

Summary of Proposed Fees in the Regulations under the *Forest Resources Act*

The following document contains the concepts that will be used to develop the Tenure Regulation. You are invited to review these concepts and provide comments and recommendations to the Forest Management branch of the Department of Energy, Mines and Resources.

For information on how to comment, please contact the Forest Management branch.

Comments must be made in writing and can be sent via regular mail, electronically or delivered by hand. Any comments provided in writing will be available to the public on the Energy, Mines and Resources website at the end of the consultation period, normal rules of information and privacy will apply to these documents. The Forest Management branch appreciates your participation in this process.

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Basic Concepts

- The *Forest Resources Act* establishes that stumpage, reforestation and other fees can be levied for the harvesting of forest resources.
- The purpose of the regulation is to define the fees for:
 - Application for a harvest licence
 - Stumpage
 - Forest Resource Roads
- Stumpage as a calculation of a percentage of costs to government to harvest timber, including; a timber royalty and reforestation, development levy, road charge and bonus bid where applicable.

For the purpose of consultation all current fees under the *Territorial Lands (Yukon) Act* Timber regulation and the proposed Fees under the *Forest Resources Act* have been summarized into one document. It is likely that when the final regulations are drafted that the proposed fees will be added to the applicable regulation, for example the application fees will be added to the Tenures regulation, the Stumpage Rate fees will be added to the Stumpage, other Fees and Timber Marking regulation.

Summary of Proposed Fees in the Regulations under the *Forest Resources Act*

1. APPLICATION FEES

Current Application Fees:

Territorial Lands (Yukon) Act – Timber regulation

5. A person who wishes to obtain a permit for the cutting of timber on territorial lands shall submit to the Minister an application, in the form prescribed by the Minister under section 26 of the Act, together with the applicable fee set out in Schedule 1

SCHEDULE 1 APPLICATION FEES

| Column 1 | Column 2 |
|---|----------------------|
| Item Type of Permit | Fee, per permit (\$) |
| 1. Class A, B, C, or G permit: | |
| (a) under 100 m ³ | 10 |
| (b) 100 m ³ to 1000 m ³ | 50 |
| (c) over 1000 m ³ | 100 |
| 2. Class D or H permit | 10 |
| 3. Class E or F permit | 100 |

Under the new *Forest Resources Act*:

Issuance and amendment of harvesting licence

17 (2) The applicant must submit with the application any application fees prescribed by regulation.

Forest resources permit

29 (2) The applicant must submit with the application any **application fees** prescribed by regulation.

Regulations

92 The Commissioner in Executive Council may make regulations

(c) establishing **application fees** for a harvesting licence, a cutting permit and a forest resources permit;

The proposed Tenures regulation at subsection 2(4) speaks to an application fee as set out in regulation, below are the proposed application fees:

Summary of Proposed Fees in the Regulations under the *Forest Resources Act*

LICENCE/PERMIT APPLICATION FEES

| Column 1 | Column 2 |
|-------------------------------|--|
| Item Type- Licence/Permit | Application Fee, per licence/permit (\$) |
| <i>*Harvest Licence</i> | |
| (a) under 100 m3 | \$10 |
| (b) 100 m3 to 1000 m3 | \$50 |
| (c) over 1000 m3 | \$100 |
| <i>Forest Resource Permit</i> | Free |
| <i>**Cutting Permit</i> | Free |

*Harvest Licence includes; Timber Resource Licence, Fuel Wood Licence and Woodlot Licence.

**Cutting permit is issued under a Harvest Licence.

2. STUMPAGE FEES

Current Stumpage Fees:

Territorial Lands (Yukon) Act – Timber regulation

11.(1) The round wood value for the calculation of stumpage for each species of coniferous tree harvested after this Regulation comes into force is equal to 0.176 times the average of the selling prices, in Canadian funds, of Western S-P-F lumber of that species for the quarter preceding its harvesting, as reported in Random Lengths, published by Random Lengths Publications, Inc.

(2) For the purposes of this section, “quarter” means a three-month period ending on March 31, June 30, September 30, or December 31.

Summary of Proposed Fees in the Regulations under the *Forest Resources Act*

SCHEDULE 2 DUES

Stumpage

1. The stumpage payable on cut timber is:

(a) for Grade 4, 5 or Z round wood coniferous timber, fuel wood, dry round wood of less than 2.5 m length, Christmas trees, transplants, round wood subject to a Class H permit and deciduous timber, the applicable amount set out in column 2 of Table 1 to this section; and

(b) for any other Grade 1, 2, 3 or 6 round wood coniferous timber, the amount determined by the formula

$$A \times B \times C$$

where

A is the round wood value for that species, determined under section 10 of this regulation,

B is the percentage applicable to that value set out in column 2 of Table 2 to this section, and

C is the percentage applicable to the grade set out in column 2 of Table 3 to this section.

Summary of Proposed Fees in the Regulations under the *Forest Resources Act*

| TABLE 1 | | |
|--|---|-------------------------|
| STUMPAGE FOR MISCELLANEOUS TIMBER | | |
| | Column 1 | Column 2 |
| Item | Grade | Stumpage Payable |
| 1. | Grade 4 – Lumber reject | \$0.25/m ³ |
| 2. | Grade 5 — Dry or dead lumber reject | \$0.25/m ³ |
| 3. | Grade Z — Firmwood reject | \$0.25/m ³ |
| 4. | Fuel wood and dry round wood less than 2.5 m in length | \$0.25/m ³ |
| 5. | Christmas trees and transplants (maximum 4 m in height) | \$0.50/tree |
| 6. | Deciduous timber | \$0.50/m ³ |
| 7. | Round wood subject to a Class H permit | \$9/tree |

| TABLE 2 | | |
|--|---|---|
| BASE STUMPAGE FOR ROUND WOOD CONIFEROUS SPECIES | | |
| | Column 1 | Column 2 |
| Item | Item Round Wood Value (\$/m³) | Percentage |
| 1. | less than 50 | 3% |
| 2. | 50 to 59.99 | 4.5% |
| 3. | 60 to 69.99 | 6% |
| 4. | 70 to 79.99 | 7.5% |
| 5. | 80 to 89.99 | 9% |
| 6. | 90 to 99.99 | 10% |
| 7. | 100 to 109.99 | 11% |
| 8. | 110 to 119.99 | 12% |
| 9. | 120 to 129.99 | 13% |
| 10. | 130 to 139.99 | 14% |
| 11. | 140 or more | 16% plus 2% for every \$10/m ³ of round wood value over \$140/m ³ |

Summary of Proposed Fees in the Regulations under the *Forest Resources Act*

**TABLE 3
STUMPAGE MULTIPLIERS**

| | Column 1 | Column 2 |
|-------------|----------------------------------|-------------------|
| Item | Grade | Percentage |
| 1. | Grade 1 or 2 - Round wood | 100% |
| 2. | Grade 3 - Dead or dry round wood | 100% |
| 3. | Grade 6 - Undersized logs | 50% |

The following dues and charges apply to Yukon Section 6 Class A, B, C, F and G (round wood only) permit holders. Permit holders, applicants and stakeholders are advised that the following fees and charges have been set as per Section 11 and Schedule 2 of the Yukon Timber Regulation.

Stumpage dues for this quarter (July 1 to September 30, 2009) is set at \$0.84 per cubic metre.

Under the new *Forest Resources Act*:

Timber resource licence

22(1) A timber resources licence must:

- (g) require the licensee to pay **stumpage** and any other fees that may be established by regulation;

Woodlot licence

23(1) A woodlot licence must:

- (h) require the licensee to pay any **stumpage** and any other fees that may be established by regulation;

Fuel wood licence

24(1) A fuel wood licence must:

- (h) require the licensee to pay **stumpage** and any other fees that may be established by regulation; and

Forest resources permit

29(4)a forest resources permit must:

- (d) with respect to timber harvesting
- (v) require the permittee to pay **stumpage** and any other fees that may be established by regulation.

Regulations

92 The Commissioner in Executive Council may make regulations:

- (e) establishing **stumpage**, reforestation and any other fees to be levied

Summary of Proposed Fees in the Regulations under the *Forest Resources Act*

Under the new *Forest Resources Act* the Stumpage Rate will be a calculation based on the sum of; the timber royalty, and where applicable the reforestation fee, the development levy, the road charge and the bonus bid.

The stumpage rate is calculated according to the following formula:

| | | | | | | | | | | |
|---|---|--|---|---|---|--------------------------------------|---|-------------------------------------|---|------------------|
| Timber Royalty Unless exempted | + | Reforestation Fee Where applicable | + | Development Levy When applicable | + | Road Charge When applicable | + | Bonus Bid Where applicable | = | Stumpage Rate |
|---|---|--|---|---|---|--------------------------------------|---|-------------------------------------|---|------------------|

The Stumpage Rate calculated for each cutting permit under a Harvest Licence or a Forest Resource Permit, will be applied to the volume of timber harvested under the licence/permit according to Section 4 of the Regulation, either;

- a) Based on the cruise or
- b) Based on final scaling.

Stumpage is calculated prior to issuance of a cutting permit and remains the same throughout the life of the permit.

Stumpage is specific to defined area and is tracked through the timber mark applicable to the harvesting authority.

Stumpage is payable according to section 5(2) of the Tenure Regulation.

Stumpage may be averaged for several harvesting areas within a defined geographic location, as per Section 7 of the Regulation.

Stumpage is not payable on Personal Use Fuel wood Permits or on the incidental use of forest resources for survival, cultural or traditional pursuits, where volumes do not exceed 25m³.

TIMBER ROYALTY

| Column 1 | Column 2 |
|---|---------------------------------|
| Item Type | Royalty per m ³ (\$) |
| Timber | \$1.00 m ³ |
| Timber in areas affected by or threatened to be destroyed by fire, flood, insects, disease or wind throw as determined by the Director. | \$0.25 m ³ |

Timber royalty will be exempted in the case of:

Forest Resource Permits:

- a) Personal Use Fuel Wood Permits, where volumes do not exceed 25m³

Summary of Proposed Fees in the Regulations under the *Forest Resources Act*

- b) Each Yukon First Nation shall have the right, during all seasons of the year, to harvest Trees on Crown Land to a maximum of 500 m³ per calendar year to provide for non-commercial community purposes; and
- c) Government cutting timber where the major activity is not timber harvesting.

Timber royalty may be lowered or exempted to provide an incentive for salvage of previously harvested timber, in cases where the value of the timber is deemed to be low based on the location or profile of the timber and where the timber would otherwise be destroyed.

Annual Rent:

The concept of annual rent is not new, and was anticipated through Section 16(1)(a) of the *Territorial Lands (Yukon) Act*, however it was not implemented, see below:

16(1) The Commissioner in Executive Council may make regulations
(a) respecting the issue of permits to cut timber and prescribing their terms and conditions, including the payment of **ground rent**, and exempting any person or class of persons from section 15;

Included in the Harvesting Licence is an Annual Rent, this is essentially a pre-payment of a percentage of the timber royalty with a tie into the cut control provisions of a cutting permit, prescribed in Stumpage, other fees and Timber Marking Regulation at Section 12. This annual rent provides an incentive for the holder of a cutting permit to harvest in each year of the harvest licence.

ANNUAL RENT RATE

| Harvest Licence (greater than 1 year) | Annual Volume | Annual Rent Rate (percentage of timber royalty) |
|--|--|--|
| Timber Resource Licence | (a) under 100 m ³ | 50% |
| | (b) 100 m ³ to 10000 m ³ | 30% |
| | (c) 10000m ³ to 50000m ³ | 20% |
| | (d) over 50000m ³ | 10% |
| Fuel Wood Licence | (a) under 100 m ³ | 100% |
| | (b) 100 m ³ to 1000 m ³ | 100% |
| | (c) over 1000 m ³ | 100% |
| Woodlot Licence | | N/A |

Annual rent due upon approval of cutting permit.

Annual rent is non-refundable. Once the cut control provisions of a cutting permit have been met, the annual rent payment will be applied to the stumpage payments.

Summary of Proposed Fees in the Regulations under the *Forest Resources Act*

The Annual rent may be exempted or reduced where negotiated through a harvest licence.

REFORESTATION

Current Reforestation Charges:

Territorial Lands (Yukon) Act – Timber regulation

2. The reforestation charges payable on Grade 1, 2, 3, or 6 round wood coniferous timber cut are, for timber reported under section 9 of this regulation on or after April 1, 2003, the greater of:

- (a) \$5/m³, and
- (b) an amount per cubic metre equal to the costs per cubic metre incurred by the Minister for primary reforestation in the Yukon Territory during the three-year period ending on March 31 of the year preceding the year in which the report is made.

6.(3) The upset price on a call for tenders under subsection (2) shall not be less than:

- (a) in respect of a Class E permit, \$0.25/m³ plus any **reforestation charges** payable under Schedule 2; and
- (b) in respect of a Class F permit, the total of the stumpage and **reforestation charges** payable under Schedule 2 and the cost to develop the permit area, including layout costs.

Reforestation charges for the 2009/2010 fiscal year is \$5.00 per cubic metre.

Summary of Proposed Fees in the Regulations under the *Forest Resources Act*

Under the new *Forest Resources Act*:

Timber resource licence

22(1) A timber resources licence must:

- (g) require the licensee to pay **stumpage** and any other fees that may be established by regulation;
- (i) where the licensee is to be responsible for reforestation, the conditions and standards of reforestation.

Woodlot licence

23(1) A woodlot licence must:

- (h) require the licensee to pay any **stumpage** and any other fees that may be established by regulation;
- (j) where the licensee is to be responsible for reforestation, the conditions and standards of reforestation.

Regulations

92 The Commissioner in Executive Council may make regulations:

- (e) establishing stumpage, **reforestation** and any other fees to be levied;

Within the Stumpage, other fees and Timber Marking regulation the reforestation fees are a portion of the stumpage rate as prescribed in Section 6, as follows:

REFORESTATION FEES

| Column 1 | Column 2 |
|---------------------------|--|
| Item Type- Licence/Permit | Reforestation Fee, per m ³ (\$) |
| Timber Resource Licence | \$5.00 m ³ |
| Woodlot Licence | \$5.00 m ³ |
| Fuel Wood Licence | No charge |
| Forest Resource Permit | No charge |

The reforestation fee will be based on a tabular formula, from known average Yukon costs, updated annually, and will be established according the reforestation plans and prescriptions developed during the pre-harvest phase of timber harvesting development.

Reforestation fees may be exempted or reduced where negotiated through a harvest licence agreement and licensee accepts responsibility for meeting reforestation standards.

Summary of Proposed Fees in the Regulations under the *Forest Resources Act*

DEVELOPMENT LEVY and ROAD CHARGES

Current Cost to Develop Permit Area:

Territorial Lands (Yukon) Act – Timber regulation

6.(3) The upset price on a call for tenders under subsection (2) shall not be less than:

(b) in respect of a Class F permit, the total of the stumpage and reforestation charges payable under Schedule 2 and **the cost to develop the permit area, including layout costs.**

Under the new *Forest Resources Act* the cost to develop a permit area will be housed in the Stumpage Rate where applicable, through the Stumpage, other fees and Timber Marking regulation, Section 11. Levies, in the following manner:

DEVELOPMENT LEVY

| Column 1 | Column 2 |
|---|---|
| Levy Type | Fee, per m ³ (\$) |
| Development Levy – which may include planning, survey, layout and engineering costs | The approved development costs divided by the total volume in the planning area to provide a average cost per m ³ of timber available. |

ROAD CHARGE

| Column 1 | Column 2 |
|--|--|
| Levy Type | Fee, per m ³ (\$) |
| Road Charge – applied where government spends money on road construction, maintenance and decommissioning. | The approved construction, and expected maintenance and/or decommissioning cost on a pro-rated basis per m ³ of timber available. |

Development Levy or Road Charges may be exempted or reduced:

1. where the licensee agrees to perform development activities as negotiated through the harvest licence agreement or permit.
2. where the licensee agrees to perform road construction and decommissioning activities as negotiated through the harvest licence agreement or permit.
3. as an incentive for directing harvest into priority harvest areas, ie. fuel abatement areas or salvage areas.

Summary of Proposed Fees in the Regulations under the *Forest Resources Act* BONUS BID

Forest Resources Act - Tenure Regulation

2(1) The Director may issue a harvesting licence based on a:

- (a) sealed tender,
- (b) direct issuance,
- (c) draw, or
- (d) proposal call.

5(1) Any amount tendered by a proponent in a tender or proposal call will be in addition to fees otherwise payable on a licence.

(2) The Director may determine that fees for any harvest licence are payable in the following manners:

- a) The Director may require all of the total bid plus stumpage and annual rent be paid prior to licence issuance; or,
- b) The Director may require that the bonus bid, bid amount and annual rent are paid prior to licence issuance:
- c) Competitive bidding for public resources:
 - Ensures disposition activities are carried out in a fair and transparent manner,
 - Is fiscally responsible as it ensures receiving full value for public resources,
 - Can benefit local Yukon business and residents where practicable.

Competitive bidding for harvesting rights will follow a sealed tendering process, following a public advertisement and a request for bids.

The bonus bid may be a lump sum (\$) or quoted as a per cubic meter rate (\$/m³).

- Where the bid is a lump sum, the entire bid may be paid prior to licence issuance and will not be included in the stumpage calculation.
- Where the bid is a per cubic meter rate, the rate will be included with other applicable fees and the proponent will pay the full stumpage rate applied to the licensed cutting permit.

If no bids are received by tender close, the Director may dispose of the resources by other suitable means as allowed by regulation.

Summary of Proposed Fees in the Regulations under the *Forest Resources Act*

3. OTHER FEES

FOREST RESOURCE ROAD PERMIT

Proposed under *Forest Resources Act*

Establishment of roads

32(1) Despite anything in any other enactment, the Director may construct or authorize the construction of roads to assist forest resource harvesting and may:

- (a) maintain and administer these roads;
- (b) limit the loads carried by vehicles using these roads;
- (c) restrict the use of these roads to seasonal use or for reasons of public safety, environmental protection or fish and wildlife conservation;

Regulations

92 The Commissioner in Executive Council may make regulations:

- (e) establishing stumpage, reforestation and any other fees to be levied.

Forest Road resource permits will be tied to Harvesting permits and road use charges are intended to be paid through the Road Charge portion of the stumpage calculation. The road permit is an authorization for construction, use, maintenance and decommissioning as applicable to the licence document.

Section 5(2) of the Forest Resource Road Regulation document indicates that the fees for a Forest Resource Road Permit will be prescribed in regulation, the following indicates the initial road permit fees:

FOREST RESOURCE ROAD PERMIT

| Column 1 | Column 2 |
|-----------------------------|-----------------|
| Item Type- Permit | Fee/permit (\$) |
| Forest Resource Road Permit | No charge. |

Section 9 of the Forest Resource Road Regulation document indicates that an industrial user who is not a maintainer of a resource road may be charged a user fee as prescribed in regulation, the following indicates the road use fee calculation:

**Summary of Proposed Fees in the Regulations under the
*Forest Resources Act***

FOREST RESOURCE ROAD USE FEE

| Column 1 | Column 2 |
|--------------------------------|--|
| Item Type- Road Use Fee | Fee, (\$) per M³ |
| Road Use Fee | A percentage of the road costs on a pro-rated basis based on volume harvested. |

