



MEMORANDUM

File: 195-30/IAPP

August 24, 1999

To: Regional Managers

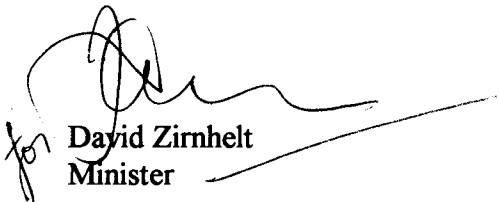
From: The Honourable David Zirnhelt
Minister of Forests

Re: Amendment to the *Interior Appraisal Manual*

I hereby approve Amendment No. 10 to the *Interior Appraisal Manual*, and attach a copy for your use. The following sections are amended:

- | | |
|-------------------|---|
| Section 3.1 (2) | The definition for application of average market values for licences which require utilization of small logs has been clarified. |
| Section 4.3.1 (2) | Expanded the clause where Forest Service road bridge replacements are to be excluded from appraisals when funded by Forest Renewal BC to include funding from any Crown source. Also to exclude from appraisals any major reconstruction and upgrading of Forest Service roads where funded by the Crown. |
| Section 4.12 | Trend factors are added for the October 1, 1999, to December 31, 1999, quarter. |

This amendment will come into force on September 1, 1999. Further amendments or revisions to this manual require my approval.


David Zirnhelt
Minister

Attachments

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.

Amendment
No. 10

ISSUE DATE

September 1, 1999

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 3	3 - 4	
INSERT	Chapter 3	3 - 4	
REMOVE	Chapter 4	7 - 8	
INSERT	Chapter 4	7 - 8	
REMOVE	Chapter 4	57 - 60	
INSERT	Chapter 4	57 - 60	
INSERT	Transmittal Sheet & Minister's Letter		Behind Amendment Tab

2. AMVs for Licences which Require Utilization of Small Logs

AMVs for licences which require utilization of small logs are based on dimension lumber products capable of being produced from trees smaller than normal utilization requirements. These AMVs are created by removing the effect of the LRF add-on (Section 3.1 (1)) from "Small Log AMVs."

These AMVs are used for all cutting authorities where the governing licence document restricts harvesting to stands of timber having a net average cruise volume per tree of less than 0.20 m³/tree. Other similarly restricted licences may also use these AMVs at the Regional Manager's discretion. Cutting authorities meeting this criteria and having a net average cruise volume per tree of less than 0.20 m³/tree will use lumber AMVs listed under "AMVs for Licences which Require Utilization of Small Logs" (Zone 25). These are included in the quarterly stumpage parameters published by Revenue Branch.

The selection of AMV Zone 25 will only affect AMVs and will be made at the time of appraisal or reappraisal. Lumber recovery factors and manufacturing costs will continue to be determined by zonation based on point of appraisal.

3. Stud Lumber AMVs

Stud AMVs are compiled for two species groups; Lodgepole Pine/Douglas-fir/Larch and Spruce/Balsam. No other species are recognized as "stud species".

4. Random Lumber AMVs

Random AMVs are compiled for all species.

5. Mandatory Grade 4 Hemlock AMVs

Mandatory grade 4 hemlock AMVs are used for cutting authorities where the optional utilization of grade code 4 is not provided by the cutting authority. Cutting authorities meeting this criteria will use lumber AMVs listed under "AMVs for Mandatory Grade 4 Hemlock Log Utilization" which are included in the quarterly stumpage parameters published by Revenue Branch.

The selection of a mandatory grade 4 hemlock AMV zone (Zones 35, 36, 37 and 38) will only affect AMVs and will be made at the time of appraisal or reappraisal. Lumber recovery factors and manufacturing costs will continue to be determined by zonation based on the point of appraisal.

3.1.1 Application of Lumber Average Market Values

Application of the small log, licences which require utilization of small logs, stud and random lumber and mandatory grade 4 hemlock AMVs in appraisals for all cutting authorities are made according to the formula in Section 3.3.

3.1.2 Lumber Average Market Value Zones

Refer to Section 2.5 for a list of points of appraisal by lumber AMV zones.

Where materials are reused by the original purchaser at a second or subsequent location, the cost estimate will include dismantling, transportation and installation at the new site. The initial materials cost and delivery costs are excluded.

Where used bridge materials are purchased from a legally non-associated party, the cost of purchase and shipping those materials will be included in the cost estimate. The requirements of Section 4.1 still apply.

The total of the estimated costs for all bridges are summed to give a total cost for bridges.

The total costs for tabular roads, engineered roads, and bridges are totalled and then divided by the total net cruise volume to give a unit cost (\$/m³) for new construction.

2. Reconstruction and Replacement

Reconstruction and Replacement are defined as:

- a. replacement or structural repair of a major drainage structure (e.g., replacing stringers, cross ties, or cribbing), or
- b. major resurfacing, which means resurfacing sections of more than 0.3 km in length that were initially surfaced but have deteriorated due to long term wear and tear, or
- c. major reconstruction, which means restoring at least 0.1 km of road (per occurrence) that requires complete rebuilding of the subgrade.

The costs approved under this section must not qualify under routine maintenance as described in Section 4.6.

Bridges replaced on forest service roads that are included in the Forest Renewal B.C. five year "Bridge Replacement Program on Forest Service Roads", or are otherwise funded by the Crown will not be included in any appraisal. Other major Forest Service Road reconstruction or upgrades that are funded by the Crown will not be included in appraisals.

Reconstruction and replacement cost estimates are determined as detailed engineering cost estimates (Section 4.3.3) and must be approved in advance by the district manager. The cost estimates may be applied to remaining tributary timber (i.e., applicable volume) provided the project was not known of or planned for at the time of appraisal. If the cost estimate is not applied to the remaining tributary volume, it must be applied to the first tributary cutting authority appraised over the reconstruction or replacement. Section 4.3.1.1.5 may be applicable for main roads. Cost estimates for reconstruction are not to exceed the tabular costs for new construction under similar conditions.

Costs will not be recognized if the licensee has been negligent or has not followed approved plans or standards as defined under the *Forest Practices Code* and regulations.

3. Access Management

Access management is defined as the temporary removal of a major drainage structure or construction of a barrier, including a gate, excavation, or placement of boulders with the purpose of temporarily eliminating all vehicle access.

An access management cost estimate will be determined by a detailed engineered estimate.

The access management required in the cutting authority must be based on a formal access management strategy approved in the forest development plan.

Costs may be determined for more than one removal/replacement of the structure/barrier if the cutting authority term warrants it.

Costs approved under this section must not qualify under routine maintenance as described in Section 4.6 or overhead as described in Section 4.8.1.

4.3.1.1 Development Cost Allocation

Where proration is required for Section 4.3.1.1.1, 4.3.1.1.2 and 4.3.1.1.3:

$$\text{Crown Share} = \text{Total Estimated Cost} * \frac{\text{Appraised Timber Volume}}{\text{Total Timber Volume}}$$

Where:

Crown Share (\$)		Dollar amount to be allocated to stumpage-bearing timber in the cutting authority being appraised.
Total Estimated Cost (\$)	=	Dollar amount of the total development cost estimate.
Appraised Timber Volume (m ³)	=	Volume of appraised timber tributary to the project and under the control of the licensee or a company legally associated with the licensee, including volume in all areas contributing to the allowable annual cut determination.
Total Timber Volume (m ³)	=	Total volume tributary to the project and under the control of the licensee or a company legally associated with the licensee.

In all cases volumes are estimated from the latest approved operational or inventory cruise data and maps of the area within the drainage to the height of land.

The Crown share is a dollar amount which is included in the appraisal of a tributary cutting authority, subject to Section 4.3.1.1.5.

4.12 Cost Trend

Cost trend factors are separately applied to the total logging, silviculture and manufacturing cost estimates. The factors cover the period from the effective date of the cost base to the effective date of the rate calculation. Cost trend factors are applied at the appraisal effective date and at the date of each stumpage adjustment.

For trend factors applicable prior to July 1, 1998, refer to earlier *Interior Appraisal Manuals*.

Appraisal Effective Dates From January 1, 1990 to May 31, 1992 Inclusive

<u>Appraisal Effective Date or Stumpage Adjustment Date</u>	<u>Trend Factor</u>	
	<u>Logging and Silviculture</u>	<u>Manufacturing</u>
July 1 to September 30, 1998	1.560	1.650
October 1 to December 31, 1998	1.605	1.663
January 1 to March 31, 1999	1.615	1.675
April 1 to June 30, 1999	1.625	1.688
July 1 to September 30, 1999	1.635	1.700
October 1 to December 31, 1999	1.503	1.460

Appraisal Effective Dates From June 1, 1992 to October 31, 1992 Inclusive

<u>Appraisal Effective Date or Stumpage Adjustment Date</u>	<u>Trend Factor</u>	
	<u>Logging and Silviculture</u>	<u>Manufacturing</u>
July 1 to September 30, 1998	1.560	1.650
October 1 to December 31, 1998	1.605	1.663
January 1 to March 31, 1999	1.615	1.675
April 1 to June 30, 1999	1.625	1.688
July 1 to September 30, 1999	1.635	1.700
October 1 to December 31, 1999	1.503	1.407

Appraisal Effective Dates From November 1, 1992 to September 30, 1993 Inclusive

<u>Appraisal Effective Date or Stumpage Adjustment Date</u>	<u>Trend Factor</u>	
	<u>Logging and Silviculture</u>	<u>Manufacturing</u>
July 1 to September 30, 1998	1.520	1.450
October 1 to December 31, 1998	1.565	1.463
January 1 to March 31, 1999	1.575	1.475
April 1 to June 30, 1999	1.585	1.488
July 1 to September 30, 1999	1.595	1.500
October 1 to December 31, 1999	1.463	1.368

Appraisal Effective Dates From October 1, 1993 to September 30, 1994

<u>Appraisal Effective Date or Stumpage Adjustment Date</u>	<u>Trend Factor</u>	
	<u>Logging and Silviculture</u>	<u>Manufacturing</u>
July 1 to September 30, 1998	1.500	1.350
October 1 to December 31, 1998	1.545	1.363
January 1 to March 31, 1999	1.555	1.375
April 1 to June 30, 1999	1.565	1.388
July 1 to September 30, 1999	1.575	1.400
October 1 to December 31, 1999	1.443	1.290

Appraisal Effective Dates From October 1, 1994 to July 31, 1995

<u>Appraisal Effective Date or Stumpage Adjustment Date</u>	<u>Trend Factor</u>	
	<u>Logging and Silviculture</u>	<u>Manufacturing</u>
July 1 to September 30, 1998	1.460	1.300
October 1 to December 31, 1998	1.505	1.313
January 1 to March 31, 1999	1.515	1.325
April 1 to June 30, 1999	1.525	1.338
July 1 to September 30, 1999	1.535	1.350
October 1 to December 31, 1999	1.403	1.288

Appraisal Effective Dates From August 1, 1995 to July 31, 1996

<u>Appraisal Effective Date or Stumpage Adjustment Date</u>	<u>Trend Factor</u>	
	<u>Logging and Silviculture</u>	<u>Manufacturing</u>
July 1 to September 30, 1998	1.360	1.250
October 1 to December 31, 1998	1.405	1.263
January 1 to March 31, 1999	1.415	1.275
April 1 to June 30, 1999	1.425	1.288
July 1 to September 30, 1999	1.435	1.300
October 1 to December 31, 1999	1.303	1.206

Appraisal Effective Dates From August 1, 1996 to November 30, 1997

<u>Appraisal Effective Date or Stumpage Adjustment Date</u>	<u>Trend Factor</u>	
	<u>Logging and Silviculture</u>	<u>Manufacturing</u>
July 1 to September 30, 1998	1.240	1.200
October 1 to December 31, 1998	1.285	1.213
January 1 to March 31, 1999	1.295	1.225
April 1 to June 30, 1999	1.305	1.238
July 1 to September 30, 1999	1.315	1.250
October 1 to December 31, 1999	1.183	1.082

Appraisal Effective Dates From December 1, 1997 to August 31, 1998

<u>Appraisal Effective Date or Stumpage Adjustment Date</u>	<u>Trend Factor</u>	
	<u>Logging and Silviculture</u>	<u>Manufacturing</u>
July 1 to September 30, 1998	1.140	1.150
October 1 to December 31, 1998	1.185	1.163
January 1 to March 31, 1999	1.195	1.175
April 1 to June 30, 1999	1.205	1.188
July 1 to September 30, 1999	1.215	1.200
October 1 to December 31, 1999	1.083	1.045

Appraisal Effective Dates On or After September 1, 1998

<u>Appraisal Effective Date or Stumpage Adjustment Date</u>	<u>Trend Factor</u>	
	<u>Logging and Silviculture</u>	<u>Manufacturing</u>
September 1 to September 30, 1998	1.115	1.100
October 1 to December 31, 1998	1.125	1.113
January 1 to March 31, 1999	1.135	1.125
April 1 to June 30, 1999	1.145	1.138
July 1 to September 30, 1999	1.155	1.150
October 1 to December 31, 1999	1.023	1.023