

**Province of British Columbia
Ministry of Forests and Range**

FOREST ACT

**AGREEMENT SUBDIVISION AND
CONSOLIDATION GUIDELINES**



May 1, 2008

TABLE OF CONTENTS

1.0 Purpose	1
2.0 Background	1-2
3.0 Legislation	2
3.1 <i>Forest Act and Forest (Revitalization) Amendment Act, 2003</i>	2
3.2 Regulations	2
3.3 Policy	2
4.0 Delegation of Responsibility	3
5.0 Guidelines for Subdivision and Consolidation of Tree Farm Licences	
Pulpwood Agreements and Forest Licences	3
5.1 Request to Subdivide or Consolidate a TFL, PA or FL	3-4
5.2 Regional Review of a Request to Subdivide or Consolidate a TFL, PA or FL	4
5.2.1 Stakeholder Consultation	5
5.3 Determination if Forest Management Would be Compromised	5
5.4 Setting of TFL AACs	6
5.5 Notice That Subdivision or Consolidation May Proceed or Not Proceed	6
6.0 Licence Documentation	7
6.1 Subdivision (TFL, PA, FL)	7
6.1.1 Licence Effective (Beginning) Date	8
6.1.2 Term and Expiry Date	8
6.1.3 AAC	8
6.1.4 Timber Reservations (TFLs only)	9
6.1.5 Special Conditions and Requirements	9
6.1.6 Contracting Requirements	9
6.1.7 Timber Processing (NRFLs only)	9
6.1.8 Licence Land Base	10
6.1.9 Other	10
6.2 Consolidation (TFL, PA, FL)	10
6.2.1 Effective (Beginning) Date, Expiry Date and Term	10
6.2.2 AAC	11
6.2.3 Timber Reservations (TFLs only)	11
6.2.4 Special Conditions and Requirements	11
6.2.5 Contracting Requirements	11
6.2.6 Timber Processing (NRFLs only)	11
6.2.7 Licence Land Base	11
7.0 Licence Administration	11
7.1 Subdivision	11
7.1.1 Cut Control	11-12
7.1.2 Road Permits	12
7.1.3 Cutting Permits	12-13
7.1.4 Licence and Silviculture Security Deposits	13
7.1.5 Annual Rent	13
7.1.6 Outstanding Obligations (for cases where parent licence is being cancelled)	14

7.2 Consolidation	14
7.2.1 Cut Control	14
7.2.2 Road Permits	14
7.2.3 Cutting Permits	15
7.2.4 Licence and Silviculture Security Deposits	15
7.2.5 Annual Rent	15
7.2.6 Outstanding Obligations	15
8.0 Communications / Documentation	15
9.0 Systems and File Updates	16
9.1 FTA (Original Licence, Cutting Permits, New Licence)	16
9.2 Cancel Any Licence Being Amalgamated	16
10.0 Timber Licences	16
Appendix A. Subdivision and Consolidation Business Map	17
Appendix B. Innovative Forestry Practices Agreements (IFPAs) Volumes	18

FOREST ACT :

AGREEMENT SUBDIVISION AND CONSOLIDATION GUIDELINES

1.0 Purpose

The purpose of this document is to provide ministry staff and holders of agreements issued under the *Forest Act* with guidelines for subdividing or consolidating timber harvesting agreements entered into under Section 12 of the *Forest Act*. The scope of these guidelines includes tree farm licences (TFLs), pulpwood agreements (PAs), and forest licences (FLs). Although timber licences (TLs) may be consolidated, they are beyond the scope of these guidelines at this time. These guidelines focus on licensee initiated requests for subdivision or consolidation. The scope can be expanded to include crown initiated circumstances if and when necessary.

The guidelines also provide an overview of the policy and legislation on subdivision and consolidation along with linkages to the applicable Acts and Regulations.

The scope of this document does not include tenure transfers, as it is a separate process from subdivision and consolidation. For information on transfers, please consult the following website:

<http://www.for.gov.bc.ca/hth/ForestRevitalization/TenureTransfer.htm>

2.0 Background

In February 2003, the government introduced the Forestry Revitalization Plan. The Forest Revitalization Plan introduced comprehensive changes to the *Forest Act* and Regulations with the objective of rebuilding the stability in the forest sector and creating new opportunities for forest workers, clients, and communities.

The overall objective of the changes to the subdivision and consolidation legislation is to facilitate the diversification of the size and number of tenures, facilitate a market for agreements and provide for administrative efficiencies for the ministry and licensees.

The *Forest Act* provides for the consolidation and subdivision of:

- Tree Farm Licences, Section 39
- Pulpwood Agreements, Section 43
- Forest Licences, Section 19, and
- Timber Licences, Section 29.1 (TLs may be subdivided; however, this must be done under the overall objective of consolidating licences)

Each form of tenure can only be subdivided or consolidated with the same form of agreement. No other forms of agreement may be subdivided or consolidated.

The changes to the *Forest Act* make it clear that a licensee, as well as the minister, may initiate the subdivision or consolidation of an agreement(s). The minister in all cases requires consent of the holder of the licence(s). A request to subdivide or consolidate a licence by a licensee may only be refused by the minister if it is determined that forest management would be compromised by doing so.

In addition, the *Forest Act* ensures that the overall allowable annual cut (AAC) attributable to the licences in question does not change as a result of the subdivision or consolidation.

It also requires a licence that is amended or entered into for subdivision or consolidation, does not expire later than the earliest expiry date of the licences being subdivided or consolidated.

3.0 Legislation

3.1 *Forest Act and Forest (Revitalization) Amendment Act, 2003*

The *Forest (Revitalization) Amendment Act, 2003* replaced the previous legislation in the *Forest Act* dealing with agreement subdivision and consolidation. The *Forest (Revitalization) Amendment Act, 2003* can be located at the following website: http://www.leg.bc.ca/37th4th/1st_read/gov29-1.htm

The *Forest Act* and its Regulations can be found at: <http://www.for.gov.bc.ca/tasb/legsregs/comptoc.htm>

3.2 Regulations

The *Forest Act* does not provide any specific Regulation making power with respect to the subdivision and consolidation of agreements. However, the Cut Control Regulation deals with cut control when subdividing or consolidating. This can be found at: <http://www.for.gov.bc.ca/tasb/legsregs/forest/faregs/cutcontr/ccr.htm>

3.3 Policy

At this time, no formal policy has been developed for the subdivision/consolidation of licences. If policy and/or bulletins are developed in the future, they will be included in appendix to this document.

4.0 Delegation of Responsibility

The pertinent sections of the *Forest Act* indicate that the minister, or person authorized by the minister, may subdivide or consolidate agreements, or refuse a request to subdivide or consolidate an agreement if forest management would be compromised.

The minister is the licensor for TFLs and PAs, and retains the responsibility for subdividing and consolidating TFLs and PAs.

The regional manager is the licensor for FLs and has been delegated the responsibility for subdividing and consolidating FLs, as per the *Forest Act* and Regulations authority matrix. This is located at:

http://gww.for.gov.bc.ca/hcp/legislation/authoritymatrix/Forest_Act_and_Regulations.pdf.

The *Forest Act* specifies the regional manager as the statutory decision-maker with respect to subdividing and consolidating timber licences.

5.0 Guidelines For Subdivision and Consolidation of Tree Farm Licences, Pulpwood Agreements and Forest Licences

The following guidelines are to be used in conjunction with the business map for subdividing or consolidating a TFL, PA or FL that is included in Appendix A.

5.1 Request to Subdivide or Consolidate a TFL, PA or FL

A request to subdivide or consolidate a TFL, PA or FL must be prepared by the licensee and submitted to the regional manager with copies to the appropriate district manager(s), and Resource Tenures and Engineering Branch (RTEB) if a TFL or PA. A request should consider and/ or include the following information where applicable:

1. General overview of the proposed subdivision or consolidation.
2. Rationale for the proposed subdivision or consolidation.
3. Implications for forest management.
4. Implications with respect to approved plans, operating areas, special use permits (TFLs only) and outstanding obligations (e.g. silviculture, roads, hazard abatement, and others).

5. Specify AAC volumes and types involved, including basic AAC, Mountain Pine Beetle (MPB) uplift, Innovative Forest Practices Agreement (IFPA) uplift, and AAC partitions (such as small wood profile, problem-forest types, geographic partitions).
 - a) If a FL subdivision, specify the proposed AACs for the new and residual FL.
 - b) If a TFL subdivision, recommend AACs for the residual and new TFL calculated in accordance with Section 5.4 of these procedures, including proposal with respect to volume reservations.
6. Cut Control
 - a) If a subdivision, identify the harvested volumes attributed to each licence for cut control purposes in accordance with Section 75.6 of the *Forest Act*.
 - b) If a consolidation, identify cut control implications in terms of undercut and excess harvest / penalty billing.
7. Details regarding the transfer of approved cutting authorities to the new licence. (See Sections 7.1.3 and 7.2.3 for cutting permits and Sections 7.1.2 and 7.2.2 for road permits).
8. For NRFLs, implications for appurtenancy/ timber processing clauses.
9. Implications for licence deposits (Advertising, Deposits, Disposition and Extension Regulation (ADDER)) and annual rent.
10. For non-replaceable forest licences (NRFL), implications to silviculture security deposits.
11. a) For TFLs and PAs, supporting maps to the scale and standard required by the regional manager.
 - b) If a NRFL has a specified licence area, implications for licence boundaries and proposed new area.
12. The name, position and phone number of contact person for the proposed subdivision or consolidation.

Addresses for regional managers and district managers can be found at the following website: <http://gwww.for.gov.bc.ca/mof/regdis.htm>

5.2 Regional review of a Request to Subdivide or Consolidate a TFL, PA or FL

Regional timber tenure staff are responsible for reviewing requests to subdivide or consolidate a TFL, PA or FL with support from the appropriate RTEB specialist. See Section 5.1 and Appendix A for further detail. Additional considerations should include any outstanding compliance and enforcement issues, and obligations.

Regional tenures staff will notify and seek input as required from the following:

- Revenue (i.e. effects on average stumpage rates – road permits and blanket salvage permits, possible effects to road groups, various cost estimates)
- Stewardship (i.e. FSPs, silviculture obligations)
- Districts (i.e. CPs, RPs)
- Headquarters (i.e. new policies and/or procedures)

For TFLs and PA, regional staff will prepare a decision briefing note for the minister that includes options and a recommendation, and will cc RTEB on this. For FLs, the decision package will be prepared for the regional manager. This will include the appropriate First Nations consultation summary. (See Section 5.2.1).

In addition, if the request is to subdivide a TFL, regional staff will review the licensee's recommended AACs for the residual and new TFL. (See Section 5.4).

5.2.1 Stakeholder Consultation

Subdivision and consolidation of licences are statutory decisions requiring First Nations consultation be completed consistent with provincial standards, and following regional authority consultation matrices. Special circumstances may apply with respect to Forest and Range Opportunities (FROs), Forest and Range Agreements (FRAs), mountain pine beetle (MPB) agreements, other interim measure agreements or treaty areas, or where litigation is active. If a licence transfer is also being proposed, this would be the appropriate time to also notify the First Nations bands that could be affected by the transfer.

The regional manager may consider notification and/or consultation of other stakeholders (i.e. BCTS, communities, other government agencies) as necessary.

5.3 Determination if Forest Management Would be Compromised

A request to subdivide or consolidate a TFL, PA or FL may only be rejected on the grounds that forest management would be compromised.

Prior to a decision by the minister or regional manager to reject the proposed subdivision or consolidation on the grounds that forest management would be compromised, the licensee should be provided an opportunity to meet and discuss the proposed decision and rationale for rejection. The licensee should be provided all the relevant information prior to the meeting.

A meeting may not be required for those subdivisions or consolidations that are determined not to compromise forest management and are being allowed to proceed.

5.4 Setting of TFL AACs

If a proposed subdivision includes the subdivision of a TFL, the AAC of the residual TFL and new TFL must be set in accordance with Section 39(6) of the *Forest Act*.

A number of TFLs, particularly on the coast, consist of two or more stand-alone blocks or units. In most cases, the AAC of the original TFL is the sum of the AAC that has been established for these stand-alone blocks. If the subdivision of a TFL includes the separating of one or more such blocks from the original TFL, then the AAC for the residual TFL and new TFL will be based on the sum of the AAC associated with the blocks that comprise the residual and new TFLs.

If a TFL being subdivided is not made up of stand alone blocks with their own AAC, then the AAC for the residual TFL and new TFL will be set by the minister in accordance with the following formulae:

Residual TFL:

AAC = % of the timber harvesting land base of the original TFL allocated to the residual TFL times the AAC of the original TFL.

New TFL:

AAC = % of the timber harvesting land base of the original TFL allocated to the new TFL times the AAC of the original TFL.

As part of the request to subdivide a TFL, the licensee must include a recommended AAC for the residual and new TFL based on the procedures outlined above. The regional manager will review the licensee's recommendation and will make a recommendation to the minister as part of the decision package. The AACs recommended by the regional manager may differ from those recommended by the licensee.

5.5 Notice That Subdivision or Consolidation May Proceed or Not Proceed

If the minister or regional manager decides to reject a proposed subdivision or consolidation on the grounds that forest management would be compromised, a notice will be sent under the minister's or regional manager's signature, notifying the licensee of the decision. The notice may include the reasons why the request was rejected.

If the minister or regional manager decides that the subdivision or consolidation may proceed, the minister or regional manager may advise the licensee accordingly. The notice will be cc'd to:

- Director of RTEB
- Regional Stewardship and Tenures Officers
- District Manager(s),
- BCTS
- Director of Revenue Branch,
- Regional Revenue Manager
- Chief Forester (TFL only)

For TFLs, a notice to proceed will set the AAC(s), as well as indicate the management plan(s) in effect. The chief forester will be sent a copy of a notice to proceed. Within one month, the chief forester will send the licensee a letter indicating the schedule for the submission and approval of a management plan and the process for determining the AAC under Section 8(1) of the *Forest Act*.

Section 8(2) of the *Forest Act* resets the timelines for a Section 8(1) determination for up to 5 years.

6.0 Licence Documentation

Licence documentation for subdivision and consolidation of TFLs and PAs is the responsibility of Resource Tenures and Engineering Branch. Licence documentation for subdivision and consolidation of FLs is the responsibility of the regional manager in the region in which the licence(s) is (are) located.

The following provides some guidance with respect to which agreement conditions should be reviewed and considered when amending the original and creating the new licence. A number of different templates are currently in use for existing FLs and TFLs. The following sections make reference to the contractual issues in general terms.

6.1 Subdivision (TFL, PA, FL)

It is recommended that to facilitate a subdivision of a TFL, PA or FL the parent licence should be maintained with the appropriate sections being amended along with creating a new licence. All the necessary amendments to be made to the parent licence should be completed by executing a FS 3 for FLs (regional manager) and an instrument for TFLs (minister). The option of updating the licence template for the parent licence may be offered to the licensee with the approval of the regional manager. The FS 3 should then identify all clauses that are deleted from and/or added to the licence document, and effective dates for these clauses.

The current template in use for the type of licence in question must be used for the new licence. The new licence must include essentially the same terms and conditions that are included in the parent licence unless they are now covered in legislation. The “Whereas” paragraph of the new licence should state it was the result of a subdivision and have a reference to the parent licence.

6.1.1 Subdivision: Licence Effective (Beginning) Date

The effective (beginning) date is stated in Part 1.01 of the parent licence, and will not change. With respect to the new licence, there is some flexibility as to the selection of the effective date. The effective date selected should fall on or after the date the request for subdivision was submitted by the licensee, and should be mutually agreed upon with the licensee.

The date of reference on the front page of the licence is not related to the effective date or the expiry date.

6.1.2 Subdivision: Term and Expiry Date

The term of the parent licence will remain unchanged. As per the *Forest Act*, the new licence must not expire later than the expiry date of the parent licence, but can expire before or at the same time as the parent licence.

It is recommended that Part 1.01 of the new licence reads as follows:
“The term of the licence begins on {effective date} and ends on {expiry date}.”

6.1.3 Subdivision: AAC

For FLs, the parent licence must be amended to reduce the AAC to reflect what was included in the notice to proceed. The new licence must specify the approved AAC, and also the same TSA (Part 1.01) that is specified in the parent licence. The sum of the AACs for the parent and new FL must not be greater than the AAC for the parent licence prior to the subdivision.

For TFLs, the AAC is not included in the licence, but is set by the minister. (See Section 5.4.)

For further information on volume in an Innovative Forestry Practices Agreements (IFPA), refer to Appendix B.

6.1.4 Subdivision: Timber Reservations (TFLs only)

Forest Management Reservations volumes established for BCTS or as a result of the *Forest Revitalization Act* may need to be addressed for TFLs. There may be 'floating volume' within the TFL, and this should be split proportionately according to timber harvesting land base (THLB) between the licences. If there is a specified area with volume, then this remains as is with the appropriate licence.

6.1.5 Subdivision: Special Conditions and Requirements

Any special condition or requirement specified in the parent licence must also be included in the new licence, provided it also applies to the new licence.

6.1.6 Subdivision: Contracting Requirements

The percent of the volume of timber harvested under the parent licence that must be done under contract for the new licence(s) must be at least equivalent as the requirement for the parent licence.

For FLs, a new letter from the regional manager should be sent to the licensee for the new licence.

6.1.7 Subdivision: Timber Processing (NRFLs only)

All TFLs and replaceable FLs have been relieved, under blanket legislation, of all requirements that dictate where the licensee must process the timber harvested under the licence. Therefore, any appurtenancy or timber processing requirement that exists in the parent licence are not enforceable and must not be included in the new licence. Although not necessary, regional staff could use this as an opportunity to amend any appurtenancy or timber processing clauses out of the parent licence.

For non-replaceable FLs, timber processing and appurtenancy conditions remain in place until the 10th anniversary of the NRFL. Therefore, when subdividing a non-replaceable FL that has not reached the 10th anniversary of its effective date, any appurtenancy or timber processing conditions must also be carried forward in the new licence. These conditions should also become null and void upon the same date, as they would have under the original licence. This should be noted in the "Whereas" section of the licence since the effective date of the new licence does not match the effective date of the parent licence.

Consideration needs to be given to FLs with requirements under Section 14.1 of the *Forest Act* for MPB salvage.

6.1.8 Subdivision: Licence Land Base

For TFLs, Schedule A (description of private land and TLs) and/or Schedule B must be amended as necessary.

For non-replaceable forest licences with a specific licence area, the boundaries of the new and parent licence must be specified.

6.1.9 Subdivision: Other

RTEB and regional staff must review the parent licence in detail, along with any subsequent amendments to the licence and identify any conditions further to those discussed above, that may need to be amended in the parent licence and/or carried forward as part of the new licence.

Licences must be consistent with the requirements of:

- Treaty, interim measures, or economic measures agreement, or
- Forest and Range Agreement (FRA), or
- Forest and Range Opportunity Agreements (FRO), or
- Mountain Pine Beetle Agreements (MPBA)

6.2 Consolidation (TFL, PA, FL)

When consolidating licences, two or more parent licences may be replaced with one of the parent licences or a new licence. The parent licence(s) may be surrendered, or cancelled.

FLs being consolidated must be located in the same TSA.

Refer to Section 6.1 for additional information.

6.2.1 Consolidation: Effective (Beginning) Date, Expiry Date and Term

If a new licence is created, the expiry date must be the earliest expiry date of the parent licences, with the effective (beginning) date and term remaining the same.

If the TFL or FL with the earliest expiry date is selected to become the consolidated licence, then the effective date and term of the licence will remain the same as that licence.

If the TFL or FL to be maintained does not have the earliest expiry date, the effective date of the licence may remain the same. However, the term of the licence must be amended to ensure that the licence will expire prior to or on the earliest expiry date of the licences being consolidated.

6.2.2 Consolidation: AAC

The AAC of the licence being maintained or created will be the combined AAC of the parent licences being consolidated.

6.2.3 Consolidation: Timber Reservations (TFLs only)

Forest Management Reservations volumes established for BCTS or as a result of the *Forest Revitalization Act* may need to be addressed for TFLs. There may be 'floating volume' within the TFL, and this should be combined. If there is a specified area with volume, then this remains as is.

6.2.4 Consolidation: Special Conditions and Requirements

All licences being consolidated must be carefully reviewed for any special conditions and requirements that form part of the licences. Any such conditions must be carried forward in the consolidated licence.

6.2.5 Consolidation: Contracting Requirements

Licences may include the condition that a specific percentage of harvesting must be done by persons under contract. The contracting requirements for all of the licences being consolidated must be reviewed for this contracting requirement. If all of the licences have the same percentage requirement, then the licence being maintained will also include the same percentage. If any of the licences being consolidated have different contracting requirements, then the percent to be included in the licence being maintained must be prorated based on the AAC of the parent licences being consolidated.

6.2.6 Consolidation: Timber Processing (NRFLs only)

Refer to Section 6.1.7.

6.2.7 Consolidation: Licence Land Base

For all licences with a specified licence area, the boundary of the new licence must be specified.

7.0 Licence Administration

7.1 Subdivision

7.1.1 Subdivision: Cut Control

Cut control is governed by Section 75.6(2) and (3) of the *Forest Act* and the Cut Control Regulations.

A subdivision does not affect the cut position or the cut control period (CCP). The volume is split as required under Section 75.6(3) of the *Forest Act*. The new licence has the same CCP as the licence that was subdivided. The cut position of each licence is determined upon termination of its CCP. A subdivision does not affect the cut control rules with respect to undercuts or over cuts.

It is important to discuss the cut control implications with the licensee as soon as possible in the process.

7.1.2 Subdivision: Road Permits

Road permits are stand-alone agreements that are issued to access timber rights held under a *Forest Act* agreement. The associated agreement is identified under Part 1.01 of the road permit. Therefore, road permits associated with the new licence must be amended accordingly.

Data from road permits and their associated agreement is used in calculation of average stumpage rates for road permits and blanket salvage permits. Regional Revenue staff should be notified of any proposed or completed amendments.

7.1.3 Subdivision: Cutting Permits

Cutting Permits (CPs) are issued under a tenure agreement. Therefore, if the licensee is proposing that approved cutting permit(s) are to be made part of the new licence, and this has been accepted as part of the regional review, then the cutting permits must be amended accordingly by the district.

CPs will be treated as a whole unit, and will not be split to the block level.

For subdivision of TFLs, CPs in the area of the parent TFL will remain as is. CPs in the new TFL area will be dealt with as follows:

- All CPs with silviculture obligations are transferred. Each block within the CP must be checked for declared free to grow status (RESULTS).
- All issued and planned CPs (PP, PL, HI, HS) are transferred
- All other CPs (HC, HX) where obligations are complete remain with the parent TFL

*** FTA Status Definitions**

PP	Proposed
PL	Planned
HI	Issued
HS	Suspended
HC	Closed
HX	Cancelled

For subdivision of FLs, CPs remain with the parent FL, except if there is a request by the licensee to transfer them.

The principle that outstanding obligations should be associated with an active licence to act as security should be maintained. CPs with existing obligations should be transferred to an active licence.

Data from blanket salvage permits is used in calculation of average stumpage rates for road permits and blanket salvage permits, and changing the licence association of CPs may effect these average stumpage rates. There may also be implications to cost estimates in appraisals. Regional Revenue staff should be notified of any proposed and completed amendments.

7.1.4 Subdivision: Licence and Silviculture Security Deposits

Instructions should be forwarded to the Ministry of Small Business and Provincial Revenue, who manage the deposits under the *Financial Administration Act*.

7.1.4 a) Licence Security Deposits

A portion of the security deposit held against the original licence must be reallocated to the new licence. The amount will be prorated based on the AACs for the remaining licences.

As a general principle, the licensee needs to provide the new security deposit before the required portion of the existing one will be released.

7.1.4 b) Silviculture Security Deposits (NRFLs only)

The silviculture security deposit is collected at the cutting permit or licence level by the district manager. The amount is determined on a licence by licence basis, and may fluctuate as the risk to the Crown changes. This may have to be adjusted according to which licence assumes the old obligations. Further guidance on this can be found in the following Compliance and Enforcement bulletin:

http://www.for.gov.bc.ca/hcn/site_files/bulletins/C_and_E_Advice_Bulletin_10.pdf

7.1.5 Subdivision: Annual Rent

If licences are consolidated or subdivided, the holder of the new licences is billed annual rent at the next anniversary date based on the new licence(s) volume or area.

Annual rent adjustments should be made consistent with Section 7.5 of the document titled "Annual Rent Billing Procedures". This document is located at:

<http://www.for.gov.bc.ca/hth/timten/documents/annual-rent-billing-procedure-may-1-2006.pdf>

7.1.6 Subdivision: Outstanding Obligations (for cases where parent licence is being cancelled)

As per the *Forest Act* Section 79, despite the expiry, surrender, suspension or cancellation of a licence, the holder is liable to:

- to pay the rent, fees, costs and penalties owing to the government in respect of the agreement,
- to perform all other obligations under the agreement,
- to perform all other obligations imposed under this Act, the *Forest and Range Practices Act*, the *Forest Practices Code of British Columbia Act* or the *Wildfire Act* with respect to the agreement, and
- to pay to the government all other money required under this Act to be paid to the government in respect of the agreement

incurred before its expiry, surrender, suspension or cancellation.

It is important to keep track of the status and responsibility for outstanding obligations on all cutting permits involved. - This is done mainly through the RESULTS system.

7.2 Consolidation

7.2.1 Consolidation: Cut Control

The cut control period will begin on January 1 of the year of consolidation.

According to the *Forest Act* Section 75.6(4), if the parent licences are in an over cut position, this volume is charged to the first cut control period of the maintained licence. If the limits were exceeded, then penalty provisions apply. If the parent licences are in an undercut position, the unharvested volume is not carried forward.

It is important to discuss the cut control implications with the licensee as soon as possible in the process.

7.2.2 Consolidation: Road Permits

Part 1.01 of all road permits associated with the licences being cancelled as part of a consolidation must be amended so that the reference is made to the licence being maintained.

Data from road permits and their associated agreement is used in calculation of average stumpage rates for road permits and blanket salvage permits. Regional Revenue staff should be notified of any proposed and completed amendments.

7.2.3 Consolidation: Cutting Permits

Licensees will advise of the action to be taken on all affected cutting permits. This will be reviewed by the region, and performed by the district once approved. Note that any standing unlogged timber that is not designated to be reserved is considered standing waste, and is subject to waste billing under the take or pay policy.

The first page of all the cutting permits issued under a licence being cancelled as part of a consolidation must be amended to make the reference to the licence being maintained.

For consolidation of TFLs or FLs, any active CP with obligations (PP, PL, HI, HS) will be moved to the remaining licence. All other CPs (HC, HX, S) will stay with the licence to be cancelled.

Data from blanket salvage permits is used in calculation of average stumpage rates for road permits and blanket salvage permits, and changing the licence association of CPs may effect these average stumpage rates. There may also be implications to cost estimates in appraisals. Regional Revenue staff should be notified of any proposed and completed amendments.

7.2.4 Consolidation: Licence and Silviculture Security Deposits

Instructions should be forwarded to the Ministry of Small Business and Provincial Revenue, who manage the deposits under the *Financial Administration Act*.

7.2.4 a) Licence Security Deposits

Deposits being held in association with the licences being cancelled will be held in association with the remaining licence.

7.2.4b) Silviculture Security Deposits (NRFLs only)

Deposits being held in association with the licences being cancelled will be added to the silviculture deposit of the remaining licence. The district manager may use this as an opportunity to review if the appropriate amount of silviculture deposits are being held.

7.2.5 Consolidation: Annual Rent

Refer to Section 7.1.5.

7.2.6 Consolidation: Outstanding Obligations

Refer to Section 7.1.6.

8.0 Communications/Documentation

The appropriate documents should be executed with the licensee, including licence cancellation as necessary.

9.0 Systems and Filing

District staff are responsible for identifying the appropriate cutting permits in the Forest Tenure Administration System as determined under sections 7.1.3 (subdivisions) and 7.2.3 (consolidations). The cutting permits will be transferred through the Information Management Group by data fix.

Newly created licences must be entered into FTA as well as closing out those licences which are cancelled.

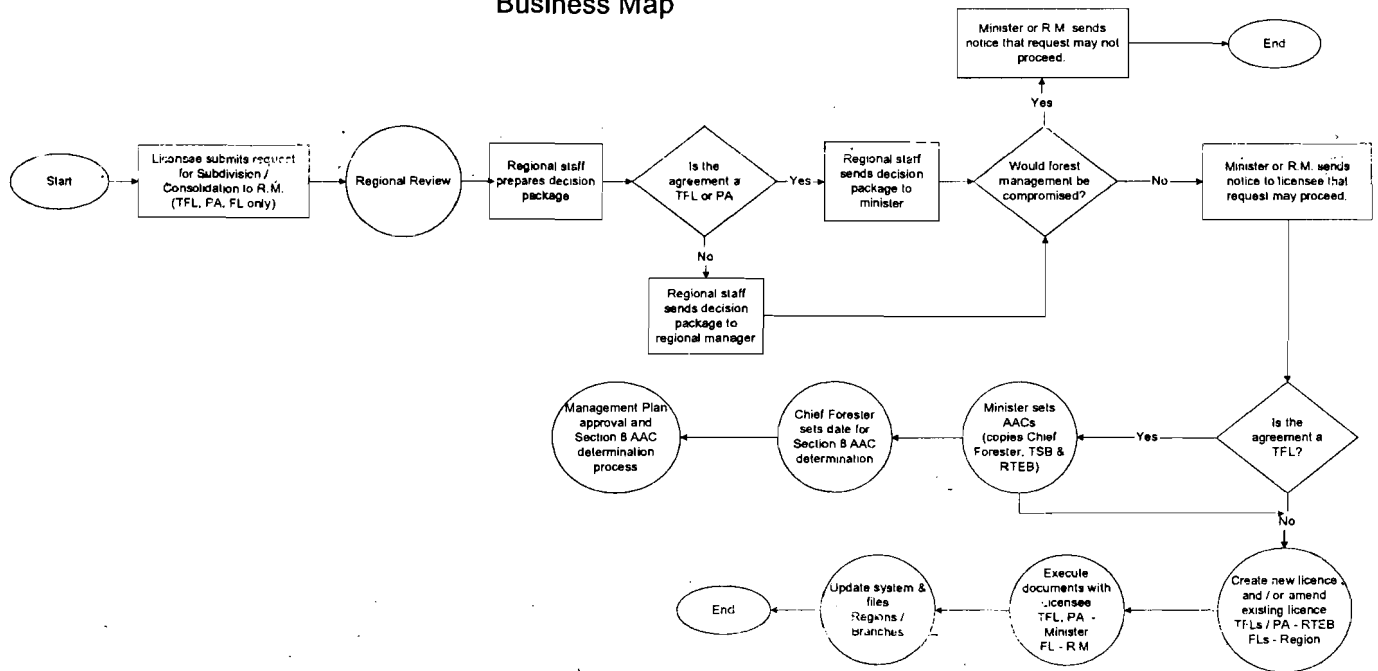
Hard copies of file documents (briefing notes, approval letters, cancellation letters, new licences; TFL instruments) must be placed on the appropriate files of all licences being amended, created, or cancelled as part of the subdivision or consolidation.

10.0 Timber Licences

At this time, there is no evidence that licensees are interested in consolidating timber licences. Procedures for consolidation (and possible accompanied subdivision) of timber licences could be prepared if and when licensees make an application under Section 29.1 of the *Forest Act*.

APPENDIX A

Appendix B - Subdivision and Consolidation Business Map



APPENDIX B

Innovative Forestry Practices Agreements (IFPAs) Volumes

IFPA agreements are an “instrument” issued under Section 59.1 of the *Forest Act* and the Innovative Forestry Practices Regulation. An IFPA provides for increases in allowable annual cut and is subject to conditions specified in the IFPA and in an approved forestry plan.

The Regulation specifies that IFPAs can be issued for replaceable forest licences, and replaceable timber sale licences with an AAC greater than 10,000 cubic metres.

An IFPA document specifies the licence number and AAC of the parent licence therefore, when subdividing a licence it will be necessary to:

- Amend the existing IFPA at the same time as the licence is amended, and/or,
- Issue a new IFPA(s) for the newly subdivided licence(s).
- Ensure the terms and conditions of the amended IFPA(s), and/or the new IFPA(s) are consistent with the terms and conditions of the original IFPA.

Under Section 59.1 (8), the forestry plan approval letter may limit the AAC increase to a period of time, area of land and type of timber, and may be subject to conditions. These terms and condition must be preserved at the time of subdivision.

The term of an IFPA must not exceed 15 years. In a letter dated January 19, 2007, the minister advised all IFPA holders that current IFPA holders can apply to the RED to extend the expiry date of their agreement up to August 31, 2011.

Subdivision

If at the time of subdivision, the IFPA is suspended then the forestry plan is also suspended and the IFPA component of the forest licence is suspended.

If at the time of subdivision, the forest licence is suspended the IFPA and the forestry plan are also suspended.

Consolidation

If at the time of consolidation, the IFPA is suspended then the forestry plan is also suspended and the IFPA “volume” component of the forest licence is suspended.

If at the time of consolidation, the forest licence is suspended the IFPA and the forestry plan are also suspended.

The consolidation of licences may/will result in the “cancellation” of one or more licences. Under Section 59.1 (13) (14) of the *Forest Act*, if the licence is cancelled then the IFPA and forestry plan are cancelled.