

**Revenue from stumpage fees at risk, audit finds.** By Stanley Tromp. *The Globe and Mail*. Toronto, Apr. 12, 2007

Flawed measurements, minuscule and rarely applied fines, and a future skills shortage all add up to a "high risk" of the B.C. government losing stumpage revenue -- fees that forestry companies pay the state for cutting trees on public land.

These are the findings of an October, 2006, audit of the B.C. Finance Ministry, obtained by *The Globe and Mail* through a freedom-of-information request. The auditors reviewed "check scaling" -- or inspections -- in six B.C. districts from June of 2004 to October of 2005.

Forest companies and individuals must get a licence from the provincial government to cut trees. The B.C. Ministry of Forests and Range collects more than \$1-billion in stumpage revenue yearly. The stumpage fees are self-assessed by the licensees, who measure, or scale, the quantity of logs they cut, then send the fee based on that estimate to the ministry.

Because of what the audit calls the "inherent risk" in such self-assessments, the ministry began a scale-checking process to ensure that stumpage estimates are full and accurate. Last year, there were 75 staff check scalers doing inspections of scalers (although some districts have no check scalers at all).

Scalers are trained professionals, licensed by the province. But the auditors voiced regret that the scalers lost their independence in 1985 when, due to a policy change, ministry scaling staff became employees of the companies that harvest the trees.

"This model increased the inherent risk," the audit says, because it "introduced the potential for bias" in log scaling.

However, Kevin Lyons, a former logger and now an assistant forestry professor at the University of British Columbia, challenges that view.

"It is common practice to have professionals being charged with protecting the public interest and being paid by industry -- for example, engineers," Prof. Lyons said in an interview.

The report says the 1985 change also meant fewer independent ministry staff are in the field to check for scaling accuracy. The auditors recommend alternative models to re-establish the scalers' independence.

If scalers do not comply with scaling regulations, they can be fined or lose their licences, although "based on historical figures, there is a low likelihood that a scaler's licence would be revoked," the report says.

It laments that tickets for most infractions are only \$173 -- and are very rarely applied -- and so fail as a deterrent.

But in an appendix to the report, the ministry replies: "No change in the amount of fines is required. Primary deterrent is not the size of the fine but the fact that an offence is registered against the company."

The report advises tougher enforcement tools, including suspensions of errant scalers' licences. Although the ministry favours tools such as "mentoring" to ensure scalers follow the rules, the auditors advise "a marked shift to a more enforcement-focused regime."

But the ministry replied: "Judgment is applied. Policy and guidelines must not fetter the decision-making responsibility of forest officers."

The Forest Ministry's revenue branch makes random announced checks on scalers and, while the auditors call for more scale inspectors, the ministry disagreed: "Issue is quality of inspections, not quantity."

On another issue, scalers are worried that there is no training strategy to meet the industry's future needs, and the report says "neither industry nor government is taking a leadership role to address a potential skills shortage."

Public colleges no longer offer scaling training and private trade schools might not be able to fill the gap, the auditors say. Prof. Lyons agrees that the lack of training is a problem that will only get worse.

The audit concludes that the ministry needs to change its policy and operating framework for check scaling, to reduce the risk of lost revenue. But the auditors expressed regret that the Forests Ministry chose to implement only two out of eight recommendations made in previous scaling audits by the Auditor-General.