

## Westwind Timber Sale Policy & Procedures April 2015

Purpose: To identify principles and methodology for Westwind to distribute areas not otherwise assigned to OLA holders in a fair and transparent manner while providing the SFL with the required level of funding.

Objective:

1. Meet Westwind's objective of sustainable management for the French-Severn Forest;
2. Provide Westwind with a competitive opportunity to obtain required SFL funding;
3. Increase the utilization of available harvest area (and volume) on the French/Severn Forest;
4. Provide a fair and transparent method of distribution for all interested companies – directly to those involved in these sales and indirectly to those who are not;
5. Provide for communication and understanding of the need for timber sales and the process that Westwind utilizes to ensure a fair competitive business environment;
6. Minimize financial risk for Westwind; and,
7. Demonstrate opportunities for new entrants to work in this forest.

Background:

Westwind holds the right for 13.66% of the harvest volume from those areas made available in the Forest Management Plan. No Member Company is paying for the SFL fees. By carrying out Timber Sales and Negotiated Sales, Westwind secures these funds to continue to operate to fulfill the expectations as a SFL holder without a linked requirement for SFL fee increases. While the percentage share that Westwind holds may change over time, the principle of being self sustaining remains.

Tenure Modernization is a MNRF mandate that is intended to provide opportunity to new entrants, to allow existing entrants to expand their business and to demonstrate fair pricing. Westwind timber sales is a mechanism that is clearly demonstrating that these tenure modernization objectives are being advanced in this forest.

It is possible that Westwind could hold Timber Sales/Negotiated Sales on behalf of OLA members. A similar process would be followed in such cases. A prearranged administrative fee would be charged for organizing these sales.

It must be noted that the CFSA Crown Forest Sustainability Act allows the Minister (MNRF) to direct wood as he/she prescribes regardless of arrangements within a SFL. Typically such directives involve processing facilities and not logging contractors.

There are two fundamental groups of logging contractors that Westwind could potentially sell an area to:

1. Member Companies that currently hold an Overlapping License Agreement with Westwind (); and,
2. Non member Companies that do not currently hold an Overlapping License Agreement with Westwind

There are three fundamental types of areas that Westwind sells. They include:

1. **A Westwind assigned allocation** in the FMP – this would include unassigned or contingency areas (after FMP amendment approval) required to offset inoperable Westwind allocations. These areas will have no restrictions on them as to who may purchase these sales and whether these are timber sales – which will be the normal procedure – or negotiated sales – which will be carried out for expediency and necessity as judged by Westwind
2. **An allocated but unassigned area** in the FMP for unique opportunities (access, species, product) and potentially as a measure to ensure funding requirements are met. These areas, not acting as a substitution for Westwind assigned areas that are proven inoperable, will be put up for timber sale to the Member Companies first at a price that is deemed reasonable – with written justification. In the case of lack of interest or in the case where the awarded company backs away from the agreement and there are no other Member Companies that showed interest, the area will be offered to Non-member Companies.

These areas will only be offered for sale in unique situations:

- Access/species/product opportunities outside the historic wood supply of operators in the area
  - When Westwind has utilized its own allocations and/or
  - In extraordinary circumstances to meet company budget needs that will have an overall benefit to operators as a whole. This will not occur without consensus within the Timber Sales Committee.
3. **Red Pine Plantation Origin Stands** These areas will be eligible for Timber Sales to both Member and Non-member companies unless the red pine is inaccessible without significant road work. The block would then be allocated in conjunction with a FMP allocation assigned to a specific member company.

This aspect of the Timber Sale Policy will be in place until the end of the 2014-2019 FMP at which time assignment of plantations that are immediately adjacent or very close by on the same road to assigned FMP allocations would likely form part of that allocation.

## Glossary

**Member Company** – Overlapping License Agreement holder. A company that holds, in good standing, an agreement with Westwind enabling them to possess rights to a percentage of the FMP estimated volume. OLA holders must pay SFL fees on a quarterly basis. They have a harvest share based on anticipated volumes from the Forest Management Plan.

**Unassigned Areas** – Areas that are allocated in the Forest Management Plan but are not specifically assigned to any company. These areas may be unassigned to blocks that:

- due to forest type (many clear-cut forest units) are unlikely to be harvested by the companies working in the area,
- to offset areas that are not operable and which would not require contingency areas to be amended into the plan,
- to recognize access limitations that might make access challenging, and
- to provide additional area without upsetting the balance of meeting the percentage SFL allocations for ~20 operators.

**Contingency Areas** – Areas that are NOT part of the Forest Management Plan allocated areas but may be added to the plan with a minimal amount of public consultation after dropping a similar-sized area of the same forest unit. Until the amendment is approved, these areas are not available for harvest or for sale.

**Forest Operations Prescription** – A Forest Operations Prescription confirms the forest unit, silviculture system, stage of management, tree marking direction and other silvicultural treatment activities that must be supported by the Silvicultural Ground rules within the FMP.

**Red Pine Plantation Origin Stands** - These stands have been planted to red pine in the past, normally on non-forested areas at the time of establishment. Often these plantations were planted in straight rows but that is not necessarily always the case.

**Traditional Area** – A traditional area is a zone within a forest in which a company, or their predecessor, normally has allocations within. Multiple companies may share a traditional area. Traditional areas are only loosely defined at best. More weighting is given to traditional areas if the company – or its predecessor – undertook significant expenses to access adjacent areas.

## **Timber Sales Committee**

The Board has mandated the formation of a subcommittee to lead the development of a Timber Sale Policy, to oversee its implementation and report back to the Board on the progress of the Timber Sale program. Its membership will consist of at least one of each of the following 1) Westwind Manager, 2) industry Board member, and 3) independent Board member. The Timber Sale Committee will seek to reach agreements through a consensus approach and when consensus cannot be reached, the full Board will be consulted and a decision will be arrived at following the Board's decision structure. The Timber Sale Committee will be consulted by management prior to offering for sale unassigned blocks in areas not offsetting Westwind allocations that must be bypassed or dropped from the Forest Management Plan. The Timber Sale Committee may also function as a sounding board for management in implementing the Timber Sales program including assisting in a decision when the highest bid is rejected. As with other Board committees and subcommittees, the membership and mandate may be modified at the Board level.

## **Timber Sales**

Westwind Timber Sales are sales that are awarded based on highest bid – with potential for highest bidders to be rejected at the discretion of Westwind. These sales have a minimum bid price. A specified period of response time is provided to bidders. The prices do NOT include Crown stumpage, Forestry Renewal charges, forestry futures, FRI or any other non-SFL charge for the volume of wood harvested and scaled.

## **Negotiated Sales**

Negotiated Sales are sales that are negotiated between Westwind and another known interested party. Negotiated sales are normally done when:

- it is expected that there are no other interested logging contractors
- there are characteristics of the block that make it a unique opportunity for a single logging contractor to satisfy multiple objectives – usually access related, and/or
- there is a sensitive time factor that would affect the opportunity to harvest a block if a tendering process was required.

## Sales Procedure

Westwind will attempt to sell the blocks as far and wide as possible with the intent of obtaining the highest value for the timber. The highest bid will not necessarily be accepted, due to poor operator performance or payment history.

Westwind does not guarantee volumes, access or liabilities associated with forest operations on any blocks, volumes vary per hectare and bypass areas may be part of the block. It must be noted that bypass for operational reasons and reserve areas to not-yet-discovered Areas of Concern are a part of every block. Therefore, there is no guarantee that the area of blocks, nor the estimated volumes, will be met within the block. If such areas surpass 15-20% of the advertised area, Westwind may either proportionately re-assess the price of the block or find a replacement area from unassigned or contingency areas (after the planning process is followed).

At the time of advertising:

- Block(s) will have been inspected and deemed appropriate for harvest at that time.
- Forest Operations Prescriptions will have been prepared for the area and silvicultural systems confirmed for the areas.
- Any available survey data will be made available for the block to prospective bidders upon request.
- Any known special harvesting conditions from the Forest Operations Prescriptions will also be stated at time of sale advertisement. In some cases tree marking may be partially or wholly completed at the time of timber sale advertisement but this is at the discretion of Westwind.

Westwind shall assign a minimum bid for the block(s) based on past sales history of similar blocks, access, quality of timber, value of species.

Westwind may sell Operator's blocks for them and a minimum administration fee shall apply.

A timeframe for starting and completion of the harvest will be determined and communicated. Failure to complete the harvest in the prescribed timeframe can result in the cancellation of the sales agreement with paid fees being forfeited. Although timeframes may be renegotiated with the Westwind Manager on a case-by-case basis, other factors such as the term of the Forest Management Plan may affect the Manager's ability to renegotiate timeframes.

## **Payment**

Operators will be obligated to provide Westwind a form of security to ensure that bid prices, Crown and Renewal fees will be paid on time. Non-refundable securities will be in the form of:

1. Pay the Timber Sale Bid for the block(s) as follows:
  - a. 50 % at time of signing OLA
  - b. 25 % within one month of signing the OLA
  - c. 25 % within two months of signing the OLA  
(The two 25% payments may be, at Westwind's discretion, delayed until closer to the harvesting period if the sale occurs well before harvesting can begin).
2. MNRF will secure payment of Renewal and Crown fees by choosing one or more of the following options:
  - a. By ensuring the receiving mill(s) pay the Renewal and Crown Dues.
  - b. Ensuring the Operator prepays for Bills of Lading

## **Timber Sale Surcharge**

For a Non-member company, a 5 % surcharge of the bid price will be required which recognizes the continued support for the financial operations of Westwind by Member Companies.

## **Timber Sale Notice Content**

Timber Sales notices will be explicit about:

1. Closing date and time, and date by which sale will be awarded.
2. Planned earliest start of operations.
3. Expectation for completion of operations.
4. Failure to complete operations in the prescribed time can result in the forfeit of sale monies.
5. Time completion dates may be influenced by Forest Management Plan timeframes.
6. Westwind Contact information.
7. Bid Deposit requirements.
  - Deposits are refunded to unsuccessful bidders.
  - Deposits are non-refundable to successful bidders and will be applied to final bid price.
8. Minimum bid price, exclusive of HST.
9. Non-Member Companies will be charged a 5% surcharge to their final bid to recognize the constant financial support provided by OLA family members to Westwind and its operations and planning.

10. Bid prices are exclusive of all Crown, Renewal and Forestry Future Charges.
11. A timeframe for payment to Westwind for the timber sale.
12. Description of any conditions or special harvesting considerations including the requirement to:
  - Sign a Timber Sales Agreement with Westwind
  - Roads must be left in as good a condition as found prior to operations
  - Show proof of WSIB coverage or Independent Operator Status
  - Show proof of commercial general liability insurance in the minimum amount of \$2 million.
13. Stand improvement including the expected rate to be paid if applicable and the timeframe for which that rate will be guaranteed.
14. MNR's potential methods to collect all Crown, Forest Renewal and Forestry Future Charge fees.
15. Block information or directions on how to acquire block information including
  - Block/s
    - Name
    - Geographic location and access
    - Planned block area
    - Planned estimated volume in m3.
    - Forest types within block
  - Westwind does not guarantee volumes, access or liabilities associated with forest operations on any blocks and that a portion of harvest blocks routinely include some bypass areas
  - Silvicultural Systems to be used
  - Bidders should view block before bidding,
  - Forest Operations Prescription and any available survey data may be provided upon request.
16. A bid price table to assist in the bidder in distinguishing between minimum bid or upset price and additional bid.

## **Appendix A**

### **Sample Timber Sale Notice**

To: Forest Operator

Westwind is offering the following harvest blocks for timber sale.

- A. Timber sale **Closing date is Thursday Jan 8<sup>th</sup> 2015 at 4 pm**
- B. Start of operations is planned for January 2015
- C. Please contact Steve Munro (746-6832 x 22) for information on any or all blocks you may be interested in.
- D. Maps are attached.

**Note these two areas are combined into one sale area.**

#### **BlrWFS3**

- Blair Twp; Map # 1 Accessed by: North Pickere~~l~~ Road off Hwy 522
- Time of Operation: Jan-March 15 ; June15 - March16
- Mature White Pine Stands
- 39 ha seed cut; 26.8 ha strip cuts; 5.8 ha clear cut (25m wide strips)
- Planned volume 2900 cubic metres all species; 71.6 hectares in size

#### **MowWFS3**

- Mowat Twp Map # 2
- Accessed by: Hwy 522 and Camp 7 Road
- Time of Operation: Jan-March 15 ; June15 - March16
- Mature white and red pine stand;
- 9 ha strip cut; 30 ha US seed cut; 11 ha red pine plantation thinning
- Planned volume 2000 cubic metres all species; 50 hectares in size



## Timber Sale Terms

The successful Timber Sale Bidder will be required to:

1. Pay all Crown, Renewal and Forestry Futures charges.
2. Harvest the area by \_\_\_\_\_.
3. Pay the Timber Sale Bid for the block(s) as follows:
  - a. 50 %- at time of signing OLA
  - b. 25 %- within one month
  - c. 25 %- within two months
4. Sign a Timber Sales Agreement (TSA) with Westwind.
5. Leave roads in as good as condition as found prior to any operations.
6. Show proof of WSIB coverage or Independent Operator status
7. Show proof of Commercial General Liability insurance of 2 million.

## Stand Improvement

The Successful Timber Sale Bidder will enter into an agreement with Westwind to carry out stand improvement on the block.

Westwind will pay stand improvement at the rate of \$ 70 per hectare for selection and shelterwood cuts; \$ 40 per ha for red pine thinning; 0 \$ for clear cut

## Forest Operation Prescriptions/ Tree Marking

Forest Operations Prescriptions will have been prepared for the area and silvicultural systems confirmed for the areas. Any available survey data will be made available for the block to prospective bidders upon request.

Any known special harvesting conditions from the Forest Operations Prescriptions will also be stated at time of sale advertisement. In some cases tree marking may be partially or wholly completed at the time of timber sale advertisement but this is at the discretion of Westwind.

## Ministry of Natural Resources and Forestry (MNRF)

The successful bidder will be required to provide information to MNRF to facilitate issuance of Forest Resources License, Harvest Approval and Authority to Haul documents. MNRF will set up the scaling process and billing for the block, and the successful Timber Sale Bidder will be required to provide information on wood movement to MNRF. Mills that are **not** Agents for the Crown will be considered only if arrangements can be made with the mill to do a hold-back for Crown dues.

The successful bidder shall be required to secure payment of Renewal and Crown fees by:

- a. Receiving mill(s) pay the Renewal and Crown Dues.
- b. Prepaying for Bills of Lading
- c. A performance bond as insurance that monies will be available to pay the fees.  
The bond will be refundable when all accounts have been paid.

#### Submitting a Bid

1. Ensure that you have received a complete package for the block.
2. View the blocks prior to submitting a bid
3. Westwind does not guarantee volumes, access or liabilities associated with forest operations on any blocks.
4. Submit your bid on the attached sheet sign and date.
5. The Timber Sale Bid does not include Crown, Renewal, and Forestry Futures fees.
6. **Submit your bid by Jan, 8 2015. – 4 pm.** to Westwind, Attention Steve Munro. Fax to 705-746-6162
7. Westwind will award the package on Jan 8, 2015.

**Westwind Timber Sale Bid**

Company Name: \_\_\_\_\_

Contact Person: \_\_\_\_\_

I am submitting a Timber Sale Bid on the Following Harvest Blocks

<b>MowWFS3 &amp; BlrWFS3</b>	<b>Bid</b>	<b>HST</b>	<b>Total</b>
A. Minimum Bid Price	\$ 14,000	1,820	15,820
B. Bid Price			
C. Total Bid (A+B)			

For non member Company a 5 % surcharge of the bid price will be required to cover the cost of start up for a new entrant,

I agree that Westwind does not guarantee volumes, access or liabilities associated with forest operations on any blocks. I agree that this bid is for the harvest block(s) only. I agree that if I am the successful bidder for a block that I will abide by the payment schedule outlined

Authorized Signature: \_\_\_\_\_

Date: \_\_\_\_\_