

BRIEFING NOTE FOR INFORMATION

DATE: July 11, 2023
PREPARED FOR: Honourable Bruce Ralston, Minister of Forests
ISSUE: Summary of Changes to Stumpage Policy in Calendar Year 2023

BACKGROUND:

- Stumpage is a fee charged when harvesting occurs under a forest tenure.
- Section 105 of the BC Forest Act gives the Minister the authority to determine how stumpage is to be calculated without requesting Treasury Board approval.
 - Elimination of the requirement of Treasury Board approval each time the stumpage system is altered allows the Market Pricing Stumpage System to function (e.g., adapt to changing market conditions).
 - Delegation of this authority to members of the Public Service is not recommended in this circumstance due to lack of Treasury Board oversight.
 - Several amendments to policy, by design, are required by the Minister annually to maintain the Market Pricing Stumpage System.
- There are three broad categories of methods to set stumpage rates under the Market Pricing Stumpage System: fully appraised, auctions and table rates.
 - Fully appraised cutting authorities use the procedures outlined in the appraisal manuals.
 - Auctions are conducted by BC Timber Sales for large volumes, and by Forest Districts in specific circumstances outlined in the appraisal manuals for small volumes as an alternative to table rates.
 - Table rates are used for small volumes (e.g., small scale salvage and clearing a mineral tenure) and smaller tenures (e.g., woodlots).
- Procedures for fully appraised permits are updated on July 1st for the Interior and on Jan 1st for the Coast.
 - The stumpage equation (Estimated Winning Bid Equation) and the costs for conducting Tenure Obligations, like silviculture and road building, are updated at this time.
 - To optimize workload, the amendments for Coast and Interior policy are separated by 6 months.
 - All fully appraised active permits are reappraised at the same time to bring them into compliance with the new stumpage equation and policies.
 - Setting up this “mass reappraisal” take approximately 2 weeks of staff time (Timber Pricing Branch, Area, IT resources) not including any time to reprogram systems to be compliant with new policy, so the requested timing for amendments is June 15th and Dec 1st of each year.
 - The appraisal manuals delegate the monthly requirement to update market rate information used in application of the Estimated Winning Bid Equation to Timber Pricing Branch.

- This eliminates the need for the Minister to amend the appraisal manuals each month for data which is calculated using standard procedures.
 - Market data is used for variables like lumber price and US/Canada exchange rate.
 - Timber Pricing Branch updates all stumpage rates, except table rates, monthly.
 - Prior to June 1, 2023, these rates were updated quarterly rather than monthly, though monthly data was generated to allow BC Timber Sales to use the best available information for determining the upset prices for their auctions.
- Table rates are currently updated four times a year with new information which means both the Interior and Coast appraisal manual are amended four times a year.
 - To balance staff workload, these updates occur February 1st, May 1st, August 1st and November 1st.
 - When new policy that imposes new requirements (e.g., higher levels of road deactivation in critical moose habitat) on licensees is implemented, the stumpage system is adapted by amending the appropriate appraisal manual.
 - Stumpage lag is the time lag between market data that is used to calculate stumpage and the effective date of the stumpage rate.
 - Stumpage lags are a balance between the level of responsiveness and level predictability/stability in the stumpage system for both government and its tenure holders.

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DISCUSSION:

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	Initials	Date
DM	RM	July 13, 2023
DM, LNRO		
Associate DM		
A/ADM	AP	July 11, 2023
Program Dir/Mgr.	AB	July 11, 2023