

Directive No. 2008-03

Date November 1, 2008

Subject

Industrial Timber Salvage Chargeability

Purpose

To outline the options and processes for the accounting of timber volumes associated with industrial dispositions as chargeable production against the annual allowable cuts for forest management agreements and timber quotas.

Policy

In order to ensure the depletion and accounting of timber volumes from the forested landbase is consistent with the protocols applied in defining the net land base and the determination of the annual allowable cuts, timber salvage volumes from industrial dispositions will be assessed as drain for the purpose of cut control.

The strategies for the accounting of salvage volumes will incorporate the following principles :

- a. A forest tenure holder has the right to their share of salvage volumes based on their tenure allocation as specified in their tenure documents.
 - b. A forest tenure holder's share of the salvage volumes will be allocated based on individual forest management units.
 - c. A forest tenure holder requires timely notification to ensure utilization of timber salvage volumes.
 - d. Timber volumes from industrial dispositions are considered to be chargeable production against the sustainable allowable cuts.
 - e. The methods for determining the volume and chargeability will be administratively practical for both the industry and the Department.
-

Procedure

A. Options for determining timber volumes

One of the following options may be used to determine the volume of timber associated with the industrial disposition to be used as drain for cut control purposes :

1. Provincial Timber Damage Volume Tables:

- For the determination of the volume for each industrial disposition, tenure holders will use the table titled "*Average Volume by FMA*" as published by the Alberta Joint Energy/Utility and Forest Industry Management Committee (JMC).
 - Volumes will be determined by multiplying the area of the industrial disposition by the volume per hectare to reflect the chargeable production.
-

2. FMA/FMU Specific Volume Tables:

- For the determination of the volume for each industrial disposition, operators will use the FMA or FMU specific volume tables as approved for use in the cut calculation.
- The volume calculations can be assessed using either the stand specific volumes, an average for the net landbase, or an average for the gross landbase.
- Volumes will be determined by multiplying the area of the industrial disposition by the volume per hectare to reflect the chargeable production.

3. Weigh Scale Method:

- The volumes for the industrial disposition will be determined based on the volume calculated using the provincially approved weigh scaling methodology on timber delivered and scaled using the mill's weigh scale.
- Companies using this approach will be required to track and report salvage volumes by the individual industrial disposition numbers and FMU identifier.

B. Options for allocating the chargeable volume of timber

One of the following options may be used to allocate salvage volumes amongst tenure holders for cut control purposes (chargeability). All tenure holders in a unit must use the same method for determining chargeability.

1. Sole Source Chargeability:

- By mutual agreement with all tenure holders within the FMA or FMU, one tenure holder (preferably the FMA holder) will assume the responsibility for all salvage volume generated from the industrial dispositions and charge the entire volume as chargeable production. The receiving tenure holder must have an allocation to charge the volume against. Where a tenure holder only has the rights to a single species (conifer or deciduous), the other tenure holder may elect to be the sole source receiver of the other species or the volume may be charged using one of the other methods.
- Other tenure holders within the FMA or FMU will not receive any volume of salvage timber from that unit and are not assessed volume as chargeable production against their tenures.

2. Scaled Chargeability:

- By mutual agreement with all tenure holders, each tenure holder agrees to accept industrial salvage volumes with the volumes being chargeable production based on the amount of timber delivered and scaled at their mill.
-

-
- Only scaled volumes for industrial dispositions within the FMA or FMU in which the tenure holder has timber rights will be assessed as chargeable production.
 - Where the tenure holder waives or opts not to accept merchantable timber salvage from within the FMA or FMU in which the tenure holders has timber rights this un-used volume will be chargeable production based on one of the two table approaches.
 - The use of this method requires the tenure holders within the FMA or FMU to develop and implement a tracking system for the industrial dispositions which includes the disposition number and FMU.

3. Proportional Chargeability:

- By mutual agreement with all tenure holders within the FMA or FMU, each tenure holder agrees to accept a portion of the salvage volume equal to their share of AAC or from within an agreed upon sphere of interest.

Un-accepted and Waived Salvage Volumes

A tenure holder may waive their interest in salvage volume and/or agree to the volume being destroyed or directed to another mill. In such cases, since the tenure holder had opportunity to utilize the wood but opted to not accept the timber this volume will be chargeable production against their tenure using one of the volume calculation methods **other than the scale method**. Part 7 of the Timber Management Regulation are to be followed. Where the salvage volume has been waived by the tenure holder and another timber operator utilizes the volume it will not be charged against the receiving operator's AAC.

Implementation

Within a forest management agreement area, the tenure holders will jointly develop an industrial salvage strategy which includes the method for determining the volume calculation and chargeability option. The method selected for determining the volume and chargeability are to be included in the forest management plan (FMP). The Department **will** participate in the development of the industrial salvage strategy.

Outside a forest management agreement area, the timber quota holders will select a method for determining the volume calculation and chargeability option with the Department. The Department will facilitate discussions amongst operators in each unit to develop mechanisms to provide notification to operators of industrial activities generating salvage volumes.

Where mutual agreement cannot be reached by operators within a FMA or FMU on the salvage strategy, the Department will select one of the methods for determining volume and chargeability for all operators.

On an annual basis, all forest management agreement and quota holders using the weigh scale method for calculating the volume of industrial salvage to be charged as drain against their timber allocation must submit by May 30th to the Department the volume for that timber year. The relevant backup documents supporting this declaration must accompany the submission.

All operators are required to balance their harvest levels with the inclusion of the industrial salvage volumes. Where unforeseen circumstances in the final year of a periodic or quadrant cut cause an operator to exceed their allowable harvest, the Department recognizes that this is outside of the control of the tenure holder and consideration will be given to mitigate this situation.

Authorities

Timber Management Regulation :

Section 147 – The Minister, in his discretion, may relieve an industrial operator from salvaging timber.

Section 153(1) – Where the holder of a forest management agreement or a timber quota neglects or refuses a request from the Minister to salvage timber in a management unit in which he has a forest management agreement or timber quota, the volume of un-salvaged timber may be charged as production against the timber quota or forest management agreement.

Cross Reference

Contacts **Doug Schultz, Senior Manager, Timber Production, Auditing & Revenue**
(780) 422-4865

Approved Original signed
D. (Doug) A. Sklar
Executive Director
Forest Management Branch
