



MEMORANDUM

File: 195-30/IAPP

May 26, 1998

To: Regional Managers

From: The Honourable David Zirnheld
Minister of Forests

I hereby approve Amendment No. 5 to the *Interior Appraisal Manual*, and attach a copy of it for your use. The following sections are amended:

- Section 1.6 This section now references the Statistics Canada pulpwood chip index as a factor which affects the quarterly stumpage adjustment.
- Section 5.4 The target rate calculation methodology has been revised.
- Table 6-2: The stumpage rate table for timber licences whose cutting authority began prior to May 1, 1995, has been revised to reflect the changes in target rate calculation.

This letter also authorizes a stumpage adjustment effective June 1, 1998. For the June 1, 1998, adjustment, the April 1, 1998, quarterly stumpage adjustment parameters will be used with the exception of the base rate and target rate, which will be recalculated according to this amendment.

Section 11(3)(b) of the *B.C. Forest Renewal Act* applies to this entire amendment.

This amendment will come into force on June 1, 1998. Further amendments or revisions to this manual require my approval.

David Zirnheld
Minister

Attachment

pc: Bill Howard, Director, Revenue Branch

All Subscribers, *Interior Appraisal Manual*



FOR FURTHER INFORMATION CONTACT:

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MANUAL TITLE

Interior Appraisal Manual

REVISION No.
5

ISSUE DATE
June 1, 1998

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 1	7, 8	
INSERT	Chapter 1	7, 8	
REMOVE	Chapter 5	5, 6	
INSERT	Chapter 5	5, 6	
REMOVE	Chapter 6	11, 12	
INSERT	Chapter 6	11, 12	

One stumpage rate is determined for all appraised timber in each cutting authority area with the exception of miscellaneous stumpage rates as specified under Section 6.7.

The average stumpage rate for the interior is indexed to lumber market values as explained in Chapter 5.

1.6 Stumpage Adjustments

Unless a cutting authority or the application and tender for a timber sale licence specifies that stumpage rates are fixed for a specified period or for the full term of the cutting authority, stumpage rates are adjusted quarterly on January 1, April 1, July 1, and October 1 of each year subject to Section 6.5.

Each quarter the adjusted stumpage rates reflect changes in estimated selling prices (as authorized in this manual since the previous adjustment), and the recalculated operating cost based on the appropriate trend factors shown in Section 4.12. In addition, the adjustment reflects changes in the Statistics Canada Interior Softwood Lumber Index, the Statistics Canada Pulpwood Chip Index for British Columbia, the Interior Base Rate and the Interior Mean Value Index.

5.4 Market Value Indexing

At the times specified in Section 1.6, target rates are adjusted upwards or downwards to reflect changes in the value of softwood lumber and wood chips as indicated by Statistics Canada.

In the interior, softwood lumber is represented by Statistics Canada price index P2459. The price of wood chips in British Columbia is represented by Statistics Canada price index P2513.

The average lumber and chip indexes from the appropriate three month period (shown below) are combined, with lumber receiving a weight of 88.0% and chips 12.0%. The combined index is then multiplied by a normalization factor of 1.520. 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.

New Interior Target Rate Calculation

1. If the INDEX is less than or equal to 161 then,

$$TR = \frac{INDEX}{139.0} * 8.59$$

2. If the INDEX is greater than 161, but less than or equal to 169.9 then,

$$TR = 9.95 + \left[\frac{(INDEX - 161)}{25} * 9.35 \right]$$

3. If the INDEX is greater than 169.9 then,

$$TR = 13.28 + \left[\frac{(INDEX - 169.9)}{49} * 6.74 \right]$$

Where: TR = New Target Rate (\$/m³)

Quarterly Stumpage Rate Adjustment Date	INDEX based on Statistics Canada price indexes for the months of:
January 1 April 1 July 1 October 1	Preceding August, September, October Preceding November, December, January Preceding February, March, April Preceding May, June, July

The applicable index is published by Revenue Branch at the time of each quarterly stumpage adjustment and becomes an integral part of this manual.

5.5 Base Rate

The Interior Base Rate is redetermined and published by Revenue Branch at the time of each quarterly stumpage rate adjustment and becomes an integral part of this manual.

6.7.2 Miscellaneous Stumpage Rates for Timber Licences

The stumpage rates in Table 6-2 apply only to timber licence cutting authorities that are not appraised and have a cutting authority term that began before May 1, 1995.

For each species of timber in column 1 of Table 6-2, the stumpage rate immediately opposite that species in columns 2, 3 and 4 respectively, apply to sawlogs scaled in the indicated forest regions on and after June 1, 1998.

Table 6-2 Miscellaneous Stumpage Rates for Timber Licences

Column 1 Species of timber	Forest Region		
	Column 2 Vancouver except the Mid-Coast and Queen Charlotte forest districts (that part west of the Cascades Mountains) \$/cubic metre	Column 3 Prince Rupert and the Mid-Coast and Queen Charlotte forest districts (that part west of the Cascades Mountains) \$/cubic metre	Column 4 All forest regions and those parts of regions east of the Cascade Mountains \$/cubic metre
Fir	36.90	28.50	22.70
Spruce	46.00	37.20	21.70
Balsam	19.90	16.60	19.10
Cedar	21.70	17.40	29.50
Hemlock	19.20	15.60	20.60
Cypress	29.70	24.00	23.00
White pine	20.30	17.80	27.50
Yellow pine	20.30	17.80	20.50
Larch	20.30	17.80	22.70
Lodgepole pine	9.80	9.50	20.20
Other conifers	20.30	17.80	23.00
All non-conifers	1.00	1.00	0.50
All species Grades 3, 4, 5, and 6	N/A	N/A	0.25
All species Firmwood reject	Nil	Nil	Nil
All species grade Y	0.25	0.25	N/A

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