

File: 280-20

October 31, 2003

BY EMAIL

To: Ken Collingwood
Regional Manager
Coast Forest Region

From: The Honourable Michael de Jong
Minister of Forests

Re: Amendment No. 7 to the *Coast Appraisal Manual*

I hereby approve Amendment No. 7 to the *Coast Appraisal Manual* and attach a copy for your use. The following sections have been amended:



Section 1.8	Housekeeping.
Section 2.6	Housekeeping.
Section 3.2.3	Housekeeping.
Section 6.5	Requires fixed stumpage rates for all new auctioned timber sale licences.

This amendment will come into force on November 1, 2003. Further amendments or revisions to this manual require my approval.

A handwritten signature in black ink, appearing to read "D. M.", followed by a long horizontal line extending to the right.

Michael de Jong
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. 7

ISSUE DATE

November 1, 2003

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
REMOVE	Chapter 1	9 - 10	After Chapter 1 Tab
INSERT	Chapter 1	9 - 10	After Chapter 1 Tab
REMOVE	Chapter 2	11 - 12	After Chapter 2 Tab
INSERT	Chapter 2	11 - 12	After Chapter 2 Tab
REMOVE	Chapter 3	5 - 6	After Chapter 3 Tab
INSERT	Chapter 3	5 - 6	After Chapter 3 Tab
REMOVE	Chapter 6	5 - 6	After Chapter 6 Tab
INSERT	Chapter 6	5 - 6	After Chapter 6 Tab
INSERT	Minister's Letter and Manual Transmittal		After Amendments Tab

1.8 Stumpage Adjustments (MPS)

1. For cutting authorities advertised prior to November 1, 2003, that elected to have, or have adjustable stumpage rates, the stumpage rates are adjusted quarterly on January 1, April 1, July 1, and October 1 of each year.
2. At the time of the quarterly adjustment, the upset rate will be recalculated based on the equations applicable for the appraisal effective date and the cutting authority area specific data. The monthly parameters (log selling prices and CPI) effective for the month of the adjustment will be used in the calculation instead of the original values. All other data (including the estimated number of bidders) remain unchanged.

This process is repeated quarterly until the cutting authority area is reappraised.

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2.6 Fixed Stumpage Rate and Extensions of Term

BC Timber Sales (BCTS)

1. A fixed stumpage rate for a timber sale licence means that the total stumpage rate will not change during the term of the timber sale licence and all extensions except where:
 - a. a reappraisal is done under section 2.3.1(d) due to sudden and severe damage, or
 - b. a reappraisal is done under section 2.3.3 because of a minister's direction.

Woodlots

2.
 - a. The stumpage rate for a cutting authority area issued under a woodlot licence shall be adjusted quarterly unless a woodlot licensee chooses in accordance with this section to have, or the woodlot licence has under section 2.6(2)(c), a fixed stumpage rate for the term of the cutting authority and all extensions.
 - b. A licensee may choose to change the adjusting stumpage rate to a fixed stumpage rate at any time upon giving three (3) weeks prior written notice of that choice to the regional appraisal coordinator. This choice is a one time irrevocable option that is not retroactive. Where proper notice is given the stumpage rate will be fixed.
 - c. Where a woodlot licence cutting authority has a stumpage rate that is not adjusted quarterly as of April 1, 2003, that stumpage rate shall remain fixed for the term of the cutting authority and all extensions.

The only exceptions are if a reappraisal is done under section 2.3.1(d) or under section 2.3.3.

District Average Value Index

3. Where the stumpage rate has been determined under section 6.1 or section 6.2 and the term of the cutting authority is extended the stumpage rate shall continue unchanged during the term of the cutting authority.

Miscellaneous Stumpage Rates

4. Miscellaneous stumpage rates (section 6.7) will be based on the *Coast Appraisal Manual* in effect on the date of scale, except for those cutting authorities that specify miscellaneous stumpage rates in their cutting authority document.

4. Before a two year billing history record for a species of timber can be used in an appraisal or reappraisal, that two year billing history record must be at least 25 percent of the cutting authorities' net cruise volume of that species or 2 000 m³ whichever is greater. For timber licences outside a tree farm licence the volume in the two-year billing history record must also be at least 25 percent or 2000 m³ for each species that comprise at least 20% of the cutting authorities' total net cruise volume.
5. Where there is not at least 25 percent of the cutting authorities' net cruise volume of that species or 2 000 m³ whichever is greater, within the two year billing history record of a tree farm licence area or a timber supply area.
 - a. the billing history record that will be used for that species of timber will be the five year billing history record, and
 - b. where the effective date of the appraisal or reappraisal falls within the period of the year listed in Column 1 of Table 3-1 or Table 3-2, the five year billing history shall end on the corresponding date in Column 2 of Table 3-1 or Table 3-2, which immediately precedes the effective date of the appraisal or reappraisal.
6. Where the cutting authority area of a cutting authority is issued under a woodlot licence is appraised or reappraised the log grade percentages for each species of timber will be derived from the cruise compilation algorithm predictions.
7. Where the cutting authority area of a cutting authority issued under the small business forest enterprise program, or a replaceable timber sale licence that does not consist of second growth coniferous timber is appraised or reappraised, the log grade percentages for each species of timber will be derived from:
 - a. the two year billing history record, where the two year billing history record for that cutting authority includes at least 25 percent of the cutting authorities' net cruise volume of that species or 2 000 m³ whichever is greater, or
 - b. the cruise compilation algorithm predictions, where the two year billing history record for that cutting authority does not include at least 25 percent of the cutting authorities' net cruise volume of that species or 2 000 m³ whichever is greater.
8. Where the cutting authority area being appraised or reappraised contains second growth coniferous timber and is not a cutting authority area referred to in subsections (6) or (7) of this section, the log grade percentages for each species of timber will be derived from either:
 - a. the two year billing history record, where the two year billing history record for that cutting authority includes at least 25 percent of the cutting authorities' net cruise volume of that species or 2 000 m³ whichever is greater, or

- b. the cruise compilation algorithm predictions, where the two year billing history record for the cutting authority does not include at least 25 percent of the cutting authorities' net cruise volume of that species or 2 000 m³ whichever is greater.
- 9. Where the entire net cruise volume of the cutting authority area being appraised or reappraised will be harvested by single tree selection, the log grade percentage for each species of timber will be derived from the cruise compilation algorithm predictions.
- 10.
 - a. For cruises compiled before April 1, 2002, the cruise summary log grade data for cedar grades D and K, F and L, and I and M must be separated by using the proportional grade percentages from the first appropriate level in section 3.2.3.
 - b. For cruises compiled on and after April 1, 2002 the cedar grades will be separated by the cruise compilation program.

3.2.3 Source of Log Grade Percentage for Each Cutting Authority

- 1. Except for those cutting authorities or cutting authority areas referred to in subsections 3.2.2 (6), 3.2.2 (7), and 3.2.2(9), the log grade percentages for each species of timber for the cutting authority area being appraised or reappraised will be determined in accordance with:
 - a. Section 3.2.3.1, where the cutting authority area is entirely within the geographic boundaries of one tree farm licence, or
 - b. Section 3.2.3.2, where the cutting authority area is entirely within the geographic boundaries of one timber supply area.

3.2.3.1 Log Grade Percentages for a Cutting Authority Area Within the Geographic Boundaries of a Tree Farm Licence

Where the cutting authority area being appraised or reappraised is entirely within the geographic boundaries of a single tree farm licence area, the log grade percentages for the cutting authority area will be determined in the following manner:

- 1.
 - a. Where the cutting authority area is comprised of at least eighty percent second growth coniferous timber, the log grade percentages for that cutting authority area will be determined in accordance with the requirements of subsection 3.2.2 (8).
 - b. Where the cutting authority area is not comprised of at least eighty percent second growth coniferous timber, then the person determining the stumpage

6.4 Partially Harvested Timber

In the case of decked timber, or timber which has been felled and bucked, such as on rights-of-way, and the volume exceeds 300 m³, a full cost estimate appraisal is completed on an “as is, where is” basis.

6.5 BC Timber Sales

1. For appraisal purposes, the BC Timber Sales includes:
 - a. all timber sale licences issued under the *Forest Act*, sections 20 and 21, and
 - b. all timber sale licences issued under the *Forest Act*, section 23 except 23(1)(a) and 23(1)(b).

Adjustable Stumpage Rates

2. The adjustable rate option can only be provided to a licensee if the upset rate has been determined by means of a full appraisal and the timber sale licence was advertised before November 1, 2003. The data for the full appraisal may be site-specific or may be obtained from one or more comparable cutting authority areas. Once a selection has been made, it remains in effect for the term and all extensions.

For sections 20 and 21 timber sale licences (on and after January 1, 1999) refer to chapter 7.

Fixed Stumpage Rates

3. All timber sale licences awarded under section 20 of the *Forest Act* that have been advertised on and after November 1, 2003 will have fixed stumpage rates.

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. The only exceptions are if a reappraisal is done under section 2.3.1(d) due to sudden and severe damage or section 2.3.3 because of a minister's direction.

Fixed stumpage rates precludes any correction to the upset stumpage rate determination that would otherwise be warranted because of an error in the appraisal.