



MAR 18 1996

All Regional Managers and
All Holders of the Coast Appraisal Manual

Dear Manual Holder:

I hereby approve Amendment 3 to the *Coast Appraisal Manual*. This amendment will come into force on April 1, 1996. The amendment clarifies sections of the *Coast Appraisal Manual* and reflects changes in policy.

At this time, I would also like to correct a numbering error contained in the letter of June 13, 1995, from the Honourable Andrew Petter, former Minister of Forests. In the second sentence, the words "... Section 2 to 4, 6 to 14, and 18 ..." are hereby replaced with the words "... Sections 2 to 4, 6 to 14, and 19 ...".

The following sections are amended:

<u>Section</u>	<u>Nature of Amendment</u>
2.3(4)	Clarifies the error in appraisal policy.
4.9	Add April - June 1996 to tables for trend factors.
6.4	Clarify the requirement to reappraise certain Section 16.1 timber sale licences that currently have frozen stumpage rates.
6.6.2	Replace Table 6-2, Miscellaneous Stumpage Rates for Timber Licences, with a table that is updated to April 1, 1996, to be consistent with Section 84(1.03) of the <i>Forest Act</i> .

Yours truly,

✓ Dennis Streifel
Minister

Attachment: (1)

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3. Reappraisal at Anniversary Date

"Anniversary date" means the annual recurrence of the month and day when the term of the cutting permit, or where there is no cutting permit, the term of the licence, began.

Effective January 1, 1995 a reappraisal must be carried out on all adjustable stumpage rate cutting authorities with subsequent anniversary dates when the following conditions are satisfied:

- a. timber is expected to be scaled on the cutting authority during the next year, and
- b. there is at least 2 000 m³ of all merchantable timber remaining on the cutting authority.

Where the above conditions have not been met, reappraisals may be made at either the district or regional manager's or licensee's option (see Section 2.2 Time Schedule - New Appraisals and Reappraisals).

These reappraisals are made in accordance with the appraisal manual in effect on the anniversary date. In this case the effective date of the redetermined stumpage rate is the anniversary date.

If a reappraisal is not made, the untrended logging and silviculture cost estimates from the current appraisal will continue to be trended quarterly to determine stumpage rates.

4. Mathematical Error

- a. If a government employee or contractor in the Ministry of Forests or a licensee (or employee or contractor of a licensee) becomes aware of what is or probably is a mathematical error in a stumpage determination, that person shall give written notice of the error ("the Notice") as follows:
 - i. in the case of appraisals and reappraisals, to the appropriate Regional Manager, and
 - ii. in the case of quarterly adjustments, to the Director, Revenue Branch,
- b. the Notice shall describe the stumpage determination or determinations involved and shall describe the nature and cause of the error to the extent reasonably possible,
- c. upon receipt of the Notice, the Regional Manager or the Director shall make the appropriate investigation to decide whether or not an error has, in fact, been made,
- d. if the Regional Manager or the Director decides that an error has not been made, then they shall notify the person who sent the Notice of the decision and the reasons for it,

- e. if the Regional Manager or Director decides that an error has been made, then the following shall occur:
 - i. the Regional Manager or the Director shall notify the person who sent the Notice of the decision and the reasons for it,
 - ii. the Regional Manager or the Director shall take reasonable steps to ensure that all licensees who have been affected by the error are informed of the Notice and of the nature and cause of the error,
 - iii. the cutting authority or authorities under which the error was made shall be reappraised to correct the error unless the cutting authority, the appraisal manual or the application in tender for a timber sale licence, specified that the stumpage rate is fixed, and
 - iv. the effective date of the redetermined rate shall be the first day of the month following the date on which the Notice was received by the Regional Manager or the Director,
- f. if an error has occurred and no Notice has been given with respect to it, the Notice shall be deemed to have been given on the date on which the Regional Manager or the Director became aware of the error or probable error,
- g. no person who discovers or otherwise becomes aware of a mathematical error in a stumpage determination shall be obliged to send the Notice as required herein if that person, on reasonable grounds, believes that someone else has sent the Notice with respect to the same error,
- h. the reappraised rate does not apply to timber scaled before the first of the month following the date upon which the Notice was given. No remedy will be available with respect to timber scaled before the first of the month,
- i. in this section, a mathematical error is any of the following:
 - i. an error in transcribing or compiling approved cruise field data, or in the application of approved loss factors and taper equations,
 - ii. an error in a calculation made as part of the appraisal datasheet,
 - iii. an error in transcribing the data from an approved appraisal datasheet or in performing the calculations specified in the manual,
 - iv. an error in the application of published appraisal parameters,

A difference between cruise estimates and actual timber quality or quantity does not constitute an error in the appraisal.

A difference between appraisal estimates of selling price or operating cost and the licensee's experience does not constitute an error in the appraisal.

Omissions of data on an approved datasheet does not constitute an error in the appraisal.

5. Minister's Direction

The Minister of Forests may direct that a reappraisal be made at any time and that the redetermined stumpage rate be effective on any future date. The reappraisal is made according to the appraisal manual in effect on the effective date of the reappraisal.

2.4 Extension of Term

- a. When a licensee has elected the fixed stumpage rate option for a timber sale licence in the Small Business Forest Enterprise Program, that stumpage rate remains fixed for the term and all extensions.
- b. When a woodlot licensee has a cutting authority where the term is for two years or less, the licensee may elect the fixed stumpage rate option. That fixed stumpage rate shall remain in effect for the term and all extensions.
- c. When the stumpage rate was fixed other than by the election of the fixed rate option and the term is extended, the regional manager may either extend that stumpage rate or reappraise the cutting authority.
- d. Miscellaneous stumpage rates (see Section 6.6) will be based on the appraisal manual rate table in effect on the date of scale, except for those cutting authorities that contain miscellaneous stumpage rates specified in their cutting authority document.
- e. When a cutting authority that includes the authorization to harvest timber licence volume has the term extended, the stumpage rate will be determined under d. above, if:
 - the cutting authority has a term that began before May 1, 1995, and
 - the cutting authority area was not appraised.

2.5 Point of Appraisal

Cutting authorities are appraised to the point of appraisal that results in the least total operating cost estimate.

The recognized Points of Appraisal are:

<u>Location</u>	<u>Code</u>	<u>Details</u>
Alberni	ALBE	The head of Alberni Inlet
Chemainus	CHEM	Tie-up grounds in the vicinity of Chemainus representing the facilities from Nanaimo Harbour to Cowichan Bay
Gambier Island	GAMB	Representing all facilities in the Howe Sound area
Pitt River Bridge	PIRV	Representing the facilities near the confluence of the Fraser and Pitt Rivers.

2.6 Calculation Conventions

All operating cost calculations are performed to the full capacity of the calculating machine with the results truncated at four places of decimals and rounded to two places.

Results from 5 to 9 are rounded upward and from 1 to 4 rounded downward.

After each phase cost estimate (\$/m³) has been rounded to the nearest cent, it is summed with other estimates to obtain the total cost estimate.

Where values are specified as limits (constraints or requirements for equations), they are treated as absolute values and actual measurements or records are not rounded before use unless otherwise specified.

Stumpage rate calculations are performed according to the methods specified in the document entitled **SPECIFICATIONS: CALCULATING STUMPAGE RATES FOR COAST APPRAISALS** approved by the Director, Revenue Branch.

2.7 Immature Coniferous Timber

Immature coniferous timber is defined as being less than 121 years old (Timber Utilization Policy).

The volume of mature and immature timber will be compiled on a tree by tree basis and the percentage of the total coniferous Cutting Authority volume represented by the immature timber will be calculated.

Using this calculated percentage, any Cutting Authority that contains 80 percent or greater immature coniferous timber volume will be appraised as immature timber using an Immature Average Market Value schedule.

4.9 Cost Trend

A cost trend factor is separately applied to the total logging and the basic silviculture cost estimates. The factors cover the period from the effective date of the cost base to the effective date of the stumpage rate calculation. Cost trends are shown in the following table, based on a 1% per annum rate.

Table 4-8: Trend Factor by Effective Date

***APPRAISAL EFFECTIVE DATES AFTER APRIL 1, 1992 AND BEFORE
OCTOBER 31, 1992 (cost base July 1, 1989)***

Stumpage Adjustment Date (or Appraisal Effective Date)	Trend Factor
April - June, 1995	1.058
July - September, 1995	1.061
October - December, 1995	1.063
January - March, 1996	1.066
April - June, 1996	1.068

***APPRAISAL EFFECTIVE DATES AFTER NOVEMBER 1, 1992 AND BEFORE
JANUARY 1, 1994 (cost base July 1, 1990)***

Stumpage Adjustment Date (or Appraisal Effective Date)	Trend Factor
April - June, 1995	1.048
July - September, 1995	1.051
October - December, 1995	1.053
January - March, 1996	1.056
April - June, 1996	1.058

**APPRAISAL EFFECTIVE DATES AFTER JANUARY 1, 1994 AND BEFORE
JANUARY 1, 1995 (cost base July 1, 1992)**

Stumpage Adjustment Date (or Appraisal Effective Date)	Trend Factor
April - June, 1995	1.028
July - September, 1995	1.031
October - December, 1995	1.033
January - March, 1996	1.036
April - June, 1996	1.038

**APPRAISAL EFFECTIVE DATES AFTER JANUARY 1, 1995 (cost base
July 1, 1993)**

Stumpage Adjustment Date (or Appraisal Effective Date)	Trend Factor
July - September, 1995	1.020
October - December, 1995	1.023
January - March, 1996	1.025
April - June, 1996	1.028

The trend factor is applied to the Total Logging Cost Estimate and the Basic Silviculture cost estimate at the effective appraisal date and at the date of each stumpage rate adjustment.

6.4 Small Business Forest Enterprise Program (SBFEP) Sales

For appraisal purposes, the SBFEP includes:

- all Timber Sale Licences issued under the *Forest Act*, Sections 16 and 16.1; and
- all TSLs issued under the *Forest Act*, Section 18 except 18 (1)(b) and 18(1)(c).

| Fixed/Adjustable Stumpage Rates for SBFEP Cutting Authorities:

The adjustable rate option can be provided to a licensee only if the upset rate has been determined by means of a full appraisal. The data may be site-specific or may be obtained from one or more comparable cutting authorities. If the District Value Index method is used, the upset and hence the total stumpage rate is fixed for the term of the cutting authority and all extensions.

During the term of the cutting authority, a licensee's election of fixed stumpage rates also precludes any correction to the upset stumpage rate determination that would otherwise be warranted because of an error in the appraisal.

| Section 16 Timber Sale Licences (Prior to May 1, 1994)

A licensee who holds a timber sale licence issued under Section 16 of the *Forest Act* that was advertised or awarded prior to May 1, 1994 may elect to have the stumpage rate on that licence fixed at the April 30, 1994 level for the term and all extensions. The election must have been made prior to July 1, 1994.

| Section 16.1 Timber Sale Licences (Prior to May 1, 1994)

For a timber sale licence issued under Section 16.1 of the *Forest Act*, the licensee may have elected to have the stumpage rate fixed at the April 30, 1994 level until April 30, 1996 on timber marks issued under that licence if:

- the timber sale licence was advertised or awarded prior to May 1, 1994,
- the timber mark was issued prior to May 1, 1994, and
- the election to fix rates was made before July 1, 1994.

The above timber marks with rates fixed until April 30, 1996 will be reappraised effective May 1, 1996. All subsequent reappraisals for those timber marks will be as per Section 2.3.

6.5 Levies

The amount of any levy may be redetermined at reappraisals only.

i. Basic Silviculture Levy

A basic silviculture cost estimate is made for every cutting authority that will require basic silviculture, including those with a volume of less than 2 000 m³.

A basic silviculture levy may be added to the Reserve Stumpage Rate. The levy is \$0.00/m³ if no Crown expenditures are anticipated for basic silviculture, or the district manager may set the levy at \$0.00/m³ if the sale is offered under the *Forest Act*, Section 16, and the district manager is satisfied that there will be competition for the sale. Otherwise the silviculture levy is equal to the appraisal estimate of basic silviculture costs (trended at the time of the appraisal).

ii. Development Levy

A development levy may be added to the Reserve Stumpage Rate. The levy is \$0.00/m³ if no Crown expenditures are anticipated for road construction and other services, or the district manager may set the levy at \$0.00/m³ if the sale is offered under the *Forest Act*, Section 16, and the district manager is satisfied that there will be competition for the sale. Otherwise, the development levy is equal to the appraisal cost estimate of road construction and other extraordinary services provided by the Crown as determined by the regional manager (trended at the time of the appraisal).

6.6.2 Miscellaneous Stumpage Rates for Timber Licences

The stumpage rates in Table 6-2 apply only to timber licence cutting authorities that are not appraised and have a cutting authority term that began before May 1, 1995.

For each species of timber in column 1 of Table 6-2, the stumpage rate immediately opposite that species in columns 2, 3 and 4 respectively, apply to:

- all products scaled in the indicated forest regions before July 1, 1995,
- sawlogs scaled in the indicated forest regions on and after July 1, 1995.

Table 6-2: Miscellaneous Stumpage Rates for Timber Licences

Column 1 Species of timber	<i>Forest Region</i>		
	Column 2 Vancouver except the Mid-Coast and Queen Charlotte forest districts (that part west of the Cascades Mountains) \$/cubic metre	Column 3 Prince Rupert and the Mid-Coast and Queen Charlotte forest districts (that part west of the Cascades Mountains) \$/cubic metre	Column 4 All forest regions and those parts of regions east of the Cascade Mountains \$/cubic metre
Fir	36.80	28.40	20.90
Spruce	40.70	32.90	20.00
Balsam	20.60	17.20	17.60
Cedar	18.30	14.70	22.00
Hemlock	19.90	16.00	19.40
Cypress	37.30	29.10	20.20
White pine	20.10	17.10	24.90
Yellow pine	20.10	17.10	21.30
Larch	20.10	17.10	20.90
Lodgepole pine	13.00	10.10	18.20
Other conifers	20.10	17.10	20.20
All non-conifers	1.00	1.00	0.50
All species Grades 3, 4, 5, and 6	N/A	N/A	0.25
All species Firmwood reject	Nil	Nil	Nil
All species Grade Y	0.25	0.25	N/A

