



BRITISH
COLUMBIA



Public Timber Auctions

The BC Timber Sales approach

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Scope

- Provincial overview
- Program origins
- BC Timber Sales overview
- TSL auctions
- Recap



Provincial overview

- 93% of B.C.'s 95 million hectares is Crown land; 55 million hectares of that is forest land.
- Harvest peaked ~ 90 MM m³ in 2005; LRSY ~ 70 MM m³.
- 52% of AAC controlled by large, long-term tenures.
- 1976 Royal Commission found that forest sector too concentrated.
- Small Business Enterprise Program (SBEP) created shortly after in 1979 with core mandate of providing competitively awarded opportunities for new entrants.
- By 2001 the forest sector was ailing/over-regulated.
- Government responded with a comprehensive series of policy reforms – the 2003 *Forestry Revitalization Plan*.



Program origins continued

- FRP focused on modernizing forest policies, ensuring timber goes to its highest/best use, capturing value of timber for the taxpayer and resolving softwood dispute.
- As part of the FRP, SBFEP transformed into BCTS in April 2003 with core mandate of:
 - Providing credible reference point for costs and pricing of timber harvested from public lands;
 - Providing a reliable supply of timber to the market through open/competitive auctions, subject to meeting cost and pricing goal; and,
 - Maximize net revenue for the province, subject to cost/pricing and supply goals.

BC Timber Sales overview

- BCTS operates through self-financing special account established under *Forest Act*.
- Flat organization with 40 staff linked to Victoria HQ and 540 operational staff based out of 12 business areas throughout province.
- Operational staff responsible for planning, development (e.g., primary road and bridge construction), auction, administration and reforestation activities.
- Planning & development and reforestation are conducted through contracts.
- Total AAC = 16 MM m³/yr, but in past few years program has competitively auctioned ~ 11 MM m³/yr (400 - 500 TSLs/yr).



TSL auctions

- Basic auction and TSL content rules set out in *Forest Act* and TSL tender package.
- Registration, advertising and security deposit management rules set out in the BC Timber Sales Regulation.
- Additional forest stewardship, safety and eco certification rules also apply.
- Cost and pricing mandate linked to Market Pricing System obliges BCTS to develop/auction TSLs that are representative to what major licensees experience i.e., location, season, harvest method, timber profile, etc.
- But, BCTS also trying to generate revenue, so must also look carefully at bottom line.

TSL auctions continued

- Individual TSLs advertised for auction by BCTS business areas via web site and local newspapers for prescribed duration.
- Detailed tender package prepared for each TSL auction and made available to all prospective bidders – that coupled with the opportunity for prospective bidders to visit/inspect the TSL area ensures informed and accurate bidding.
- Sealed tenders opened and carefully evaluated after deadline to confirm eligibility.
- TSL awarded to eligible applicant with highest bonus bid or bonus offer above upset.
- Successful applicant must provide additional security deposit and can exercise harvest rights after TSL issued.



TSL auctions continued

- If the successful applicant has second thoughts before entering into TSL, person is disqualified and forfeits bid deposit.
- If TSL holder has second thoughts after entering into TSL, can surrender agreement provided no harvesting has taken place and forfeits security deposit.
- But, once harvesting starts take-or-pay rule obliges TSL holder to pay for stumpage for all timber regardless whether its standing, felled or removed.
- If TSL holder wants to extend harvest rights they can purchase an extension for a fee.

Recap

- Province has a long history/experience with TSL auctions.
- BCTS currently manages 20% of provincial AAC.
- BCTS focused on supporting MPS, diversifying marketplace and capturing value of timber assets.
- TSL auctions are open and competitive.
- Robust and transparent rules/procedures ensure BCTS retains its reputation as a credible auctioneer of Crown timber.
- Contracts and TSLs provide job opportunities and support rural communities.



La fin

