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December 18, 2002

To: Regional Managers - Interior

From: The Honourable Michael de Jong  
Minister of Forests

Re: Amendment No. 1 to the *Interior Appraisal Manual*

I hereby approve Amendment No. 1 to the *Interior Appraisal Manual*, and attach a copy for your use. The following sections have been amended:

- Section 4.5.1: Truck Haul Variables. The authority to modify the haul time calculation due to the temporary transfer of cutting rights to address beetle infestations is extended to March 31, 2003.
- Section 5.4.3: Interior Target Rate. The previous reduction to the Interior Target Rate of \$1.18 per cubic metre to adjust for the salvage of beetle infested timber is extended until March 31, 2003.



The extension of these measures is necessary to provide extra time to complete the review and finalization of these important provisions.

This amendment will come into force on December 31, 2002. Further amendments or revisions to this manual require my approval.

  
for Michael de Jong  
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.**

Amendment No. 1

**ISSUE DATE**

December 31, 2002

**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<br>(Remove/Insert) | (VOL.) CHAPTER-SECTION-SUBJECT<br>TABLE OF CONTENTS | PAGE(S) | COMMENTS             |
|---------------------------|-----------------------------------------------------|---------|----------------------|
| REMOVE                    | Chapter 4                                           | 35 - 36 | After Amendments Tab |
| INSERT                    | Chapter 4                                           | 35 - 36 |                      |
| REMOVE                    | Chapter 5                                           | 5 - 6   |                      |
| INSERT                    | Chapter 5                                           | 5 - 6   |                      |
| INSERT                    | Minister's Letter and Manual Revision Transmittal   |         |                      |



## 4.5 Log Transportation

The log transportation phase covers all aspects of log movement from the place of initial loading to the point of appraisal, including truck haul, rail, water and other specialized transportation. The use of section 4.5.1, 1., c. does not affect any other provision that requires the use of the least cost point of appraisal.

### 4.5.1 Truck Haul Variables

1. Cycle Time:

For appraisal purposes, weighted average Cycle Time (CT) is the estimated time in hours (rounded to the nearest 0.1 hour) for transporting logs from the centre of a cutting authority area to:

- a. the least cost point of appraisal,
- b. the appraisal place of unloading in the case of water or rail transport, or
- c. where the harvest transfer to control a bark beetle infestation has passed the economic test specified by the Ministry of Forests, and;
  - i. if the Minister of Forests or regional manager has given approval for the temporary transfer of cutting rights from one timber supply area or TFL to another timber supply area or TFL in order to control a bark beetle infestation, the place that would have been the point of appraisal if the timber had been harvested in the timber supply area or TFL from which the cutting rights have been transferred, or
  - ii. if the regional manager has given approval for the temporary transfer of cutting rights within a timber supply area in order to control a bark beetle infestation, the place that would have been the point of appraisal if the transfer of cutting rights had not taken place.

Paragraphs c., i. and ii. above expire March 31, 2003.

2. To determine weighted average cycle time:

- a. establish the geographical centre point of each cutblock and project this point to the nearest road for measurement purposes,
- b. from this centre point, determine the cycle time to the nearest junction serving all cutblocks,
- c. weight the cycle time for each cutblock by the volume on the cutblock and determine the average weighted cycle time to the junction. If the cutblock volume is not available, the cutblock area is used, and
- d. determine the cycle time from the junction to:

- i. the least cost point of appraisal,
- ii. the appraisal place of unloading,
- iii. if the economic test is passed and the Minister of Forests, or regional manager has given approval for the temporary transfer of cutting rights from one timber supply area or TFL to another timber supply area or TFL in order to control a bark beetle infestation, the place that would have been the point of appraisal if the timber had been harvested in the timber supply area or TFL from which the cutting rights have been transferred, or
- iv. if the economic test is passed and the regional manager has given approval for the temporary transfer of cutting rights within a timber supply area in order to control a bark beetle infestation, the place that would have been the point of appraisal if the transfer of cutting rights had not taken place.

and add this to the average weighted cycle time from 'c.' above.

Paragraphs iii. and iv. above expire March 31, 2003.

The cycle consists of loading, hauling, weighing, unloading, return time, and unavoidable delays. The cycle time will normally be determined by taking into consideration all the factors that may affect it: distance, expected rate of speed, necessary delays, expected standard of roads and their maintenance, traffic density, and seasonal weather conditions.

In many cases standard cycle time schedules from specific road junctions to the point of appraisal have been developed and should be used (Sector times).

Unavoidable delays are periods when the truck is on the job but not operating due to unpredictable delays such as; tightening binder chains, minor repairs made by driver, checking and adjusting brakes, minor delays prior to loading and unloading, refuelling, etc. Unavoidable delay time does not include any breakdown which requires shop repair, the services of a skilled mechanic, or a spilled load of logs. The time for load, unload and unavoidable delay is set at 75 minutes for cable yarding systems (see section 4.4.3 (4)) and 60 minutes for all other systems (see section 4.4.3 (1), (2), & (3)).

### 3. Haul Method

Cost estimates do not recognize different types of logging trucks. The estimate is based upon the possible haul method, either highway or off-highway and not specifically on the licensee's particular method.

## 5.4 Market Value Indexing

At the times specified in section 1.7, target rates are adjusted upwards or downwards to reflect changes in the value of softwood lumber and wood chips as indicated by Statistics Canada.

Statistics Canada has replaced the 1992=100 based price series with new series that have a base of 1997=100. For the January 1, 2002, and all subsequent target rates, the 1997=100 price series must be converted to a 1992=100 base before beginning calculation of the composite index described in section 5.4.2.

### 5.4.1 Converting Indexes From 1997=100 Base to 1992=100 Base

Interior softwood lumber is represented by Statistics Canada price index P4798 (1997=100) which replaces P2459 (1992=100). To convert P4798 to a 1992=100 base, for use in section 5.4.2, multiply by a link factor of 1.752.

Wood chips are represented by Statistics Canada price index P4856 (1997=100) which replaces P2513 (1992=100). To convert P4856 to a 1992=100 base, for use in section 5.4.2, multiply by a link factor of 1.138.

### 5.4.2 Calculating the Interior Composite Index (ICI)

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.

### 5.4.3 Calculating the Interior Target Rate

Interior Target Rate (ITR) Calculation

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

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

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

$$ITR = 9.95 + \left| \frac{(INDEX - 161)}{25} * 9.35 \right|$$

3. If the ICI is greater than 169.9  
then,

$$\text{ITR} = 13.28 + \left| \frac{(\text{INDEX} - 169.9)}{49} * 6.74 \right|$$

Where: ITR = Target Rate (\$/m<sup>3</sup>)

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

For the quarterly stumpage adjustments on January 1, 2002, April 1, 2002, July 1, 2002, October 1, 2002 and January 1, 2003, the ITR will be reduced by \$1.18/m<sup>3</sup> 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.