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BY EMAIL

To: Cindy Stern
Regional Manager
Coast Forest Region

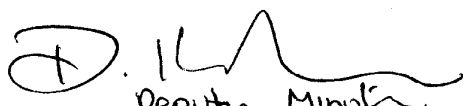
From: The Honourable Michael de Jong
Minister of Forests

Re: Amendment No. 3 to the *Coast Appraisal Manual*

I hereby approve Amendment No. 3 to the *Coast Appraisal Manual*, and attach a copy for your use. The following section has been amended.

Section 4.2.2.2(11):	Log grade source for forest licence subdivisions will be combined with the "parent" licence for two years.
Section 4.4.6:	Extension of second growth adjustment.
Section 7.3:	Clarification of road permit description.

This amendment will come into force on January 1, 2005. Further amendments or revisions to this manual require my approval.



Deputy Minister
Michael de Jong
Minister

Attachment

pc: Bill Howard, Director, Revenue Branch

All Subscribers, *Coast Appraisal Manual*



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FOR FURTHER INFORMATION CONTACT:

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MANUAL TITLE

Coast Appraisal Manual

REVISION No.

Amendment No. 3

ISSUE DATE

January 1, 2005

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 4	9 - 14 21 - 22	After Chapter 4 Tab
INSERT	Chapter 4	9 - 14 21 - 22	
REMOVE	Chapter 7	3 - 6	After Chapter 7 Tab
INSERT	Chapter 7	3 - 6	
INSERT	Minister's Letter and Transmittal		After Amendments Tab

- 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 using helicopter single standing stem 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 grades D and K, F and L, and I and M of cedar must be separated by using the proportional grade percentages from the first appropriate level in section 4.2.2.3.
 - b. For cruises compiled on and after April 1, 2002, the cedar grades will be separated by the cruise compilation program.
- 11. Where a forest licence is subdivided into one or more new forest licences under section 19 of the *Act*, for a period of two years after the date of the subdivision the log grade percentages for the cutting authority area determined under section 4.2.2.3.2 will be the combined billing history record for both the new licence(s) and the original licence that existed prior to the subdivision.

4.2.2.3 Source of Log Grade Percentage for Each Cutting Authority

- 1. Except for those cutting authorities or cutting authority areas referred to in subsection 4.2.2.2(6), 4.2.2.2(7), and 4.2.2.2(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 4.2.2.3.1, where the cutting authority area is entirely within the geographic boundaries of one tree farm licence, or
 - b. section 4.2.2.3.2, where the cutting authority area is entirely within the geographic boundaries of one timber supply area.

4.2.2.3.1 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

- 4.2.2.2(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 rate will proceed to subsection 2 of this section.
- 2. a. Where the cutting authority area is the only cutting authority area in the cutting authority and is entirely within the geographic boundaries of a single timber licence, the person determining the stumpage rate will proceed to subsection 3 of this section.
 - b. Where subsection 2 (a) of this section is not applicable, the person determining the stumpage rate will proceed to subsection 4 of this section.
- 3. a. Where the species being considered has a billing history record for that timber licence that meets the criteria of subsection 4.2.2.2(4), then that billing history record will be the source of the log grade percentages for that species.
 - b. Where there is no such billing history record, the person determining the stumpage rate will proceed to subsection 4 of this section.
- 4. a. Where the species being considered has a billing history record for the portion of the tree farm licence area that lies within the geographic boundaries of the forest district that contains the cutting authority area and that meets the criteria of subsection 4.2.2.2(4), then that billing history record will be the source of the log grade percentages for that species.
 - b. Where there is no such billing history record, the person determining the stumpage rate will proceed to subsection 5 of this section.
- 5. a. Where the species being considered has a two year billing history record for the entire tree farm licence area that contains at least twenty-five percent of the cutting authorities' net cruise volume of that species or 2 000 m³ whichever is greater, then that billing history record will be the source of the log grade percentages for that species.
 - b. Where there is no such billing history record, the person determining the stumpage rate will determine the log grade percentages for that species in accordance with subsection 4.2.2.2(5).

4.2.2.3.2 Log Grade Percentages for a Cutting Authority Area Within a Timber Supply Area

Where the cutting authority area being appraised or reappraised is entirely within the geographic boundaries of a single timber supply 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 4.2.2.2(8).
b. Where the cutting authority area is not comprised of at least eighty percent second growth coniferous timber the person determining the stumpage rate will proceed to subsection 2 of this section.
2. a. Where the cutting authority area is entirely within the geographic boundaries of a timber licence or licences, the person determining the stumpage rate will proceed to subsection 3 of this section.
b. Where the cutting authority area is not entirely within the geographic boundaries of a timber licence or licences, the person determining the stumpage rate will then proceed to subsection 4 of this section.
3. a. Where the species being considered has a billing history record for that timber licence or licences that meets the criteria of subsection 4.2.2.2(4), then that billing history record will be the source of the log grade percentages for that species.
b. Where there is no such billing history record, the person determining the stumpage rate will proceed to subsection 6 of this section.
4. a. Where the species being considered has a billing history record for the supply block of the timber supply area for the cutting authorities that were issued under the same licence as the cutting authority area being appraised or reappraised and that billing history record meets the criteria of subsection 4.2.2.2(4), then that billing history record will be the source of the log grade percentages for that species.
b. Where there is no such billing history record, the person determining the stumpage rate will proceed to subsection 5 of this section.
5. a. Where the species being considered has a billing history record for the timber supply area for the cutting authorities that were issued under the same licence as the cutting authority area being appraised or reappraised and that billing history record meets the criteria of subsection 4.2.2.2(4), then that billing history record will be the source of the log grade percentages for that species.
b. Where there is no such billing history record, the person determining the stumpage rate will proceed to subsection 6 of this section.
6. a. Where the species being considered has a billing history record for the entire supply block in the timber supply area that meets the criteria of subsection

- 4.2.2.2(4), then that billing history record will be the source of the log grade percentages for that species.
- b. Where there is no such billing history record, the person determining the stumpage rate will proceed to subsection 7 of this section.
7. a. Where the species being considered has a two year billing history record for the entire timber supply area that meets the criteria of subsection 4.2.2.2(4), then that billing history record will be the source of the log grade percentages for that species.
- b. Where there is no such billing history record, the person determining the stumpage rate will determine the log grade percentages for that species in accordance with subsection 4.2.2.2(5).

4.2.2.4 Damaged Timber

Where the regional manager determines that timber in a cutting authority area is suddenly and severely damaged, then notwithstanding section 4.2.2.1, 4.2.2.2 and 4.2.2.3, the log grade percentages for the cutting authority area being appraised or reappraised may be estimated from available site specific information.

4.2.3 Stand Selling Price

1. The stand selling price shall be calculated in an appraisal or reappraisal by using the net cruise volumes and species selling prices of the following species of timber:

Balsam	Lodgepole Pine
Cedar	White Pine
Cypress	Sitka Spruce
Fir	Engelmann Spruce
Hemlock	

4.2.3.1 Stand Selling Price Calculation

1. Subject to subsection 2 of this section:
 - a. a species grade value for a species of timber in a cutting authority area is the product of the percentage of that grade of that species as derived from section 4.2.2 multiplied by the average log market value for that grade of that species of timber,

- b. a species selling price for a species of timber in a cutting authority area is the sum of all of the species grade values for that species of timber in the cutting authority area,
 - c. the rounded species selling price is the species selling price for a species of timber in a cutting authority area rounded to the nearest cent,
 - d. a species value is the product of the rounded species selling price multiplied by the species net cruise volume in the cutting authority area, and
 - e. the stand selling price is the quotient of the sum of all of the species values in a cutting authority area divided by the total net cruise volume of all of the species in the cutting authority area.
2. For the purposes of determining a stand selling price:
- a. in the Pemberton, Yale and Nahatlatch timber supply blocks:
 - i. all spruce is deemed to be Engelmann spruce, and
 - ii. the hemlock and balsam average log market value will be used to determine the species grade values for all spruce in the cutting authority area,
 - b. where outside the Pemberton, Yale and Nahatlatch timber supply blocks:
 - i. Engelmann spruce is identified as the predominant spruce species in the cruise of the cutting authority area, or
 - ii. the district manager determines that Engelmann spruce is the predominant spruce species in the cutting authority area,

the hemlock and balsam average log market values will be used to determine the species grade values of all spruce in the cutting authority area,
 - c. where a cutting authority area is located on Cortes Island or on an Island between Vancouver Island and the British Columbia mainland west of a line drawn between Grief Point near Powell River and the Tsawwassen ferry terminal, and south of 50 degrees north latitude, the second growth Douglas-fir average log market values will be used to calculate the species selling price for all Douglas-fir timber.

4.2.4 Truck Hauling

1. Truck hauling is the transportation of logs from the cutting authority area by truck and all rehaul situations.
2. Truck haul distance, is the net cruise volume weighted average one-way haul distance measured in kilometres and rounded to the nearest 0.1 km from the geographical centre of each part of the cutting authority area to the appraisal log dump.
3. The truck haul distance (HAUL) is established by:
 - a. determining for each cutblock the shortest distance between the geographical centre of the cutblock and the nearest road,
 - b. determining for each cutblock the distance from the point on the road determined in paragraph (a) of this subsection to the first road junction which all may be accessed by road from each of the points determined in paragraph (a),
 - c. weighting for each cutblock the distance from the cutblock to the road junction by the net cruise volume of timber on the cutblock,
 - d. determining the weighted average distance of the cutblocks to the road junction, and
 - e. measuring the distance from the road junction to the appraisal log dump.
4. The truck haul distance is the sum of the weighted average distance of the cutblocks to the road junction plus the distance from the road junction to the appraisal log dump plus the rehaul distance if required for inland water transportation provided for under section 4.4.2.

4.2.5 Marine Log Transportation

4.2.5.1 Point of Appraisal

1. Using table 4-4 or 4-5 the point of appraisal for the corresponding point of origin shall be used in the appraisal of the cutting authority area.
2. The Points of Appraisal are:

<u>Points of Appraisal</u>	<u>Location</u>
Alberni	At the head of Alberni Inlet.
Chemainus	At Chemainus Bay.

4.4.4 Clayoquot Sound Operating Costs

1. For the purposes of this section the Clayoquot Sound area is:

That part of the Hesquiat Peninsula, Esowista Peninsula, and the Islands, sea and all lands and waters draining into the Pacific Ocean from the height of land between Escalante Point and Quisitis Point.

2. An adjustment of \$13.31/m³ will be included in an appraisal or a reappraisal of a cutting authority area that is located entirely within the Clayoquot Sound area.

4.4.5 Helicopter Single Standing Stem Selection

1. In this manual helicopter single standing stem selection means the harvesting of standing single trees that have been marked, limbed, undercut and wedged and then broken from the stump and removed using a helicopter.
2. The adjustment for helicopter single standing stem selection includes the cost of marking, climbing, limbing, undercutting, wedging, breaking and removal of the tree by helicopter.
3. The adjustment for helicopter single standing stem selection is \$37.78/m³.

4.4.6 Second Growth Coniferous Timber

1. A second growth coniferous timber adjustment will be included in an appraisal or reappraisal of the cutting authority area as follows:
 - a. For an appraisal where the effective date of the stumpage rate determined is:
 - i. between February 29, 2004 and **June 30, 2005**, the adjustment shall be \$3.67/m³;
 - ii. between **July 1, 2005** and December 31, 2005, the adjustment shall be \$1.84/m³.
 - b. No adjustment will be included in an appraisal or a reappraisal of a cutting authority area where the effective date of the stumpage rate determined is after December 31, 2005.

4.5 Final Estimated Winning Bid

1. Subject to subsection 3 of this section the Final Estimated Winning Bid (FEWB) is the difference between the preliminary estimated winning bid and the total of the specified operations adjustments that are applicable to the appraisal or reappraisal of the cutting authority.
2. Expressed as an equation:

$$\text{FEWB} = \text{PEWB} - \text{SOA}$$

Where:

PEWB = The Preliminary Estimated Winning Bid determined under section 4.3.2.

SOA = The sum of specified operations adjustments considered in an appraisal or a reappraisal of a cutting authority area as may be calculated under sections 4.4.1 through 4.4.6 and expressed in \$/m³.

3. Where the FEWB calculated is less than \$0.25/m³, then the FEWB shall be \$0.25/m³.

7.2 Cutting Authority Area With Not More than 2 500 m³ of Timber Volume

1. Where a cutting authority area has less than 2 500 m³ of timber the stumpage rate may be determined:
 - a. by estimating the volume of each species of the timber in the cutting authority area appraised,
 - b. using the stumpage rates that the Revenue Branch determines under section 7.1 for each of those species in the forest district in which the cutting area is located, and
 - c. determining the weighted average stumpage rate for all of the species of timber in the cutting authority area.
2. The stumpage rate calculated under this section is not adjusted quarterly.

7.3 Road Permits

1. Except as provided in subsection (2) of this section, the stumpage rate for a road permit will be determined using Ministry stumpage billing records.
2. The stumpage rate for a road permit issued in conjunction with a timber sale licence entered into under sections 20, 21 and 23 of the *Act* or a licence to cut entered into under Section 47.6 of the *Act* will be the stumpage rate applicable to the cutting authority that authorizes harvesting in the cutting authority area to which the road permit provides access.
3. For the purposes of this section, a stumpage billing history record of timber harvested under a timber licence, where the timber licence area is within a tree farm licence area will be included with and be considered the stumpage billing history record of timber harvested under the tree farm licence.
4.
 - a. Where the Ministry has a stumpage billing history record of timber harvested under a licence, the stumpage rate for a road permit is the weighted average sawlog stumpage rate of cutting authorities, other than a road permit, for cutting authority areas that are located in the same forest district as the area to which the road permit applies, and that are issued under the licence that entitles the licensee to apply for the road permit.
 - b. The weighted average stumpage rate is the sum of the stumpage billed for all coniferous sawlogs during the billing period referred to in paragraph (c) of this subsection, divided by the sum of the volume of those species and grades.
 - c. The billing period referred to in paragraph (b) of this subsection for a road permit appraisal or reappraisal, with an effective date between November 1, 2004 and January 31, 2005 is the twelve month billing period ending August 31, 2004. Thereafter, the billing period will be updated annually effective February 1st and will be the twelve month period ending November 30th.
5. Where there are no stumpage billing history records from which the stumpage rate may be determined under subsection 4, and the licence that the cutting authority is issued under **does not provide for an allowable annual cut or has** an allowable annual cut of Crown **timber** equal to or greater than 5 000 m³, the stumpage rate for a road permit is the weighted average sawlog stumpage rate of:
 - a. all cutting authorities, other than road permits, that are issued under the licence that entitles the licensee to apply for the road permit, or
 - b. where there is no volume in the stumpage billing history record, all the cutting authorities, other than road permits, that are for areas located in the same forest district as the area to which the road permit applies.

6. Where there are no stumpage billing **history** records from which the stumpage rate may be determined under 4, and the licence that the cutting authority is issued under has an allowable annual cut of Crown timber **less** than 5 000 m³ per year the stumpage rate for a road permit is the weighted average sawlog stumpage rate of all the cutting authorities, other than road permits, that are for licences that have an allowable annual cut of less than 5 000 m³ in the same forest district as the area to which the road permit applies.
7. The cost of a road constructed under a road permit may be eligible for inclusion as a tenure obligation adjustment under chapter 5 in the appraisal of the first tributary cutting authority. These roads will not be considered as existing roads under section 5.1.3.1.4.
8. All road permits will be reappraised in accordance with section 3.3.2.

7.4 Decked 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, an appraisal is completed on an “as is, where is” basis by using the procedures in section 7.2 to calculate the stumpage rate and adding to it the person who determines the stumpage rate's estimate of the costs of felling, bucking, yarding and decking.