

# SALE OF DECKED TIMBER THROUGH A COMPETITIVE PROCESS

## MINISTRY PROCEDURES

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### GENERAL PRINCIPLES

#### 1. Applying Consistent Business Practices

This document describes the process by which decked timber is made available to public applicants through a competitive bidding process. A consistent tender of the bidding process can be expected from one Forest District to another, which will reduce potential errors in due process.

#### 2. Complying with Legislation and Regulations

The *Forest Act* establishes the basic legislative framework surrounding the administration and sale of Crown Timber. Specifically, Section 47.6 (2.1) of the *Forest Act* and the *Advertising, Deposits, Disposition and Extension Regulation* Section 2 (a) (BC Reg. 277/04) provide the framework supporting this selling process through a Forestry Licence to Cut (FLTC).

#### 3. Achieving corporate objectives

The objectives of this competitive process to dispose of decked timber include:

1. Optimise net revenue to the province;
2. Provide opportunities for customers to purchase timber in an open and competitive manner; and
3. Practice sound forest management practices.

# PROCEDURES

## I. TENDER PACKAGE

Before a sale is ready for advertisement, a detailed tender package must be prepared, which includes the following items.

### 1. Invitation to Tender

The Invitation to Tender will include the following:

- Introduction
- Estimate of Timber Volume and Licence Term
- Place, date and time of submission of tender
- Eligibility of Applicants
- Tender Particulars
- Description of bid type
- Stumpage to be paid
- Requirement for security deposit (Section 7 (g) of the *Advertising, Deposits, Disposition and Extensions Regulation*)
- Withdrawal of tenders
- Processing of tenders
- Licence to be used/Failure to enter into licence
- Unsuccessful tenders
- Return of deposits
- Inspections
- Road Use Permits
- Disclaimers
- Contact information

### 2. Application and Tender

An Application and Tender (the Tender) must be completed by each applicant and include information with respect to the applicant as well as an indicated bonus offer or bonus bid as may be the case. The tender must be signed by the applicant.

### 3. Sample Forestry Licence To Cut

The Forestry Licence to Cut (FLTC) for decked Timber is the tenure that will be used to describing specific rights, terms and conditions of the sale as well as any licensee obligations. Sections 47.6 and 47.7 are the relevant section of the *Forest Act*.

#### 4. Tender Envelope

A Tender Envelope is to be used by potential bidders when submitting a completed tender.

## II STUMPAGE RATES AND BID SYSTEMS

Stumpage rates will be determined in accordance with section 7.4 of the *Coast Appraisal Manual* or Section 6.5 of the *Interior Appraisal Manual*.

### 1. Bonus Offer

If the Tender is to include a bonus offer, the applicant will be required to declare a lump sum bonus offer (\$). The applicant declaring the highest offer will be awarded the licence. The bonus offer must be paid in full prior to the licence being entered into.

The stumpage rate that will be applied to the licence will be determined in accordance with the applicable appraisal manual.

The security deposit will be calculated as 10% of the sum of the estimated total stumpage to be billed under the FLTC and the lump sum bonus offer.

An example of a bonus offer system:

North East Forest Zone

<u>Species</u>	<u>Estimated Volume (m<sup>3</sup>)</u>	<u>Stumpage Rate * (\$/m<sup>3</sup>)</u>	<u>Estimated Total Value (\$)</u>
Lodgepole Pine	1000	12.73	12,730
Spruce	750	9.57	<u>7,177.50</u>
		Total Value	19,907.50
		Bonus Offer	\$5,000
		Total (a)	<u>\$24,907.50</u>
		Security Deposit (10% of (a))	\$2,490.75

\* Rate taken from Table 6-1 of the Interior Appraisal Manual

With the bonus offer system, two cheques will be part of the tender from bidders:

- one in the amount of \$2,490.75 for the security deposit, and
- one in the amount of \$5,000 for the bonus offer.

### 2. Bonus Bids

With a bonus bid competition, the rates determined from the applicable appraisal manual will be used to set the upset stumpage rate. Applications will be requested to submit a bonus bid (\$/m<sup>3</sup>) which will be added to the upset stumpage rates to form the total stumpage rate.

An example of a bonus bid system:

North East Forest Zone

Species	Estimated Volume (m <sup>3</sup> )	Upset Stumpage Rate* (\$/m <sup>3</sup> )	Bonus Bid (\$/m <sup>3</sup> )	Total Stumpage Rate	Estimated Total Value (\$)
Lodgepole Pine	1000	12.73	1.50	14.23	14,230.00
Spruce	750	9.57	1.50	11.07	<u>8,302.50</u>
				Total Stumpage Value (a)	<u>\$22,532.50</u>
				Security Deposit (10% of (a))	\$2,253.25

\* Rate taken from Table6-1 of the Interior Appraisal Manual

With the bonus bid system, one cheque is received with the tender for the security deposit; in this example the cheque would be in the value of \$2,253.25.

## II. ADVERTISING

Once the Tender package is complete, the sale may be advertised. Section 2 (a) of the *Advertising, Deposits and Disposition Regulation* will be used as a guide to establish the frequency and duration of advertisements. Section 2(a) states:

*All forest licences must be advertised in at least one newspaper, a minimum of 5 days before the date of sale, circulating in or near the area proposed for the licence.*

This level of advertising is to be considered a minimum and additional advertising should be considered where warranted by the volume, value and location of the decked timber involved.

## III. TENDER SUBMISSION, OPENING AND VERIFICATION

### 1. Submission of Tenders

Tenders may be submitted any time prior to the official closing date and time provided they are submitted in an approved sealed envelope which describes:

- FLTC number
- Closing date and time

- Bidder's name and return mailing address.
- Sealed tenders may be submitted to the appropriate Forest District Office via post, courier or hand delivery. Submissions are recorded directly on the envelope and on a ledger for the date and time the tender was received. Sealed tenders are placed in a safe for safekeeping until the tender opening.

## 2. Tender Opening

- a) The District Manager will open each sealed tender in the order which it was received.
- b) The District Manager will review of the contents to ensure the Tender contains:
  - 1. a completed Application and Tender for Forestry Licence to Cut;
  - 2. a cheque or approved security for the bonus offer (if bonus offer); and
  - 3. a cheque or approved security for the appropriate security deposit.
- c) The District Manager then records on the ledger:
  - 1. whom the tender offer was received from;
  - 2. the bonus offer amount; and
  - 3. the amount of the security deposit.
- d) Once all tenders have been opened and recorded, the District Manager will confirm the highest bid submitted.

## 3. Tender Verification

The District Manager now verifies the winning bid and commences a review of that bid. The review will confirm that:

- (a) the Tender and Tender for Forestry Licence to Cut was properly completed;
- (b) the security deposit was the required amount and form; and,
- (c) the applicant is eligible to bid and meets all conditions of tender including, but not limited to, the bidder:
  - (c)1. not having any outstanding accounts with the ministry;
  - (c)2. not having a licence which is under suspension.

The security deposits and bonus offers submitted by all ineligible applicants will be returned, in accordance with the *Advertising, Deposits, Disposition and Extension Regulation*.

The security deposits and bonus offers of all eligible applicants will be retained until the District Manager has approved an tender.

Once the District Manager has approved an tender, the security deposits and bonus offers of the highest ranked applicant and the second ranked applicant will be retained. The deposits and bonus offers submitted by all other eligible applicants will be returned. The deposit for the second highest ranked applicant will be returned upon the FLTC being entered into with the approved bidder.

#### **IV. APPROVAL / ENTER INTO FLTC**

The FLTC is finalised and 2 copies signed by the District Manager and forwarded to the successful bidder under cover letter requesting the bidder to sign and return one copy of the original.

#### **V. OTHER DOCUMENTS**

The following documents are available for ministry use and can be found at the ministry's website (<http://gww.for.gov.bc.ca/hth/>):

1. Invitation to Tender
2. Application and Tender for Forestry Licence to Cut
3. Sample FLTC
4. Sample Advertisement