



**Conservation
Forestry Branch**
200 Saulteaux Crescent
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To: Manitoba Forest Industry Associations

With this letter the Forest Management Section would like to communicate the results of a recent survey conducted by the Forestry Branch on proposed changes in Timber Administration. This letter also contains a reference to proposed changes within the Forest Act that the province is also considering.

This letter is being sent to the forest industry via the Forest Industry Association of Manitoba (FIAM) and the four Quota Holders Associations in the province (Southeast, Interlake, Mountain and Northern). Additionally this letter is being sent to all of those who responded to the questionnaires. The province is relying on the industry associations to communicate this information to it's members.

Timber Administration Questionnaire Results

Manitoba Conservation Forestry Branch had researched and developed a variety of modifications to Timber Administration. The Forest Management Section created a questionnaire to provide members of the Manitoba Forestry Industry with an opportunity to review, comment and provide input on the proposed changes.

The questionnaire contained twelve (12) questions that gauged the support and collected feedback on the proposed changes in four categories:

- Timber Tracking/Reporting/Payment (4)
- Wood Measurement/Scaling (2)
- Timber Pricing (5) and
- Forest Management Fees (1).

A background summary preceded every question, which explained the proposed change. The questions that followed were posed in two parts: what participants thought about the change and a second part which allowed for input or suggestions to help implement the change. Approximately 150 questionnaires were distributed and 32 replies were received: FMLs (3), Quota Holders (21) and other forest industry members (8).

The majority of the replies supported the proposed changes, with a strong interest in being fair to all stakeholders, ensuring the changes accommodate both large and small businesses and a general request for more information. The following summaries provide more detail on the specific questions and replies.

Timber Tracking/Reporting/Payment

Proposed Change #1

Mills will be responsible for reporting and paying dues for all delivered crown wood.

Reply – Supportive (70%)

Input/Suggestions – Manitoba Conservation must be able to confirm volumes and have agreements with out of province mills.

Proposed Change #2

Records will be reconciled every month rather than every quarter.

Reply – Spilt

Input/Suggestions – Monthly reporting may create too much administration. The system needs a detailed explanation with clearly outlined obligations.

Proposed Change #3

Manitoba is developing a computerized timber administration system. Electronic submission of timber returns and other report would be possible via the internet.

Reply- Supportive (70%)

Input/Suggestions - Process must be user friendly, support and training available. Alternatives must be available for operators who cannot meet this requirement.

Propose Change #4

At the end of the year, “on-hand” wood must be reported and dues paid.

Reply- Unsupportive (67%)

Input/Suggestions – Scale and report “on-hand” wood monthly and collect dues when the wood crosses the mill scale. Establish and enforce a process for wood delivered, scaled and reported at a mill and then sold to another party.

Wood Measurement/Scaling

Proposed Change #5

Which facilities should have a weigh scale to measure and verify volumes and how should other facilities conduct wood measurement and verification?

Reply – Supportive (70%)

Input/Suggestions – Large mills should be required to have a weigh scale (FMLs, >\$200k sales, >50,000m³ consumption). Other facilities should stick scale every load.

Proposed Change #6

All wood not delivered to a large mill (in or outside Manitoba) must be scaled by a Licensed Scaler and have a Scaling Reports.

Reply- Split

Input/Suggestions – Ensure resources are available to check and enforce new scaling requirements. New requirements need to be feasible for all.

Timber Pricing

Proposed Change #7

New timber pricing (dues) system will include commodity based timber classifications: Softwood Lumber, OSB, Kraft and Newsprint.

Reply- Split

Input/Suggestions – System must be competitive with other jurisdictions (low base rate and high threshold). Manitoba is too small and localized for the proposed change. Government should focus on growth and vitality of the industry. Other product's dues should be low and set annually to encourage utilization.

Proposed Change #8

Manitoba will reference weekly commodity market publications to determine monthly timber dues based on an average of 4 weeks. Should the monthly average apply retroactively at the end of the month or establish the next month's dues.

Reply- Previous month's market data would set the next month's crown dues (70%)

Input/Suggestions – To negate short-lived swings in the market use an annual rolling average. Need to know the price of dues up-front.

Proposed Change #9

The new timber pricing system (dues) will reference nationally published commodity markets, which represent some of the products produced in Manitoba.

Reply – Supported suggested reference markets (85%)

Softwood Lumber – Random Lengths – Framing KD/SPF Toronto 2x4#2btr.

OSB – Random Lengths – OSB North Central 7/16" (US\$/1000ft²)

Kraft – RISI – Unbleached sack/multiwall/80g+/50lbs U.S. East (US\$/tonne)

Newsprint – RISI – Newsprint 48.8g/30lb US West (US\$/tonne)

Input/Suggestions – Use Random Lengths Framing Lumber Composite, one market is not enough. Consider local conditions and production cost vs. published price.

Proposed Change #10

A) In determining the base rate for timber classes should Manitoba set the base rate:

- i) Separately for each commodity or species (95%)
- ii) The same for all commodities or species (5%)

B) In determining the base rate geographically should Manitoba set the base rate:

- i) Differently for each Forest Section (45%)
- ii) The same across the province (55%)

C) Manitoba is considering incorporating haul distance into timber pricing.

Input/Suggestions – Haul distance >60km should receive a reduction in dues. Also, consider fuel commodity index, road class and R.M. constraints.

Proposed Change #11

Based on your experience what market price would you consider "good":

Reply - Softwood Lumber – \$400 (3), \$450 (2), \$500(2) & \$600 (1)

OSB - \$400 (1)

Kraft & Newsprint – No figures

Forest Management Fees

Proposed Change #12

Currently FMLs and Manitoba Conservation conduct the forest management planning for most quota and non-quota, timber sales and permits. In future, to have the work completed on their behalf a Forest Management Fee would apply.

Reply- Negative (70%)

Input/Suggestions – Take into consideration quality of service, market conditions and allow some to conduct the work themselves.

Forest Act Amendments

Manitoba Conservation is proposing minor but important amendments to The Forest Act and regulations that are required to update the legislation and improve the sustainability of Manitoba's forest resource and industry. There are four main areas under review and include changes to administration, forest renewal, offences and penalties, and enforcement.

Changes to regulations will include the change from quarterly reporting and payment periods to a monthly period. Under forest renewal, changes would allow the Minister to enter into an agreement with third parties to assume renewal responsibilities on behalf of timber rights holders.

Additional changes under the Forest Act include updating penalties and offences, and increase individual and corporate penalties to bring them into line with other provincial natural resource statutes and other Canadian jurisdictions. Amendments would also incorporate statutory enforcement powers found in other Manitoba resource legislation, such as providing officers the authority to stop and inspect a vehicle transporting timber to ensure compliance with The Forest Act and regulations.

Thank you to those who participated in our survey and took the time to complete a questionnaire. I hope the information provided by Forestry Branch within the questionnaires and the presentation of comments we received has been of interest to you.

Yours truly,



Jeff Delaney, Manager
Forest Management and
Development