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**Directive No.** 2006-03**Subject****Application of Schedule 3 Timber Dues Rates - Part A and Part B**

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**Purpose**

To ensure the appropriate and consistent application of Schedule 3 timber dues.

To maintain a timber dues rate system that accurately reflects the costs manufacturing sawn timber products.

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**Policy**

Schedule 3 of the Timber Management Regulation describes the cash timber dues rates for timber volumes used to produce coniferous lumber, pulp or roundwood timber products. The rates are separated into two distinct sections - Part A rates assessed on the first 107,296m<sup>3</sup> (historically derived from 25MMfbm of lumber), and Part B rates assessed on any volumes in excess of 107,296m<sup>3</sup>. The rates in each Part were developed using the results of lumber cost survey conducted on the Alberta forest industry and the rates are adjusted every three years based on this survey. Part A cash timber dues reflect the costs incurred by operators before the cost reducing effects of economies of scale occur. This 'first' 107,296m<sup>3</sup> is seen as being more costly to produce, regardless of the amount of product ultimately manufactured during the year.

Each client in the Department's records is provided their own 107,296m<sup>3</sup> 'allotment' upon which Schedule 3 coniferous volumes are allocated. This annual 'allotment' begins at zero on May 1 to coincide with the beginning of the new timber year. All coniferous Crown volumes received by the client falling under Schedule 3, sourced from their own Crown timber disposition, or subject to a mandated volume supply agreement are included under a client's 'allotment'. Once a client exceeds their 107,296m<sup>3</sup> annual threshold assessed under Part A, Part B cash dues rates come into effect.

In addition to the timber volumes payable subject to Schedule 3 (Section 80 of the Timber Management Regulation), timber volumes subject to the Schedule 3 exceptions (as described in Section 81 of the Timber Management Regulation) count toward the client's Part A or Part B allotment. These volumes will be assessed cash timber dues at the appropriate exception rate regardless of which Part they are allocated toward.

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**Procedure**

Volumes subject to a government mandated volume supply agreement, arrangements embedded in tenure documents or other similar forms will be considered in the client's allotment under Part A, provided that such documentation is supplied to the Department.

Harvest volumes (i.e. TPRS production) will be used for mill operations using 'pay at the gate' timber volume accounting. Sales volumes (i.e. TPRS sales) will be used for non-weigh scale mills assessed timber dues on 'sales' basis.

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**Cross -  
Reference**

**Sections 80 & 81 of the Timber Management Regulation** - provides timber dues rates used for coniferous lumber, pulp and roundwood products.

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**Contacts**

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**Approved**

*Original signed*

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