the alternate dispute resolution of a formal complaint made against a forest professional. The publication of this case study is the last step before the complaint against the forest professional will be withdrawn and the grievances will be considered resolved. Fictitious names have been used in this case study.

### Discussion of Issues

#### 1. Evolution of reappraisal requirements

In December 2003 when Alan, an RPF, submitted an appraisal to the ministry for adjudication, he was not aware that requirements for annual reappraisals had been changed and that changed circumstance reappraisals were required instead. The person who prepared the appraisal on Alan's behalf may not have been aware of this change either. The district staff person with whom Alan was relying on for advice regarding appraisal requirements was also not aware of the change at the time. The district staff person felt that an agreement with Alan to revisit the specific tenure provisions, in this case, a year from the effective dates, was sufficient to deal with any adjustments or changes that needed to be made. Neither Alan nor the district staff person attempted to follow up with a review of the status of the tenure and how it was working, annually or otherwise. No attempt was made to review the appraisal with respect to changes that had happened during the year since the cutting authority was issued, nor was it made during any subsequent period of time. Had this review occurred, it is very likely that the changed circumstance reappraisal that was required on the first of the month following the changed circumstance would have been requested.

#### 2. Professional reliance in appraisals

In this case, Alan's failure to correct the error in the appraisal by submitting a changed circumstance appraisal further supports the government's position that a level of review on appraisals is required.

#### 3. Standards of professional practice

The forest professionals (Jane, Sean and Bob) who submitted the formal complaint in this case felt that Alan's behaviour was inconsistent with the standards of professional practice set out in the ABCFP Bylaws to an acceptable level and that he had acted in a manner that served to seriously erode the trust that should exist between forest professionals. Alan did not seek out advice on appraisals even though:

- His knowledge regarding appraisals was insufficient
- The person who prepared the appraisal was not a forest professional
- The district staff person Alan consulted was not able to properly advise him

Due diligence was further compromised when:

- Electronic records were lost when a computer ceased to function and no back-up existed
- Electronic documents were erroneously purged

#### 4. Responsibility to the profession

In this case, Alan was unaware that a district investigation had been launched and that an ABCFP complaint was being contemplated. Increased communication among all the parties earlier on may have resulted in a resolution of the issue without the need to file a complaint.

### Resolution of the Complaint

After the ABCFP sent a letter to Alan advising him of the complaint, the following events occurred:

- Meetings were held with Jane, Bob, Sean and Alan to discuss the issues.
- The parties wrote a joint letter to the ABCFP outlining the actions that had to be completed (including publishing this case study) before the complaint was withdrawn and the grievances resolved.

### Key messages

Careful consideration and due diligence is required before making assumptions and arriving at conclusions in any work that a forest professional undertakes. Forest professionals need to ensure that they are competent in the areas of professional forestry they are practising in. Respectful dialogue and thorough communication between forest professionals is critical and integral to maintaining or promoting a system of professional reliance.

*The full case study can be read on the Compliant Records page of the website under case 2009-10.*



## Time and Money:

### Getting in Touch with Forestry Consultants

**FORESTRY CONSULTING BUSINESSES RUN THE GAMUT FROM LARGE FIRMS** humming with hundreds of people to little one-person shows set up in a garage. This diversity is part of what makes them so hard to tackle.

Looking back, the editorial board discovered that we hadn't produced an issue about forestry consultants since way back in 1997 when **BC Forest Professional** was still **FORUM**. So we decided to dedicate the September/October issue to forestry consultants and the issues they face. We worked with the Consulting Foresters of BC to brainstorm article topics and potential authors.

We addressed some general issues – planning for retirement

as a consultant, understanding a balance sheet, determining your hourly rate and working with Aboriginal Peoples. We've also included some firsthand information from consultants about what they learned as they ran their businesses, including managing growth, finding a niche and applying professional ethics. Finally, we have two articles commenting on the role of consultants within the forestry sector and how it's changing.

Forestry consultants make up about a third of the ABCFP's membership. That's a big group of people and we hope all forestry consultants can find themselves reflected in at least one article. 🌱



## What I Learned:

### Growing From a One Man Band to the Whole Darn Orchestra

*“The nice thing about being your own boss is that you can work any number of hours a day you want – as long as they add up to 24.” (Unknown)*

**GROWING A BUSINESS IS NOT EASY – TRUST ME,** we learned it the hard way. Our growth was not entirely by design. However, we’ve been fortunate to work with many great people—customers, colleagues, staff, government, First Nations and community groups who have all been instrumental in our achievements thus far.

Our firm, the Strategic Group, grew from a single proprietor (without a clue) in 2001 to a two-person partnership in 2002 (now able to actually perform a tight-chain traverse on its own!). We now have a current staff of over 100 with professionals from across the resource management spectrum.

Like many business ventures, Strategic’s entry into the marketplace was born of necessity. A casualty of corporate restructuring in 2001, I was only three years out of BCIT and, though I was well-trained by my previous employer, was worried I may not have enough skills or experience to offer prospective clients what they needed. As it turns out, what clients needed was someone who was good-natured, reliable, communicative, hard-working and solution-focused.

**Lesson learned? Don’t underestimate yourself.**

As our members know, delivering our professional products takes a lot of hard work in all types of terrain and weather. There are significant time and cost sensitivities that must be managed for—and it is nearly impossible to do it all yourself. You need to be a team player, either within your organization or through an array of colleagues and clients, and you must be able to identify and leverage the strengths that others possess.

The decision to hire personnel should never be taken lightly, but it is often the single most important aspect of growing a company.

We have learned that ‘fit’ is the most important component of any employment relationship and we work to ensure that the mutual expectations of both the company and the employee are identified and discussed before hiring.

I was fortunate to be able to partner with two valued friends and respected colleagues to establish our company and pursue business opportunities which appealed to our diverse, yet complementary, skills and interests. Over the last eight years, we have recruited and developed an incredibly experienced and talented staff that practises daily at a level far beyond my abilities.

**Lesson learned? If you are going to hire...surround yourself with people who are better than you. You will be amazed at how it can elevate the performance of you and your organization.**

Business, like nature, is constantly evolving. We are not only subject to changes in the supply and demand of our services, but the very nature and value of the services themselves. We are all aware of changes in the marketplace. Now consider legislative changes, the professional practice environment, implementation of professional reliance (and its accompanying accountability), new technologies, etc. When you take it all into account, it can be very challenging to develop a business operating plan which persists over time.

We have learned that our key to success is adaptability throughout our organization. As Charles Darwin once said, “It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is the most adaptable to change.”

We promote change by continuously investing in our personnel, training, equipment and business development to deliver our services to



a variety of customers in different sectors and locations. This investment allows us to employ the best people, year-round, and deliver excellent value (year over year) for our customers.

**Lesson learned? Embrace change. It is inevitable and you can spend a lot of time and energy fighting it—or you can learn to use it to your advantage.**

In any business, inventory control is critical. It is important to take stock in the true wealth of resources we have. Not only our environment, but the people we work with each day. As a profession, and the businesses which work within



Photo: iStock Photo

the profession, we are fortunate to have educated, skilled people who toil in difficult conditions, often far from home. Why do we do it? It's probably fair to say it's not for the money. Or the glory. So it must be because we love it. There's something about forestry that gets under your skin and stays with you for your entire career.

Perhaps the most rewarding thing about being an owner and manager of a company is getting to choose what you do, who you do it with and who you do it for. There are many important elements to running a business and my partners and I participate primarily in

those areas that we enjoy the most. The way I see it, if I'm going to work 70 hours a week over a 40 year career, then I'd better love what I do. For me, that means working with people (staff, clients, colleagues and stakeholders) to find solutions to the challenges we face each day. **Lesson learned? *Have fun. Let your passion guide you because when you truly love what you do, you will be wildly successful.***

While this article was written in the context of Strategic's business growth, professionals can use these lessons in managing the growth of own

careers. The same principles apply and can serve to guide you throughout your own development.

As a disclaimer, these lessons are a reflection of our experiences and your results may vary. Do not try this at home and always, always, always wear appropriate protective equipment. 🌲

*Jonathan Lok, RFT, is one of three managing partners at the Strategic Group. The firm provides professional services, administration and project management in forestry, engineering, biology, timber cruising, GIS, recreation, and wildfire management and suppression from its offices in Campbell River, Port McNeill and Nanaimo.*



# How Do You Determine the Value of Your Professional Services?

The Consulting Foresters of British Columbia (CFBC) strives to give value to its members and the broader forest sector. In order to put into perspective the situation that the forestry consulting industry currently faces, BCFP is pleased to re-print the following article from the CFBC newsletter regarding determination of forestry consulting rates.

**W**HAT IS A VALID METHOD OF DETERMINING a charge-out rate for a professional? Rates must reflect the experience, skill and productivity of the individual and the value he or she brings to the client. A registered forest professional in private practice may already have a feel for what should constitute a fair personal income. This intuitive figure may be arrived at in a number of different ways, such as through comparison to other professional groups and/or past jobs.

For discussion purposes, we are going to explore two other methods of determining professional services charge-out rates.

## Comparative Rate Multiplier Method

Deciding what should be a fair income should not be totally subjective. So, given that much of the consulting work in 2010 is related to government, we have selected as a base rate the salary earned by a more senior registered forest professional working in government at an LSO3 level, which is approximately \$38.75 per hour (roughly equivalent to \$70,000 per year). An additional 7% can be added to this figure as cash or time equivalent, resulting in a figure of \$41.46 per hour.

From our discussions with the Consulting Engineers of BC, we found it is common for private engineering firms to apply a multiplier between 2.5 to 3.0 times that of a government employee salary in order to account for a range of costs and benefits associated with employment and overhead costs. Using the example above, this would translate into an hourly rate of between \$103.66 and \$124.40 for professional forestry consulting services.

Other professional bodies, such as the Association of British Columbia Land Surveyors (ABCLS), also apply this multiplier factor. On their website, the ABCLS has published a series of bulletins developed by their Business Practices Committee. Through their own analysis and investigations, the ABCLS has found that a multiplier between 3.0 and 3.5 is required in private practice. Following their example, this would ultimately set our rate between \$124.40 and \$145.13 per hour for professional forestry consulting services.

## Exact Cost Method

A second way of setting a professional consulting services rate is to consider the salary base rate (as above) and factor in the exact operating costs of running a business on an annual basis, then dividing this value by the number of working hours there are in a year. Some typical operating costs include:

- Business license
- Professional liability insurance
- Commercial general liability insurance
- WorkSafeBC premiums
- BC Forest Safety Council – SAFE Certification premiums and training
- ABCFP annual membership dues
- CFBC annual membership dues
- Vehicle payments (lease or ownership)
- Vehicle operating costs (fuel, oil, tires, chains, safety radio, etc.)
- Vehicle(s) insurance
- All-terrain vehicle, snowmobile, boat and associated safety gear, operating expenses and purchase plans
- Field equipment and supplies
- Accounting and bookkeeping fees
- Legal fees
- Website development and maintenance
- Corporate taxes
- Provincial sales tax / Goods and Services tax / HST
- Employment insurance
- Canadian Pension Plan
- Continuing education, professional development and conferences with associated travel, meals and accommodations
- Mandatory trainings such as Wildfire Suppression S100, first aid and transportation and endorsement.
- Office space (rental or ownership payments)
- Communication services such as internet, telephone, fax and cell phone
- Contract accommodations, meals and expenses
- Advertising and promotion
- Promotional swag
- Bank charges, line of credit carrying charges
- Bid deposits
- Books, manuals and subscriptions relevant to your area of expertise
- Computer, scanner, printer (and ink!)
- Office supplies such as paper, pens, etc.



Photo: iStock Photo

We start with the base rate of \$41.46 per hour (as for an LSO3, above), then factor in typical annual operating costs of \$80,000 to \$150,000 for a sole proprietor consulting company.

To determine how many hours are in a year, we assume eight hours per day (even though very few consultants work only eight hours per day!), five days per week and 52 weeks per year, which equals 2,080 gross working hours per year. Subtract the following:

- Statutory holidays – 10 days per year (80 hours)
- Vacation time – 12.5 days per year (100 hours – a mid-point between 10 to 15 days per year; note this amount typically grows over time or with seniority)
- Sick time – average six days per year (48 hours)

Thus the actual available working hours per year equals 1,852 (2,080 – 228 or roughly 89%).

The exact cost method must also take into account the efficiency of the forestry consulting company. We estimate 80%, which accounts for things like administrative time, developing tenders (not all are won), market research, volunteer work, down time, etc. Every company will have its own estimate, but 80% is a very conservative value. We arrive finally at 1,482 hours per year (1,852 x 80%).

Therefore, our professional forestry consulting services charge-out rate, using the exact cost method, is:

Professional Services Fee  
 = BASE RATE + OPERATING COSTS  
 = \$41.46 per hour + (\$80K to \$150K per 1482 hours)  
 = \$41.46 per hour + (\$52.98 to \$101.22 per hour)  
 = \$95.45 to \$142.68 per hour  
 (or \$763.60 to \$1,141.44 per 8-hour day)

This exact cost example applies to a sole proprietor consulting company. Obviously, with multi-employee consulting companies, the model changes as you add the new costs associated with employees

while spreading some of the fixed costs over more hours. The end result, however, remains similar.

#### Rate Summary

##### COMPARATIVE RATE MULTIPLIER METHOD

Engineer Multiplier: \$103.66 – \$124.40/hour  
 Land Surveyor Multiplier: \$124.40 – \$145.13/hour

##### EXACT COST METHOD

\$95.45 – \$142.68/hour

We believe that the rates calculated above are both reasonable and comparable to other professions, regardless of the method applied. We also know that *they are not even within the ball park* for the sector in which consulting forest professionals offer their primary services. This is a serious problem, for without the ability to generate a healthy living standard and maintain and attract highly skilled people with fair compensation for their efforts, our sector will continue to erode, regardless of market cycles.

We suggest, as a start, that the CFBC and the ABCFP coordinate their efforts to create a fee schedule for forest professionals in the private sector, much like other professional bodies have completed. A salary survey planned for later this year will provide key information for such a fee schedule.

Lastly, we challenge those practising in the consulting sector to take a serious look at their professional services rates. At what rate are you valuing your services? And what are you foregoing when rates are painfully low? 🍋

*The CFBC is a non-profit professional organization representing the business interests of forestry consultants in BC. CFBC's mission is to promote a healthy forest sector which will, in turn, lead to a healthy forestry consulting sector. It is our vision to be recognized as the leading organization representing the interests of the forestry consulting sector. For more information, please visit us at [www.cfbc.bc.ca](http://www.cfbc.bc.ca).*



## The Race to the Bottom: It's a Long and Painful Chase

**IT IS TIME TO EXPLORE THE CONSEQUENCES OF** the race-to-the-bottom behaviour that we are experiencing within forestry. When compensation for services, regardless of your employer, is below market value, is it a reflection of the economic forces at play? We think the fundamental supply versus demand correlation dictates that low rates equate to low demand for professional services. But do they really?

One could postulate that it's not the demand for services that's low, rather the demand for high quality professional services is low. If the minimum is all that is required, why do more? Have we lulled ourselves into complacency in the name of a 'git 'er done' attitude?

We need to ask ourselves who sets the standards? Who is accountable for them? Who checks to make sure they are being met? Are we as an organization mature enough to be professionally reliant and responsible?

In our profession, it is very common for contracts to be awarded based on lowest bid. In my opinion, this has commoditized professionalism and cheapened our practice. We've all eaten at McDonalds and it's fair to say that we can all make a better burger. As forest professionals, I feel it is our responsibility, vis-à-vis our Code of Ethics, to provide more than just fast food treatment towards our forest ecosystems and their management.

I believe that the practice of awarding work based on price alone is punitive and incongruent to the core values of the ABCFP. More often than not, it rewards those who take short cuts. While the folks administering the contracts get a pat on the back from their managers, who get a pat on the back from their managers, the cycle continues. All the while, we have completely driven creativity and ingenuity out of forest management.

I challenge our membership to consider which and how many forest professionals are going to survive these rock bottom rates? Or should I say tough it out? So many disciplines outside of professional forestry require our skill set. In the last four years, I have said goodbye to some really great forest professional who are now plumbers, garbage collectors, taxi drivers, financial advisors, real estate investors and RCMP officers. And I could go on.

Everyone has their reason for change. The ones I spoke to simply couldn't stand the straightjacket environment they felt entangled in. They essentially got bored or frustrated with vanilla boilerplate forestry. Heck, anyone can get a tree to two metres to pass a test.

Corporately, the story is not much different. We are seeing large, long-time consulting firms re-branding themselves and entering into other natural resource fields such as oil

and gas, wind power and mining. Their success and their survival is Darwinian adaptation to the professional environment. The key is that they are being paid fair market value for baseline services and above market value for their innovation once they begin operating outside of forestry. It's brilliant really.

I feel our profession has run amok. Consider the consequences as folks scratch, claw and gouge for what little scraps are at the table during this temporary recessionary cycle. As a professional body, we need to give ourselves permission to think. If you stare hard enough in the mirror you will see the solution. Are we at a point where it's time to open dialogue about what the minimum rate is for a forest professional?

How you do anything is how you do everything. The ABCFP is like any other community in that we are a relationship-based organization. How we as professionals decide to treat each other moving forward is up to us. If we don't value ourselves, no one else will either. 🐾

*Garnet Mierau, RPF, is the owner of Linbir Holdings Ltd. and has been an active member with the ABCFP for more than 20 years. He is the publisher of Garnet's Sticks & Stones, a free monthly newsletter that motivates, inspires and educates people wanting to make an impact with their lives. He welcomes all feedback and can be contacted at 250.377.0008 or linbir@telus.net*

*"Many disciplines outside forestry require our skill set. I have said goodbye to great forest professionals who are now plumbers, financial advisors and RCMP officers."*



Photo: iStock Photo



## BC's Forest Consultants: The Flexible Forest Resource

**WHERE DO FOREST CONSULTANTS FIT INTO THE FRAMEWORK OF THE BC FOREST industry?** That depends on which perspective you take. Consultancy businesses provide flexibility to main parties: the companies who employ consultants and the people who work for consultants.

### Flexibility From a Company's Perspective

In BC, a significant amount of forestry work is done not by company crews, but by hiring consulting expertise when it is required. Be it for timber cruising, engineering, professional assessments, surveys or planting, the majority of companies in BC use consultants. This is no different than major licence holders that contract out their logging and road building. Why is this the case?

First, the use of consultants allows for on-demand workers with the skills and experience necessary to do the forestry-related work required by BCTS and major tenure holders. This means the companies do not need to employ people year-round and it allows specific work to be done at lower overall costs, without the liability of staff.

Consultants typically ensure that all of their employees have appropriate training and certifications (SAFE Company, first aid, S100, WHIMIS, etc.) so when they hire a consultant, the company knows that the people are capable and can operate safely.

By not having employees the company gains the added benefit of not having to invest and maintain the equipment required to outfit those doing the work. These costs, plus those of training, employee administration and benefits are all borne by the consulting firm who hopes to recover the costs through project fees.

From the contractor/consultant perspective and to the benefit of their clients, contracting significant volumes of the bread-and-butter work such as timber cruising, block layout and surveys allows individual consultants to develop specialized skills in these areas of practice. Specialized skill sets can increase productivity, reduce overall costs and better position consultants to be competitive against their peers.

The use of consultants also allows companies to quickly mobilize larger crews for unexpected work loads or to take advantage of unforeseen opportunities. This ability for a company to explode in size for short but intense periods of work, benefits both the contractors and their clients.

In specialized areas such as timber supply analysis where year round work in a single company may not be possible, the consultant can work for a number of companies over the year. This process has the obvious benefit of allowing these people to gain increased expertise in the area they practice, again benefiting all their clients.

This ability to provide specialized expertise is extended when consultants bring together groups of experts to collaborate on projects for their clients. This is where groups such as the Consulting Foresters of BC (CFBC) play a key role as members routinely work together



*Consulting firms are often seen as the point of entry into the profession.*

Photo: Courtesy of Jim Girvan

to ensure their clients have the manpower and more importantly, the specialized skills that are required to deal with client issues.

According to the ABCFP, consultants make-up approximately one-third of their membership. So it is clear that in the forest industry, consultants are just as important as employers for a number of reasons.

### Flexibility From a Consultant's Perspective

First and foremost, consulting firms are often seen as the point of entry into the profession—a place to get invaluable bush experience once a degree or diploma is in hand. Forest professionals employed as consultants get to see many different forest types across the province, an opportunity not typically possible working for a single major tenure holder.

For those who are motivated, there is always the opportunity to climb fast through the ranks, take on more responsibility and get a cross-section of experience all in one company. I recall that in my first year working for a consulting firm, I did timber cruising, road traversing, cone collection, fire fighting, surveys and even some nursery work. There was no better way to see what the industry had to offer than experiencing it as a consultant.

With the changing industry today, experience in a consulting firm also provides opportunity for exposure to a variety of industries. Today, I know of many firms that work for traditional forest companies or BCTS one week and then for a First Nation,



## Laments, Dreams and Hard Decisions: The Ethics Behind Forestry Consulting

**WITH RESPECT TO LEGAL LIABILITY, CONSULTANTS, rather than company or government employees are at the highest risk. Paying careful attention to ethics is one way to minimize this legal liability. Here are four ethical issues applicable to consultants:**

### The Consultant's Lament: Bid Woes

How many times have we heard this lament: "The winning bid on that project was so low that... (fill in the blank)."

- They won't even be able to afford Kraft Dinner.
- They will have to hitchhike to the field site every day.
- It's only half of my bid. And I have minimal overhead because I work out of my garage.

Submitting an extremely low bid to keep working is not ethical because it increases the chance for poor quality work due to cutting corners.

Bylaw 11.5.7 states, "*To levy only those charges for services rendered that are fair and due.*" The interpretive guideline for this bylaw says the following:

When determining rates, a member must consider all costs (including overhead) and include a reasonable margin for profit and risk. It is expected that the fees charged will meet the test of being fair and reasonable in all circumstances considering the member's experience, the complexity of the work, risk and market demand. Fair and reasonable does not mean cheap. Fair and reasonable means charging the rate required to perform the work/services to all standards expected by the profession and what the market will bear. Do not allow competition (i.e. low bid tendering) to force you to bid so low it undermines your ability to complete profes-

sional quality work. Claiming that you could not afford to do a better job, because of the fee you charged, is not an excuse for work that is not completed to professional standards.

### The Consultant's Elusive Dream: Name Your Price

These days the occurrence of this scenario is much rarer than The Consultant's Lament. The customer desperately needs some work done and you're the only person qualified and available to do it.

Again, Bylaw 11.5.7 states, "*To levy only those charges for services rendered that are fair and due.*" Here is some interpretive guide advice from Bylaw 11.5.7 when it comes to submitting a high bid:

It is not fair to take advantage of abnormalities in the market or to price gouge. Charging excessive rates since you happen to be the only qualified person available to complete the job during that specific time frame would not be fair. It would be acceptable to include any costs incurred due to rescheduling other work, cancelling flights, accommodation, etc. to be able to complete the job during the specified time.

Work of unusual complexity or taken on an emergency basis and which needs to be completed in an expedited basis, or when an unusually good result is achieved, may be charged a premium as long as the premium is fair and reasonable in all of the circumstances.

### The Phone Call that Saves the Day: But Are You Competent?

Business is really slow. You had to layoff the crew and even though you have time for holidays, you can't even afford to go to Spuzzum. The phone rings and interrupts your game of solitaire on the computer. It is a client asking if

you can do a large project for them on a short notice direct award. However, the nature of the work is something that you or your crew do not have experience with and you would need a significant amount of training to be competent in carrying out the work. Can you do anything besides decline the work?

Bylaw 11.3.7, "*To practise only in those fields where training and ability make the member professionally competent.*" Advice from the interpretive guide:

This requirement does not restrict members from entering new areas of endeavor. Members may only enter these new areas after ascertaining they have the required resources (knowledge, expertise or appropriate supervision) to complete the work in a professional manner. In these situations, the clients/employers must be informed prior to the members undertaking the work.

Members are encouraged to grow and develop their practices and areas of expertise by taking on projects/work in new areas so long as they do so without exposing the client or employer to additional risk or expense. While they are gaining expertise they could do either of the following:

1. Discuss with the client/employer that this is a new area of work and that it will take longer to do the job while they conduct research or consult experts. They may also need to discuss issues of price with the client, perhaps charging a lower hourly rate or absorbing extra costs themselves. Of course this does not prevent an agreement with the client, if after being fully informed and appraised of the options, in which the client willingly pays for the professional's learning curve.



2. Hire, at their own expense (or with fully informed consent and agreement of the client, at the client's expense) experts to assist with the project and through which the professional can learn the new skill sets required.

This advice is further strengthened in Bylaw 11.5.4, *To accept only those assignments for which the member is qualified or seek assistance from knowledgeable peers or specialists whenever a field of practice is outside the member's competence.*

#### **Being Asked to Prove You Are Not in a Conflict of Interest**

If you are asked, or could be asked, to prove you are not in a conflict of interest, it means you are in a perceived conflict of interest. As a

consultant, you will need to weigh the financial benefits of accepting the job with a perceived conflict of interest (with full disclosure to the client) against the potential damage to your reputation when others perceive a conflict of interest. You may be able to prove that you are not working in a conflict of interest but you can only do this if someone asks. If they don't ask, the perception will still be there.

Working as a consultant adds many complexities. You're running an entire business, not just doing a job. If you're ever uncertain about an ethical decision, consider using the ABCFP's free Practice Advisory Service that offers a confidential peer-based advisory service to members.

The Practice Advisory Service is not

intended to provide legal advice, but rather to provide suggestions from experienced forest professionals. They don't have all the answers, but they can usually point you in the right direction or at least provide you with a range of perspectives for consideration. This service is totally confidential and has no connection to the association's discipline process. Your name will not be distributed or documented. 🍀

*Brian Robinson, RPF, has been manager of professional development and member relations for the ABCFP since 2006. Before this position, he spent 20 years as a consultant, mostly with Industrial Forestry Service Ltd, working throughout the province. During the early part of his career, he spent three years doing biogeoclimatic classification for the Ministry of Forests and five years working for Canfor in the Nimpkish Valley and Fort St. John.*



## Retiring as a Consultant: It's All About Guaranteed Income



Photo: iStock Photo

**THERE ARE ONLY TWO WAYS TO CREATE INCOME:** you work to earn your money or you have your money work for you! If you plan and invest wisely, your money will work for you throughout your retirement.

First, picture your retirement. Visualize where you will be living. Will you stay in your current home or will you downsize? Perhaps a vacation property is in your future? Planning on travel? What about your hobbies or hobbies you want to start? Will you be involved in the community as a volunteer? Are you hoping to leave an estate to family or a favourite charity? Will you need your income payments to be flexible?

Now that you have a picture of your retirement, you can plan how you get there. As a forestry consultant, this can be particularly difficult as you don't have a guaranteed salary. The forestry sector is cyclical and it's seasonal. There will likely be times when your income is very low. Also, you don't have a company pension plan you can pay into which are often matched by employers.

There is no set rule, however it has been our experience over the last 30 years that those without a pension plan should invest 18% of gross income to start on a path to successful retirement. Keep in mind that it is important to work with percentages as opposed to fixed dollar amounts. This will provide you flexibility as your income fluctuates up and down throughout cycles and seasons.

We are living longer; many of us may well be enjoying our retirement longer than our working careers. To ensure a guaranteed income for life, which will adjust for inflation,

it's suggested that we accumulate \$20 for every \$1 of retirement income we require.

Here's an example. We have done some planning and determined that we will require a gross annual retirement income of \$65,000. We have contributed to the Canada Pension Plan (CPP) and expect a retirement benefit of \$10,000 each year. As well, we will be entitled to an Old Age Security Income (OAS) of \$6,000 leaving a shortfall of \$49,000. That would require you to put aside \$980,000 (\$49,000 x \$20.) by retirement. Substitute these numbers with your numbers and see what your picture is starting to look like.

Now you have the magic number, what is the next step? Where do you invest this money? Where is the best place to allow your savings to work for you? There are a number of options available: Registered Retirement Savings Plan (RRSP), Tax Free Savings Account (TFSA), Guaranteed Investment Certificates (GIC), Mutual Funds, Segregated Funds, Guaranteed Investment Funds, a stock portfolio or perhaps real estate to name a few.

The first step is to build your RRSP savings. These are tax deductible contributions, up to a limit, that grow tax deferred until it is time to withdraw the money. The TFSA allows you to put money aside annually and returns will never be subject to tax. The marketplace offers many choices from higher risk equities to low risk GICs and everything in between.

Making investment choices in today's marketplace is not easy. Stick to these simple rules:

- Seek out financial advice,
- Review the investment options; and,
- Have access to ongoing service.

At our office we call that the Power of Three. Most importantly, make sure the investments that you make pass the SWAN test. Will your choice allow you to Sleep Well At Night!

At this point you may be considering seeking the advice of a financial planner who is licensed in your province. If you already have an advisor, don't hesitate to ask all your questions, tell them what you want your retirement to look like. Are you confident that your current advisor, broker or bank is providing you with the best advice? It is often prudent to get a second opinion. A second opinion never hurts.

What if you find jargon going over your head or product explanations too complicated to follow? Consider basing your decision on relationships, either through recommendations or your own good judgment. Attend free seminars and if you are unsure, attend more than one. Don't judge your attendance based solely on the speaker. Very often you will learn as much from fellow attendees. Also, don't go alone. Better to have someone you can share ideas with. Focus on a topic. The government complicates retirement issues; find someone who can simplify them!

Planning your retirement is not a one day event. The tools in this article should help you get on your way to a solid retirement income plan as a consultant. Take each step and work through it. Retirement should not be a surprise. You will retire and retire with confidence. 🍀

*Fred W. Bowie is CEO of Canada Retirement Information Centre Inc. For over 30 years, Fred has been helping people plan their retirement income. He is one of Canada's top retirement income specialists. Submit questions to fred@canretire.com*



## It's Not Just Culture It's a Constitutionally Protected Right

**THE LANDSCAPE FOR THE AVERAGE FORESTRY** consultant has changed dramatically in the last few decades with respect to regulation. We have moved from the days of little to no regulation to today with more regulation than ever. One of the primary issues influencing forestry regulation today, along with environmental protection, are Aboriginal issues like land claims and self-government.

We have seen everything from blockades, negative media campaigns and legal action all which have far reaching consequences for the forestry industry. Part of the response from government has been to introduce or change regulation designed to address Aboriginal Peoples and their cultures.

Before discussing balancing regulation with culture, I think it is important to know what culture is. The *Merriam-Webster* dictionary defines culture in part as, "the integrated pattern of human knowledge, belief, and behaviour that depends upon the capacity for learning and transmitting knowledge to succeeding generations and the customary beliefs, social forms, and material traits of a racial, religious, or social group."

The problem with this definition of culture is that comes across as a non-threatening concept. It makes people think that culture is language, dancing and crafts. One might think, "Why should I, or the government for that matter, be worried about culture? We live in a society that allows people to be who they are by providing freedom of religion and all manner of other freedoms."

This in turn can make forestry consultants think, "It will be easy to balance their culture with regulation and the regulators will be happy with me. I will get my permit and things will proceed as planned." However, this is not the case and is a total underestimation of what we are actually dealing with.

To get to the root of what we are really dealing with we need an equation. Culture equals something? Culture, in the case of Aboriginal Peoples, equals constitutionally protected legal rights. These legal rights are the leverage that Aboriginal Peoples have to protect their cultures. Below is Section 35 of the Constitution of Canada. Be sure to pay particular attention to section 35(1).

### Rights Of The Aboriginal Peoples Of Canada

Recognition of existing aboriginal and treaty rights

35. (1) The existing aboriginal and treaty rights of the aboriginal peoples of Canada are hereby recognized and affirmed.

Definition of "aboriginal peoples of Canada"

35. (2) In this Act, "aboriginal peoples of Canada" includes the Indian, Inuit and Métis peoples of Canada.

Land claims agreements

35. (3) For greater certainty, in subsection (1) "treaty rights" includes rights that now exist by way of land claims agreements or may be so acquired.

Aboriginal and treaty rights are guaranteed equally to both sexes  
35. (4) Notwithstanding any other provision of this Act, the aboriginal and treaty rights referred to in subsection (1) are guaranteed equally to male and female persons.(96)

There is a lot of meaty stuff in section 35. But from the perspective of regulation and culture, section 35(1) says it all. It states that the existing Aboriginal and treaty rights of the Aboriginal Peoples in Canada are recognized and affirmed.

What does this mean? It means that, from a federal and provincial government perspective, governments have to recognize and affirm rights and not take them away through regulation or subsequent activity or activities. There is a legal principle from the Sparrow decision (R. v

See **PROTECTED RIGHT** on page 29

## Providing strategic fibre supply support from the forest to the mill



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**Strategic Fibre Supply Planning**

*Fibre Quality and Technical Expertise*  
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**Developers of "The BC Fibre Model"**

A strategic planning tool that models the entire BC forest industry from AAC to biomass consumption.



# Finding Your Niche:

## The Key to Starting a Successful Forestry Consulting Business

**S** **STARTING AND RUNNING YOUR OWN CONSULTING** business may be a profitable venture under the right circumstances especially if you have the expertise and skills in a particular industry or area of business. However, if you want to start your own consulting company, be sure to research the necessary considerations and requirements before launching your business.

### Identifying & Honing Your Expertise

Forestry is just one of the many industries where companies are outsourcing for services and expertise that may no longer be available from their own staff. They are bringing in consultants to help fill in the gaps.

So the first step to becoming a consultant is to assess your strengths and areas of expertise, to define your unique selling proposition and market niche. You may have extensive experience in a particular field or received special training and education. Try to emphasize your expertise in terms of your accreditations, qualifications, past projects and client testimonials. This can help you differentiate your services from the competition.

Meet Craig Kennedy, RFT, a forestry consultant with the Tl'etinqox-T'in Government Office (TGO), Anahim Band. He started his consulting business in 2008, with the support from Community Futures of Cariboo Chilcotin, immediately after being laid off from a forest industry job. He wanted to get into a business area that was untapped.

"In my previous job it became evident to me that the SAFE Companies Program administered through the Forest Safety Council was proving to be difficult for some companies to achieve. These companies were supportive of the initiative but were so busy running their business, they needed a little extra help as the industry was tightening up on safety requirements and making it mandatory for companies to be SAFE certified. Using my past experience and knowledge of the safety program process, I focused my consultancy business on forestry and safety. Safety being an area no one else was involved in at the time," says Kennedy.

Kennedy's ingenuity of finding a new market niche and honing his consulting services based on forestry and safety secured

him a contract at the TGO managing their forestry and resources and he continues to remain busy with over sixty regular clients.

### Marketing Your Services

Once you have defined your unique selling proposition, it is time to spread the word about your consulting services. As an independent consultant, you will mostly rely on word of mouth and referrals to market your services and generate new business. These are also the most effective and least expensive marketing tools available. This constant process of self-marketing is largely based on your up-to-date credentials and expertise as well as relationship management. So ensure you do your best work to keep your clients happy because they will be your best marketers.

"Ninety percent of my business growth is the result of word of mouth advertising," says Kennedy. He also took advantage of working at the TGO to develop solid relationships with government agencies, licensees and the public to procure future contract opportunities for that community.



Photo: Courtesy of Craig Kennedy

*Craig Kennedy, forestry consultant (blue hardhat) and King Campbell of Ducks Unlimited. Craig found his consulting niche in helping companies become SAFE certified.*

## Prospecting and Bidding for Contracts

A large part of being an independent consultant is prospecting for work and going through the procurement process. This usually involves a bidding process in which the bidders quote their prices and the buyer accepts the most suitable bid based on the project's requirements.

Knowing how the bidding process works is essential to winning contracts. The BC Bid website, [www.bcbid.gov.bc.ca](http://www.bcbid.gov.bc.ca), offers a proponent guide on how to respond to BC government request for proposals and lists current BC government tenders. As for the MERX website, [www.merx.com](http://www.merx.com), it has a comprehensive electronic tendering service where you can find Canadian public, private and US tenders.

## Developing a Pricing Strategy

Develop a pricing and estimating process for the work you intend to perform. Most clients want a fixed lump sum price for the work they

want done. So make sure you fully understand all your direct labor, materials and equipment costs, your overhead costs and your profit expectations for the work you quote.

Kennedy says he keeps his pricing consistent with the going rate of the Registered Forest Technologists in his business area.

## Getting Support

Bridget Field of Small Business BC recommends, "As your consulting business grows, be prepared to budget for a good accountant who can determine the best tax structure for you and help maximize your business tax deductions. Also, consider hiring administrative support to help you with routine office work so you can focus your time on developing your business."

What advice would Kennedy give aspiring consultants? "Network with people in similar consulting fields as this can lead to new business opportunities. I find that successful business owners are willing to share tips of

the trade. Also, start your business by doing a business plan. A solid business plan will give you confidence to move forward with your ideas and there are resources out there to help you," he says. Small Business BC offers advisory services and a listing of seminars to help you write and prepare your business plan for implementation at [www.smallbusinessbc.ca](http://www.smallbusinessbc.ca)

Operating your own consulting business allows you to get paid for your knowledge and expertise while offering you the freedom and flexibility to choose your working hours that suit your lifestyle. With the proper business planning, the willingness to stay current in your field, network and the desire to succeed, your consulting business will reap benefits. 🌱

*Candice Macalino is the communications manager at Small Business BC. Small Business BC provides advisory services, education and community to help BC entrepreneurs succeed in all stages of business. For more information, visit [www.smallbusinessbc.ca](http://www.smallbusinessbc.ca)*



## Conquering the Balance Sheet: Figuring Out What it Actually Says

**WHAT CAN THE BALANCE SHEET TELL US AND WHAT** can't it tell us? Unlike the income statement, which shows the results of operations over a period of time, the balance sheet is a snapshot of the financial position—assets, liabilities and equity—of the company at a single point in time.

The snapshot is accurate and detailed. However, the information it provides is somewhat limited and the situation can change dramatically with time. As a result, it is common to show two-year comparative figures on the balance sheet to help identify and analyze trends.

### Assets

An asset is something the company has which will benefit it in the future. Assets can be current or non-current—current assets are ones that will be converted to cash within one year. The most familiar examples of current assets are cash and accounts receivable and the most common non-current asset is equipment. Let's examine each of these and see what they tell us.

**Cash** : Cash is a very nice thing to have! The cash on the balance sheet is generally the reconciled balance in the company bank account at the balance sheet date. If the account is overdrawn, cash will show as a liability. If the cash balance is quite high (maybe wishful thinking) the question arises, "What is the cash for?" Rather than just sitting there, perhaps it should be used to buy equipment or be paid out as a dividend to you, the shareholder.

**Accounts receivable** : In some industries, collecting accounts receivable can be problematic. However, I believe that most consultants deal with large companies and agencies that pay within a reasonable time.

You can get a general feel for how long it takes on average to collect by calculating the average collection period. To do this, divide the revenue from the income statement by the accounts receivable balance to get the yearly turnover. Then divide that into 365 to get the average number of days it takes to collect. The trend of this number from year to year can be interesting.

**Equipment** : Equipment is recorded at its original cost and not adjusted to its market value each year. Instead, the original cost is spread out over the life of the asset through the process of depreciation also called amortization. If the equipment has an estimated ten-year life, for instance, one-tenth of its cost will appear on the income statement as depreciation expense each year for ten years. You will see the total amount of the depreciation expense from all past years on the balance sheet, as accumulated depreciation.

**Receivables**: One other item that could appear as an asset on the corporation balance sheet is a receivable from the shareholder. If you, as the owner and shareholder, draw money out of the corporation bank account for your own use, it will appear as a shareholder loan or receivable from shareholder. Care must be taken in this case loans like these must be repaid within a certain short period of time. If they aren't, the Canada Revenue Agency (CRA) can deem them to be salaries, subject to the various withholding taxes and possibly penalties. If you plan to draw funds from the corporation, check with your accountant to make sure you stay on side with the CRA rules.

### Liabilities

Now, let's look at liabilities. A liability is a form of debt. Like assets, liabilities can be current or non-current. The most common current liabilities (which must be paid within one year) are accounts payable and short-term loans. Non-current liabilities are usually in the form of long-term loans from the bank or the shareholders.

### Solvency

A glance at a balance sheet can tell us about the general solvency of the business. Which is greater, the current assets or the current liabilities? If the current liabilities are greater, the question arises, "Where will the money come to pay these liabilities within a year, if the current assets aren't sufficient?" This situation doesn't necessarily mean serious trouble. However, it does point to a concern; namely, is there enough short-term funding available to cover a shortfall if it develops?

## Balance Sheet

### Assets

Cash

Marketable Securities

Accounts Receivable

Less Allowance for Bad Debts

Accounts Payable

Prepaid Expenses

## Liquidity

Quick Ratio

Current Ratio

Days Accounts Payable

Days Working Capital

Days Inventory

Accounts Payable

Accounts Receivable

Inventory

Prepaid Expenses

Other Assets

Dividing the total current assets by the total current liabilities gives the current ratio. This ratio can be valuable in comparing the situation over time. The current ratio will be greater than one if the current assets are larger than the current liabilities. This indicates a comfortable position. You can calculate the current ratio over several years to see the trend. It should be stable or increasing for comfort.

### Equity


Finally, let's look at equity. Equity is the residual ownership in the business after total liabilities are subtracted from total assets. Equity for a corporation appears on the balance sheet as shares and retained earnings.

**Shares:** Shares are established when you set up the corporation. As owner, you invest a nominal amount to purchase the shares initially. That number won't change over time, unless you decide to issue more shares. Maybe someone wants to buy into your company and share in its profits?

**Retained Earnings:** Retained earnings consist of all of the earnings of the corporation since its inception, less the total amount of any dividends paid out over the years.

The balance sheet isn't a great predictor of the future. However, it's helpful to understand what it is telling us, to ensure the success of the business. For specific help on this and other financial information, have a discussion with your accountant. 🍷

*Walt Burton is a chartered accountant. Before becoming a professor at the Okanagan School of Business at Okanagan College, he was a senior accountant at KPMG and worked with a number of forestry clients.*



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# Tenure Reform Through a Different Lens: Forest Stewardship Reform

Photo: Lloyd Davies, RPF

**THE 1909 FULTON COMMISSION RECOMMENDED** that BC's forests should be retained in Crown or public ownership and that a Forest Service should provide independent professional management. The intended outcome was sustainable forest dependent communities and a healthy forest industry.

The Fulton Commission noted a possible downside to government acting as trustee of BC's forests. Future government administrations might not put wise stewardship of the forests as their first priority. For many decades, government priorities have focused on private entitlements in the public forest. We are so immersed in this paradigm that discussions about change are conducted under the subject heading of tenure reform.

The appropriate subject heading for discussions about changes to forest management is found in Criterion 7 of the Montreal Process. Criterion 7 looks at the legal, institutional and economic framework to support sustainable forest management. The comprehensive set of indicators covers clarity of tenure, forest laws, enabling economic

policy, public involvement, research and development. The aim is to provide sustainable stewardship of forest ecosystems and good relationships between society and the forest.

We should conserve those features of the existing institutional framework that provide a strong foundation for sustainable forest management and change those features that compromise good stewardship. Our most beneficial institution in BC is our Crown or public forests. This gives us the ability to provide whole forest landscapes with sustainable forest management. This ability has been compromised by private entitlements and BC is on a path similar to historic land enclosures in Europe. Assurances that our forest land will be retained in Crown or public ownership, as entitlements are strengthened, are artifices along the route to enclosure.

To retain our public forests as the central institution for sustainable forest management, we need consider reforms that reduce private entitlements. The original concept of independent professional forest management has considerable merit.

Some innovative governance arrangements will be needed to protect a system of independent stewardship from politicians.

A devolved system of local forest trusts and a forest trust assembly is a potential solution.

The local forest trust would comprise a relatively large geographic area of one or more forest landscapes, of sufficient size to support economic forest operations and a forestry staff. It would have an elected board. The local forest trust would operate under trust documents developed from the Montreal Process definition of sustainable forest management. Local forest managers would be accountable to the local public and would manage the forest to generate timber, non-timber and nature-based economic activity. Other than woodlot stewardship agreements, the local forest trust will not be able to delegate major forest management responsibilities to forest companies. Timber will be sold in log form on the open market. The local forest trust is the arrangement to manage a local geographic forest management unit of sufficient size to provide a permanent forest management staff and eco-



conomic forest operations. The forest is entitled to good management and we should guard against fragmenting the forest under different management arrangements and entitlements. There may be more than one community or rural area in the vicinity of the local forest management unit. These can be represented on the board of the local forest trust under a ward arrangement.

The forest trust assembly would be governed by an equal number of elected delegates and professional delegates from local forest trusts. The forest trust assembly would audit local forest trusts and provide collective services such as forest fire fighting and extension services. The forest trust assembly would act as a court of appeal for the public, the staff of local forest trusts and wood utilization companies. Any major changes proposed by the forest trust assembly would require the ratification of two-thirds of the local forest trusts.

These new institutions also provide a means of settling First Nations land claims.

First Nations could have self-governing local forest trusts with the supports of the forest trust assembly to help develop needed sustainable economic development. While First Nations are seeking private rights, the trust alternative re-establishes a traditional relationship between communities and the local forest landscape. The same will be true for other communities. This involvement is beneficial for sustainable forest management.

The open market arrangements for sale of logs will enable existing wood processing plants to continue operations while opening the doors to some new value added manufacturing. The open market will reduce the vulnerability of BC wood product exports to discriminatory taxes. Timber is likely to remain the major component in the forest economy, but independent professional management is more conducive to the development of non timber forest products and nature-based enterprises. Forest professionals will be

directly accountable to the public shareholders and this will reduce conflict and incidents of civil disobedience. The public shareholders will get a market price for their wood and local, accountable management.

There are major problems in our forests, dependent communities and industry that will remain after the present global economic downturn. The tenure system is at the root of many of these problems. Are we really going to solve these problems by staying on the tenure path? Local forest trusts and a forest trust assembly is an institutional framework much more suited to progress toward sustainable forest management as outlined in the Montreal Process. Our forests will be conveyed back to the public interest under local democratic free enterprise institutions. 🌱

*Andrew Mitchell, RPF (Ret), blogs at [www.greenbccommunities.com](http://www.greenbccommunities.com) about improving stewardship of BC's forests.*

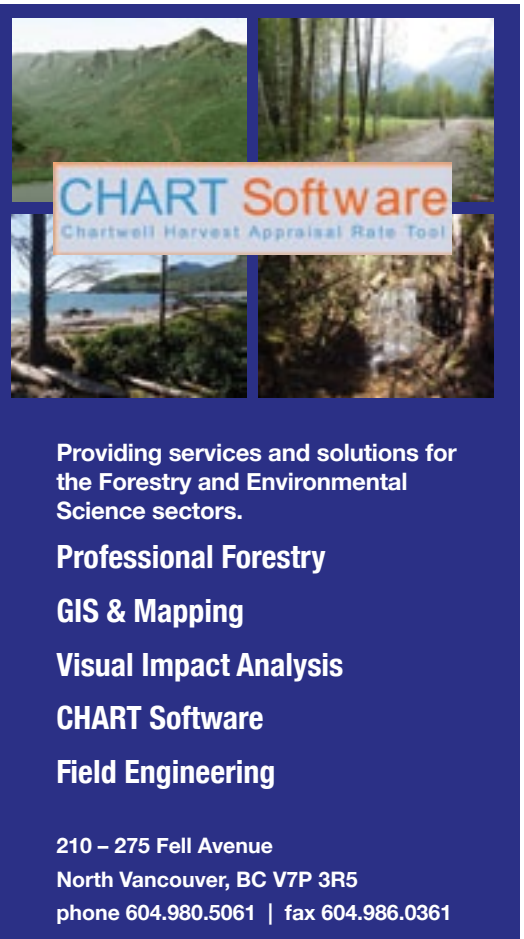


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## ForesTrust Winners 2010

# Talking to the Next Generation of Forest Professionals



Riley Whyte



Joanne Ranson

### College of New Caledonia

ABCFP Natural Resources Studies Scholarship (\$1,000)

Hometown: Prince George, BC

Riley's parents both work in the forestry sector and as a result, he got some firsthand experience at a young age. "My interest in forestry first came about when my stepdad was working lots out in the field surveying. He always brought me out with him when I wasn't working or in school."

Research turned out to be Riley's favourite aspect of forestry and biochemistry is his favourite subject. In his free time, he volunteers at the College of New Caledonia's chemistry lab.

Riley thinks the most important change taking place in BC's forestry sector right now is the growth of the Chinese market and, as a result, the decrease in our dependency on the US market.

And he's optimistic about the future.

"Although it's bleak right now, the forest industry has a history of being cyclical. It's always been a huge natural resource for British Columbians and it still provides a variety of employment opportunities."

Riley sincerely thanks the ABCFP for the scholarship. "The \$1,000 I received from the ABCFP will go directly to my tuition for the coming school year. When it comes to school, I place my education first above everything else to get the grades I need."

### University of Northern British Columbia

Association of BC Forest Professionals Award for Excellence (\$2,000)

Hometown: Williams Lake, BC

It wasn't until high school that Joanne really got into forestry. "After completing a stint as a winter student with Tolko for high school work experience, I was hooked," said Joanne.

For the past four seasons, Joanne has worked as a silviculture surveyor in the Cariboo Chilcotin. "After finishing my education, I hope to begin my career in the field of silviculture and see what avenues stem from there."

While hesitant to choose one thing as the most important change happening in forestry right now, she is very interested in the assisted migration of crop tree species. "I've been following the AMAT project and

it will be interesting to see how ecosystems as well as the forest industry adapt to future climate change." Joanne thanks the ABCFP for the scholarship she received. "All of the money has gone towards tuition for my degree in forest ecology and management at UNBC."

What would Joanne say to people considering getting into forestry? "Given the state of the economy and the forest sector, the decision to enter the forest industry shouldn't be taken lightly. However, I'd urge those passionate about forestry not to get discouraged and to pursue environmental sciences with an open mind and a focus on ingenuity and skill transferability."

### Poor Economic Performance of Scholarship Endowments

This year the University of British Columbia and Vancouver Island University were unable to award scholarships due to the poor economic performance of their scholarship endowments. These four awards total \$5,150.

The British Columbia Institute of Technology was also unable to award their \$1,200 scholarship this year due to administrative issues. However, they hope to award it again next year.

Finally, the Nicola Valley Institute of Technology did not receive any applications for one of its two \$250 scholarships.



Tara Salmon



Todd Blewett

**University of Northern British Columbia**  
**Association of BC Forest Professionals Bursary (\$1,000)**  
**Hometown: Golden, BC**

The ability to work in the outdoors as a professional attracted Tara to forestry. She also liked the variety of challenges. “I thoroughly enjoy the problem solving aspect of forestry as well as the kind of people forestry attracts and atmosphere in the industry,” said Tara.

This summer, Tara is working with West Fraser Mills in Quesnel and then going back to UNBC to finish her degree. “After April, I hope to travel to different places in the world and practice forestry. Hopefully, I’ll gain a more global perspective on the different forest management techniques and challenges out there.”

“Currently, I think the most important change taking place in the industry is the sustainable approach forest management is taking place on a more site specific scale,” said Tara. “Also, environmental issues and innovative management have forced new technologies to be developed in the forestry sector.”

Tara thanks the ABCFP for the scholarship money she received. She will put it all towards her tuition at UNBC.

What would Tara say to people considering getting into forestry? “I’d tell them that now is a very good time to get into forestry. Sustainable forest management is the trend throughout the industry and this allows forest professionals to develop more integrated, innovative and creative approaches to forest management.”

**University of Northern British Columbia**  
**Association of BC Forest Professionals Bursary (\$1,000)**  
**Hometown: Williams Lake, BC**

After graduating from high school in 2003, Todd got a summer job with West Fraser Mills Ltd. in Williams Lake. That fall, he attended his first forestry classes at UNBC. “But after one year I was wavering. University was difficult and a lot more academic than I had imagined so I applied to BCIT. Doing a technical diploma was the best decision I ever made,” said Todd.

After graduating from BCIT in 2006, he took a full year contract with Fraser Mills in their operations department. “But I started to feel like my diploma was holding me back and, along with a little pressure from my parents, I decided to re-pursue my degree in forestry.” Over the last two years, Todd completed his forestry degree at UNBC. His favourite classes were in forest health anything to do with entomology or pathology.

This summer, Todd is working as a wildfire fighter out of Fort St. John. In the fall, he plans to take his hand-faller certification course and hopes to find work as a faller later this year. He also plans on writing the Registered Professional Forester exam soon and hopes to one day own and operate his own forestry company.

Todd thanks the ABCFP for the scholarship money he received. He put it all towards his tuition at UNBC. “I hope that one day I will be able to help a future forester with his education.”

What would Todd say to people considering getting into forestry? “I would encourage them to do get their technical diploma first and then pursue a degree. Getting the hands-on experience at technical school is the best experience a forester can have.”

*Other Winners. . .*

**Kathleen Janz**  
**Selkirk College**  
**ABCFP Scholarship (\$880)**

**Ernie Last**  
**Nicola Valley**  
**Institute of Technology**  
**ABCFP ForesTrust Prize (\$250)**

**Andrew Wrench**  
**Thompson Rivers University**  
**ABCFP Award (\$511.14)**

By Jeff Waatainen, LLB, MA, BA (Hons)

## Survival of the Average Efficient Operator and Licensee Neutrality

**LAST SUMMER THE BC COURT OF APPEAL RELEASED ITS DECISION IN** *Western Forest Products Limited v. the Province of British Columbia*. The decision concerned a stumpage determination of the Ministry of Forest and Range. The Ministry's application to appeal the decision to the Supreme Court of Canada was subsequently denied in March.

The decision concerns one of a number of stumpage appeals brought before the Forest Appeals Commission over the years with respect to essentially the same issue: The suitability of Western's Jordan River log dump as an appraisal log dump. On account of the uniqueness of this particular facility, the Jordan River log dump is not available to licensees other than Western, even as a theoretical proposition. Other licensees must haul their timber to more distant log dumps.

Nevertheless, the Ministry has insisted that the Jordan River log dump is a suitable log dump for the appraisal of cutting authorities in the area. The practical effect of the Ministry's position was to lower the appraisal hauling cost estimate for these cutting authorities given that Jordan River was much closer than the log dumps that licensees (other than Western) actually had to use. In turn, this lower cost estimate tended to increase stumpage rates.

Western took the position that the Ministry's decision to appraise its cutting authorities using the Jordan River log dump violated basic appraisal principles such as 'licensee neutrality' and the 'average efficient operator.' The average operator would not (indeed, could not) transport timber through Jordan River, but would have to haul its timber to more distant facilities. The Ministry's decision to use Jordan River as an appraisal log dump, therefore, did not reflect the average operator. The use of Jordan River in Western's appraisals was not neutral among licensees given that it appraised Western's unique activities rather than activities of the average efficient operator.

The Commission allowed Western's appeal and accepted Western's evidence with respect to the importance of licensee neutrality and the average efficient operator in the determination of stumpage in BC. Regardless of whether Western did, in fact, use Jordan River, the Commission held that the Ministry should appraise Western's operating costs as though it were the average efficient operator. Given that the average operator could not use Jordan River and would, therefore, incur higher costs to haul timber to more distant facilities, the appraisal of Western's timber should also reflect these higher hauling costs.

The Ministry could not accept this result and appealed the Commission's decision to the BC Supreme Court. The Supreme Court

could also not accept this result and allowed the Ministry's appeal on the basis that the Commission's decision was not reasonable. According to the Supreme Court, the Commission's decision that "all must be treated the same is to use the concept [of licensee neutrality] to produce an absurd result."

However, upon Western's further appeal, the Court of Appeal held that the Commission's decision was "consistent with the scheme and tenor of the Manual...and lies within the range of acceptable outcomes." Accordingly, the Commission's decision was restored.

Two things flow from the decision. First, the principles of licensee neutrality and the average efficient operator are still relevant to stumpage appraisals in BC. Second, and perhaps more importantly, these principles should inform what constitutes the submission of 'inaccurate information' contrary to sections 105.1 of the *Forest Act*. The requirement for accurate information under section 105.1 does not necessarily mean that an appraisal data submission must reflect the actual activities of a licensee. It simply means that the licensee must submit information as required under the Manual. The Ministry should not rush to find a contravention of section 105.1 based only upon whether a licensee's actual operations reflect the operations contemplated in a licensee's appraisal data submission. There's more to it than that. ☺

*Jeff Waatainen is a past adjunct professor of law at UBC, has practised law in the forest sector for over a dozen years, and currently works as a sole practitioner out of his own firm of Westhaven Forestry Law in Nanaimo.*



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**FLEXIBLE** continued from Page 15

an independent power producer or a biomass producing firm the next. Exposure to these opportunities provides perspectives for young professionals as they work at defining their careers.

And of course, lifestyle plays a big role for those forest professionals working for consulting firms. There is typically flexibility to work long shifts and then take extended holidays, thus capitalizing on busy and then quiet periods. Consultants can locate themselves in central locations, be based in home offices if desired, pursue work close to home or travel far and wide if that is their choice. This means they have choices in how to balance work and family in a way that suits them best. Many people choose the consulting lifestyle to enjoy the small company work environment, preferring it to the larger employers and the politics they have.

As service providers, employers and members of the community, consulting forestry firms are key to the ongoing operation of the BC forest industry, providing valuable skills, experience, manpower and flexibility. 🌲

*Jim Girvan, RPF, MBA, is principal of MDT Management Decision and Technology and a director of the Consulting Foresters of BC.*

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**PROTECTED RIGHT** continued from Page 19

Sparrow, [1990] S.C.R. 1075) that states that any proposed government regulation that infringes on the exercise of Aboriginal rights must be constitutionally justified.

Further, the Delgamuukw and Gisdaway Supreme Court decision of December 1997 stated that Aboriginal title and rights exist and governments must design regulations to avoid infringing on constitutionally protected rights. Keep in mind that from the courts perspective the discussion about whether Aboriginal rights exist is closed. The Supreme Court of Canada has required the government to shift their focus to a process of defining those existing Aboriginal and treaty rights through regulation, consultation, or treaty and reconciliation negotiations.

It follows then that Aboriginal Peoples for the most part look at the world through section 35 glasses and ask themselves a simple question. "Does this regulation and subsequent activity, forestry for example, infringe on the exercise of our constitutionally protected rights?" If the regulation or subsequent activity does infringe then they have legal remedy not available to people of other cultures.

One potential remedy is to go to court and seek judicial reviews challenging permits usually on the basis of lack of consultation. Such judicial reviews can tie projects up for lengthy periods of time incurring huge project delay costs as well as associated legal fees.

What then can you do to balance culture with regulation? Change the focus from culture to constitutionally protected legal rights and do whatever it takes to avoid infringing on constitutionally protected rights. The key is to work effectively with Aboriginal Peoples early and often, avoid infringing, seek accommodation and don't assume that by simply fulfilling legal and regulatory requirements that projects will proceed as you wish. Lots have tried this approach and many have failed. 🌲

*Robert P. C. Joseph is the President of Indigenous Corporate Training Inc. an Aboriginal company committed to providing training geared specifically at helping individuals and organizations to work effectively with Indigenous Peoples. [www.ictinc.ca](http://www.ictinc.ca)*

## A Moment in Forestry

Submit your moment in forestry to Brenda Martin at: [editor@abcfp.ca](mailto:editor@abcfp.ca)



**Educating Youth about the Forest Sector** Submitted by Shawn Flynn, RPF, Nanoose Bay.

These grade nine students were part of the second class that took part in the private/public partnership between Greenmax Resources and Port Alberni's High School. The project-based learning takes place on woodlots #1902 and #1479.

In this photo, Cole and Dawson are taking part in a survival training day where they had to start a fire and boil water with only two matches. 🌿

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# 2011 Forest Capital of BC

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## Nominate your community today

Every community in BC is eligible to be nominated. The nomination process is outlined in the Forest Capital Nomination Package available on the ABCFP website: [www.abcfp.ca](http://www.abcfp.ca).

## Nomination Deadline: November 12, 2010

The ABCFP will evaluate nominations based on the community's relationship to its surrounding forests and the strength of the bid proposal. The winning community will be announced in December 2010 and will carry the Forest Capital of BC title from January 1 to December 31, 2011.

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