



MEMORANDUM

File: 195-30/CAPP

May 26, 1998

To: Regional Managers

From: The Honourable David Zirnhelt
Minister of Forests

I hereby approve Amendment No. 1 to the *Coast Appraisal Manual*, and attach a copy of it for your use. The following sections are amended:

- Section 1.6 This section now references the Statistics Canada pulpwood chip index as a factor which affects the quarterly stumpage adjustment.
- Section 5.4 The target rate calculation methodology has been revised.
- Table 6-2: The stumpage rate table for timber licences whose cutting authority began prior to May 1, 1995, has been revised to reflect the changes in target rate calculation.

This letter also authorizes a stumpage adjustment effective June 1, 1998. For the June 1, 1998, adjustment, the April 1, 1998, quarterly stumpage adjustment parameters will be used with the exception of the base rate and target rate, which will be recalculated according to this amendment.

Section 11(3)(b) of the *B.C. Forest Renewal Act* applies to this entire amendment.

This amendment will come into force on June 1, 1998. Further amendments or revisions to this manual require my approval.

David Zirnhelt
Minister

Attachment

pc: Bill Howard, Director, Revenue Branch

All Subscribers, *Coast Appraisal Manual*



FOR FURTHER INFORMATION CONTACT:

George Silvestrini
Sr. Timber Pricing Forester (Coast)
Revenue Branch
Ministry of Forests
Victoria, B.C.
V8W 3E7
Phone: 387-8377
PROFS userid: GSILVEST
FAX: 387-5670

MANUAL TITLE

Coast Appraisal Manual

REVISION No.
1

ISSUE DATE
June 1, 1998

MANUAL CO-ORDINATOR

Judy Laton
Revenue Branch

AUTHORIZATION (Name, Title)

W. Howard
Director, Revenue Branch

Please make the following changes to your copy of the above Ministry manual. Please insert the following specified pages and **file this notice** immediately after the Amendments Tab.

ACTION (Remove/Insert)	(VOL.) CHAPTER-SECTION-SUBJECT	PAGE(S)	COMMENTS
	TABLE OF CONTENTS		
REMOVE	Chapter 1	7, 8	
INSERT	Chapter 1	7, 8	
REMOVE	Chapter 5	5, 6	
INSERT	Chapter 5	5, 6	
REMOVE	Chapter 6	9, 10	
INSERT	Chapter 6	9, 10	

The Coast Target Rate is adjusted to the Coast Base Rate as described in the publication *Specifications: Calculating Stumpage Rates for Coast Appraisals*.

1.6 Stumpage Adjustments

Unless a cutting authority or the application and tender for a timber sale licence specifies that stumpage rates are fixed for a specified period or for the full term of the cutting authority, stumpage rates are adjusted quarterly on January 1, April 1, July 1, and October 1 of each year, subject to Section 6.4.

Commencing each quarter, the stumpage rates are adjusted to reflect changes in estimated Average Selling Prices based on revised average market values (as authorized in this manual since the previous adjustment) and the recalculated Operating Cost based on the appropriate trend factors in Section 4.9. In addition, the adjustment reflects changes in the Statistics Canada Coast Softwood Lumber Index, the Statistics Canada Pulpwood Chip Index for British Columbia, the Coast Base Rate and the Coast Mean Value Index (see Section 5).

5.4 Market Value Indexing

At the times specified in Section 1.6, target rates are adjusted upwards or downwards to reflect changes in the value of softwood lumber and wood chips as indicated by Statistics Canada.

On the coast, softwood lumber is represented by Statistics Canada price index P2460. The price of wood chips in British Columbia is represented by Statistics Canada price index P2513.

The average lumber and chip indexes from the appropriate three month period (shown below) are combined, with lumber receiving a weight of 90.3% and chips 9.7%. The combined index is then multiplied by a normalization factor of 1.763. This factor equates the new lumber/chip composite index (1992=100) with the Statistics Canada lumber index (1981=100) at April 1, 1998. During the calculations described above, no rounding is done. The final composite index (INDEX) is rounded to one decimal place before being entered into the appropriate formula below.

New Coast Target Rate Calculation:

1. If the INDEX is less than or equal to 188.8 then, $TR = \frac{INDEX}{138.5} * 10.59$
2. If the INDEX is greater than 188.8 then, $TR = 14.43 + \left[\frac{(INDEX - 188.8)}{49} * 7.45 \right]$

Where: TR = New Target Rate (\$/m³)

Quarterly Stumpage Rate Adjustment Date	INDEX based on Statistics Canada price indexes for the months of:
January 1	Preceding August, September, October
April 1	Preceding November, December, January
July 1	Preceding February, March, April
October 1	Preceding May, June, July

The applicable index is published by Revenue Branch at the time of each quarterly stumpage adjustment. When distributed it becomes an integral part of this manual.

5.5 Base Rate

The Coast Base Rate is redetermined and published by Revenue Branch at the time of each quarterly stumpage rate adjustment. When distributed it becomes an integral part of this manual.

6.6.2 Miscellaneous Stumpage Rates for Timber Licences

The stumpage rates in Table 6-2 apply only to timber licence cutting authority areas 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 sawlogs scaled in the indicated forest regions on and after June 1, 1998.

Table 6-2: Miscellaneous Stumpage Rates for Timber Licences

Column 1 Species of timber	Forest Region		
	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	36.90	28.50	22.70
Spruce	46.00	37.20	21.70
Balsam	19.90	16.60	19.10
Cedar	21.70	17.40	29.50
Hemlock	19.20	15.60	20.60
Cypress	29.70	24.00	23.00
White pine	20.30	17.80	27.50
Yellow pine	20.30	17.80	20.50
Larch	20.30	17.80	22.70
Lodgepole pine	9.80	9.50	20.20
Other conifers	20.30	17.80	23.00
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

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