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JUN 10 2004

To: Interior Regional Managers

From: The Honourable Michael de Jong
Minister of Forests

Re: Amendment No. 10 to the *Interior Appraisal Manual*

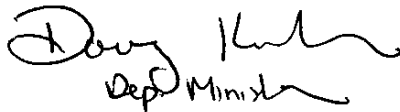
I hereby approve Amendment No. 10 to the *Interior Appraisal Manual* and attach a copy for your use. The following changes have been made:

- Section 1.3: Cutting Authority. The list of tenures under the definition of a cutting authority has been revised to include a community salvage licence and a licence to cut under which cutting permits will be issued.
- Section 4.11: Cost Trend. Trend factors for the period July 1 to September 30, 2004, have been added to each of the trend factor tables.
- Section 6.4: Partially Harvested Timber. Housekeeping change.
- Section 7.4.2: Market Stumpage Price Equation. This change adds a definition for the term "salvage".
- Section 7.5.1: Market Pricing System Upset Stumpage Rate. This change enables a timber sales manager to use an upset stumpage rate for timber that has been decked for over three years equal to the prescribed minimum stumpage rate. It also directs that the decked timber be auctioned by bonus offer.



Interior Regional Managers

This amendment will come into force upon signature. Further amendments or revisions to this manual require my approval.

A handwritten signature in black ink, appearing to read "Doug" followed by a stylized flourish, with "Dep Minister" written below it.

Michael de Jong
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	
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June 10, 2004

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	3 - 4	After Chapter 1 Tab
INSERT	Chapter 1	3 - 4	
REMOVE	Chapter 4	55 - 58	After Chapter 4 Tab
INSERT	Chapter 4	55 - 58	
REMOVE	Chapter 6	5 - 6	After Chapter 6 Tab
INSERT	Chapter 6	5 - 6	
REMOVE	Chapter 7	9 - 10	After Chapter 7 Tab
INSERT	Chapter 7	9 - 10	
INSERT	Minister's Letter and Manual Revision Transmittal		After Amendments Tab

1.2 Area of Application

This manual applies to the "Interior", which is defined as that geographic area included within the Northern and Southern Interior Forest Regions, as established by the *Forest Act* and Regulations under the *Forest Act*.

1.3 Cutting Authority

The term "cutting authority" is defined as:

1. A cutting permit issued under:
 - a. a forest licence,
 - b. a timber sale licence that provides for the issuance of cutting permits,
 - c. a tree farm licence,
 - d. a community forest agreement,
 - e. a woodlot licence,
 - f. a timber licence,
 - g. a community salvage licence, or
 - h. a master or forestry licence to cut.
2. A timber sale licence under which cutting permits have not or will not be issued.
3. All other licences to cut.
4. A road permit.

1.3.1 Cutting Authority Area

The term "cutting authority area" means the area that:

1. Timber may be harvested from, under a cutting authority, and
2. Has a unique timber mark.

1.3.2 Cutblocks within a Cutting Authority Area

Cutblocks included in a single cutting authority area should constitute a logical unit.

The cutblocks must be:

1. Within the same forest district, and
2. Tributary to a common point of appraisal, and
3. Must not exceed a maximum distance of ten kilometres between the furthest boundaries of the furthest cutblocks, except when required for bark beetle epidemic blanket salvage.

4.11 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 November 1, 2002, refer to earlier *Interior Appraisal Manuals*.

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>
May 1 to June 30, 2003	1.154	1.0
July 1 to September 30, 2003	1.154	1.0
October 1 to December 31, 2003	1.154	1.0
January 1 to March 31, 2004	1.154	1.0
April 1 to June 30, 2004	1.154	1.0
July 1, to September 30, 2004	1.154	1.0

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>
May 1 to June 30, 2003	1.045	1.0
July 1 to September 30, 2003	1.045	1.0
October 1 to December 31, 2003	1.045	1.0
January 1 to March 31, 2004	1.045	1.0
April 1 to June 30, 2004	1.045	1.0
July 1, to September 30, 2004	1.045	1.0

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>
May 1 to June 30, 2003	0.986	1.0
July 1 to September 30, 2003	0.986	1.0
October 1 to December 31, 2003	0.986	1.0
January 1 to March 31, 2004	0.986	1.0
April 1 to June 30, 2004	0.986	1.0
July 1, to September 30, 2004	0.986	1.0

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>
May 1 to June 30, 2003	0.917	1.0
July 1 to September 30, 2003	0.917	1.0
October 1 to December 31, 2003	0.917	1.0
January 1 to March 31, 2004	0.917	1.0
April 1 to June 30, 2004	0.917	1.0
July 1, to September 30, 2004	0.917	1.0

Appraisal Effective Dates From September 1, 1998 to September 30, 1999

<u>Appraisal Effective Date or Stumpage Adjustment Date</u>	<u>Trend Factor</u>	
	<u>Logging and Silviculture</u>	<u>Manufacturing</u>
May 1 to June 30, 2003	0.968	1.0
July 1 to September 30, 2003	0.968	1.0
October 1 to December 31, 2003	0.968	1.0
January 1 to March 31, 2004	0.968	1.0
April 1 to June 30, 2004	0.968	1.0
July 1, to September 30, 2004	0.968	1.0

Appraisal Effective Dates From October 1, 1999 to August 31, 2000

<u>Appraisal Effective Date or Stumpage Adjustment Date</u>	<u>Trend Factor</u>	
	<u>Logging and Silviculture</u>	<u>Manufacturing</u>
May 1 to June 30, 2003	1.017	1.0
July 1 to September 30, 2003	1.017	1.0
October 1 to December 31, 2003	1.017	1.0
January 1 to March 31, 2004	1.017	1.0
April 1 to June 30, 2004	1.017	1.0
July 1, to September 30, 2004	1.017	1.0

Appraisal Effective Dates From September 1, 2000 to June 30, 2001

<u>Appraisal Effective Date or Stumpage Adjustment Date</u>	<u>Trend Factor</u>	
	<u>Logging and Silviculture</u>	<u>Manufacturing</u>
May 1 to June 30, 2003	1.0	1.0
July 1 to September 30, 2003	1.0	1.0
October 1 to December 31, 2003	1.0	1.0
January 1 to March 31, 2004	1.0	1.0
April 1 to June 30, 2004	1.0	1.0
July 1, to September 30, 2004	1.0	1.0

Appraisal Effective Dates From July 1, 2001 to October 31, 2002

<u>Appraisal Effective Date or Stumpage Adjustment Date</u>	<u>Trend Factor</u>	
	<u>Logging and Silviculture</u>	<u>Manufacturing</u>
May 1 to June 30, 2003	0.960	1.0
July 1 to September 30, 2003	0.960	1.0
October 1 to December 31, 2003	0.960	1.0
January 1 to March 31, 2004	0.960	1.0
April 1 to June 30, 2004	0.960	1.0
July 1, to September 30, 2004	0.960	1.0

Appraisal Effective Dates On or After November 1, 2002

<u>Appraisal Effective Date or Stumpage Adjustment Date</u>	<u>Trend Factor</u>	
	<u>Logging and Silviculture</u>	<u>Manufacturing</u>
May 1 to June 30, 2003	1.0	1.0
July 1 to September 30, 2003	1.0	1.0
October 1 to December 31, 2003	1.0	1.0
January 1 to March 31, 2004	1.0	1.0
April 1 to June 30, 2004	1.0	1.0
July 1, to September 30, 2004	1.0	1.0

6.4 Partially Harvested Timber

Where decked timber, or timber which has been felled and bucked, such as on right-of-way, is sold without competition; and where the stumpage value is over \$3,000 or volume exceeds 300 m³, a full cost estimate appraisal is completed upon an "as is, where is" basis.

Phase costs may be based on borrowed data from a representative cutting permit, adjusted for partial phase.

If the timber volume is being sold competitively, the timber may be priced according to the procedures in section 6.2, or 7.5.1 (4).

6.5 BC Timber Sales (BCTS)

1. For appraisal purposes, the BCTS includes:
 - All timber sale licenses issued under the *Forest Act*, sections 20 and 21, and
 - all timber sale licences issued under the *Forest Act*, section 23 except 23 (1) (a) and 23 (1) (b).

Adjustable Stumpage Rates

2. The adjustable stumpage rate option can only be provided to a licensee if the upset rate has been determined by means of a full appraisal and the timber sale licence was advertised before November 1, 2003. The data for the full appraisal may be site-specific or may be obtained from a comparable cutting authority. For cutting authorities with volumes greater than 5 000 m³, refer to section 4.2.1. For cutting authorities with 5 000 m³ or less, comparative cruise data will be chosen following procedures set out in section 2.1.2.3 of the *Cruising Manual*.

Fixed Stumpage Rates

3. All timber sale licences awarded under section 20 of the *Forest Act* that were advertised on or after November 1, 2003 will have fixed stumpage rates.

If the district value index method is used, the upset and hence the total stumpage rate is fixed for the term of the cutting authority and all extensions. The only exceptions are if a reappraisal is done under section 2.3.1(d) due to sudden and severe damage or section 2.3.3 because of a minister's direction.

A licensee's election of fixed stumpage rates also precludes any correction to the upset stumpage rate determination that would otherwise be warranted because of an error in the appraisal.

7.4.2 Market Stumpage Price Equation

Using the variables defined in section 7.4.1, the selling price calculated in section 7.3.2 and the equation below, calculate the market stumpage price (MSP).

$$\begin{aligned} \text{MSP} = & [44.1590 + 0.1895 * \text{SP/CPIF} - 0.9615 * \text{DC/CPIF} + 0.1747 * (\text{VOL}/1000) \\ & - 0.1327 * \text{S\%} + 9.0319 * \ln(\text{VPT}) + 0.009378 * \text{VPH} - 12.7571 * \\ & (\text{BWDN\%}/100) - 7.7502 * (\text{CY\%}/100) - 35.8595 * (\text{HP\%}/100) - 9.7689 * \\ & (\text{HORSE\%}/100) - 21.9802 * (\text{BURN\%}/100) - 2.0871 * \text{CYCLE} - 7.8954 * \\ & \text{HECE} + 29.5252 * (\text{WH\%}/100) - 7.9152 * \text{Z9} - 5.4166 * \text{SAL} - 0.5179 * \\ & (1/\text{VPT})] * \text{CPIF} \end{aligned}$$

For the above equation the following definitions apply:

1. If the percentage of hemlock, balsam and cedar volume in the cutting authority is greater than or equal to 50 percent of the total net cruise coniferous volume, then HECE = 1, otherwise enter 0.
2. If the selling price zone is Fort Nelson Peace (9) then Z9 = 1, otherwise enter 0.
3. If the total net cruise coniferous volume is greater than 50 000, then VOL = 50 000.
4. If horse or helicopter log appraisals, then VPT = 0.5490.
5. Where:
 - a. greater than one-third of the net cruise volume for the cutting authority has been physically damaged by ice storm, blowdown, fire, snow press, or
 - b. greater than one-third of the net cruise volume for the cutting authority has been attacked by mountain pine beetle, or other forest pests, that will result in the death of the attacked trees within one year, as determined by the district manager. Salvage (SAL) shall be = 1, or
 - c. except as provided in subsection 5 (a) and (b) SAL shall be = 0.

7.5 MPS Stumpage Rate

7.5.1 MPS Upset Stumpage Rate

1. Subject to subsections (2) (3) and (4) the upset stumpage rate that is determined using the MPS shall be seventy percent of the market stumpage price.
2. Where applications for a timber sale licence with an upset stumpage rate determined under section 7.5.1 (1) have been invited but no applications have been received, the upset stumpage rate shall be equal to the variable cost per cubic metre of preparing the timber for sale when that is requested by the BC Timber Sales manager.
3. Where the director of BC Timber Sales does not anticipate that applications for a timber sale licence with an upset stumpage rate determined under section 7.5.1 (1) will be received because of market conditions, the upset stumpage rate shall be equal to the variable cost per cubic metre of preparing the timber for sale when that is requested by the BC Timber Sales manager.
4. The upset stumpage rate for timber that has been decked for over three years, as determined by the BC Timber Sales manager, shall be equal to the prescribed minimum stumpage rate when that is requested by the BC Timber Sales manager. The deck shall be auctioned by bonus offer.
5. The variable cost per cubic metre of preparing the timber for sale shall be calculated by the BC Timber Sales manager.
6. Notwithstanding anything contained in this section the upset stumpage rate must not be lower than the prescribed minimum rate.

7.5.2 Upset Stumpage Rate Calculation

The upset stumpage rate (USR) is calculated by multiplying the Market Stumpage Price (MSP) by the difference between 1 and the discount factor (DF) as follows:

$$\text{USR} = \text{MSP} * (1 - \text{DF})$$

Where:

USR	=	Upset stumpage rate
MSP	=	Market Stumpage Price as defined in Section 7.4.2
DF	=	0.30

7.5.3 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.