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To: Coast Regional Managers

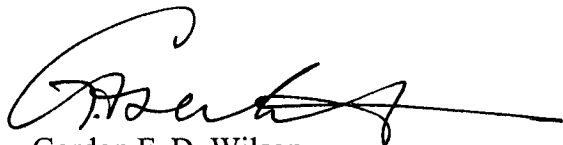
From: The Honourable Gordon Wilson
Minister of Forests

Re: Amendment No. 4 to the *Coast Appraisal Manual*

I hereby approve Amendment No. 4 to the *Coast Appraisal Manual* and attach a copy for your use.

This amendment revises Section 7.3, Log Selling Prices, for the Market Pricing System calculation from a one month to a three month average.

This amendment will come into force on January 1, 2001. Further amendments or revisions to this manual require by approval.

A handwritten signature in black ink, appearing to read "G. Wilson", with a long horizontal flourish extending to the right.

Gordon F. D. Wilson
Minister

Attachment

pc: Bill Howard, Director, Revenue Branch

All Subscribers, *Coast Appraisal Manual*



FOR FURTHER INFORMATION CONTACT:

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MANUAL TITLE

Coast Appraisal Manual

REVISION No.

Amendment No. 4

ISSUE DATE

January 1, 2001

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 7	5 - 6	
INSERT	Chapter 7	5 - 6	
INSERT	Minister's Letter and Manual Transmittal		After Amendments Tab

7.3 Log Selling Prices

Invoiced (f.o.b.) log market values are compiled from prime, domestic, arms-length sales reported to occur in areas adjacent to the Strait of Georgia; the Strait of Juan de Fuca and the Alberni Inlet east of a line drawn south from Amphitrite Point; Johnstone Strait; the Queen Charlotte Strait south of a line drawn west from Cape Caution; and the Fraser River west of the bridge at the confluence of the Pitt River. The cut off date for the collected log market value input is approximately forty-five (45) days prior to the stumpage rate adjustment date.

For the Market Pricing System a set of average log market values by species and log grade is developed using sales data for each three-month reporting period. The three-month sales data is used to produce a schedule of average market values by species and log grade for mature timber stumpage rate determinations published monthly by Revenue Branch for stumpage rate calculations.

The same three-month schedule is adjusted on a species grade level to create a schedule for MPS second growth average log market values to be used for second growth MPS stumpage rate determinations. See Section 2.7 for the definition of second growth.

The second growth schedule adjustment table will be reviewed and/or updated as determined by the Director, Revenue Branch.

7.3.1 Log Grade Percentage

To calculate log grade percentages, use the procedures in Section 3.2. However, Section 3.3.1 Low Volume Cypress Exception does not apply to MPS.

7.3.2 Calculation of Stand Selling Price

To calculate the stand selling price, use the procedures in Section 3.3. Note that for the calculation of stand selling price under MPS the volumes and prices of Alder, Birch, Maple, and Cottonwood are omitted from the calculation.

7.4 Stumpage Calculations

7.4.1 List of MPS Variables

MARKET STUMPAGE PRICE	Market Stumpage Price for the cutting authority in \$/m ³ .
ALP	Average log selling price estimate (\$/m ³) based upon log grades and species for the cutting authority area, and schedules of log market values collected and published by Revenue Branch.
VPH	Volume per hectare in m ³ /ha. Calculated by dividing the total net coniferous cruise volume (m ³) by the total merchantable area (ha).
HP	Fraction of coniferous volume that will be helicopter logged. This is calculated by dividing the coniferous volume to be harvested by helicopter by the cutting authority area's total net cruise volume.
SOR	The untrended specified operation cost estimate (\$/m ³) as determined by the Regional Appraisal Coordinator. For the list of specified operations refer to Section 4.1.1.
HD	Truck haul distance (km). This is calculated using the procedures in Section 4.5.1.
ln (NB)	The natural logarithm of the number of bidders competing for the cutting authority.
VOL	Total net cruise volume of coniferous timber (m ³).
CPIF	BC Consumer Price Index (P110000) for current month divided by the base CPI of 109.3.

7.4.2 Preliminary Upset Stumpage Rate (Step 1)

Use the following equation to calculate the preliminary upset stumpage rate.

$$\text{Preliminary Market Stumpage Price} = [-56.1836 + 0.9916 (\text{ALP}/\text{CPIF}) + 14.6050 (\text{VPH}/1000) - 36.8188 (\text{HP}) - 6.4322 (\text{RS}) - 0.7053 (\text{SOR}/\text{CPIF}) - 0.1232 (\text{HD}) + 10.4944 * \ln (\text{NB}) - \text{FD}] * \text{CPIF}$$