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## Crown Charges Related to Tenure

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### I. Introduction

Alberta Sustainable Resource Development (ASRD) manages public forested land in the Green Area of Alberta. Various forms of forest tenure have been developed to allow the harvest of timber from these lands. Forest tenures provide access to the timber as well as terms and conditions regarding how timber is to be harvested. Tenure does not grant the tenure holder title to the land on which the timber is located. In an effort to balance economic, social, and environmental goals of government, ASRD requires payment for the use and administration of these public resources.

### II. Tenure Related Dues

Based on the type of tenure allocated, Alberta Sustainable Resource Development (ASRD) collects timber stumpage rights (timber dues), Forest Resource Improvement Association of Alberta (FRIAA) dues, holding and protection charges, reforestation levies, administrative charges, and tenure security adjustments (these charges may not apply to all forest tenure types).

#### A. Timber Dues

All timber harvested from Crown lands in Alberta requires payment of timber stumpage fees or timber dues. There are currently five different product-based dues categories in the *Timber Management Regulation*:

1. Coniferous timber used to make lumber, pulp or roundwood timber products. This category is further subdivided into one dues rate for the first 107,296 m<sup>3</sup> (equivalent to 25 million board feet of production) and a higher dues rate once the 107,296 m<sup>3</sup> threshold is surpassed (Schedule 3 of the *Timber Management Regulation*).
2. Timber used to make oriented strand board (Schedule 4 of the *Timber Management Regulation*).
3. Deciduous timber used to make pulp (Schedule 5 of the *Timber Management Regulation*).
4. Timber used to make veneer (Schedule 6 of the *Timber Management Regulation*).
5. Coniferous timber used to make laminated veneer lumber (Schedule 7 of the *Timber Management Regulation*).

Each of the dues types are described in the *Timber Management Regulation* in Sections 78 through 95. Associated with each of these product types is a variable dues rate schedule based on the market value of the product during the month or quarter of production. Current and historic dues rates for each product type are available on the Sustainable Resource Development web site at [Monthly Timber Dues Letters](#). It is important to note that some forest management agreements may specify a particular dues rate for timber; individual forest management agreements should be consulted. A summary table of forest management agreement dues rates is located at [Forest Management Agreement Timber Dues and Charges](#).

There are various dues modifiers that can be applied to reduce the level of timber dues paid. These modifiers are applied to encourage the use of this marginal timber and to defray the additional cost of harvest, transport, manufacture, and reforestation. For example timber dues for balsam fir, white bark pine, alpine fir, and larch are set at \$0.70/m<sup>3</sup>. Further, if trees that were classified as unmerchantable as defined by the ground rules or that portion of a log that is above the top diameter of the utilization standard for the log have timber dues of \$0.27/m<sup>3</sup>. For more information on dues modifiers, see Sections 81, 81.1, and 81.2 of the *Timber Management Regulation*.

## **B. Forest Resource Improvement Program Dues**

When timber dues are required to be paid as per Schedule 3 or 5 of the *Timber Management Regulation*, Forest Resource Improvement Program (FRIP) dues are also required. FRIP dues are in addition to timber dues and are assessed based on the market rate for the products. These dues are intended to enhance the forest resource of Alberta. Forest companies are eligible to apply for FRIP funding to perform activities that are not required under their tenure obligations and that provide a benefit to the forest resource. For more complete information regarding FRIP, see the [FRIAA Web site](#).

## **C. Holding and Protection Charges**

Holding and protection (H&P) charges are annual fees that tenure holders pay to be able to access their tenure and to help defray the costs of protecting the forest from wildfires or insect infestations. Holding and protection charges are based either on a per hectare or per cubic metre of Annual Allowable Cut (AAC) basis or in the case of some Forest Management Agreements (FMAs) on a negotiated annual rate. Holding and protection rates are located in Section 97.6 of the *Timber Management Regulation* or in the individual Forest Management Agreement document.

## **D. Reforestation Levies**

If a forest tenure holder has more than 10,000 m<sup>3</sup> of annual allowable cut, the tenure holder must perform their own reforestation activities and as such, is not required to pay a reforestation levy. If a forest tenure holder has less than 10,000 m<sup>3</sup> of AAC, the tenure holder may elect to pay a reforestation levy to Forest Resource Improvement Association of Alberta (FRIAA) to have that organization perform the reforestation work for them. If a forest tenure holder has no annual allowable cut (all timber is cut under authority of a commercial timber permit), the tenure holder must pay a reforestation levy to FRIAA to have that organization perform the reforestation work.

## **E. Administrative Charges**

There are a number of administrative charges that a forest tenure holder may be required to pay:

1. An assignment fee is payable to the Minister for Forest Management Agreements, timber quotas, commercial timber permits and coniferous community timber permits. These rates are prescribed in Sections 156 and 161 of the *Timber Management Regulation*.
2. An issuance fee may also be required for some tenure types, most notably the timber licence, commercial timber permit, local timber permit, and forest product tag.
3. Timber cruising costs in relation to a timber licence.
4. Incidental charges in relation to the sale of timber harvesting rights are made up of 110% of the advertising costs actually incurred to advertise the sale.
5. Planning costs associated with a competitively sold commercial timber permits. These costs vary and include costs associated with cruising, layout and GPS work done on the permits.

## **F. Bonus Bids**

A bonus bid is the premium a prospective forest tenure holder would pay to have access to annual allowable cut over a period of years. This cost is possibly applied at the initiation or renewal of a long-term tenure. The calculation of a bonus bid is a complex process undertaken by the prospective tenure holder that includes an assessment of the present value of the annual allowable cut, the term of the tenure, some adjustments for risk factors, a forecast of potential product values over the term of the tenure, the quantity and quality of the timber, and the location of the timber in relation to manufacturing facilities.

### III. Fees Related to Each Tenure Classification

Forest tenure holders are required to pay the following charges: timber stumpage fees (timber dues), FRIP dues, holding and protection charges, reforestation levies, administrative charges, and tenure security adjustments. These charges may not apply to all forest tenure types in the same manner. Choose the Tenure Classification you are interested in:

#### Forest Management Agreements

1. **Timber Dues:** FMAs have historically been a highly negotiable contract between the Crown and a third party. One of the items of negotiation was the rate of timber dues. In an effort to standardize the rates charged by the Crown for timber dues, most FMAs now have a clause indicating timber dues payment will be at the rate specified in the *Timber Management Regulation*.

2. **Forest Resource Improvement Program Dues:** If timber harvested from an FMA is charged under Schedules 3 or 5 of the *Timber Management Regulation*, FRIP dues are also required to be remitted.

3. **Holding and Protection Charges:** As mentioned earlier, FMAs are negotiated contracts. One of the negotiable items is the establishment and application of holding and protection (H&P) charges. Some FMAs negotiated a starting figure for H&P into the FMA with provision for annual adjustment for inflation. Because FMAs are area-based forms of forest tenure, some FMA holders pay H&P on a “per square kilometre” basis.

4. **Reforestation Levies:** As all FMA holders are required to perform their own reforestation activities, none pay a reforestation levy for reforestation activity on their FMA.

5. **Administrative Charges:** Should an FMA be assigned, there will be an assignment fee of \$0.25/ m<sup>3</sup> of AAC assessed.

6. **Bonus Bids:** When FMAs were negotiated, one of the main considerations of the Crown was the establishment of a manufacturing facility. As a result, the amount of FMA Bonus Bid has been quite intangible. With the maturation of the forest industry in Alberta and the lack of available contiguous timber supply to support additional new FMAs, the likelihood of new FMA negotiation is low. Bonus bids related to FMA renewal have also been intangible.

#### Timber Quotas – Coniferous Timber Quotas and Deciduous Timber Allocations

1. **Timber Dues:** Timber quota holders are required to pay timber dues based on the Timber Management Regulation.

2. **Forest Resource Improvement Program Dues:** If timber harvested from a quota is charged under Schedules 3 or 5 of the *Timber Management Regulation*, FRIP dues are also required to be remitted.

3. **Holding and Protection Charges:** H&P charges are required to be remitted annually at the rates prescribed in Section 97.6 of the *Timber Management Regulation*, currently set at \$0.02/m<sup>3</sup> for deciduous and \$0.15/ m<sup>3</sup> for coniferous quotas.

4. **Reforestation Levies:** Quota holders with more than 10,000 m<sup>3</sup> of annual allowable cut are required to perform their own reforestation activities and are not eligible to pay a reforestation levy to FRIAA. Quota holders with less than 10,000 m<sup>3</sup> of annual allowable cut may elect to pay a reforestation levy to FRIAA and have them reforestation work.

5. **Administrative Charges:** Administration charges relating to timber quotas include a licence issuance fee of \$50.00, an assignment fee of \$0.25/m<sup>3</sup> of AAC (waived in the case of transfer from an estate), and a timber cruising cost for the licence. Readers should note that cruising costs have not been charged in

more recent times due to changes in forest inventories. If a timber quota is publicly sold by the Crown incidental charges of 110% of the cost of advertising will be charged to the successful bidder.

6. **Bonus Bids:** Quota bonus bids have varied dramatically, reflecting the present value of the annual allowable cut, term of the tenure, risk factor adjustments, forest product value forecasts, the quantity and quality of timber, and the location of the timber.

### **Commercial Timber Permits**

1. **Timber Dues:** Timber dues for commercial timber permits can be applied in one of two ways depending on how the Commercial Timber Permit (CTP) was awarded. The first is a direct application of the dues listed in the appropriate Schedule of the *Timber Management Regulation* if the CTP was not sold competitively. If the CTP was sold by sealed tender or public auction, timber dues are already included in the per cubic metre purchase price for the CTP.

2. **Forest Resource Improvement Program Dues:** If timber harvested from a CTP is charged under Schedules 3 or 5 of the *Timber Management Regulation*, FRIP dues are also required to be remitted.

3. **Holding and Protection Charges:** H&P charges are based on the area occupied by the CTP. For a CTP authorizing the removal of dead, damaged, diseased, endangered, or green deciduous timber, the H&P rate is \$0.10/hectare. For a CTP authorizing the removal of green coniferous timber, the H&P rate is \$0.25/hectare.

4. **Reforestation Levies:** If the holder of a CTP does not also hold an FMA or a Quota, the holder is required to pay the reforestation levy to FRIAA. If the holder of a CTP also holds a Quota, the holder is required to complete the reforestation or pay the reforestation levy. If the holder of a CTP also holds an FMA, the holder is required to complete the reforestation. These levies can be waived in certain instances, such as if the timber is being harvested under a Public Lands Act disposition (i.e. grazing).

5. **Administrative Charges:** If a CTP is publicly sold by the Crown, incidental charges of 110% of the cost of advertising will be charged to the successful bidder. There is also an issuance fee of \$50.00. A security deposit is collected as per section 40 of the *Timber Management Regulation*.

6. **Bonus Bids:** In the case of competitively sold CTPs, the bonus bid is, in effect, the premium bid over and above what would be the floating rate of timber dues for that timber.

### **Coniferous Community Timber Permits**

1. **Timber Dues:** Timber dues for coniferous community timber permits are fixed at \$2.50/m<sup>3</sup> for timber harvested from a Coniferous Community Timber Permit (CCTP) or CCTL and processed by a Community Mill. If the wood goes to a non-Community Mill, it is assessed the market rate of dues.

2. **Forest Resource Improvement Program Dues:** FRIP dues on CCTPs are fixed at \$0.50 per cubic metre. For timber harvested from a CCTP or CCTL and processed by a Community Mill FRIP dues are fixed at \$0.50/m<sup>3</sup>. If the wood goes to a non-Community Mill, FRIP dues are assessed the Scheduled rate.

3. **Holding and Protection Charges:** H&P charges on CCTPs are assessed in the same manner as for CTPs. They are assessed based on the removal of dead, damaged, diseased, endangered, or green deciduous timber, at \$0.10/hectare, and on the removal of green coniferous timber, at \$0.25/hectare.

4. **Reforestation Levies:** The holder of a CCTP is required to pay the reforestation levy to FRIAA. These levies can be waived in certain instances, such as if the timber is being harvested under a Public Lands Act disposition (i.e. grazing).

5. **Administrative Charges:** Issuance charge of \$50 is applicable. A security deposit is also collected and is calculated as per Section 40 of the *Timber Management Regulation*.

6. **Bonus Bids:** There is no bonus bid associated with CCTPs.

#### **Local Timber Permits**

1. **Timber Dues:** Timber dues for a Local Timber Permit (LTP) are charged as per Section 94 of the *Timber Management Regulation* and must be paid prior to issuing the LTP.

2. **Forest Resource Improvement Program Dues:** FRIP dues are not assessed on LTPs.

3. **Holding and Protection Charges:** H&P charges are not assessed on LTPs.

4. **Reforestation Levies:** LTP holders are required to pay the reforestation levy to FRIAA, unless they are a non-profit organization. In that case, the levy is waived.

5. **Administrative Charges:** There is a \$20 issuance fee associated with an LTP. A performance guarantee deposit may be collected as per Section 62 of the *Timber Management Regulation*.

6. **Bonus Bids:** Because an LTP is short-term and issued at a flat fee, there is no bonus bid involved.

#### **Forest Product Tag**

1. **Timber Dues:** Due to the small volume associated with this short-term disposition, timber dues are included in the issuance fee.

2. **Forest Resource Improvement Program Dues:** FRIP dues are not assessed on forest product tags.

3. **Holding and Protection Charges:** H&P charges are not assessed on forest product tags.

4. **Reforestation Levies:** Reforestation levies are not assessed on forest product tags.

5. **Administrative Charges:** A non-refundable permit fee of \$5 allows the holder to take 20 trees less than 2.5 metres in height for transplanting, 3 trees less than 2.5 metres in height for use as Christmas trees, or 5 m<sup>3</sup> of roundwood timber for their own use.

6. **Bonus Bids:** Because a forest product tag is short-term and issued at a fixed fee, there is no bonus bid involved.