

MANITOBA CROWN TIMBER ALLOCATION POLICY

FORESTRY BRANCH

April 2006

TABLE OF CONTENTS

CROWN TIMBER TENURE.....	3
AUTHORITIES OR CUTTING RIGHTS	3
ALLOCATION METHODS	3
TIMBER PERMITS	6
1. Timber Permits - Quota.....	7
2. Timber Permits – Commercial (non-quota).....	8
3. Timber Permits – Own Use(personal).....	9
TIMBER SALE AGREEMENTS (TSA)	10
1. Timber Sale Agreement Allocation - Auctions.....	11
2. Timber Sale Agreement Allocation - Direct Awards.....	12
Timber Sale Agreement Allocation - Community Allocation	12
Timber Sale Agreement Allocation - Special Allocations.....	14
3. Timber Sale Agreement Allocation – Quotas	16
FOREST MANAGEMENT LICENCES (FML).....	19
APPENDIX I – Auction Fact Sheet.....	21
APPENDIX II – Proposal Information.....	23
APPENDIX III – General Terms and Conditions Governing a Request for Proposals For Manitoba Crown Timber.....	24

CROWN TIMBER TENURE

Manitoba's Forest Act establishes the legal authorities and the allocation methods for cutting Crown timber:

*11(1) Timber cutting rights including **forest management licences, timber sales and timber permits** shall be granted in such manner, and by such means, as, in the opinion of the minister, secures the maximum benefit to the forest industry of the province; and, without restricting the generality of the foregoing, the minister may offer Crown timber for sale*

(a) by public competition

(i) to the public generally; or

(ii) to any group of persons already established in timber operations in a forest management unit within which the timber being offered is located; or

(b) with the approval of the Lieutenant Governor in Council,

(i) by negotiation between the government and any company or person who provides satisfactory proof of his willingness and ability to make the required capital investment in the establishment of a new industry, or who requires additional timber to sustain an industry already established; or

(ii) to persons or organizations which require the right to cut timber for the purpose of providing employment in a low employment area or community where the establishment of a timber harvesting and utilization program will enhance the social and economic well-being of the area or community; or

(c) by permit or timber sale agreement where, because of silvicultural requirements, location, quantity or quality of timber or for the purpose of salvage or for municipal use it is, in the opinion of the minister, impracticable to grant cutting rights by competition; or

(d) by permit to cut pulpwood, boxwood or fuelwood for the permittee's own use or for sale, subject to such limitations as to quantity of timber and such terms and conditions as may be prescribed in the regulations at the time a permit is issued.

AUTHORITIES OR CUTTING RIGHTS

As per section 11 of the Forest Act, the cutting of Crown timber can be authorized through the following authorities:

- Forest Management Licence
- Timber Sale
- Timber Permit
 - Commercial
 - Own Use

ALLOCATION METHODS

Crown timber can be allocated through the following processes:

1. Quota Holder Program
2. Direct Award
 - a. Community Allocation
 - b. Special Allocation
3. Public Competition - Auctions

This document describes the Crown Timber cutting authority types, their allocation process and the requirements of each type. The following figures basically describe the process to correctly prescribe an Authority type.

Figure 1. Timber Allocation Process – Step 1

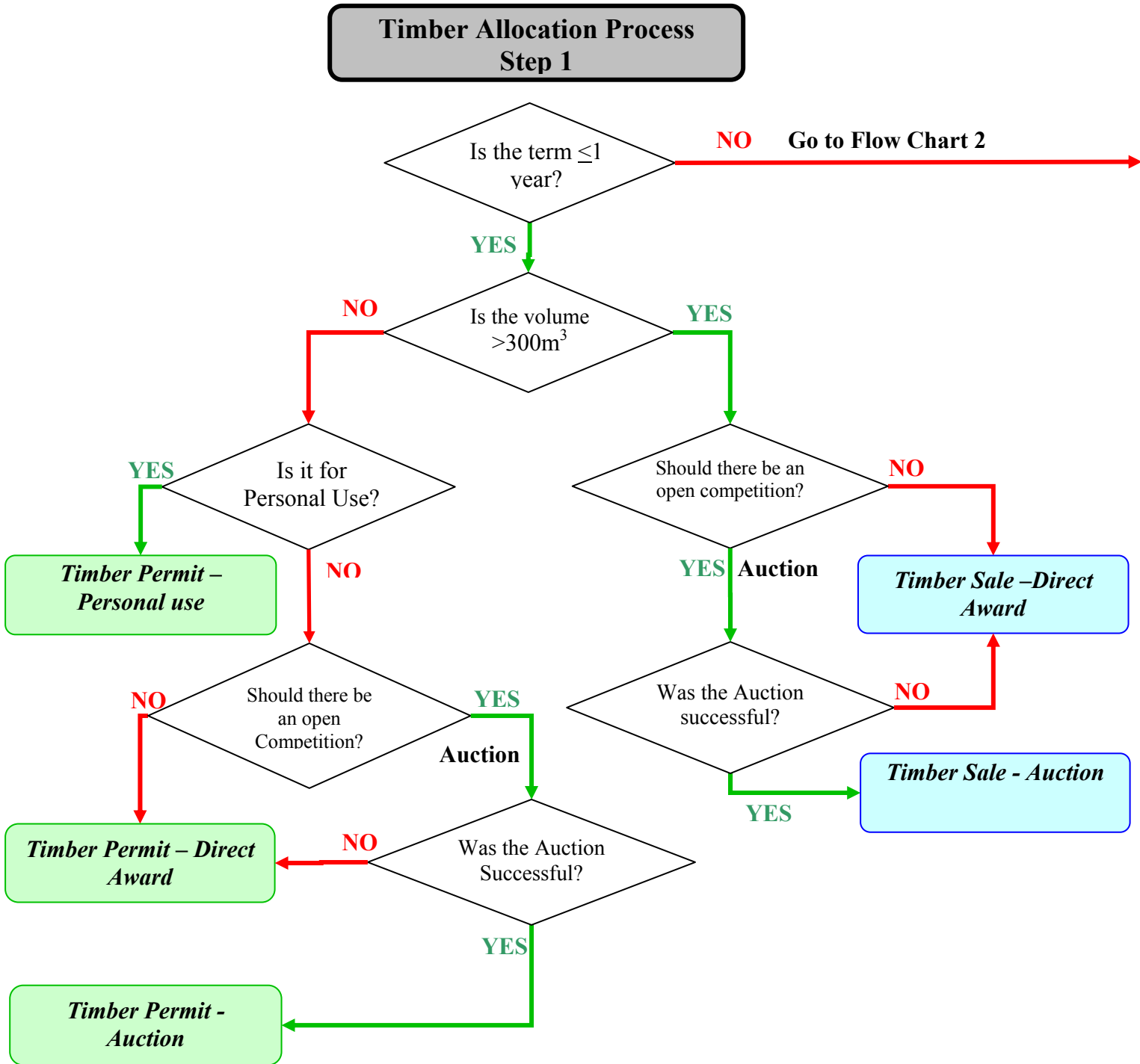
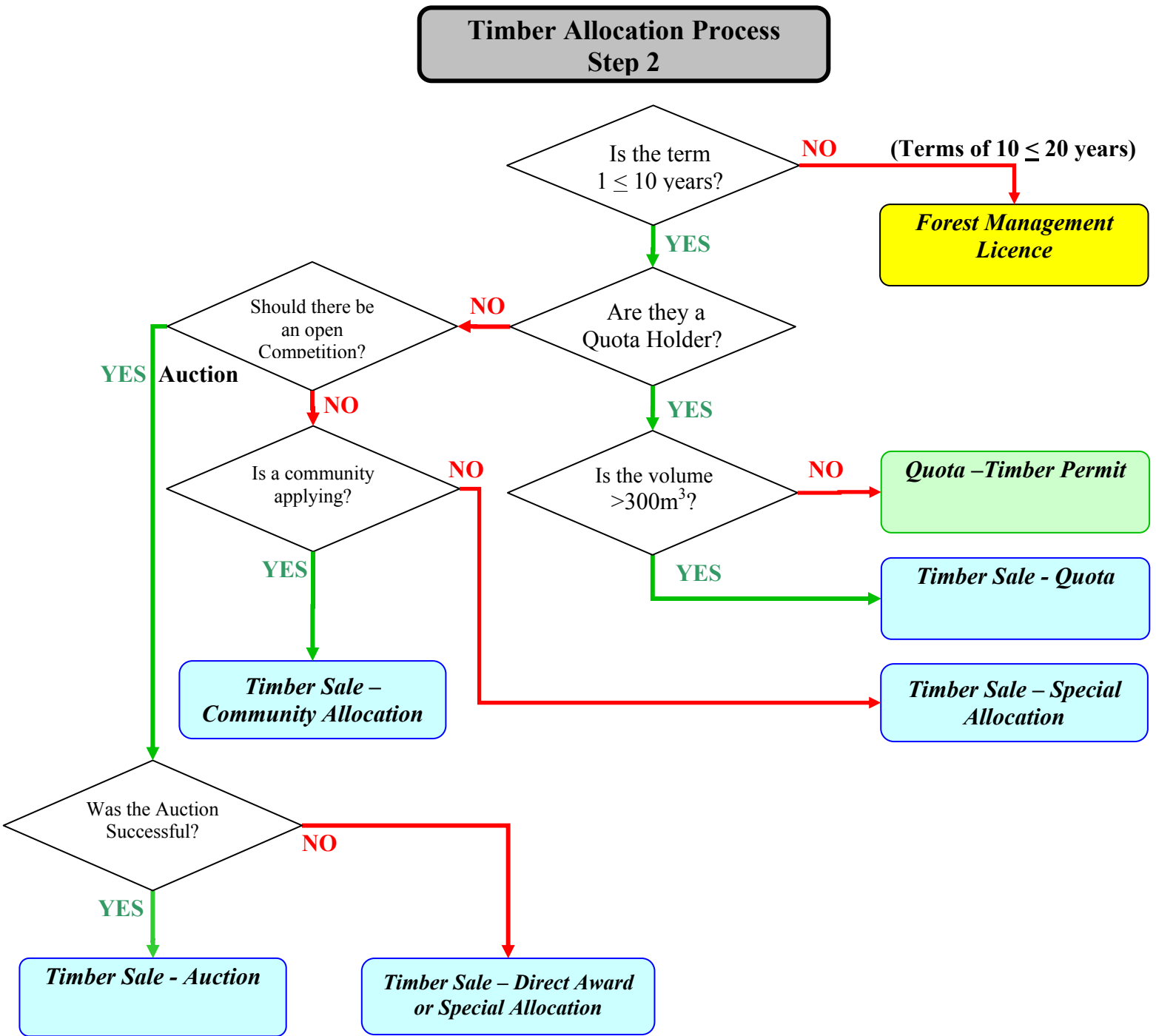


Figure 2. Timber Allocation Process – Step 2



TIMBER PERMITS

Definition

A Timber Permit is a legal authority for either commercial or personal (own use) harvesting of up to 300 m³ of crown timber.

Legislation

Forest Act sections 11(1) (a), (c), (d)

Size (Volume per year)

Timber permits are usually for volumes up to 300m³

Application/Allocation Process

Three types of Timber Permit may be issued:

1. Quota Timber Permits
2. Commercial Timber Permits
3. Own use(Non-Commercial) Timber Permits

1. Timber Permits - Quota

Timber producers who operated a sale or permit in the three years previous to June 14, 1965 were granted an annual volume of timber based on their three year's average production. This right was called a "quota". The original quota system ran from 1965 to 1980. The current quota system (1980 to present) is essentially an extension of the original quota system with a few modifications. The quota system in Manitoba is governed by the Timber Quota Policy. Although each quota holder possesses an annual allocation of wood, either a TSA or a Timber Permit is still required as legal authority to harvest their quota.

Size (Volume per year)

Quota Timber Permits are for volumes less than 300 m³.

Timing or Period

Quota Timber Permits provide a fixed annual volume for a five year period. The timber quota system allows an operator to harvest the current year's timber quota volume plus any portion of the two preceding year's quota volume not harvested. Any portion of a quota volume that is not harvested by the end of the third year will no longer be available to the Quota Holder to cut during the active five year Quota System Operating Period

Planning and Management Requirement

The forest management planning for Timber Permit areas is done by Manitoba Conservation or by a FMLA holder.

Application Process/Evaluation/Review

Quota Timber Permits are administered through the Forestry Branch. Quota Holders can complete the Timber Permit application at either a Manitoba Conservation's District or Regional offices or FMLA offices. The only way to acquire a quota is for an existing quota holder to re-assign his rights to another. New quotas are no longer being issued.

Reporting Requirements

All Timber Permit holders must complete the Declaration on the back of the Timber Permit and return it to either the FMLA holder or Manitoba Conservation. Load Slips must also be returned for all commercial used and transported crown timber.

Special Conditions

Payment of all timber dues, fees and charges is required when completing the Timber Permit Application.

After the completion of the timber harvest, or within 60 days of the expiry date, the Timber Permit must be returned to verify the declaration, and to receive a refund or receive a new permit. Refunds will be provided only for the dues, fees and charges for uncut volumes only if the total refund amount exceeds \$20.00. If the permit is not returned within 60 days of the expiry date the full volume will be assumed to be cut and no refund will be provided. Uncut volumes may be carried forward and harvested during the next two years.

In an overcut situation, dues, fees and charges will be collected. Overcut volumes will be deducted from the next year's quota volume. Timber Returns are not required for timber cut under the authority of Quota Timber Permits.

2. Timber Permits – Commercial (non-quota)

Size (Volume per year)

Commercial Timber Permits are usually for up to 300 m³. Permits for greater than 300 m³ may be approved by the Forestry Branch Director.

Timing or Period

Commercial Timber Permits are issued for a maximum of 1 year.

Planning and Management Requirement

The forest management planning for Timber Permit areas are done by Manitoba Conservation or by a FML holder.

Application Process/Evaluation/Review

Commercial Timber Permits are issued at Manitoba's Regional Offices as well as some FML offices.

Timber Permits may or may not be issued based on each Region's available timber.

Reporting Requirements

All Timber Permit holders must complete the Declaration on the back of the Timber Permit. In order to receive any refund in dues the permit must be returned to either the FML holder or Manitoba Conservation. Load Slips must also be returned for all transported crown timber.

Special Conditions

Any site specific conditions prescribed by the supervising Natural Resource Officer will be noted on or attached to the Timber Permit.

3. Timber Permits – Own Use(personal)

Size (Volume per year)

Own use Timber Permits are for up to 100m³.

Timing or Period

Own use Timber Permits are issued for a maximum of 1 year but may be for less..

Planning and Management Requirement

The forest management planning for Timber Permit areas are done by Manitoba Conservation or by a FML holder.

Application Process/Evaluation/Review

Own use Timber Permits are issued at Manitoba's District and Regional Offices.
Timber Permits may or may not be issued based on each Regions available timber.

Reporting Requirement

All Timber Permit holders must complete the load slip portion on the front of the Timber Permit.

Special Conditions

Any site specific conditions prescribed by the supervising Natural Resource Officer will be noted on or attached to the Timber Permit.

TIMBER SALE AGREEMENTS (TSA)

Definition

The Timber Sale Agreement (TSA) is a legal authority granting timber harvesting for commercial operators and describes the specific locations to be harvested, and any special conditions for that harvest.

Legislation

Forest Act sections 11(1) (a), (b), (c)

Size (Volume per year)

TSAs are issued for volumes greater 300m³ to a maximum of 100,000 m³ by policy.

Application/Allocation Process

TSAs may be issued in the following ways:

1. Quota Holder Program
2. Direct Award
 - a. Community Allocation
 - b. Special Allocation
3. Public Competition - Auctions

Special Conditions

In addition to Forestry Branch requirements identified in this document, any proposed developments with allocations greater than 5,000 m³ may also require a class 2 development licence under the [Environment Act](#) and the establishment of a mill may require a class 1 development licence under the same Act.

1. Timber Sale Agreement Allocation - Auctions

Auctions are usually initiated by Manitoba Conservation to promote economic development or to complete Forest Management priorities. Alternatively, if an individual or company expresses an interest in harvesting wood in a particular area that may be of interest to others, an auction may be held to ensure equal opportunity and fairness to all who may be interested in accessing that wood for harvest.

Size (Volume per year)

Auctioned TSA timber volumes vary in size as determined by Manitoba Conservation.

Timing or Period

Auctioned TSAs are generally granted for up to 1 year.

Planning and Management Requirement

The responsibility for forest management planning for TSA areas is done by Manitoba Conservation or by a FMLA holder.

Application Process/Evaluation/Review

Auctions are administered through the Forestry Branch. Auctions are done by sealed tender, with the TSA being awarded usually to the highest bidder. See Appendix I for the Stumpage Based Auction – Fact Sheet.

Reporting Requirements

TSA holders must complete Timber Returns each quarter documenting the timber harvested and the Crown Dues that are payable. All Load Slips for shipments within the quarter and monthly Sales Reports must accompany the Timber Return.

2. Timber Sale Agreement Allocation - Direct Awards

Definition

Direct awards are those agreements which are made without a competition. Direct Awards generally result from single party interest in remote communities or areas with limited economic potential. If no bids or tenders are received in Timber Sale auctions, the Director of Forestry may directly award a Timber Sale to any person who applies within 12 months of the original auction competition date.

In addition to timber unsuccessfully auctioned there are two other unique circumstances where timber is directly awarded including:

- Community Allocation
- Special Allocations

Timber Sale Agreement Allocation - Community Allocation

A community allocation is a direct award that is granted to a community, in order to provide economic and other benefits to the community, rather than to an individual or an industry. Communities interested in this type of TSA submit a plan prior to receiving the TSA, indicating the desired allocation and how that allocation would benefit the community.

Size (Volume per year)

Community Allocations can range in size but are generally up to 5000 m³ but can be larger based on wood availability, a sound business plan and may require an Environment Licence.

Time or Period

- Any and all Community Allocations currently in existence will expire on the date specified in the original Community Allocation
- New Community Allocations may be issued for 1 to 10 years but must expire after 10 years
- New Community Allocations will expire at the end of a specific term (no extensions)
- When Community Allocations expire a new Community Allocation may be requested, subject to a revised business plan and that all previous obligations have been met to the satisfaction of Manitoba Conservation.

Planning and Management Requirement

If Community Allocation annual harvest volumes are large enough (as determined by Manitoba Conservation), they may be required to produce an Annual Operating Plan (AOPs) and/or a 10-year long-term Forest Management Plan (FMP).

Application Process/Evaluation/Review

Appendix II and III contain what may be required and what should be considered when applying for a Community Allocation. Forestry Branch may conduct an annual review of each Community Allocation and produce a report containing findings and recommendations.

Reporting Requirement

Community Allocation holders must prepare Annual Reports as per Manitoba Conservation direction. Timber Sale holders must complete timber returns each quarter documenting the timber harvested and the Crown Dues that are payable. All Load Slips for shipments within the quarter must accompany the Timber Return.

Special Conditions

- Specific purposes (i.e. specified uses or compensation) should be specified in the agreement.
- Any activities that deviate from the original Community Allocation must be approved by Manitoba Conservation in writing or the Community Allocation may be cancelled with, or without warning.
- All records must be reported and fees paid on time or Community Allocation may be cancelled immediately.
- Permission will not be granted to carry forward unharvested Community Allocation volumes from one year to the next. If the allocated volumes is not harvested it is considered lost opportunity.
- If there is no harvest activity within two consecutive operating years the Community Allocation may be canceled.
- If less than 50% of the Community Allocation volume is harvested for more than two years the Community Allocation may be canceled or reduced.
- If an AAC reduction occurs Community Allocations may be affected without effect on Quota Allocations or allocations of any other kind.
- Community Allocations may be eliminated, reduced or transferred to another FMU if AAC drops at any time during Community Allocation term.
- If an AAC reduction occurs during the term a Community Allocation the allocated volume of a Community Allocation may be reduced without advance notice.
- If an AAC reduction occurs during the term a Community Allocation and the Community Allocation volume is reduced there will be no compensation of any kind.

Timber Sale Agreement Allocation - Special Allocations

This type of TSA is granted under special circumstances to individuals, industry or other groups. Interested parties must submit a proposal/business plan to Manitoba Conservation explaining how the TSA would benefit the province as a whole via creation of employment, benefits to the provincial economy, etc.

Size (Volume per year)

Special Allocations volumes vary in size as determined by Manitoba Conservation.

Time or Period

- Any and all Special Allocations currently in existence will expire on the date specified in the original Special Allocation
- New Special Allocations will be eliminated or expire at the end of a specific term (no extensions).
- New Special Allocations may be issued for 1 to 10 years.
- When Special Allocations expire a new Special Allocation may be issued subject to a revised business plan for a defined time period.

Planning and Management Requirement

If Special Allocation annual harvest volumes are large enough (as determined by Manitoba Conservation), they may be required to produce an Annual Operating Plan (AOPs) and or a 10-year long-term [Forest Management Plan \(FMP\)](#).

Application Process/Evaluation/Review

Appendix II and III contain a list of information that may be required when applying for a Special Allocation. Forestry Branch may conduct an annual review of each Special Allocation and produce a report containing findings and recommendations.

Reporting Requirement

Special Allocation holders must prepare Annual Reports as per Manitoba Conservation direction. Timber Sale holders must complete timber returns each quarter documenting the timber harvested and the Crown Dues that are payable. All Load Slips for shipments within the quarter must accompany the Timber Return.

Evaluation/Review

This type of TSA may be granted for up to a 10-year time period, but is subject to review every five years.

Special Conditions

- Surcharges may be applied.
- Specific purposes (i.e. specified uses or compensation) should be specified in the agreement
- Any activities that deviate from the original Special Allocation must be approved by Manitoba Conservation in writing or the Special Allocation may be cancelled with, or without warning.
- All records must be reported and fees paid on time or Special Allocation may be cancelled immediately.
- Permission will not be granted to carry forward unharvested Special Allocation volumes from one year to the next. If the allocated volumes is not harvested it is considered lost opportunity.

- If there is no harvest activity within two consecutive operating years the Special Allocation may be canceled.
- If less than 50% of the Special Allocation volume is harvested for more than two years the Special Allocation may be canceled or reduced.
- If an AAC reduction occurs Special Allocations may be affected without effect on Quota Allocations or allocations of any other kind.
- Special Allocations may be eliminated, reduced or transferred to another FMU if AAC drops at any time during Special Allocation term.
- If an AAC reduction occurs during the term a Special Allocation the allocated volume may be reduced without advance notice .
- If an AAC reduction occurs during the term a Special Allocation and the Special Allocation volume is reduced there will be no compensation of any kind.

3. Timber Sale Agreement Allocation – Quotas

Timber producers who operated a sale or permit in the three years previous to June 14, 1965 were granted an annual volume of timber based on their three year's average production. This right was called a "quota". The original quota system ran from 1965 to 1980. The current quota system (1980 to present) is essentially an extension of the original quota system with a few modifications. The quota system in Manitoba is governed by the Timber Quota Policy. Although each quota holder possesses an annual allocation of wood, either a TSA or a Timber Permit is still required as legal authority to harvest their quota.

Quota Holder Volume Entitlements

The timber quota volumes entitled to each Quota Holder for the April 1, 2005 to March 31, 2010 Quota System Operating Period will be the same as the quota entitlement from the previous quota period unless:

- a. An adjustment has been determined by the Five Year Timber Utilization Review (2000-2005) **or**
- b. A reduction is dictated by a recalculation of a Forest Management Unit annual allowable cut.

Timber Characteristics

Conservation cannot guarantee any Quota Holder with the same proportion of softwood and hardwood timber, timber size, or level of accessibility as the original quota. Efforts will be made by Conservation and Forest Management Licences to provide all Quota Holders with satisfactory timber for their operations.

Carry Forward of Annual Quota Volumes

The timber quota system allows an operator to harvest the current year's timber quota volume plus any portion of the two preceding year's quota volume not harvested.

Any portion of a quota volume that is not harvested by the end of the third year will no longer be available to the Quota Holder to cut during the active five year Quota System Operating Period. The annual quota volume entitlement will not be immediately affected by a lapsed undercut however the results of the following Five Year Timber Utilization Review may effect future entitlements.

Five Year Timber Utilization Review

At the end of each Quota System Operating Period individual timber quotas will be reviewed to assess the amount of timber harvested.

- a. If the total volume harvested is 60% or more of the total five year volume, there will be no reduction in quota volumes.
- b. If less than 60% of the five year volume is harvested the timber quota volume in the subsequent Quota System Operating Period will be reduced by the difference between the harvest amount and 60% of the quota volume. (e.g. 50% of quota cut, 60-50=10% reduction)
- c. If no volume is harvested during the five year review period, then the entire quota will be cancelled.

Timber Quota Holders who have not produced 60% of their five year volume and have had their quota reduced or cancelled may appeal the decision through an appeal process as identified in Section 74 of the Forest Use and Management Regulation.

Volumes that revert to the Crown through the five year review may remain in the quota system, be awarded by Public Auction, or be awarded as per The Forest Act and Forest Use and Management Regulation.

Potential Reduction of Annual Allowable Cut & Quota Volume

Fires, severe windstorms, losses due to insects and diseases, dedication of the land base to non-forestry uses, over harvesting, etc., may make it necessary to reduce the annual allowable cut of Forest Management Units. Conservation will attempt to find the least disruptive means of balancing the Annual Allowable Cut and timber commitments with affected Quota Holders. Solutions may include but are not limited to:

- a. A reduction in quota volume in proportion to the reduction of the annual allowable cuts.
- b. The transfer of one or more complete quota allocations into other Forest Management Units.
- c. The transfer of portions of one or more quota allocations into other Forest Management Units.

Uncommitted Allowable Cut Volume

When uncommitted surplus timber in a Forest Management Unit is identified by Conservation the surplus will be allocated in accordance with The Forest Act and The Forest Use and Management Regulation. Allocations will be made in the best interests of the province keeping in mind the established industry.

Allocations of surplus timber volume will place a priority on restoring the initial quota volume of Quota Holders that have sustained a quota volume reduction due to recalculation of the annual allowable cut during the present or previous 5 year Quota System Operating Periods. Individual or collective quota volumes will not be increased above the level of the original softwood and/or hardwood volume entitlements.

Quota Transfers

The Timber Quota System will have limited capacity to allow operators to transfer quotas from one Forest Management Unit to another. In the event of a reduction in the annual allowable cut of a Forest Management Unit, which could result in the general reduction of quota volume, some operators could request a transfer to another Forest Management Unit where adequate timber supplies are available. The transfer of quotas must be approved by the Director of Forestry and where applicable by the Forest Management Licence holder.

Assignment of Timber Quota

The assignment of a timber quota to another party may be approved by the Minister when all of the initial Quota Holders contractual obligations to the Crown have been met. Timber Quota Holders may assign:

- a. Their total quota volume (i.e. all softwood and hardwood volumes).
- b. Their total softwood volume or their total hardwood volume.
- c. Any portion of their softwood or hardwood quota volume as long as the remaining quota volume is a minimum of 1,000 m³ and the party the Quota Holder assigns it to shall have a minimum volume of 1,000 m³ after the assignment.

Timber Salvage

Periodically, forests in the province experience significant timber damage from fires, insects, windstorms, flood or other such disturbances. It is important to salvage the merchantable timber within these areas as soon as possible after such events.

The salvage material will usually form part or all of the operator's quota volume for the area. If the salvage timber has significantly reduced market value, Conservation may encourage the harvest of the salvage material through various incentives such as:

- a. Adjustment of the applicable Crown timber dues, fees and charges, or

- b. Additional volume after the quota is harvested in the salvage area, or
- c. Banking of quota while harvesting salvageable timber in another Forest Management Unit.

FOREST MANAGEMENT LICENCES (FML)

Definition

A Forest Management Licence is an area-based agreement between the Province and a company that provides a long-term fibre supply to a wood using industry in exchange for accepting many forest management responsibilities including planning, allocating, supervising, and administering of both timber depletions and forest renewal activities.

Legislation

Forest Act section 11(1)

Size

This is an area based form of tenure and is generally granted with volumes in excess of 100,000m³.

Time or Period

FMLs are granted for a period of not greater than 20 years. The licence may be renewed with or without change subject to faithful performance for additional periods of not more than 10 years each.

Planning and Management Requirement

Forest Management Licences are required to prepare a long-term [Forest Management Plan](#) (FMP) for the land area included in their FML area that incorporates strategic and operational considerations. [Annual Operating Plans](#) (AOPs).

In addition to Forestry Branch requirements identified in this document, any proposed developments requiring a Forest Management Plan may also require a class 2 development licence under the [Environment Act](#) and the establishment of a mill may require a class 1 development licence under the same Act.

Application/Allocation Process

Manitoba Conservation may issue a Request-For-Proposal (Appendix II and III) or accept unsolicited applications. This may involve:

1. Written notification to the Minister of Conservation of the proposal

Written notification should clearly state the intent of the proposal and a brief summary of the proposed development. Initial notification may be made to the Director of the Forestry Branch.

2. Provision of a pre-feasibility study.

A pre-feasibility study is required where the construction of a new mill is proposed or when there is a proposal to significantly change the recognized operating level of an existing processing facility. (Appendix - II)

3. Acknowledgement by the Minister of the Province's interest in the proposal

Where the pre-feasibility study is accepted a conditional commitment of forest resources for the facility may be provided by the Minister. The Minister may issue a Letter of Commitment for a for a term determined by the Minister.

4. Submission of a comprehensive business plan.

A comprehensive business plan is required by Manitoba Conservation covering all aspects of the proposal. Where there is a conditional commitment from the Minister, it may set out the business plan requirements. For other circumstances, the business plan requirements will be developed exclusively for each proposal. Business plan requirements will be similar to the requirements for of the pre-feasibility study, however in more detail.

Review and Evaluation of the Proposal

Review and evaluation of the project will involve Forestry Branch and other government staff (Wildlife, Fisheries, Parks, etc.). In addition, other provincial ministries or independent council may also become involved with the review and/or the formal approval process.

Reporting Requirement

FML holders must prepare Annual Reports as per Manitoba Conservation direction. FML holders must complete timber returns each quarter documenting the timber harvested and the Crown Dues that are payable. All Load Slips for shipments within the quarter must accompany the Timber Return.

Special Conditions

All special conditions will be identified within the Forest Management Licence Agreement and the Environment Licence.

APPENDIX I – Auction Fact Sheet

Stumpage Based Auction – Fact Sheet

In 2003, Manitoba Conservation changed its method of timber auctions from the old “Bonus Bid Auction” to the “Stumpage Based Auction” format. Since auction bids are based on the market value of a cubic metre (m³) of timber, this allows Conservation to track timber value over time.

CROWN TIMBER FEES

Provincial Crown timber fees can include three separate charges per cubic metre (/m³). Charges include:

1. **Stumpage:** for the right to harvest trees from Crown land
2. **Forest Renewal Charge (FRC):** for renewal of harvested sites
3. **Forest Protection Charge (FPC):** for fire, insect and disease control.

WHAT IS A STUMPAGE BASED AUCTION?

1. The Crown issues a notice of Auction Sale of Timber that states:
 - (i) Volume, location and type of timber – e.g. fire salvage softwood etc.
 - (ii) Date to complete harvesting
 - (iii) Special conditions – i.e. winter logging, no Timber Sale extensions will be granted
 - (iv) Upset Price (or minimum bid) per cubic metre,
 - (v) Amount of Guarantee Deposit and
 - (vi) Whether or not FRC and/or FPC apply.
2. Potential bidders:
 - (i) View timber and access
 - (ii) Explore and evaluate all markets, including softwood chips, lumber and pulpwood
 - (iii) Determine a bid **equal to or greater than** the upset price per cubic metre.
3. Bidders submit a Tender Package, that includes a:
 - (i) Completed and signed Tender Form
 - (ii) Stumpage Payment* (the stumpage bid multiplied by the estimated volume) and
 - (iii) Guarantee Deposit* (to ensure compliance with conditions, the Forest Act and Regulations).
4. The Crown:
 - (i) Opens bids and awards the auction based on the highest tendered Stumpage Payment.**
 - (ii) Returns Stumpage Payments and Guarantee Deposits to unsuccessful bidder(s).
 - (iii) Issues an Auction Timber Sale Agreement.

* The Stumpage Payment and Guarantee Deposit, which must accompany the Tender Form, will only be accepted as a Certified Cheque, Postal Money Order or Bank Draft payable to the Minister of Finance.

** Successful bidders are determined based on:

- (i) The highest **total** Stumpage Payment, for Softwoods and/or Hardwoods
- (ii) The earliest post marked tender, when duplicate tenders are received

EXAMPLE:

Estimated Timber Volume: Aspen - 2,000 m3 Softwood - 1,000 m3

Upset Stumpage Price: Aspen \$ 1.15/m3 Softwood \$2.95

Guarantee Deposit: \$ 400.00

**FRC/FPC: Aspen FRC (\$0.50/m3) and Softwood FRC (\$6.69/m3) and
FPC (\$0.17/m3) FRC (\$0.50/m3)**

Example of Stumpage Bids Received:

Bid # 1 – (Aspen \$1.20/m3 X 2,000 = \$2,400) + (Softwood \$3.35 X 1,000 = \$3,350) = Total \$5,750

Bid # 2 - (Aspen \$1.15/ m3 X 2,000 = \$2,300) + (Softwood \$3.44 X 1,000 = \$3,440) = Total \$5,740

Bid #1 is successful, because the total stumpage payment is higher. FRC and FPC are paid when harvested.

The successful bidder's STUMPAGE PAYMENT IS A NON-REFUNDABLE UP-FRONT PAYMENT on auction volume. As such, the successful bidder's Stumpage Payment will not be:

- (i) Reduced for any reason, including the production of softwood field chipperwood or
- (ii) Transferred to any other charges – e.g. FRC, FPC
- (iii) Transferred to another Timber Sale.

Timber must be cut within the designated period. No extensions will be authorized.

The non-merchantable portion of softwood field chipperwood is an allowable volume over and above the authorized softwood volume.

Volume produced from this Auction is independent from all present and/or future quota.

Bid packages must include the:

- (i) Tender Form as well as the
- (ii) Stumpage Payment and
- (iii) Guarantee Deposit.

APPENDIX II - Proposal Information

Manitoba Conservation will require any company/person that wishes to obtain a Crown timber allocation in excess of 50,000 m³ to provide details regarding their proposal. It should demonstrate environmental sustainability and the attractiveness of the proposal to the Province of Manitoba by outlining the economic and social benefits that will accrue to the people of Manitoba, both in the local area directly affected by the proposed facility, as well as to the Province as a whole.

CONTENTS

The proposal should contain most of the components of a full-fledged business plan, but in less detail. The completeness of each section will depend on the complexity and size of the proposal.

1. Company Profile

Provide details on the company size, scope of business, background, history, existing facilities, partnering companies, financial capability (provide past and projected three years of financial statements), management experience, experience in forest management activities, marketing capabilities and research capabilities.

2. Facility Proposal

Describe the size, type, equipment and technology, and the process which will be used. Describe the fibre utilization plan, value added opportunities, estimated cost of the facility, detailed timeline for completion, proposed mill site, infrastructure requirement and the forest resource requirement by species, log specifications, and annual volumes.

3. Project Financing

Describe how the project will be financed, including a five-year pro forma financial statement. Manitoba Conservation does not provide financial assistance.

4. Project Implementation Schedule

Provide a detailed time frame for the implementation of the project including key milestones and a time line for the construction and start-up of the facility.

5. Products and Markets

Provide an analysis of the products, markets, customers, market prospectus, product pricing, competitors, distribution, and selling costs. Describe how the company will utilize primary, secondary and waste products.

6. Community Impacts and Benefits

Describe the location of the proposed facility, number of employees (mill, forestry, woodlands), use of local contractors, infrastructure requirements and develop a net financial benefit analysis. Outline an approach to develop a working relationship with aboriginal peoples including; mill construction, management and operations, planning, financial resources and training. In addition, the company must work with Manitoba to fulfill legal obligations to First Nations.

7. Environmental Matters

Provide a description of the environmental impacts of both the mill and woodlands operations including features of the project that have environmental implications and the approach that will be used to address these concerns.

APPENDIX III -

General Terms And Conditions Governing A Request For Proposals For Manitoba Crown Timber

It is incumbent upon any and all proponents to be fully cognizant of the specifics of a Manitoba Crown timber commitment/allocation Request for Proposals (RFP). Proponents should be aware of the following key points relating to operating under a Crown cutting authority within Manitoba.

1. There is no guarantee of a continuation of the cutting authority beyond the expiry date.
2. The province does not guarantee the volume or quality of the identified wood supply. It is incumbent upon the proponent to make the necessary examination to confirm or reject the suitability of the volume and quality of the wood for the proposal in question.
3. No additional Crown wood volume will be available for consideration to augment the volumes as set out within this proposal.
4. Proposals requesting financial assistance from Manitoba Conservation will not be considered.
5. Because of Forest Section, Forest Management Unit and Forest Management Licence area boundaries, as well as established forest planning, management and administrative responsibilities, a timber allocation will include coordination with all other operators in the region or general area of concern. A Crown timber commitment will require the successful proponent to commit to actively participate in the overall management approach adopted, including consultation and involvement in any cooperative resource management initiatives within the area.
6. Crown timber volume projections are a result of the current land base status of the area and no provision has been made for potential land base deletions that may occur as a result of designations under programs which would impact the available wood volume projections.
7. Any proponent must be prepared to undertake an environmental or any other review and comply with all legislation, regulatory, and approval policy requirements that relate to the environmental approval process and/or local government.
8. The successful proponent must consult with the public as required by current legislation and/or by government policy or request.
9. All proponents must be fully aware of and understand all of the financial obligations that pertain to accessing Manitoba Crown timber including, but not limited to:
 - a) current assessments such as timber dues, forest renewal and fire protection charges,
 - b) all applicable taxes,
 - c) late filing and interest assessments,
 - d) special allocation surcharges,
 - e) over-cutting penalties,

- f) current dues or charge adjustment processes,
 - g) any bidding particulars with respect to the acquisition of the proposal in question,
 - h) application fees, guarantee deposit, bonds or any other financial requirements as stipulated by Manitoba.
10. Manitoba will decide which proposal or combination of proposals is the most suitable, based on the best overall return to the province as the owner of the timber resource and to the local communities as beneficiaries.