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To: Regional Managers - Interior

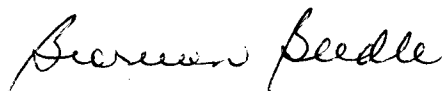
From: The Honourable Gordon Wilson
Minister of Forests

Re: Amendment No. 4 to the *Interior Appraisal Manual*

I hereby approve Amendment No. 4 to the *Interior Appraisal Manual*, and attach a copy for your use.

Section 5.4, Market Value Indexing, has been revised to address the salvage of bark beetle infested timber.

Further amendments or revisions to this manual require my approval.



Gordon F. D. Wilson
Minister

Attachment

pc: Bill Howard, Director, Revenue Branch

All Subscribers, *Interior Appraisal Manual*



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MANUAL TITLE

Interior Appraisal Manual

REVISION No.

4

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MANUAL CO-ORDINATOR

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Revenue Branch

AUTHORIZATION (Name, Title)

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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	Table of Contents	iii - vi	
INSERT	Table of Contents	iii - vi	
REMOVE	Chapter 5	5 - 8	
INSERT	Chapter 5	5 - 10	
REMOVE	Index	ALL	
INSERT	Index	ALL	
INSERT	Minister's Letter and Manual Revision Transmittal		After Amendments Tab

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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 percent and chips 12.0 percent. 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.

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 = 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

For the quarterly stumpage adjustments on January 1, 2001, April 1, 2001, July 1, 2001 and October 1, 2001, the TR will be reduced by \$0.50/m³ to adjust for the salvage of bark beetle infested timber.

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.

5.6 Calculation of Stumpage Rate

5.6.1 Calculation of Indicated Stumpage Rate

The indicated stumpage rate for a cutting authority is defined as:

$$IR = BR + (VI - MVI)$$

Where:

IR = Indicated Stumpage Rate

BR = Interior Base Rate as defined in Section 5.5

VI = Value Index for the cutting authority as defined in Section 5.2

MVI = Interior Mean Value Index, as defined in Section 5.3

5.6.2 Prescribed Minimum Stumpage Rate

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

5.6.3 Reserve Stumpage Rate

For each cutting authority area, except those containing timber licence volume, the reserve stumpage rate is determined by selecting the greater of:

- the indicated stumpage rate, or
- the prescribed minimum stumpage rate.

For each cutting authority area that contains timber licence volume, the reserve stumpage rate is determined by selecting the greater of:

- the indicated stumpage rate adjusted according to Table 5-1 (Section 105 of the *Forest Act*), or
- the prescribed minimum stumpage rate.

Table 5-1 Timber Licence Stumpage Rate Adjustment Schedule ^❶

Time Period	Percentage of ^❷ Stumpage Rate
on and after April 1, 1995 to and including March 31, 1996	60
on and after April 1, 1996 to and including March 31, 1997	67
on and after April 1, 1997 to and including March 31, 1998	73
on and after April 1, 1998 to and including March 31, 1999	80
on and after April 1, 1999 to and including March 31, 2000	87
on and after April 1, 2000 to and including March 31, 2001	93
on and after April 1, 2001	100

❶ *Forest Act*, Section 105(4)(6).

❷ The percentage of stumpage rate opposite the time period will be applied to appraisals, reappraisals and stumpage adjustments that fall within the time period.

5.6.4 Upset Stumpage Rate

The upset stumpage rate is the total of the reserve stumpage rate plus any silviculture and development levies which may be charged as defined in Section 6.6.

5.6.5 Total Stumpage Rate

The total stumpage rate is the upset stumpage rate plus any bonus bid.

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