BRITISH COLUMBIA

Ministry of Forests

Office of the Minister

MEMORANDUM

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To: Jim Gowriluk
Regional Manager
Coast Forest Region

From: The Honourable Rich Coleman, Minister of Forests and Range

Re: Amendment No. 2 to the *Coast Appraisal Manual*

I hereby approve Amendment No. 2 to the *Coast Appraisal Manual* and attach a copy for your use. The following sections have been amended:

Section 5.5	Clarification of eligibility rules for road use charges.
Section 6.1.1 (1) (2) & (3)	New policy on use of variable cost upset stumpage rates for competitive timber sales.

This amendment will come into force on March 1, 2008. Further amendments or revisions to this manual require my approval.

Rich Coleman
Minister

Attachment

pc: Murray Stech, Director, Revenue Branch

Ministry of Forests and Range

MANUAL REVISION TRANSMITTAL

FOR FURTHER INFORMATION OR IF YOU HAVE A CHANGE OF ADDRESS, PLEASE CONTACT:	**MANUAL TITLE** Coast Appraisal Manual	
George Silvestrini Senior Timber Pricing Forester (Coast) Revenue Branch Ministry of Forests 6th Floor - 727 Fisgard Street Victoria, BC V8W 1R8 Phone: 387-8377 PROFS userid: George.Silvestrini@gov.bc.ca FAX: 387-5670	**AMENDMENT** Amendment No. 2	**ISSUE DATE** March 1, 2008
	MANUAL CO-ORDINATOR Judy Laton Manuals Co-ordinator	
	AUTHORIZATION (Name, Title) Murray Stech Director, Revenue Branch	

Please make the following changes to your copy of the above Ministry manual.

ACTION (Remove/Insert)	(VOL.) CHAPTER-SECTION-SUBJECT TABLE OF CONTENTS	PAGE(S)	COMMENTS
Remove	Table of Contents	i - iv	After Table of Contents Tab
Insert		i - iv	
Remove	Chapter 5	19 - 20	After Chapter 5 Tab
Insert		19 - 20	
Remove	Chapter 6	1 - 4	After Chapter 6 Tab
Insert		1 - 6	
Remove	Index	1 - 2	After Index Tab
Insert		1 - 2	
INSERT	Minister's Letter and Transmittal		After Amendments Tab

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5.5 Road Use Charges

1. A road use charge may be used in the calculation of a tenure obligation adjustment, if:

   a. the road to which the road use charge applies is required to transport logs from the cutting authority area to the appraisal log dump,

   b. the road use charge is not referred to in subsection 2(a), or 2(b) or 2(c) of this section,

   c. the licensee submits to the district manager with the appraisal data submission:

      i. a completed Request for Approval of a Road Use Charge Form,

      ii. a map showing the location of the road and a copy of the written road use agreement, and

      iii. written confirmation by the regional manager that the road use charge specified in the application, or an amount specified by the regional manager is approved, and

   d. the term of the road use agreement is completely within the period for which the appraisal or reappraisal shall apply, and

   e. the licensee promises in writing to submit a copy of every auditable monetary transaction evidencing payment by the licensee for road use when that is requested by the regional manager.

2. A road use charge may not be used in the calculation of a tenure obligation adjustment, if it is:

   a. a share of road maintenance charge,

   b. a charge with respect to a road that is declared, determined, built, maintained or modified by the ministry,

   c. a charge with respect to a road on Crown land.

   d. a charge for a road on an Indian reserve or on private land owned by a third party at arm's length from the licensee and not subject to a lease held by the licensee, its affiliate or agent of either the licensee or the third party, unless

      i. there is no route capable of being used to build a road at a lower cost through Crown land, and

      ii. the charge is:

aa. reasonable,

bb. does not exceed compensation that could be determined under the forestry legislation, and

cc. is established to the satisfaction of the district manager by the licensee by way of auditable documents.

5.5.1 Land Use Charge

A land use charge may not be considered in an appraisal or a reappraisal.

Stumpage Rate Determination 6

6.1 Stumpage Rate Calculation for a Cutting Authority Entered into Under Section 20 of the Act

Sections 6.1.1 through 6.1.5 are the policies and procedures for determining a stumpage rate for a cutting authority that is entered into under section 20 of the *Act*.

6.1.1 Indicated Upset Stumpage Rate (IUSR)

1. Notwithstanding 6.1.1(2), 6.1.1(3) and 6.1.1(5) the IUSR for a timber sale licence containing twenty percent or less mature coniferous timber shall be equal to the upset stumpage rate determined by the person who determines the stumpage rate and shall be the greater of:

    a. Seventy percent of the final estimated winning bid (FEWB) for that timber sale licence calculated according to section 4.5, or

    b. The variable cost to prepare the timber for sale.

2. Where applications for a timber sale licence with an upset stumpage rate determined under section 6.1.1(1) have been invited but no applications have been received, the upset stumpage rate for the re-advertised timber sale shall be equal to the rate approved by the director of operations, BC Timber Sales and requested by the timber sales manager. The upset stumpage rate determined under this section shall not be greater than an estimate of the upset stumpage rate that would be determined under section 6.1.1(1) and not less than the variable cost to prepare the timber for sale.

3. Where the director of operations, BC Timber Sales, does not anticipate that applications for a timber sale licence with an upset stumpage rate determined under section 6.1.1(1) will be received due to market conditions or timber profile, the upset stumpage rate shall be equal to the rate approved by the director of operations, BC Timber Sales and requested by the timber sales manager. The upset stumpage rate determined under this section shall not be greater than the upset stumpage rate determined under section 6.1.1(1) and not less than the variable cost to prepare the timber for sale.

4. The IUSR for a timber sale licence containing greater than twenty percent mature coniferous timber shall be equal to the upset stumpage rate determined by the person who determines the stumpage rate and shall be the lesser of:

    a. Seventy percent of the final estimated winning bid (FEWB) for that timber sale licence calculated according to section 4.5, or

    b. The variable cost to prepare the timber for sale.

6.1.2 Prescribed Minimum Stumpage Rate

The minimum stumpage rate is prescribed by the minimum stumpage rate regulation (BC Regulation 354/87). The current minimum stumpage rate is $0.25 per cubic metre.

6.1.3 Upset Stumpage Rate

The upset stumpage rate for a timber sale licence is the greater of:

1. The indicated upset stumpage rate, or

2. the prescribed minimum stumpage rate.

6.1.4 Stumpage Rate

The stumpage rate is the total of the upset stumpage rate plus the bonus bid, if any, that must be paid by the licensee.

6.1.5 Market Price

The stumpage rate is the market price.

6.2 Stumpage Rate Calculation for a Cutting Authority Other than a Cutting Authority Entered into Under Section 20 of the *Act* or a Cutting Authority for which a Stumpage Rate is Determined Under Chapter 7

Sections 6.2.1 through 6.2.5 are the policies and procedures for determining a stumpage rate for a cutting authority other than timber sale licence entered into under section 20 of the *Act* or a cutting authority for which a stumpage rate is determined under chapter 7.

6.2.1 Indicated Rate (IR)

1. The IR is the difference between the final estimated winning bid (FEWB) determined for the cutting authority under section 4.5 and the tenure obligation adjustment (TOA) determined under section 5.10.

2. Expressed as an equation:

$$IR = FEWB - TOA$$

6.2.2 Prescribed Minimum Stumpage Rate

The minimum stumpage rate is prescribed by the Minimum Stumpage Rate Regulation (BC Regulation 354/87). The current minimum stumpage rate is $0.25 per cubic metre.

6.2.3 Reserve Stumpage Rate

The reserve stumpage rate for a cutting authority is determined by selecting the greater of:

1. the indicated rate, or

2. the prescribed minimum stumpage rate.

6.2.4 Upset Stumpage Rate

The upset stumpage rate is the total of the reserve stumpage rate plus any administration levies which may be charged under section 7.4.1.

6.2.5 Total Stumpage Rate

The total stumpage rate is the upset stumpage rate plus the bonus bid, if any, that must be paid by the licensee.

6.2.6 Market Price

The stumpage rate is the market price.

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