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To: Regional Managers - Coast

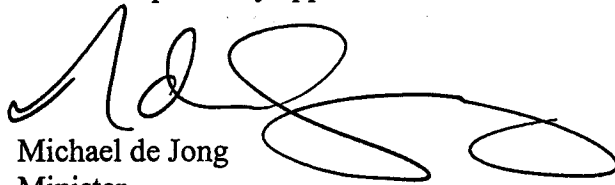
From: The Honourable Michael de Jong
Minister of Forests

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.

Section 5.4, Market Value Indexing has been amended to include the new Statistics Canada price indices to be used in the Coast target rate calculation.

This amendment will come into force effective this date. Further amendments or revision to this manual requires my approval.



Michael de Jong
Minister

Attachment

pc: Bill Howard, Director, Revenue Branch

All Subscribers, *Coast Appraisal Manual*



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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
Remove	Table of Contents	iii - iv	
Insert	Table of Contents	iii - iv	
Remove	Chapter 5	5 - 6	
Insert	Chapter 5	5 - 6	
Remove	Index	1 - 4	
Insert	Index	1 - 4	
Insert	Minister's Letter/Revision Transmittal		Behind Amendments Tab
Insert	January 1, 2002 Parameters		Behind Parameters Tab

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5.4 Market Value Indexing

At the times specified in Section 1.7, target rates are adjusted upwards or downwards to reflect changes in the value of softwood lumber and wood chips as indicated by Statistics Canada.

Statistics Canada has replaced the 1992=100 based price series with new series that have a base of 1997=100. For the January 1, 2002, and all subsequent target rates, the 1997=100 price series must be converted to a 1992=100 base before beginning calculation of the composite index as described in Section 5.4.2.

5.4.1 Converting Indexes From 1997=100 Base to 1992=100 Base

Coastal softwood lumber is represented by Statistics Canada price index P4799 (1997=100) which replaces P2460 (1992=100). To convert P4799 to a 1992=100 base, for use in Section 5.4.2, multiply by a link factor of 1.546.

Wood chips are represented by Statistics Canada price index P4856 (1997=100) which replaces P2513 (1992=100). To convert P4856 to a 1992=100 base, for use in Section 5.4.2, multiply by a link factor of 1.138.

5.4.2 Calculating the Composite Index

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.

5.4.3 Calculating the Target Rate

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.

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