

MPS B to A Transition: CUTTING PERMIT CONSIGNMENT

Priorities/Conditions:

The timber sale manager (TSM) will accept all consigned cutting permits (CPs) subject to the following conditions.

- Consignment will provide an opportunity for CP holders to transfer priority CPs to BCTS to augment the data points for market pricing system. BCTS will give priority to CPs with cedar and/or fir and/or green pine leading cutblocks, but other species will be eligible for consignment. CPs with cutblocks containing greater than 35% dead pine, as indicated by the cruise, will not be eligible for consignment.
- Consignment CPs are to be fully developed – i.e., all required planning and consultation completed, all assessments, cruising and block layout completed, and all roads and bridges constructed – unless otherwise agreed to by the timber sales manager.
- Timber sale licences (TSLs) using CP volume are intended to be incremental to BCTS’s core program and sales schedules, and the timing of the flow of revenue from the consigned CP volume will need to correspond to the timing of the expenditures, particularly for planning and development, which means that payment to holders of consigned CPs for planning and development will not be made until harvesting commences or additional budget becomes available.
- The upset stumpage rates established on consignment-based TSLs will reflect the Business Areas (BA’s) variable costs plus either the BA’s handling costs or overhead costs as follows:
 - if the volume from the consigned CP is incremental to the BA’s core program and sales schedule, the stumpage rate will be the variable cost upset (VCU), which means the licensee’s negotiated planning and development costs and BCTS’s projected silviculture costs, plus BCTS’s handling costs;
 - if the consignment volume displaces the core BCTS program and sales schedule, the upset stumpage rate will be VCU plus BCTS overhead costs.
- Consignment CPs may be of two types:
 - entire CPs where harvesting has not commenced; and
 - CPs where harvesting has commenced, but only the cutblocks on which harvesting has not commenced will be auctioned by BCTS.
- TSL auctions of consigned CPs are open to all registrants including the CP holder, if a registered BCTS enterprise.
- All provisions under the *Forest Act* and the *Forest and Range Practices Act* (FRPA) will apply to any TSLs auctioned using consigned CPs.

| | Consignment Steps | Comments |
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| 1. | <p>CP holder declares to the district manager (DM) by Dec. 31/10 intent to consign the CP.</p> <p>If the DM approves the intent to consign, the CP holder has until Dec. 31/12 to submit the consignment CP to the TSM.</p> <p>Upon approval, the DM immediately informs the TSM.</p> | <p><i>As part of consignment, the CP holder must also declare their intention to surrender the CP.</i></p> |
| 2. | <p>CP holder submits the consignment CP to the TSM by providing all planning and development work (e.g., cruise information, various environmental and cultural assessments, and block specific roads less deactivation costs) and all other relevant documents (including hazard identification and assessment information) associated with the CP to be consigned.</p> | <p><i>If CP holder consigns the CP in the latter half of 2012, the auction may not occur until after December 31, 2012, in which case, if there are no bids, the surrender option will not be available to CP holder.</i></p> <p><i>CP holder must provide all information on any unusual safety hazards associated with the consignment CP or access to the CP, or provide a statement that to their knowledge nothing unusual exists.</i></p> |
| 3. | <p>TSM accepts the consignment CP subject to the CP meeting all requirements, reviews the CP consignment package and:</p> <ul style="list-style-type: none"> • determines whether the volume will be incremental to the BCTS core program; • determines work required to convert it to a TSL for auction; • negotiates a price for the CP holder's planning and development work; • enters an agreement with the CP holder respecting BCTS's payment for the CP holder's planning and development and the CP holder's payment for BCTS handling costs; | <p><i>If a consignment CP has outdated or missing planning and development information, it is not considered fully developed and may be returned to the CP holder. BCTS will not purchase outdated cruises or site plans.</i></p> <p><i>As part of the agreement between the CP holder and the TSM, the CP holder will agree not to commence harvesting on any of the cutblocks to be auctioned.</i></p> |
| 4 | <p>TSM conducts the work required to convert the CP consignment package into a TSL:</p> <ul style="list-style-type: none"> • confirms Sustainable Forest Management / Environmental Management System certification; • adds applicable CP cutblocks to the TSM's Forest Stewardship Plan and, if necessary, submits it to the DM for approval; • reviews and amends (e.g., to address activities affecting safety) the site plan, as necessary; • calculates upset stumpage rate and submits it for approval; • prepares the ECAS Submission; • prepares the tender package information; • advertises the TSL and conducts the auction. | <p><i>In accordance with section 72(c) of the Sales of Goods Act, the tender information package for the TSL will disclose the possibility of the CP holder bidding on the TSL.</i></p> <p><i>As with all TSLs, before it is advertised, the TSM will need to ensure that the safety program requirements can be met.</i></p> <p><i>Converting CP timber to a TSL may require additional First Nations consultation in some cases, which will increase the time and costs required for the conversion.</i></p> |

| | Consignment Steps | Comments |
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| 5 | <p>If the consignment CP is sold under a TSL and the licence entered into:</p> <ul style="list-style-type: none"> • the TSM will inform the CP holder and DM; • all proceeds (stumpage + bonus) from the sale of the timber will be paid into the BCTS Account; • BCTS will administer the TSL & the holder's operations; • BCTS will be responsible for all silviculture on the TSL. | <p><i>When the TSL is sold and entered into, the CP is deemed to have been surrendered, and the CP holder must cease harvesting under the CP.</i></p> <p><i>The volume under the TSL will be charged to uncommitted apportionment, undercut volume available to the ministry or BCTS apportionment.</i></p> |
| 6 | <p>Following commencement of harvesting under the TSL, the TSM will pay the CP holder for planning and development costs agreed to before the TSL was auctioned.</p> | <p><i>For scale-based TSLs, harvesting is deemed to have commenced when scale is received and, for cruise-based TSLs, when timber is recorded on the monthly harvest report as having been felled.</i></p> |
| 7. | <p>If the TSL is auctioned but does not receive any eligible bids or the TSL is not entered into:</p> <ul style="list-style-type: none"> • the TSM will inform the DM and CP holder accordingly, after which the CP holder may proceed under the surrender provisions until Dec. 31, 2012; • the CP holder will pay the TSM the handling costs to convert the CP to a TSL and conduct the auction. | |

NOTE: The consignment opportunity may continue to be available after December 31, 2012, in which case there would be no need to make a declaration to the DM; only the surrender option expires on Dec. 31, 2012. After Dec. 31, 2012, the CP holder should contact the TSM directly to indicate additional CPs they wish to consign.