



**Prince George
.....and Prince Rupert
Province of
British Columbia
Ministry of
Forests**

**REGIONS
Standard Operating Procedure**

Number : 7-1

SUBJECT :

Requesting Regional Manager approval for reducing upset stumpage rates on emergency bark beetle TSLs.

CHAPTER
7

MANUAL
Appraisal

SECTION
7.5.1

PROCEDURES FOR APPLYING FOR REGIONAL MANAGER (RM) APPROVAL FOR REDUCED STUMPAGE RATES ON EMERGENCY BARK BEETLE TIMBER SALE LICENCES (TSL) IN THE PRINCE GEORGE AND PRINCE RUPERT FOREST REGIONS:

Background:

- Chapter 7 of the Interior Appraisal Manual (IAM) authorises the use of the Market Pricing System (MPS) for Section 20 of the *Forest Act* timber sales. MPS determines the market-stumpage price, which is then reduced by 30 percent to produce the advertised upset rate. The timber sale licence is tendered for bonus bids and the successful applicant is usually offered a choice of fixed or adjustable rates.
- Section 7.5.1 of the IAM authorises the use of lower upset stumpage rates once "...the regional manager is satisfied that there is substantive recent evidence that a section 20 Timber Sale Licence is unlikely to sell at the MPS upset stumpage rate and is for emergency bark beetle." Where a Section 20 TSL is used to address critical bark beetle harvest and where there is substantive, recent evidence that the timber will not sell using the current MPS upset, the timber pricing co-ordinator may proceed directly to a reduced upset stumpage rate.
- This regional procedure sets out the guiding principles and procedures to be employed when preparing requests for reduced TSL upset stumpage rates. The request form for B C Timber Sales (BCTS) staff to use to request a reduced rate is attached.

Principles:

1. The preferred method of sale is competitive award using MPS upset stumpage rates.
2. The process will be co-ordinated and managed by the RM and regional revenue staff.
3. This reduced rate request process will be re-evaluated in April 2003.

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January 17, 2003

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Process:

1. If the BCTS TSM feels that a high priority, emergency bark beetle TSL may not sell at MPS upset rate they will discuss this request with other TSMs and decide whether to apply for a reduced upset rate. The TSM may decide to re-package the sale and/or re-tender at a later date.
2. BCTS staff will prepare a reduced rate request, have TSM sign and then forward to the RM.
3. RM may request regional revenue comments.

Procedures for requesting a reduced rate:

1. A request form is attached which details the information needed to support the request for a reduced rate under step 3 of the above Process.
2. BCTS staff must provide documentation of previous efforts to sell similar volume and the stumpage rate(s) associated with the attempts.
3. BCTS staff must describe the nature of the need for requesting a reduced rate.
4. BCTS staff will recommend a reduced rate, which they believe will encourage bidding. The recommended rate will normally be somewhat higher than the documented BCTS average costs for producing TSLs (including administration and silviculture).
5. BCTS staff will forward the request to RM.
6. The RM will decide if they will approve that the TSL is unlikely to sell at the MPS upset stumpage rate. If approved, the timber pricing co-ordinator will determine a reduced rate. Revenue staff will fax the rate to the BCTS office. BCTS staff can then proceed with advertising.
7. Turn-a-round time for an answer from regional revenue will be within two weeks from receipt of complete information from BCTS.
8. If the TSL does not sell at the reduced rate, BCTS will reconsider their options for selling the timber. The TSM could submit a revised request for a further reduced upset rate.

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Considerations for calculation of a reduced rate:

1. There will be no below-cost sales. Costs will be determined using local IAM silviculture costs plus administration and any development costs as calculated and agreed upon by the TSMs.
2. Try to ensure that the reduced rate does not set up the potential for BCTS TSLs to replace major licensee CVP quota wood.
3. Ensure that any reduced rate request is within 30% of the most similar CVP rate for large bark beetle blocks within the same geographic area.
4. For small patch sanitation and small clear cut blocks, the timber pricing co-ordinator will consider subtracting the "specified operations cost estimate \$ minus \$5.41/M³ MPS salvage discount" from the Comparative Value Pricing rate to determine the reduced stumpage rate.

Jim Snetsinger, R.P.F.
Regional Manager
Prince George Region

Date
A/Regional Manager
Prince Rupert Region

Attachment No. 1: Request Form for Reduced Stumpage Rate

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