

POLICY TITLE: 2015-2020 Timber Quota Policy

BRANCH/DIVISION: Forestry and Peatlands Management/Water Stewardship and Biodiversity

Policy Number: PO-11-1933-15

Effective Date: July 9, 2015

Approved By: EMC

Date Reviewed:

Date Revised:

1. POLICY OBJECTIVE:

This policy is intended to provide specific administrative direction for the management of Manitoba's existing Timber Quota holders for the period of 2015-2020. Manitoba has committed available timber volumes to existing quota holders for harvest throughout the province.

Application: Existing Quota Timber Sale and Timber Permit holders as of April 1st, 2015. This policy is for the 2015-2020 Quota period. Prior to April 1st, 2020 this policy will be reviewed and either extended or updated.

2. POLICY STATEMENT:

Manitoba's Timber Quota System was introduced in June 1965 in order to provide the forest sector greater security of tenure, to promote increased investment and ensure benefits of forest based employment and production. Those with timber allocations prior to 1965 were granted annual Quota volumes to harvest on crown land. This system is managed through the Timber Quota Policy which is reviewed and updated periodically.

3. DEFINITIONS:

AAC Annual allowable Cut or Sustainable harvest level, set by Manitoba is the maximum volume of timber that may be harvested in a specific forest management unit on an annual basis.

Quota Period The 2015-2020 Timber Quota Policy applies to the operating period starting April 1, 2015 and ending when the 2020-2025 Timber Quota Policy comes into effect.

4. TIMBER QUOTA MANAGEMENT:

Forestry and Peatlands Management Branch will manage Timber Quotas in the following manner:

Cutting Authority

Quota allocations are authorized either by a Timber Sale Agreement or a Timber Permit.

Quota Timber Sale Agreements

Five-year Timber Sale Agreements will be issued for annual Quota volumes greater than 300 m³.

Quota Timber Permits

One-year Timber Permits will be issued for annual Quota volumes less than or equal to 300 m³. Payment of all timber dues, fees and charges will be required when completing the Timber Permit Application, unless all harvested volume will be delivered to an EDT (Electronic Data Transfer) mill, in which case only the permit fee must be paid. Confirmation of planned delivery volumes must be supplied by the EDT mill (written or via e-mail).

Quota Holder Volume Entitlements

Each Quota holder that has met the revised quota elimination requirements for 2010-2015 will begin the April 1, 2015 to March 31, 2020 Quota Operating Period with the same annual volume they were entitled to at the end of the 2010-2015 Quota Period.

Manitoba Conservation and Water Stewardship (CWS) does not guarantee the quality, timber size, operability or accessibility of the Quota allocation. Efforts will be made by CWS and Forest Management Licensees to provide all Quota holders with satisfactory timber and operating areas.

Five Year Quota Volume Management

Five-Year Quota Volume

CWS will continue to manage Annual Allowable Cuts (AACs) with the expectation that Quota holders will be harvesting one year's annual quota volume each year. However, if requested and approved in writing by CWS, a Quota holder may harvest up to five times their available annual Quota volume at any point within the 5 year operating period.

Quota Volume Accounting

In each operating year, Quota holders can only harvest the volume authorized by CWS. Any timber harvested and removed from the place of harvest will be deducted from the Quota holder's AAC.

Carry Forward/Forfeiture

2010-2015

Up to a maximum of one year of uncut Quota volume from the 2010-2015 Quota Period may be carried forward into the 2015-2020 Quota Period.

2015-2020

Any uncut annual volume during the 2015-2020 Quota Period may be carried forward and harvested within the five year period.

In the 2015-2020 Quota Period if a Quota holder:

- had uncut quota volume from the 2010-2015 Quota Period that exceeded the one year of quota that was carried forward and
- completes the harvest of their 5-year quota volume plus their 1-year carry forward at some point prior to the end of the 2015-2020 Quota period,

then the Quota holder may be granted the right to harvest additional uncut volume from the previous 2010-2015 Quota Period up to one times their annual quota volume. This additional volume is made available only for harvest and delivery up to March 31, 2020. This additional volume is not eligible for sale or transfer, and any unused portion is not eligible to be carried forward into the next quota period.

In order to allow time for review and planning, the request from the Quota holder (in writing or e-mail) for this additional volume can be submitted when at least 5 year's worth of quota volume has been harvested within the quota period. CWS will review each request and at its discretion will approve or not approve the additional volume. Additional volume must not be harvested until written approval is received from CWS.

2020-2025

A maximum of one year's uncut Quota volume from the 2015-2020 Quota Period may be carried forward into the 2020-2025 Quota Period

This policy reflects the flexibility Quota holders are provided to harvest within the five year Quota period and ensures the AWC is harvested within each Quota period and forest age class.

Overcuts/Penalties

Annually

In each operating year, Quota holders can only harvest and deliver the amount authorized by CWS. The authorized volume is equal to the available annual quota volume plus any carryforward volume from the previous year (or quota period). If a Quota holder exceeds 110% of the authorized volume, charges and penalties under *The Forest Act, Forest Use and Management Regulation*, and Timber Sale Agreements will be applied. Any overcut will be deducted from the next year's Quota allocation.

5-Year period

Any overcut volume will be deducted from the total Quota volume available in the next Quota period.

Load Slips

All Timber Sale and Permit Quota holders are required to use Manitoba Load Slips.

Quota holders must surrender all Load Slip books in their possession at the end of the 2010-2015 Quota Period. New Load Slip books will be issued following April 1st, 2015 for the 2015-2020 Quota Period.

Potential Reduction of Annual Allowable Cut & Quota Volume

Various impacts such as fire, severe windstorms, losses due to insects and disease, dedication of the land base to non-forestry uses, changes in harvesting practices, or the accommodation of treaty and aboriginal rights may result in the reduction of the total AAC in the Forest Section. In response, CWS may, in its discretion, manage the volume by:

- Transferring one or more complete quota allocations into other Forest Management Units or adjacent Forest Sections;
- Transferring portions of one or more quota allocations into other Forest Management Units or adjacent Forest Sections;
- Reducing quota volumes in proportion to the reduction of the annual allowable cuts.

CWS will attempt to restore quota volume of Quota Holders that have sustained a quota volume reduction for the above reasons during the present or the last 5 year Quota Operating Period if uncommitted AAC volumes are available.

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.

In order to minimize the impact of these events on AAC, CWS may direct Quota holders to harvest timber in salvage areas prior to harvesting in existing timber sale areas. CWS may direct the harvest of salvage material using one or more of the following strategies:

- Require harvesting of quota in the salvage area;
- Reduction of the applicable Crown timber dues, fees and charges;
- Provide additional salvage volume after the initial quota is harvested in the salvage area (forward cuts approved prior to the salvage event and not fully utilized may be reversed in order to allow for this provision to take effect);
- Banking of quota while harvesting salvageable timber in another Forest Management Unit.

Uncommitted Allowable Cut Volume

When uncommitted surplus timber in a Forest Management Unit is identified by CWS, the surplus may be allocated in accordance with *The Forest Act*. Any allocations will be made in the best interests of the province keeping in mind the established industry.

Assignment of Timber Quota

The sale or transfer of a Quota to another party is subject to approval by CWS after all of the initial Quota holder's known contractual obligations to the Crown have been met. Timber Quota holders may assign:

- Their total quota volume (i.e. all softwood and hardwood volumes) [applies to Permits and TSA];
- Their total softwood volume or their total hardwood volume [applies to Permits and TSA];
- Any portion of their softwood and/or hardwood quota volume to an existing quota as long as the combined remaining quota volume is a minimum of 1,000 cubic metres [applies to TSA only];
- A minimum volume of 1,000 cubic metres of their softwood and/or hardwood quota volume to a new quota as long as the combined remaining quota volume is a minimum of 1,000 cubic metres [applies to TSA only].

If an existing quota holder purchases additional quota in the same FMU, CWS encourages that volume be amalgamated into the existing quota for more efficient administration. If a timber permit quota holder purchases quota within the first four years of the quota period that brings their annual quota volume within an FMU to be greater than 300 cubic metres, the quota holder will be issued a timber sale agreement as the cutting authorization.

Transfer of Quota to other Forest Management Units (FMU's)

The transfer of quota to other FMU's on the request of a Quota holder is generally not permitted. There are, however, some circumstances under which this may be considered on a temporary or permanent basis:

- The quota is requested to be moved from an FMU of high AAC utilization to an FMU of lower AAC utilization;
- The quota is requested to be moved between two FMU's both of which have low AAC utilization;
- The transfer of quota meets other CWS forest management objectives.

Requests for FMU transfer must be submitted to CWS in writing (or e-mail) stating the reasons for the request. CWS will review each request and at its discretion will approve or not approve the transfer.

Limited Quotas

The objective of Manitoba's Quota system is to support an efficient, healthy, commercial forest sector. The original Quota system established in 1965 had no restrictions in volume levels per Quota. Now, 50 years after quotas were first established, we will be reviewing all small volume quotas (less than 50 m³).

Quota holders with volumes less than 50 m³ will be given this 5-year quota period to pursue one of the following options:

- Purchase quota from other Quota holders to bring their total volume to at least 50 m³ in order to retain their quota, or
- Sell their quota to an existing quota holder (quota volume must be amalgamated into the existing quota).

CWS will work with quota holders where assistance is requested to identify buying/selling opportunities for quota. All remaining quotas less than 50 m³ as at March 31, 2020 will be cancelled.

2015-2020 Timber Utilization Review

Potential Quota Elimination

In order for the objectives of Manitoba's Quota system to be accomplished the allocated timber must be utilized. If quota holders are unable to utilize their Quota, those volumes must be made available to others to ensure the benefits of investment, employment and forest management are realized. Quota holders must harvest and deliver an amount equal to at least one-year's Quota volume during the 2015-2020 period. If not, the entire Quota will be eliminated at the end of the Quota period.

5. PROCEDURES: There is no accompanying procedure with this policy.

6. POLICY AND LEGISLATION CROSS REFERENCE:

Under *The Forest Act*, the Crown is responsible for the management and allocation of Crown timber resources within the Province of Manitoba. Timber Quotas are authorized under section 11(1) of the *Forest Act*:

11(1) Timber cutting rights 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