

The Coast Sustainability Trust II

Report of the Trustee as of September 30, 2011

General

The Province of British Columbia created the Coast Sustainability Trust (CST) in 2002 to mitigate the negative effects on workers, contractors and communities, including First Nations of:

1. provincial government decisions related to the Land and Resource Management Plan process; and
2. the implementation of Ecosystem Based Management (EBM)

in the Central Coast, North Coast, Queen Charlotte Islands/ Haida Gwaii, Comox Strathcona Regional District and the Regional District of Mount Waddington. In March 2007 the CST was rolled over into the CST II.

CST II Account Balances and Distributions

As of September 30, 2011 the CST II balances and distributions were as follows:

Account Balances

Community Matching Fund Account	\$5,658,626
EBM Adaptive Management Account	\$681,395
EBM Matching Fund Account	\$1,507,878
Landscape Reserve Planning Account	<u>\$17,857</u>
Total available funds	<u>\$7,865,756</u>

Distributions to beneficiaries to date

Forest Worker Severance	LRMP process	\$2,933,857
	EBM	\$2,155,976
Contractor Mitigation	LRMP process	\$10,749,764
	EBM	\$2,878,258
Community Matching Funds		\$15,065,679
EBM Adaptive Management Sub-trust		\$1,241
EBM Land Use Planning Sub-trust		\$209,068
ESAMDAP Sub-trust		\$132,486
EBMWG Sub-trust		\$1,633,855
Landscape Reserve Planning Sub-trust		<u>\$735,000</u>
Total Distributions to beneficiaries		<u>\$36,495,184.</u>

Total available funds plus distributions

\$44,360,940

In addition to the original \$35,000,000 given to the CST, five other sub-trusts of the CST and CST II were funded by the province. Further, the BC Forestry Revitalization Trust (BCFRT) agreed to provide matching funds to allow for the mitigation of workers and contractors in Haida Gwaii that were impacted by the implementation of EBM. Unused funds in the EBM Land Use Planning and

ESAMDAP sub-trusts were rolled into the EBMWG sub-trust, and unused funds in the EBMWG sub-trust were rolled into the EBM Adaptive Management sub-trust. These five sub-trusts combined have received a total of \$3,373,320 from the Province of BC. By the third quarter of 2011 the BCFRT advanced \$2,767,714 to the CST to help fund the EBM Matching Fund Account. Income to date from investments of the CST has exceeded total administration expenses by over \$3.2 million. There was no need to use any of the capital of the CST to fund its administration. This allows over \$4.3 million more than originally planned to go to beneficiaries.

Community Matching Fund Account

When the CST Community Matching Fund started operations, the Advisory Board agreed that decisions related to specific initiatives in the communities should be made at the local level as opposed to by the broader Advisory Board. Five Regional Steering Committees (RSCs) were formed. They are the Central Coast, Comox Strathcona, Mount Waddington, the North Coast, and Queen Charlotte Islands/Haida Gwaii. Significant progress has been made to date with all five RSCs.

Leverage of CST Community Matching Funds

Each of the five RSCs had been allocated \$4,100,000 to use towards developing Regional Economic Development Strategies and to support individual initiatives that fit those strategies. As of the end of September 2011, funding has been and remains approved for a total of 231 projects. An additional 28 projects were approved but were subsequently abandoned by the applicant for a variety of reasons and did not receive CST funding. The main reason for applicants abandoning their projects was an inability to source matching funds or other forms of financing.

The total commitment from the CST is \$17,209,344, for projects worth a total of \$129,746,317. Therefore, on average a total of \$7.54 goes into approved projects for each \$1.00 of CST funds committed.

Status of Community Matching Fund funding requests As at September 30, 2011

Regional Steering Committee	Total Project Size	Amount Requested of CST	Amount Rejected by CST or abandoned by applicant	Amount still under consideration by CST	Number of Approved Projects	Amount approved by CST	Amount disbursed by CST
Central Coast	\$21,349,771	\$5,956,397	\$2,989,632	\$290,000	56	\$2,676,765	\$2,556,765
Comox Strathcona	\$58,724,292	\$14,149,419	\$9,867,085	\$65,000	46	\$4,067,333	\$3,688,833
Mount Waddington	\$108,357,663	\$9,783,731	\$5,081,655	\$1,024,940	49	\$3,677,137	\$2,912,414
North Coast	\$46,682,968	\$8,558,855	\$4,544,730	\$760,293	32	\$3,253,833	\$2,739,114
QCI Haida Gwaii	\$51,183,927	\$7,284,086	\$2,773,870	\$975,940	48	\$3,534,276	\$3,168,553
Total:	\$286,298,621	\$45,732,487	\$25,256,971	\$3,116,173	231	\$17,209,344	\$15,065,679

The preceding table shows the total value of the requests for assistance, and the progress in approving funding for each of the RSCs. As of September 30, 2011, Funding Agreements were being negotiated with proponents of the most recently approved projects.

Types of Projects Approved for Community Matching Fund Assistance

In order to stimulate economic activity, each RSC considers and approves projects that fit into the strategic priorities of their area or, if no formal strategic priorities have been developed, projects that clearly fall into the range of initiatives that likely will be included. The types of projects vary to some extent by the chosen strategic direction of each RSC. Following is a table that shows the type of projects approved for CST funding support:

Types of projects approved for CST Funding

Regional Steering Committee	Total Project Size	Amount approved by CST	Nature of Approved Project					
			Agriculture & NTFPs	Aquaculture & processing	Forestry	Infra-structure	Planning	Tourism
Central Coast	\$12,160,826	\$2,676,765	\$30,834	\$347,090	\$99,604	\$920,026	\$525,366	\$753,845
Comox Strathcona	\$32,605,243	\$4,067,333	\$12,500	\$1,137,000	\$0	\$791,500	\$190,500	\$1,935,833
Mount Waddington	\$30,941,912	\$3,677,137	\$91,400	\$354,188	\$15,000	\$1,548,036	\$39,500	\$1,629,012
North Coast	\$15,270,427	\$3,253,833	\$0	\$630,120	\$50,000	\$741,261	\$24,750	\$1,807,702
QCI Haida Gwaii	\$38,767,909	\$3,534,276	\$207,559	\$274,060	\$227,398	\$1,548,016	\$165,232	\$1,112,011
Total:	\$129,746,317	\$17,209,344	\$342,293	\$2,742,458	\$392,002	\$5,548,839	\$945,348	\$7,238,404
Percent of Approved Amounts			2.0%	15.9%	2.3%	32.2%	5.5%	42.1%

On the North Coast and in the Mount Waddington, Comox and Strathcona Regional Districts the highest concentration of project approvals relate to the enhancement of tourism opportunities, with an emphasis on eco and cultural tourism. Examples are the construction or renovation of First Nations Big Houses and carving sheds, support for tourism associations on the Central Coast, Northern Vancouver Island and Haida Gwaii, production of an Art Route brochure in Haida Gwaii, assistance to the Haida in the construction of a cultural center and a totem pole carving project, assistance to the Kwakiutl in a resort upgrade, assistance to the Bella Coola Valley Museum to help make it an even better attraction, funding for self directed walking tours in Campbell River and the Comox Valley, a mountain Sports Centre and an outdoor wilderness centre at Mount Washington, bear watching operations in Phillips Arm for the Kwiakah First Nation and in the Orford River Estuary for the Homalco First Nation, and the promotion of movie film sites in northern Vancouver Island. In aggregate, 42.1% of CST funding has gone to assist tourism related projects.

Infrastructure improvements are another primary focus, and the biggest one in the Central Coast and Haida Gwaii. Some are aimed at enhancing tourism, such as adding an interpretive garden, salt water aquarium and movable webcams to the Visitor Information Centre in Queen Charlotte, creating or

improving destination hiking or mountain biking trails, establishing a waterfront trail in Prince Rupert, construction of RV and campground facilities, construction of an all season all weather boat ramp in Campbell River, improving the dock at Holberg and upgrading the seaplane ramp in Seal Cove, Prince Rupert and improving cruise ship terminals, docks and harbours. Other projects enhance industrial or commercial opportunities, such as an industrial park in Port Alice, building a new town square in the Village of Queen Charlotte, or assistance in creating an Economic Development Zone on Quinsam Indian Reserve 12 in Campbell River. The Central Coast RSC voted to contribute \$35,000 to a Central Coast Business Enterprise and Visitor Centre, \$302,500 towards a project that provides Broadband Internet to the communities on the Central Coast, and \$400,000 to help the Oweekeno acquire road building and maintenance equipment and barge facilities that would have been lost to them on the withdrawal of Western Forest Products from their area. Funding was also approved to assist in the installation of Broadband Internet in seven Northern Vancouver Island communities. In aggregate, 32.2% of CST funding has gone to assist infrastructure related projects.

A third focus is shellfish aquaculture and processing. The Comox Strathcona and Mount Waddington RSCs jointly elected to help fund a Shellfish Industry Investment Attraction Initiative promoted by the Vancouver Island Economic Developers Association (VIEDA). This was expanded to assist in attracting investment for shellfish processing. Support was given to the BC Shellfish Growers Association to help it with a business and market development initiative. The Homalco First Nation received a grant to assist it in developing a scallop farming venture. The Central Coast, North Coast and Queen Charlotte Islands - Haida Gwaii RSCs agreed to support a combined North Coast – Skeena First Nations Stewardship Society and Turning Points Initiative Society application for assistance in developing a coast wide shellfish aquaculture initiative. The Central Coast RSC has also provided support to the Heiltsuk Nation Shellfish Co-operative, and the North Coast RSC has provided funding to assist in performing Biotoxin studies. On Haida Gwaii, the Skidegate and the Old Massett Haida have received funding to help in training shellfish farm workers at two pre-commercial pilot projects. The Comox Strathcona RSC has also agreed to help the Komox First Nation in its plans to build a new shellfish processing facility. In aggregate, 15.9% of CST funding has gone to assist aquaculture and processing related projects.

The CST also supports the development of non timber forest products. In Northern Vancouver Island this has taken the form of the Wild Island Food Co-operative, while the Queen Charlotte Islands/Haida Gwaii RSC approved funding to a Co-op that initially pursued vacuum drying of chanterelle mushrooms, and is now branching into other edible products.

To date, CST funding has been fairly evenly split, with 50.6% of funding going to First Nations sponsored initiatives, and 49.4% going to civic community sponsored initiatives. In fact, a significant number of initiatives related to shellfish aquaculture, tourism, planning and broadband internet installations were joint initiatives between First Nations and civic communities.

Employment Impact of CST Funding

Following is a table which displays the employment impact of CST funding. The numbers are based on a combination of information submitted in the original applications, quarterly reporting as the project proceeded, and results of a survey taken of recipients of CST funding after the projects were completed. Numbers shown are actual employment or contract positions and have not been reduced to full time equivalents. Spin off jobs were not included as, especially in the case of tourism, the provision of high speed internet and long range planning, they are very difficult to estimate.

Regional Steering Committee	Full time Jobs while Project Active	Part time Jobs while Project Active	Full time Jobs when Project Completed	Part time Jobs when Project Completed
Central Coast	26	127	184	213
Comox Strathcona	84	246	202	207
Mount Waddington	69	223	176	189
North Coast	93	107	75	31
QCI Haida Gwaii	183	219	84	94
Total:	455	922	721	734

Ecosystem Based Management Matching Fund Account

The purpose of the EBM Matching fund is to help mitigate the negative impacts of the implementation of Ecosystem Based Management on forest workers, contractors and both civic and First Nations Communities in the CST operating area.

In a May 18, 2010 meeting the Advisory Board of the BC Forestry Revitalization Trust (BCFRT) agreed to consider the possibility of providing matching funds to the CST EBM Matching Fund to allow workers and replaceable contractors on Haida Gwaii to receive mitigation for the negative impacts of EBM on them. A letter was sent out to the three major licensees on Haida Gwaii asking them to submit proposals for worker and contractor mitigation.

In a February 23, 2011 meeting of the BCFRT Advisory Board it was agreed that the BCFRT would provide the requested matching funds. The expected cost of that mitigation was \$5.2 million, with half coming from the CST, and half from the BCFRT. That number has now been revised to \$5,535,428. To date 9 of 11 replaceable contractors and all 35 of the employees that were identified as having been negatively impacted by the implementation of EBM on Haida Gwaii have received mitigation, with total mitigation paid out to date of \$5,034,234. The BCFRT has advanced \$2,767,714 in matching funds to date to support the payments made to date and the estimate of the still outstanding payments.

In a March 9, 2011 CST II Advisory Board meeting it was agreed that up to \$200,000 per RSC could be used to match with industry, First Nations and/or civic communities to provide training for people that want to enter the harvesting side of the forest industry. No funding related to training has been disbursed yet, but the Trustee has had discussions with several contractors, First Nations and licensees that plan to develop training programs specific to the needs of their operations, and the employees they have or intend to hire.

EBM Adaptive Management sub-trust

Effective March 31, 2009 a new sub-trust called the EBM Adaptive Management sub trust was created. It was seeded with \$500 from the EBMWG subtrust, and received a further \$575,000 from the Ministry of Agriculture and Lands during the second quarter of 2009. Its goal is to invest in the Central Coast, North Coast and the Haida Gwaii plan areas by:

1. funding the successful implementation and management of an Adaptive Management program that supports the goals of Ecosystem Based Management,
2. funding projects in an Annual Work Plan approved by the Joint Land and Resource Forum, and
3. investing in and supporting Adaptive Management, Ecosystem Based Management, and other specific uses as directed by the donor.

To date, only minor meeting related and administrative expenses have been incurred by this sub-trust. No disbursements were made during this quarter.

Landscape Reserve Planning sub-trust

Also effective March 31, 2009, a second new sub-trust called the Landscape Reserve Planning (LRP) sub-trust was established. It received a total of \$750,000 from the Ministry of Agriculture and Lands in the second quarter of 2009. Its purpose is to support the First Nations represented by the Nanwakolus Council, the Coastal First Nations, and the Tsimshian Stewardship Committee in Landscape Reserve Planning. To date disbursements of \$735,000 have been made to those groups out of this fund.

Looking Ahead

During the fourth quarter of 2011, I expect the following activity in CST II:

- Funding requests will continue to be received and evaluated by the three RSCs that still have uncommitted funds..
- Funding Agreements for Community Matching Fund projects will continue to be signed in the five RSC areas, and further disbursements will be made.
- The EBM Adaptive Management sub-trust will become operational.
- Further mitigation payments for replaceable contractors negatively impacted by the implementation of EBM on Haida Gwaii will be made from the EBM Matching Fund.
- Forest worker training programs will be developed by industry and funded by the CST.

Eric van Soeren

Trustee