

Chapter 6

Department of Natural Resources and Energy - Crown Lands Management

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Department of Natural Resources and Energy - Crown Lands Management

Background

6.1 As noted in the Speech from the Throne, 30 November 1999, “New Brunswick’s natural resources have been a traditional mainstay of our employment.” Perhaps most prominent in this regard is the forest industry - long considered the backbone of the provincial economy. It employs one in eight working New Brunswickers. The annual production from the Province’s forests is valued at approximately \$3 billion. In addition, the importance of forest lands for other than pulp and sawmill use is growing. Non-timber products such as syrup, and service provided by fish and game outfitters are \$100 million annually and growing.

6.2 In addition to the economic and related social impact, the forest has an undeniable environmental value. It protects the quality of our air and water. It provides habitat to fish and wildlife. And it opens up many opportunities for recreation. Against this backdrop, calls for land to be set aside to preserve nature and the environment appear to be growing.

6.3 Three significant groups of owners currently manage the forests of New Brunswick. The Crown is the largest with ownership of around 50% of New Brunswick’s productive forestlands. The majority of the Crown forestlands are managed by the provincial government through ten licensee agreements with wood processing companies. These licensee agreements are 25-year leases subject to renewal every five years based on satisfactory performance of the licensee in meeting the objectives of a management plan. The management plan defines the Crown land objectives for each five-year period. At the time of our audit, the 2002-2007 plan was nearing completion.

6.4 Private woodlot owners are the second largest group with 30% of the land. This is a diverse group of landholders with a variety of objectives and degrees of skill in managing their lands. Many private woodlot owners are represented through the seven wood marketing boards and the New Brunswick Federation of Woodlot Owners.

6.5 The third major grouping of land is owned by the large mills and wood processors. This so-called “industrial freehold” makes up about

18%. These owners have primarily economic objectives in managing their lands. It is an important source of fibre for their wood processing facilities.

6.6 The *Crown Lands and Forests Act* (the Act) has assigned the Minister of the Department of Natural Resources and Energy responsibilities for both Crown and private forest lands. In the autumn of 1999 we began a two-year audit process to examine the Minister's responsibilities for both Crown and private forest lands. These responsibilities are summarized in section 3 of the Act as follows:

3(1) The Minister is responsible in accordance with this Act and the regulations for the development, utilization, protection and integrated management of the resources of Crown Lands, including

a) access to and travel on Crown Lands,

b) harvesting and renewal of timber resources on Crown Lands,

c) habitat for the maintenance of fish and wildlife populations,

d) forest recreation on Crown Lands,

e) rehabilitation of Crown Lands, and

f) other matters that may be assigned under this Act or the regulations.

3(2) The Minister shall encourage the management of private forest lands as the primary source of timber for wood processing facilities in the Province consistent with subsection 29(7.1) and, with approval of the Lieutenant-Governor in Council, may initiate programs for such purposes.

6.7 In our Report last year we examined the Minister's responsibilities for private forest lands as mandated under section 3(2) of the Act. We decided to work in private forest lands first because the Act designated these lands as the "primary source of timber for wood processing facilities in the Province."

6.8 We were quite pleased by the degree of attention this work received. It has been referred to a number of times in the media. And a number of interested parties have met with us since the Report was issued to discuss various points of view. This year we continued with phase II of our work by examining the Minister's responsibilities for Crown lands.

Scope

6.9 Our audit objective was:

To determine if there is an adequate system in place to ensure the Department is carrying out its responsibilities as assigned in section 3(1) of the Crown Lands and Forests Act.

6.10 Our approach was to examine high-level accountability processes with respect to those responsibilities. Therefore we focused primarily on public documents issued by the Department and information gained through interviews with departmental employees and key stakeholders from industry and community groups. This included representatives of the New Brunswick Forest Products Association, the New Brunswick Federation of Woodlot Owners, the Wood Products Group, the Conservation Council of New Brunswick, and the Forest Stewardship Council.

6.11 Our chapter is organized by three audit criteria we used in our work. These are:

- The *Crown Lands and Forests Act* and Regulations should clearly define the Department's responsibilities for Crown lands.
- The Department should prepare measurable goals/objectives for managing its responsibilities for Crown lands and these should be disclosed at an appropriate level to the Members of the Legislative Assembly and the general public.
- The Department should have satisfactory procedures in place to measure and report on the effectiveness of its programs to carry out its responsibilities and achieve its objectives for Crown lands.

6.12 Our audit did not include a detailed examination of the forest management plans and operating plans required under the provisions of the *Crown Lands and Forests Act*. Although we examined some of these documents in order to gain a better knowledge of the Department's business, we are not expressing an opinion on the detailed forest management processes carried out by the Department.

Results in brief

6.13 As it relates to Crown lands, the *Crown Lands and Forests Act* is clear. The Minister has been assigned four key responsibilities under the Act. Departmental staff appear to have a clear understanding of those responsibilities.

6.14 Most of the Department's publicly stated goals and objectives are not measurable. It is not clear how the publicly stated goals and objectives link to the four responsibilities assigned to the Minister under the Act.

6.15 The Department should examine the costs and benefits of a certification process for Crown lands. This certification process should include a more formal system for encouraging and obtaining public input into the process of setting objectives for helping the Minister fulfill his responsibilities for Crown lands.

Identifying the responsibilities

6.16 Some of the attributes of the government annual report policy have been complied with, but other aspects need to be improved. Establishing measurable goals will be the first step in a process for improving the annual report. The current annual report lacks sufficient information to show how the Minister did in fulfilling his four responsibilities to develop, utilize, protect and provide integrated management of the resources of the Crown lands of New Brunswick.

6.17 Our first criterion was: *The Crown Lands and Forests Act and Regulations should clearly define the Department's responsibilities for Crown lands.*

6.18 Defining responsibilities is the first step in determining whether the Department has an adequate system in place. That is, if the legislation has defined clear responsibilities, then one could expect that the Department's systems of goals, objectives, programs and reporting could be tied back to that legislation in a relatively direct manner. It is then up to the Minister, and by extension the Department, to try and fulfil those responsibilities and report back to the Legislative Assembly on the results.

6.19 But, on the other hand, if the responsibilities were unclear or inadequately defined, then the Department would have a much more difficult time establishing systems to carry out its responsibilities under the Act.

6.20 As we reported in our audit of Private Forest Lands last year, section 3 of the Act might be called a "high level purpose or mandate section." We believe this section is one of the strengths of the *Crown Lands and Forests Act*. It actually uses the words "the Minister is responsible for"

6.21 Section 3(1), which is the section related to Crown lands, reads as follows:

*The Minister is **responsible** in accordance with this Act and regulations for the **development, utilization, protection and integrated management** of the **resources** of Crown Lands, **including:***

- (a) access to and travel on Crown Lands,*
- (b) harvesting and renewal of timber resources on Crown Lands,*
- (c) habitat for the maintenance of fish and wildlife populations,*
- (d) forest recreation on Crown Lands,*
- (e) rehabilitation of Crown Lands, and*
- (f) other matters that may be assigned under this Act or the regulations. (**emphasis ours**)*

6.22 The Minister then, and by extension the Department, is responsible for four things relating to the resources of Crown lands:

- development;
- utilization;
- protection; and
- integrated management.

6.23 The listing of points (a) through (f) appears to be giving a number of practical examples of what those four responsibilities mean. For example, consider point (c) - *habitat for the maintenance of fish and wildlife populations*. This obviously involves “protection” of a resource – the habitat and the associated fish and wildlife population. But in “protection” of the resource, one can see how the Minister also has to exercise the responsibility for “integrated management.”

6.24 “Integrated management” quickly becomes an issue when various users enter the Crown lands with objectives not related to protection of wildlife habitat. One user’s objective could be related to timber harvesting. Another party may be simply seeking access over Crown land for travel purposes. Another may have a recreation objective. By permitting New Brunswickers with various objectives to enter the Crown lands, it would seem that the Minister would have to carry out some form of “integrated management” in order to satisfy these users yet ensure his responsibility to “protect” the habitat was met.

6.25 Consider a second example of (b) *harvesting and renewal of timber resources on Crown Lands*. Of course this is a direct example of “utilization.” But certainly “protection” is also involved. There is direct “protection” through the program components for fire and insect control. But it could also involve protection of the resource for the future through such things as modelling, planning, forest inventories, etc. These latter areas begin to blend with a third responsibility – “development.” One of the Department’s larger expenditures is for silviculture. This clearly helps develop and renew the resource for the future. And finally, all of the harvesting and renewal activity must be carried on in the face of what the Department refers to as constraints of sustainability and environmental stewardship. In other words, the constraints make the Minister responsible for integrated management of the timber resource.

What is the Minister responsible for?

6.26 The four responsibilities in section 3(1) give the Minister a clear but broad mandate over the resources of Crown lands. Departmental employees understand the breadth of those responsibilities.

6.27 And, in order to carry out the four responsibilities, including integrated management, the Minister must address the needs of many users. In doing so, he is bound to fall short of meeting all the needs or wants of all the users all the time. This in turn would lead to a situation where users were not completely satisfied.

6.28 The Department's position is that it carries out this balancing act in the best interests of the people of New Brunswick. This reflects wording from the Department's 1999 document *A Vision for New Brunswick's Forests*.

6.29 The *Vision* document, as it is commonly referred to, sets forth "the philosophy, principles and direction to be followed in the management of Crown Forests in New Brunswick". The Department addressed the document to two main user groups. For one, it is to "provide direction for Crown Timber Licensees in preparation of their Management Plans". Second, it is to "inform the public about the management of New Brunswick's Crown forest".

6.30 The *Vision* document states:

The mission of the Department of Natural Resources and Energy is to manage the natural resources of the Province in the best interest of its citizens (emphasis ours). This requires the establishment of goals and objectives to be met over time.

The challenge is to define the best balance of often conflicting objectives that will benefit all New Brunswickers. To do so requires an understanding of the positive and negative impacts associated with objective-setting decisions. It is also important to recognize that needs change over time. Consequently, in New Brunswick, Crown land objectives are reviewed every five years to ensure that they reflect the changing needs of society.

Conclusion

6.31 In our opinion this criterion is met. The legislation is clear. The Minister has been assigned four key responsibilities under the Act. Departmental staff appear to have a clear understanding of those responsibilities.

Measurable goals/objectives

6.32 Our second criterion was: *The Department should prepare measurable goals/objectives for managing its responsibilities for Crown lands and these should be disclosed at an appropriate level to the Members of the Legislative Assembly and the general public.*

6.33 The second criterion addresses the next stage in the management cycle. It covers the planning stage where a broad but measurable plan of action is developed in order to fulfil the Department's responsibilities as assigned by the Act. Specific goals and objectives are required in order to focus and disclose the direction of departmental efforts. And the Department should be presenting appropriate strategic information at an appropriate level to Members of the Legislative Assembly and the general public.

6.34 The Crown lands belong to the citizens of New Brunswick. Crown lands are probably the most valuable physical assets the Province owns. They cover millions of hectares of both forested and submerged lands.

The standing value of timber has been estimated at \$3 billion. And they have an extremely significant, albeit much more difficult to assess, value in an environmental, cultural and aesthetic sense. They help purify the water. They provide habitat to fish and wildlife. The importance of these lands is perhaps best summarized by a phrase departmental employees have often used during this audit; that is, the Crown lands are a heritage. Therefore it is more than appropriate to expect an appropriate presentation of key objectives, plans, and performance measures to the citizens.

6.35 The Crown lands also have a pervasive economic impact on the Province. Some estimates say as many as 1 in 8 New Brunswickers can link his or her employment to the forest, 50% of which is Crown land. MLAs and the general public need appropriate high level information to determine whether or not the Crown lands are being managed in a way which can optimize this economic engine.

6.36 It is important to note as well that Crown lands and forests must be managed for the future. The actions the Department takes today have impact for generations to come. A significant mistake today in something such as the information on the annual allowable cut might “tie the hands” of New Brunswickers forty years hence. Therefore, to fulfil their own responsibilities to the future, it is important that the MLAs receive high quality governance information on the Minister’s programs for Crown lands today.

6.37 That’s why we are looking for measurable objectives that are disclosed at an appropriate level to the MLAs and the general public.

6.38 We believe this approach is also supported in principle by the Province’s annual report policy. Subsection 5.1(a) of the policy states:

To the degree possible, departments and agencies should give a clear account of goals, objectives and performance indicators. The report should show the extent to which a program continues to be relevant, how well the organization performed in achieving its plans and how well a program was accepted by its client groups.

6.39 Although the policy is focused on end of the year reporting, one can see that good planning is a fundamental assumption. If the departments and agencies are supposed to be giving a clear account of their goals and objectives when the year is finished, it is obvious that they should have had them in place when the year began. And these goals and objectives should be driving the departments’ programs throughout the year.

What are the publicly stated goals/objectives?

6.40 Our criterion focuses on goals/objectives that are provided at an appropriate level to the Members of the Legislative Assembly and the general public. In other words, we are focusing on public documents. In terms of publicly stated goals/objectives for Crown lands, we believe there

are four principal documents (or types of documents) to consider. These are:

- *Main Estimates*
- *Performance Measurement: Supplement to the Main Estimates*
- *Annual Report – Department of Natural Resources and Energy*
- *A Vision for New Brunswick's Forests*

6.41 We have examined all of these documents as part of our audit. In the case of the *Main Estimates*, we have examined the years 1998-1999 through 2001-2002. For the *Supplement to the Main Estimates* and the *Annual Report*, we have examined the years 1998-99 and 1999-2000. The annual report for 2001 is of course not yet prepared. And the government did not produce a *Supplement to the Main Estimates* for the year ending 31 March 2001. Where the *Vision* document is concerned, we examined the version dated December 1999 as revised March 10th, 2000.

6.42 We considered but did not include the document *Licensee Performance Evaluation 1992-1997*. This important summary document is the most recent of a series that evaluates licensee forest management performance at five-year intervals. The next version of the document will be due next year. The document looks at five key aspects of forest management; that is management planning, maintaining a sustainable harvest, integrating harvesting and silviculture activities, wildlife habitat management, and fish habitat protection. It contains eight performance measures, seven of which are expressed in numeric terms.

6.43 While we felt the *Licensee Performance Evaluation 1992-1997* provided good information, we excluded it for a couple of reasons. First, the document appears more oriented towards evaluating performance than towards disclosing goals and objectives. It is a performance document and accordingly we will deal with it in some detail under our third criterion. Secondly, it does not appear to receive as wide a distribution as the other four documents we named, although it is filed in the Legislative Library. This makes it available to the MLAs and the public.

6.44 Exhibit 6.1 provides our summary chart of all the publicly stated goals and/or objectives that appear to relate to Crown lands.

6.45 One of our primary audit steps was to determine if the goals listed in Exhibit 6.1 are measurable. In our opinion, most are not.

6.46 In examining the twelve goals/objectives in Exhibit 6.1, we have come to the following conclusions:

- The three program objectives stated in the *Main Estimates* and the *Annual Report* are not measurable.
- The three goals stated in the *Supplement to the Main Estimates* and the *Annual Report* do have some measurement component. This is not always established by the wording of the goals themselves, but by the

Observations from Exhibit 6.1

Most publicly stated goals/objectives aren't measurable

Targets and Indicators presented with the goals. One could argue whether they are the right measures, and whether they are linked to the four responsibilities. But that is a subject for another discussion. They do appear to meet the test of being measurable.

- Four of the six policy goals in the *Vision* document are not measurable – those for Public Values, Forest Ecosystems, Water and Recreation and Aesthetics.
- Two of the six policy goals in the *Vision* document, although not stated in a fashion which is directly measurable, have wording which suggests measures could be developed. We are referring here to the objectives for Wildlife Habitat and Timber. In the case of Wildlife Habitat, the wording “support populations of native wildlife species at desired levels” does suggest the possibility of accurate measurement. Similarly, the wording “maximize the long-term economic benefits from sustainable timber supply” indicates something that can be quantified (i.e. the economic benefits).

No direct link to four responsibilities

6.47 Note that our criterion states: *the Department should prepare measurable goals/objectives for managing its responsibilities for Crown lands*. Our next audit step focuses on this concept of *managing its responsibilities*.

6.48 In auditing this criterion, we were looking for a rather systematic approach. We looked to see if there was a direct link showing how the publicly stated goals/objectives assisted the Minister in carrying out his responsibilities for Crown lands. For example, one might expect to find explicit statements linking each of the objectives to one or more of the four responsibilities. Alternatively, one could imagine a document organized by four main headings:

- development;
- utilization;
- protection; and
- integrated management.

Exhibit 6.1 - Goals and objectives related to Crown lands

Main Estimates and Annual Report**Forest Management:**

To manage Crown timber resource in accordance with Government Policy.

Fish and Wildlife:

To manage the province's fish and wildlife resources.

Parks and Natural Areas:

To plan, develop, maintain, and operate parks, trails, rivers, conservation areas and ecological reserves.

Supplement to the Main Estimates and Annual Report**Forest Management:**

Maximize the sustainable supply of timber from provincial Crown Land, subject to meeting government's objectives for biodiversity, wildlife habitat and other forest values.

The government of New Brunswick is committed to the best utilization of the Province's forest resource through implementation of its value-added policy.

Fish and Wildlife:

To maintain stable or increasing trends in populations of selected indicator species.

A Vision for New Brunswick's Forests**Public Values:**

To account for public values on Crown Lands.

Forest Ecosystems:

To maintain the diversity of forest ecosystems and their associated ecological values.

Wildlife Habitat:

To provide habitat necessary to support populations of native wildlife species at desired levels across their natural ranges.

Timber:

To maximize the long-term economic benefits from the sustainable timber supply while meeting identified non-timber objectives.

Water:

To protect water quality and maintain aquatic habitat for fish and wildlife species.

Recreation and Aesthetics:

To provide for recreational opportunities on Crown Land.

6.49 Under each of the headings would be various specific statements of results to be achieved over specific periods of time. Or the Department could use a matrix document where the four responsibilities form part of a matrix. Each responsibility is at the head of a column. And each row would have one of the publicly stated goals. By placing some type of symbol or notation in each of the cells, the Department could show how each responsibility was addressed.

6.50 We did not find any systematic approach like that in any of the documents we reviewed. The goals and objectives in the four documents are not linked to the four responsibilities.

Two objectives clearly extend beyond Crown lands

6.51 We discovered one other case where the objective as stated is clearly referring to Crown lands only, but the details presented after the program objective cause one to question if this is the case. The objective for Forest Management as stated in the *Main Estimates* and the *Annual Report* may be somewhat confusing to the reader. The program objective is “to manage **Crown** timber resources in accordance with government policy.”(**emphasis ours**) It is stated at the very beginning of the section on Forest Management in both documents. Therefore it is one of the first things the reader would see.

6.52 After seeing this objective, members of the Legislative Assembly and the general public might not expect to find that this program also deals with private forest lands. But yet it does. A number of the program components that follow in both the *Main Estimates* and the *Annual Report* clearly relate in part to Private Forest Lands. One component – Private Land Development –has nothing to do with Crown lands at all.

6.53 This brings to mind an issue for discussion. Some areas may not lend themselves to a neat division between Crown and private forest lands. For example, the Fish and Wildlife goal from the *Supplement to the Main Estimates* is stated as “To maintain stable or increasing trends in populations of selected indicator species.” This goal is Province wide. It covers all lands, not just Crown lands. We realize that the mobility of wildlife populations between Crown and private forest lands may pose some unusual challenges in establishing an objective for Crown lands only. But we point it out as an example of how some of the present goals and objectives extend beyond Crown lands.

6.54 Perhaps in these instances the Department may need some manner to distinguish between broader departmental goals and more specific measurable objectives related to Crown lands.

Conclusion

6.55 Because of our observations in this section, we have evaluated this criterion as not met. Most of the publicly stated goals/objectives aren't measurable. It is not clear how the publicly stated goals and objectives link to the four responsibilities assigned to the Minister under the Act.

6.56 We regard the fact that this criterion is not met as a significant shortcoming. In some ways we feel this criterion is key to the process of fulfilling the Minister's four responsibilities. Earlier we made the observation that because the Crown lands are a heritage with substantial environmental, financial and social impacts, it is extremely important that the MLAs and the citizens be presented with appropriate and measurable goals and objectives regarding the Minister's four responsibilities for Crown lands.

6.57 That the Department does a great deal of detailed planning, particularly in regards to the management agreements, is not being denied. Indeed, the *Vision* document which we have included in our analysis sets the objectives for the Department's management planning with the licensees. Although we examined some of these more detailed documents in order to gain a better knowledge of the Department's business, we want to make clear that we are not expressing an opinion on the detailed forest management processes carried out by the Department.

6.58 In our opinion, the legislators and the general public are not receiving sufficient summary planning information at an appropriate public level. Because of this, they are not in a position to easily determine if the Minister is carrying out his four broad responsibilities for Crown lands. They could not easily answer a question of whether the Minister is planning for a sustainable forest or indeed, what that term sustainable might mean. In simple terms an MLA would not be in a position to know what type of forest he or she could expect constituents to see in twenty or forty years hence. He or she might have a difficult time answering a question on how much work there will be in our rural communities of the future or how a secondary wood producer can continue to secure a source of supply. A citizen might not be able to tell what efforts are being planned regarding access to the Crown lands for future hunting, fishing or recreational opportunities. Those with a strong interest in fish and wildlife or particular forest ecosystems would find it difficult to know how the Minister was taking care of the "habitat for the maintenance of fish and wildlife populations." And all concerned would wonder how much of the public purse was being devoted to any particular objective. Can a citizen know what is being done with their tax dollars to ensure the development, utilization, protection and integrated management of Crown lands? The answer right now would probably have to be "No". At best one might say not without a lot of help and a lot of effort.

Recommendation

6.59 We recommended that the Department establish measurable goals and objectives that adequately address the Minister's four responsibilities as assigned under subsection 3(1) of the *Crown Lands and Forests Act*. These should be disclosed in the Department's key public documents.

Certification process for Crown lands

6.60 Having concluded that it is not clear how the publicly stated goals and objectives link to the four responsibilities assigned to the Minister

under the Act, we would like to offer some direction as to how this may be accomplished. In doing this we make reference to the work performed in the early 1990s by the Premier's Round Table on the Environment and the Economy. The Round Table produced a document titled *A Plan for Action* which set out a number of recommendations. Recommendation #13, in particular, is relevant and it appeared in the section of the report titled "Forests".

6.61 The goals for this "Forests" section was:

To have forests that maintain their ecological functions, yield the resources for current and expanded economic activity, provide adequate protective habitat for all species, and satisfy recreational and aesthetic needs.

6.62 The original recommendation #13 reads as follows:

Recommendation 13: Test the public participation mechanism described in the proposed model in a forest pilot project in Northern New Brunswick. Under this model, public participation would begin at an early stage in the development process and non-timber uses of the forest would be introduced as part of the objectives of the overall management plan instead of as constraints tacked onto an existing timber management plan. The intention would be to adopt this model province wide.

6.63 The Round Table, as part of a follow-up on the *Plan for Action* document, made the following comments in January 2000 concerning the degree of progress the government had made with the recommendation. The Round Table also added its response to this progress statement, providing a current view on the direction it would recommend for the government:

Progress: *The five-year management planning cycle for Crown Land is being reviewed to include biodiversity objectives. Additional changes to buffer strip management and mature coniferous requirements have already been added to the management plan. A consistent public input process which would involve the public in the development of the forest management objectives has not been established. The licensees are requested to hold public information sessions during the preparation of their five year plan, however, no specific guidelines have been established to support this process.*

Response: *We are pleased to see that government will be adding biodiversity objectives within the next planning cycle. However, we support the process of developing a comprehensive public review which will involve the public in setting goals and objectives for forest management on crown land. The development of a certification¹ program for the*

provincial Crown lands would require the development of a comprehensive public participation process. (emphasis ours)

6.64 Based on the documentation reviewed and the interviews we have held both inside and outside the Department, we would have to agree with the Round Table's January 2000 assessment. We are aware from our discussion that the matter of more comprehensive public review is a sensitive one. One might call it a "hot button" in terms of the reaction it has sometimes provoked both inside and outside the Department. There appears to be a variety of strong feelings on how "comprehensive" this public participation should be. In our opinion, it is not an issue that will quietly disappear.

6.65 As the Round Table has pointed out, and as the *Vision* document notes, the Department has already made some provision for public input. The Protected Areas Strategy and the discussion of the disposition of the Tracadie Military Range have been two recent examples of public participation. We also noted that the Department's 1997 Management Planning Schedule (which was used in designing the five-year management plans for the current management cycle of 1997-2002) lists "development by DNRE of 1997 management plan objectives through public participation" as its very first step.

6.66 Our discussions with various stakeholders and the Round Table's conclusion would seem to indicate that the Department may have further to go in this regard.

6.67 This could be where the role of certification of forest lands as discussed by the Round Table plays a key role. Certification would require all users to be involved in an objective setting process. This process, to confront and integrate various concerns and objectives in a forum that is reviewed by a credible third party agency, could help the Department in establishing measurable goals and objectives related to the Minister's four responsibilities for Crown lands. In an environment where users represent various interest groups, the credibility added by third party certification can't be underestimated.

Recommendation

6.68 We recommended that the Department examine the costs and benefits of a certification process for Crown lands. This certification process should include a more formal system for encouraging and obtaining public input into the process of setting objectives for helping the Minister fulfil his responsibilities for Crown lands.

Performance reporting

6.69 Our third criterion was: *The Department should have satisfactory procedures in place to measure and report on the effectiveness of its*

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1. Certification is the term commonly applied to harvesting and production procedures that are independently audited to guarantee sustainable forestry. (Source: World Wildlife Fund Canada website)

programs to carry out its responsibilities and achieve its objectives for Crown lands.

6.70 Our second criterion focused on whether measurable goals and objectives were established consistent with the four responsibilities given under section 3(1) of the Act. Our third criterion measures whether the Department has satisfactory procedures to report on the effectiveness of its programs to carry out its responsibilities for Crown lands. Included with this is reporting on the achievement of these goals and objectives.

6.71 We believe that the Province's annual report policy provides the direction needed as to what reporting procedures are required. Section 4 of the policy states:

The prime function of an annual report is to be the major accountability document by departments and agencies for the Legislative Assembly and the general public. It serves as the key public link between the objectives and plans of a government entity and the results obtained.

6.72 Section 5.1 of the policy also provides direction on the content of annual reports. It states:

a. To the degree possible, departments and agencies should give a clear account of goals, objectives and performance indicators. The report should show the extent to which a program continues to be relevant, how well the organization performed in achieving its plans and how well a program was accepted by its client groups.

b. Actual and budget financial information in summary form and a narrative explaining major variances as well as other aspects of financial performance are to be included in all annual reports.

c. Annual reports should be written in clear and simple language, avoiding technical terms and phrases as much as possible. Where technical terms are unavoidable, a glossary should be included to explain the terms for the non-technical reader.

d. Photographs are not to be used in annual reports, but departments and agencies are encouraged to include tables, graphs and charts where their inclusion will aid the reader in better understanding the statistics that are being presented.

6.73 The policy also requires that reports should be tabled by November 1.

6.74 Our approach to this criterion was to review the Department's compliance with the requirements stemming from section 5 of the annual report policy.

6.75 We used the Department's *1999-2000 Annual Report* in this examination since it was the latest available report at the time of our audit.

A clear account of goals, objectives

6.76 Earlier in this chapter we focused on the formulation and disclosure of measurable goals and objectives. In Exhibit 6.1 we presented the Department's goals/objectives from four public documents including the *Main Estimates*, the *Supplement to the Main Estimates*, the *Annual Report* and the *Vision* document. We were attempting to determine if measurable goals/objectives were developed sufficient to inform the MLAs and the public that the Minister has adequately planned for his four responsibilities under the Act. Since we concluded that clear and measurable goals and objectives were not developed in this respect, the Department's current annual report cannot give a clear account of them.

6.77 That being said, we would like to note that one positive aspect of the *1999-2000 Annual Report* is that it is organized by the same program objectives that are listed in the *Main Estimates*. And the budget figures from the *Main Estimates* have also been included in the various program sections of the annual report. This consistency is important. It establishes the Department's intention to link the planning and budgeting process to the reporting of results at the end of the period.

6.78 Some would argue that for information on goals and objectives to be truly useful, it must be linked to the planned level of resources dedicated to the task. Certainly information on the planned level of financial and human resources is an important part of the discussion of goals and objectives. We would encourage the Department to consider this in the future as currently only three of the goals from Exhibit 6.1 are linked directly to resources.

Recommendation

6.79 We recommended that departmental goals and objectives be linked to the spending estimates and they be disclosed at an appropriate level to the MLAs and the general public.

**A clear account of . . .
performance indicators**

**Sufficient information on
how well the organization
performed in achieving its
plans**

6.80 Performance indicators and performance measures¹ lay out the targets which can be used to help the reader know whether or not the organization's goals and objectives have been achieved. The introduction to *Performance Measurement: Supplement to the Main Estimates 1999-2000* puts it this way:

Performance indicators demonstrate the mission and goals of departments, and relate their mandates to the strategic goals of government. These measures present realistic and challenging targets for departments to strive toward and become accountable to achieve.

6.81 The annual report should show how the organization did in relation to the targets. Were they met? Then once the performance measures/indicators are presented in the annual report, the Department has some obligation to explain them. In other words, what do the performance measures and indicators mean? Why was a target met or not met? What circumstances occurred? What is the context in which a certain level of performance was achieved? In our opinion, these are the types of questions the annual report should address in helping the reader know "how well the organization did in achieving its plans."

6.82 As we have noted, some of the goals/objectives in the annual report are not measurable. They do not have performance measures or indicators attached. In addition, we have also noted our concerns that the goals and objectives are not explicitly tied to the four responsibilities assigned to the Minister under the *Crown Lands and Forests Act*. We have recommended that the Department revisit its publicly stated goals/objectives.

6.83 But that being said, we would like to comment on some performance measures or indicators the Department is currently using. First we would like to discuss the "Performance Management" section of the *Annual Report*. In this section two departmental goals are tied into performance indicators. This is a positive move. Each of the goals has at least one indicator and related numeric targets attached. We display these below in Exhibit 6.2.

6.84 We offer some comments on each of these indicators in the paragraphs that follow. At the same time we recognize that developing indicators is a challenging process. We are pleased to see the work the Department has done and we want to recognize that. The Department has been frank and open with us in discussing the difficulties in developing

1. Performance indicators are sometimes used as a synonym for performance measure but, strictly defined, indicators are indirect or prima facie evidence, used when direct measures are not available or are difficult to obtain. Performance indicators provide indirect information on the achievement of an objective, while performance measures provide direct information. A performance measure is a clear, unambiguous expression of performance that can readily be expressed in relation to targets set. (Source – *Public Performance Reporting Glossary, Canadian Council of Legislative Auditors, 1999*).

certain indicators. There appears to be an openness to revisit these performance indicators and that is encouraging. We trust therefore that our comments will not be taken so much as criticism but more as advice.

***Forest Management,
Indicator 1: Annual Allowable
Cut***

6.85 We found this indicator and the related target a bit difficult to understand. Based on the term annual allowable cut, one would expect to know whether the forests are being cut at a sustainable rate. How does the harvest compare to the sustainable annual allowable cut?

6.86 It appears that instead the measure is dealing with the effect of the silviculture program. That is, the effect of silviculture is to increase the annual allowable cut. Therefore, the Department presents information on how much silviculture is planned and/or done. It is not clear though whether these numbers have met the targets for silviculture treatment. And it is not obvious whether this level of treatment has allowed the Department to increase the annual allowable cut in its planning models by the percentages anticipated.

6.87 Information on silviculture is important. It relates to the Minister's responsibilities of development and protection of the resources. But in our opinion, this indicator lacks some clarity. It requires a lot more to let the reader know how the Department did in achieving its plans.

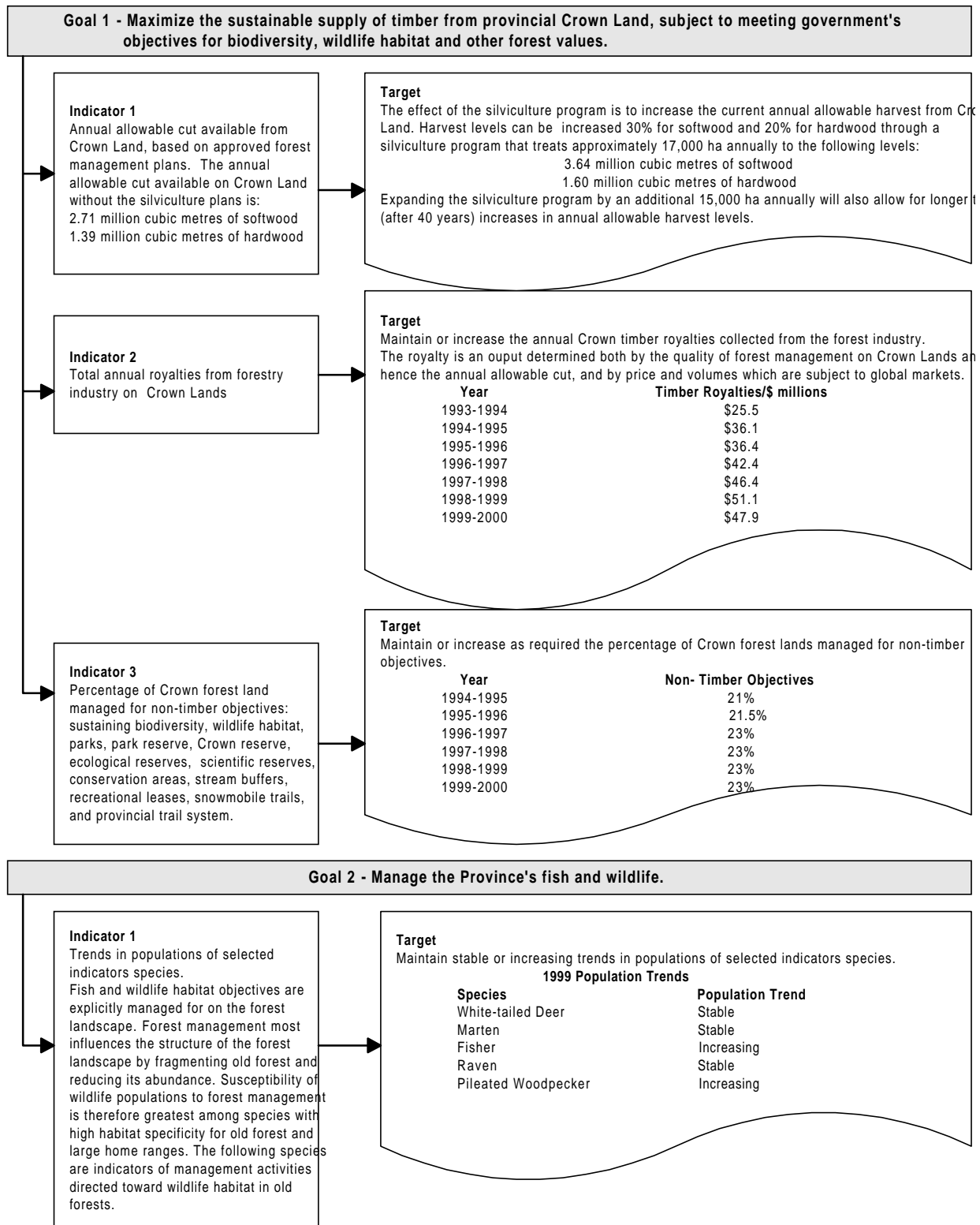
***Forest Management,
Indicator 2: Annual Royalties***

6.88 The Department reports the annual Crown timber royalties collected from the forest industry. It provides comparative information for the last seven years. The target for this indicator is to maintain or increase royalties collected from the forest industry.

6.89 There is no clear relation of royalty revenue to the Department's legislated responsibilities. It provides some measure of the total economic benefits that Crown lands provide to the people of New Brunswick. And in that way it could be said to be related to the utilization responsibility. But it probably requires some enhancement. For instance, is the Province receiving a "fair" share of the revenue from these resources? By simply measuring an increase, this question is not addressed. One might also ask if the current level of royalties is encouraging "development" and "utilization" of the resource by assuring it provides producers the means to a "fair" profit? Does the royalty provide the Province with enough funds to enable the Minister to "protect" the resources of Crown lands? This is another question this "annual royalties" indicator could address. We discuss the issue of royalties further in our analysis of information on other aspects of financial performance.

Exhibit 6.2

Excerpts from "Performance Management" section of 1999-2000 Annual Report



**Forest Management,
Indicator 3: Crown land
managed for non-timber
objectives**

6.90 The target for this indicator is to maintain or increase, as required, the percentage of Crown forestlands managed for non-timber objectives. It is provided on a comparative basis for the last several years. This measure appears to relate to the responsibility of utilization since this indicator relates to use of Crown land for other than timber objectives. It would also seem to be a measure that could be related to the function of integrated management in that the same land can be managed for both timber and non-timber objectives.

6.91 This percentage is interesting. But it raises the question of what percentage is the right percentage? What do these percentages mean? What does the percentage of 23% for the last several years mean? Again, this is another indicator that could benefit from further elaboration.

**Fish & Wildlife, Indicator 1:
Trends in Indicator Species**

6.92 The Department reports the trends in populations of selected indicator species. The target is to maintain stable or increasing trends in populations of selected indicator species. This indicator does relate quite clearly to the Department's responsibility of protection. Maintenance of wildlife populations of indicator species provides information on the population of the species and also the maintenance of their habitat. There is a direct reference to protection of habitat in section 3(1) of the Act.

6.93 The public may desire more information on more species and the inclusion of plants and fish populations. For example, the five indicator species do not include a type of fish. However the information provided is presented in a way that is useful to the public. A measurable goal is established and reported in a clear manner. It is a reasonable indicator of outcome.

**Has the Department
provided adequate
performance indicators?**

6.94 The four indicators discussed above do report some significant outputs, and "Trends in Indicators Species" does provide one good measure of outcome. However, the four indicators only partially address the legislated mandate.

6.95 As mentioned previously the *Crown Lands and Forests Act* has mandated responsibility to the Department for four things relating to the resources of Crown lands:

- development;
- utilization;
- protection; and
- integrated management.

6.96 In order to demonstrate accountability for these responsibilities, the Annual Report must indicate how the Department addressed each responsibility and how successful the Department was at addressing it.

Recommendation

6.97 We recommended that as part of establishing objectives related to its responsibilities under the Act, the Department develop

suitable performance measures and that it report on them on an appropriate basis.

Additional document reviewed

6.98 As we noted under our second criterion, every five years the Department does prepare a document that evaluates certain performance criteria against plans or targets. This is the *Licensee Performance Evaluation 1992-1997*. A summary of the latest available report is shown in Exhibit 6.3.

6.99 This document contains eight performance measures. Although not explicitly linked to the four responsibilities, there does appear to be potential to do so. For example, the three measures on wildlife habitat can be linked it seems to the “protection” responsibility.

Exhibit 6.3

Summary of performance of Crown Timber Licensees for period 1992-1997

Components of the Evaluation Criteria	Performance Measurement	Acceptable Threshold	Licensee Performance Levels (Percent)										
			1	2	3	4	5	6	7	8	9	10	
Management Planning	Standards for Forest Management plans relating to method of construction, content and timing of information.	Acceptance by RRM of initial plan	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No
Harvest Schedule	% of total softwood volume harvested which was sourced from Period I harvest blocks of the Management Plan.	95%	100	100	100	100	100	100	100	100	100	100	100
Basic Silviculture	% of basic silviculture requirement which was completed to acceptable standards.	95%	99	102	97	***	172	165	151	133	111	97	*****
Remedial Treatments	% of area of 1983-1990 plantations designated for stocking and/or density modification which have been treated to acceptable standards.	95%	38	1	34	8	****	0	37	4	100	100	9
Watercourse Crossings	% of watercourse crossings which have been installed to acceptable standards.	95%	98	95	97	99	96	99	96	98	96	98	98
Wildlife Habitat	1. % of harvest blocks in or adjacent to site specific wildlife habitat for which penalties were not incurred for harvesting without approval.	95%	98	100	100	100	100	100	99	100	98	99	99
	2. % of harvest blocks in site specific wildlife habitat which achieved harvest prescriptions.	95%	94	*	100	100	*	100	99	100	96	96	96
	3. % of the DWAMU area identified for Period I for which Management Plans were submitted and implemented.	75%	141	**	104	98	**	29	38	100	100	23	23

* Harvest prescriptions for site specific wildlife habitat were not developed.

** The DWAMU land base was not modelled for habitat intervention.

*** The basic silviculture achievement is averaged across the two Repap licenses due to a shortfall of eligible treatment areas on license number 4.

**** Current licensee; Eagle Forest Products Ltd., assumed management responsibility in latter half of period.

***** The area of basic silviculture treated on the Restigouche-Tobique license includes 722 ha completed by the Region under job creation projects.

Licensees

- | | |
|---|---|
| 1. Upsalquitch – Avenor Maritimes Inc. | 6. Queens-Charlotte – J. D. Irving, Limited |
| 2. Nepisiguit – Stone Container (Canada) Inc. | 7. Fundy – Irving Pulp & Paper Limited |
| 3. Lower Miramichi – Repap New Brunswick | 8. York – St. Anne-Nackawic Pulp Company Ltd. |
| 4. Upper Miramichi – Repap New Brunswick | 9. Carleton – Juniper Lumber Co. Ltd. |
| 5. Kent – Eagle Forest Products Ltd. | 10. Restigouche-Tobique – Fraser Papers Inc |

6.100 This report defines acceptable levels of performance for several key aspects of each licensee's management plan. It then evaluates the performance of each licensee according to each of these measures.

6.101 Corrective measures have been taken against licensees who failed to comply with the requirements and the Department indicates that the licensees have successfully addressed these issues.

6.102 This is important accountability information. It provides very useful information on how well the Department and the licensees did in achieving the management plan. The document is filed at the Legislative Library where it can be viewed by MLAs, interest groups and the general public. That is a useful exercise. But we believe that this important summary information should be provided in the Department's main accountability document, the annual report.

Recommendations

6.103 We recommended that the Summary of Performance of Crown Timber Licensees be published in the Department's annual report at the conclusion of each five-year management plan. The Department should also consider an annual update on progress made regarding outstanding deficiencies.

6.104 We recommended that the performance measures in the "Summary" be linked to the Minister's four responsibilities for Crown lands.

Sufficient information on the extent to which a program continues to be relevant

6.105 Relevance is defined as the extent to which a program or line of business continues to make sense in regard to the problems or conditions it is intended to address. The attribute of relevance is a difficult one for an organization to assess. It is perhaps the most challenging of the requirements given in the policy.

6.106 We could not readily find any systematic discussion of relevance – any "information and advice that the governing body (could) use as a basis for considering the continuing need of the program and/or the program mandate."¹

Recommendation

Sufficient information on how well a program was accepted by its client groups

6.107 We recommended that the Department provide information on the relevancy of its programs for Crown lands in its annual report.

6.108 The Canadian Council of Forest Ministers in 1997 issued "Criteria and Indicators of Sustainable Forest Management in Canada - Progress to date". It stated:

In preparation for the 1992 United Nations World Commission on Environment and Development, our country led efforts to broaden the scope of forest issues ... to give balanced

1. *Accountability, Performance Reporting, Comprehensive Audit – An Integrated Perspective*, 1996 CCAF-FCVI

consideration to environmental, social and economic objectives.

6.109 Balancing these various objectives makes it difficult to satisfy all users and interest groups at any one time. But it would seem to be one way to summarize the challenge facing the Minister in achieving the responsibility for integrated management.

6.110 We did not find any discussion of client acceptance in the Department's annual report.

Actual and budget financial information in summary form and a narrative explaining major variances

6.111 The requirements of this attribute are fairly straightforward. The idea is for the Department to disclose the difference between the financial plan that was presented to and accepted by the Legislature in the *Main Estimates* process and the actual financial results when the year is over. Further, where there are significant variances the report should explore the reasons for the difference. This is basic accountability information.

6.112 The *Annual Report* for 1999-2000 contains a Financial Overview of Ordinary Account Expenditures which compares actual to budgeted expenditure by program. This overview contains information on all three programs with objectives relating to Crown lands (i.e. Forest Management, Fish and Wildlife, and Parks and Natural Areas – see Exhibit 6.1). The table lists the actual variance for the three programs. The Department has not provided any variance explanations but this is probably because staff did not believe that the variances were major.

6.113 The Department's annual report contains a second table titled "Total Expenditures Fiscal 1999-2000". This table is quite useful as it contains total expenditures for the three programs related to Crown lands. In other words, in addition to the Ordinary Account amounts, it shows funding from other sources. We produce excerpts from this table below as Exhibit 6.4.

6.114 As one can see the additional funding from other sources is quite significant. In the case of Forest Management it is close to \$10 million. This is useful information for the reader. And we are pleased to see that the Department provides it.

6.115 As can be seen, this same table also provides information on revenues for each of the programs. Again, this information is useful to the reader. We encourage the Department to continue to provide it.

6.116 One weakness in this table is that no budget to actual is given. In our opinion, the budget and actual figures should be compared, and significant variances should be explained.

Exhibit 6.4
Total expenditures for Crown lands programs

	Total Expenditures by Program	Revenues by Program
Forest Management		
Ordinary Account (A)	\$43,081,800	
Regional Development Corporation Funds (B)	5,477,300	
Environmental Trust Fund (C)	4,056,300	
Capital Development Projects (D)	61,300	
Total	\$52,676,700	\$56,708,000
Fish and Wildlife Management		
Ordinary Account (A)	\$ 8,454,100	
Regional Development Corporation Funds (B)	48,000	
Environmental Trust Fund (C)	640,600	
Total	\$ 9,142,700	\$ 4,160,300
Parks and Natural Areas		
Ordinary Account (A)	\$ 2,341,600	
Regional Development Corporation Funds (B)	473,600	
Environmental Trust Fund (C)	2,499,700	
Capital Development Projects (D)	550,200	
Total	\$ 5,865,100	\$ 84,300

Recommendation

6.117 We recommended that the Annual Report of the Department provide actual and budget financial information in summary form and a narrative explaining major variances for all major types of revenue and expenditures.

Sufficient information on other aspects of financial performance

6.118 Although this attribute of the policy is somewhat vague, it may have significant application for Crown lands management. It calls for departments to provide sufficient information on other aspects of financial performance in addition to a comparison of actual results to budget. It would seem the policy is indicating there may be additional areas of financial performance that are important in order to make the annual report the key accountability document for the Members of the Legislative Assembly and the general public. The policy allows the Department discretion in determining what these “other aspects” might be.

6.119 The Department is doing some reporting on other aspects already. The 1999-2000 report contains information on the costs of air operations for forest fire suppression in Table 6. Table 10 contains information on royalties provided to First Nations from their harvesting activities.

6.120 Some of the comments that came to our attention during the audit might suggest other aspects the Department could consider. For instance, in a couple of recent sessions of Public Accounts, Members have asked questions about the revenues and expenses from Crown lands.

6.121 In our opinion a supplemental statement showing the applicable costs and revenues in a business-like manner might address the more vocal

assertions that the Department is "giving away" the Crown resources or unfairly competing with the private sector. A discussion of targets, rates of return or comparative figures might also be useful. These are all examples of "other aspects of financial performance" that would help enhance the annual report as the key accountability document for the Members and the public.

Recommendation

A report written in clear and simple language, avoiding technical terms and phrases as much as possible.

No photographs

Tables, graphs and charts

Report tabled by 1 November

6.122 We recommended that the Department report other aspects of financial performance related to Crown land. This could include a statement clearly showing all the revenues and expenditures it incurs in the "business" of harvesting of Crown wood.

6.123 Is the Annual Report understandable? We have read through the Department's 1999-2000 *Annual Report* and found the style and language to be quite readable. It does not require a specialist level of knowledge to grasp. The report meets this requirement of the annual report policy.

6.124 The report does not contain any photographs. It is in compliance with the policy.

6.125 The policy states "departments and agencies are encouraged to include tables, graphs and charts where their inclusion will aid the reader in better understanding the statistics that are being presented". We took the word "encouraged" to signify that this was, in a sense, an optional part of the policy. But it is encouraged to help the reader understand the department's operations.

6.126 The Department's *Annual Report* has several tables that relate to Crown lands. These include Table 1- showing the area and the licensee for each Crown license; Tables 3 & 4 which discuss silviculture on Crown lands; Table 8 which is a scale report by license; Table 9 which shows the total primary forest products harvested on Crown lands; and Table 17 on Crown land leases. These are useful contributions to the report.

6.127 The tables seem relatively easy to understand. And a number of them are referred to in the body of the report. It might make the report a bit more understandable if each of the tables was also cross-referenced back to the relevant section of the body of the report. Alternatively, where the table is not easily linked to the body of the report, there could be a brief explanatory note from the Department.

6.128 The policy requires that annual reports be tabled by 1 November with the Clerk of the Legislative Assembly. We checked with the Clerk's Office and found that the Department's Report for 1999-2000 was not tabled until 15 December. Over the last four years the report has been tabled as early as 29 November and as late as 17 December.

Recommendation

6.129 We recommended the Department table its annual report by the 1 November deadline.

Conclusion

6.130 The criterion is partially met. Some of the attributes of the policy have been complied with, but other aspects need to be improved. Establishing measurable goals will be the first step in a process for improving the annual report. The current annual report lacks sufficient information to show how the Minister did in fulfilling his four responsibilities to develop, utilize, protect and provide integrated management of the resources of the Crown lands of New Brunswick.

Departmental response

6.131 The Deputy Minister of the Department provided the following response to our audit report:

Broadly speaking, we accept and support the recommendations in the report. Several of the recommendations will require our concerted attention, over a considerable period of time, to properly address them. However, we do not contest their worth or logic.

At the same time, I note considerable emphasis on timber management (compared to other aspects of Crown land management) in the report. For example, the document "A Vision for New Brunswick's Forests" is referenced, but not "A Wildlife Policy for New Brunswick", or some other departmental documents. I mention this because it bears directly on our response to the recommendations. In fact, the management of Crown land affects most of the Department's Branches and programs. If we limited our focus to the Forest Management Branch and its programs, our response would be considerably simpler than will actually be the case.

A significant portion of the report deals with formal objectives, in the context of the Minister's Crown Lands and Forests Act responsibilities, with individual recommendations:

That the Department establish measurable goals and objectives;

That these should be linked to spending estimates, and disclosed at an appropriate level;

That the Department develop suitable performance measures and report on them appropriately.

The Department recognizes the importance of workable goals and objectives. We shall continue to develop these in concert with the government's objectives and values.

We recognize, as well, the potential benefits offered by forest certification. Discussions are ongoing with Crown Timber Licensees on implementation of certification standards on Crown lands.

The report recommends that the Annual Report present the Summary of Performance of Crown Timber Licensees. We plan to do this at the end of each five-year management plan, and link the Summary's performance measures to Crown land responsibilities. We shall also report progress made regarding outstanding deficiencies. Given the length of the Summary, some form of summation appears in order.

We are confident that by establishing measurable goals and objectives, plus performance measures, and linking these to spending estimates, we shall provide a clear demonstration of continuing program relevance.

We also note your recommendations regarding the provision of financial information. We shall make appropriate adjustments in the reporting of future expenditures and revenues. One caution I would bring to your attention is the need to separate Current Year Expenditures from Current Year Revenues, since a direct comparison is frequently misleading.

Finally, we shall pay close attention to the tabling deadline for the Annual Report in future.