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File: 10765-01/2011 policy changes
195-40/REGLET 11

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Dear BC Timber Sales Registrant:

This letter provides registrants with information respecting the issue of stumpage liability as it relates to lump sum timber sale licences (e.g., innovative TSLs or cruise-based mountain pine beetle TSLs). Also addressed are a number of important new and pending BC Timber Sales (BCTS) policy changes.

Regarding the first issue, and in response to requests from registrants who have or are interested in purchasing lump sum TSLs, I have attached a copy of a new BCTS advisory bulletin dealing with stumpage liability and lump sum TSLs (reference 22/06/11). This bulletin, prepared in close consultation with Forest Revenue staff of the Ministry of Finance, provides some straight-forward guidance in response to the most frequently posed stumpage liability questions registrants and their customers have been asking.



On the policy front, the first issue I would like to discuss relates to TSL security deposits. As stated in section 16 of the *BC Timber Sales Regulation*, successful applicants for TSLs have long been required to pay a security deposit on the demand of the timber sales manager (TSM). With the objectives of dampening highly speculative bidding and ensuring that all successful applicants are treated fairly and consistently, BCTS has now adopted a new business rule that limits the security deposit demand period to no longer than ten business days following the advertised TSL tender opening date. Additional information regarding this change can be found on page 3 of the attached *Timber Sale Licence Deposit Administration Policy No. 19.1*.

The second policy issue I would like to discuss is the new overdue account declaration form that must now be completed by all TSL applicants. This form requires applicants to declare if they, or a person they are not at arm's length with, has a non-current forest account (i.e., greater than 28 days past due) with government at the time of bidding. The information will assist TSMs in more effectively assessing the applicant's financial risk as part of the TSL application evaluation process. A copy of this new declaration form along with a new supporting advisory bulletin (reference 23/06/11) providing guidance respecting arm's length relationships is attached.

Lastly and somewhat related to the policy issues noted above, you should be aware that BCTS is pursuing changes that would modify its long-standing TSL security deposit scheme to link the amount of security a person must pay to that person's risk of obligation default. Subject to final government approval in the Fall of 2011, new BCTS registrants with unproven track records or

Page 1 of 2

Ministry of Forests, Lands
and Natural Resource
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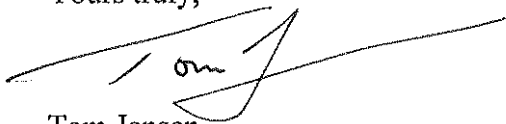
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those with a history of running high non-current forest accounts or other performance failures that represent a higher risk to government will have to pay an increased amount of security to obtain a TSL. Conversely, the vast majority of BCTS registrants that keep their forest accounts in good standing and are otherwise good performers represent a lower risk and will pay the historic default amount of security on a TSL by TSL basis or will be able to take advantage of a new standing security deposit feature. This business-like approach, akin to the province's graduated driver's license and auto insurance schemes, was developed at the request and with the assistance of the Timber Sales Advisory Council. Additional detailed information regarding these changes will be forthcoming over the next few months.

Should you have further questions regarding the issues discussed herein, please contact your local timber sales office in one of the 12 locations around the province or contact Shawn Hedges, Senior Policy Officer, Timber Pricing Branch by phone at (250) 387-8944 or via email at shawn.hedges@gov.bc.ca.

Yours truly,



Tom Jensen
Assistant Deputy Minister
Timber Operations and Pricing Division

Enclosure: Timber Sale Licence Deposit Administration Policy No. 19.1
Overdue account declaration
Stumpage liability and lump sum TSLs advisory bulletin
Arm's length relationships advisory bulletin

pc: The Honourable Steve Thomson, Minister of Forests, Lands and Natural Resource Operations
Doug Konkin, Deputy Minister, Forests, Lands and Natural Resource Operations
Diane Medves, Executive Director, Timber Operations and Pricing Division
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