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JUL 27 2004

To: Interior Regional Managers

From: The Honourable Michael de Jong
Minister of Forests

Re: **Amendment No. 11 to the *Interior Appraisal Manual***

I hereby approve Amendment No. 11 to the *Interior Appraisal Manual* and attach a copy for your use. The following changes have been made:

- Section 1.6: Comparative Value Timber Pricing. Administration is added to list of levies and a section reference is updated.
- Section 1.7: Comparative Value Pricing Stumpage Adjustments. Section reference updated.
- Section 2.3.2.2: Annual Reappraisal for Road Permits and Blanket Salvage Cutting Permits. New section reference added.
- Section 2.5: Fixed Stumpage Rate and Extension of Term. Subsection (3) is retitled as "Zonal Average Saw Log Stumpage Rates" and section references are updated.
- Section 4.1.1: Specified Operations. Table 4-1 is revised by deleting the previous dispersed salvage specified operation.
- Section 5.6.4: Upset Stumpage Rate. Administration is added to the list of levies and a section reference updated.
- Section 6.1: Average Stumpage Rates by Forest Zone and Species. Previous subsection title renamed and text revised. New table of average saw log stumpage rates by forest zone and species is added. Forest zones are defined.
- Section 6.2: Cutting Authorities with 5,000 cubic metres or Less Volume. Revised text for subsection regarding average sawlog stumpage rates by forest zone and species and section references are updated.
- Section 6.4: Salvage Logging Stumpage Rates. New section added addressing stumpage rates for salvaged timber. New Tables 6-2 and 6-3 are added for the main categories of salvage: damaged timber and post harvest material.

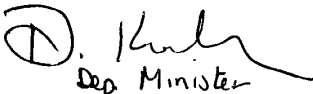


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Interior Regional Managers

- Section 6.5: Partially Harvested Timber. Existing subsection renumbered and the value threshold of \$3,000 is removed. The volume threshold remains.
- Section 6.6: BC Timber Sales. Reference to “district value index method” replaced with “average saw log stumpage rate method”. Reference to section 47.6(3) of the *Forest Act* for BC Timber Sales forestry licences to cut is added.
- Section 6.7.1: Basic Silviculture Levy. Reference to “appraisal estimate of basic silviculture costs” replaced with “district manager’s cost estimate of basic silviculture liability to be incurred by the Crown.”
- Section 6.7.2: Administration Levy. New subsection added.
- Section 6.8: Miscellaneous Stumpage Rates. Section, subsections renumbered. Existing table renumbered.
- Section 7.1: Market Pricing System introduction. Section reference updated.
- Section 7.2.4: Methodology. Section reference updated.
- Section 7.6: Deciduous and Miscellaneous Forest Products. Section reference updated.

This amendment will come into force on August 1, 2004. Further amendments or revisions to this manual require my approval.


Dep. Minister
Michael de Jong
Minister

Attachments

pc: Bill Howard, Director, Revenue Branch

All Subscribers, *Interior Appraisal Manual*



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MANUAL TITLE

Interior Appraisal Manual

REVISION No.

Amendment No. 11

ISSUE DATE

August 1, 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.

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1.6 Comparative Value Timber Pricing

Comparative Value Pricing (CVP), subject to the minimum stumpage rate, is the basis for determining stumpage rates for all cutting authorities except those specified under section 1.5. Sections 2.1 (2), (3) and (4) provide the methods that are used for specific products and extraordinary situations.

One component of CVP is the determination of the average stumpage rate for the interior. The stumpage rate for a given stand of timber is more or less than the pre-set average rate (Interior Target Rate) (see chapter 5) depending upon whether the stand value index is more or less valuable than the average stand's value index. To determine the value index of the stand and hence to determine a stumpage rate, the forest officer will typically:

1. Estimate the selling price of the products that can be recovered from the timber stand (see chapter 3).
2. Estimate the least total cost necessary to harvest and deliver timber to a point of appraisal then add the manufacturing cost for that point of appraisal (see chapter 2 and 4).
3. Determine the Value Index (see chapter 5) of the timber stand by subtracting the estimated operating cost from the estimated selling price.
4. Determine the indicated stumpage rate by comparing the Value Index for the timber stand with the Interior Mean Value Index and adding the Interior Base Rate (see chapter 5).
5. Determine the reserve stumpage rate (see chapter 5) by selecting:
 - a. the greater of the indicated stumpage rate or the prescribed minimum stumpage rate, or
 - b. for an appraised cutting authority area containing timber licence volume, the greater of the adjusted indicated stumpage rate or the prescribed minimum stumpage rate.
6. Determine the upset stumpage rate by adding any development, silviculture, and administration levies (see section 6.7) to the reserve stumpage rate.
7. Determine the total stumpage rate by adding any bonus bid to the upset stumpage rate.

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 6.8.

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

1.7 CVP 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 6.6.

Each quarterly stumpage adjustment will be calculated using stumpage appraisal parameters approved by the director, Revenue Branch.

Stumpage appraisal parameters are:

- i. Statistics Canada interior composite index,
- ii. Interior target rate,
- iii. Interior base rate,
- iv. Interior mean value index.

The adjusted stumpage rates reflect changes in estimated selling prices and lumber recovery factor update add-ons (as authorized in this manual since the previous adjustment), and the recalculated logging and silviculture costs based on the appropriate trend factors shown in section 4.12. The manufacturing costs used in the adjustment will be those authorized in this manual since the previous adjustment. 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.

2.3 Reappraisals

1. A reappraisal is a process used to redetermine a stumpage rate for a cutting authority area using the *Interior Appraisal Manual* in effect on the effective date of the reappraisal.
2. A reappraisal is based on a complete reassessment of the cutting authority area at the time of the reappraisal, as if the area has been returned to the condition it was in prior to development or harvesting.
3. At the time of a reappraisal, initial detailed engineering cost estimates may be re-estimated once after construction utilizing information as specified in section 4.3.3. However, development costs originally estimated using ministry approved competitive bids are not re-estimated in a reappraisal.

2.3.1 Changed Circumstances

1. An adjustable stumpage rate cutting authority shall be reappraised when a changed circumstance has occurred. The licensee will make a request (including a revised appraisal data submission and map) to the district manager to carry out a reappraisal stating in the request the changed circumstance that has occurred. If the district manager determines that a changed circumstance has occurred and a licensee has not requested a reappraisal, the district manager will notify the licensee in writing that a reappraisal is required, stating the changed circumstance that has occurred. The regional manager must be satisfied that any of the following changed circumstances have occurred:
 - a.
 - (i) The licensee plans to use a method of harvest to harvest at least fifteen percent of the volume of timber in the cutting authority area that is different from the method planned to be used for that timber prior to the appraisal of the cutting authority area, and
 - (ii) the method of harvesting that will produce the appraisal least total operating cost estimate in the reappraisal is different from the method of harvesting that was used to produce the appraisal least total operating cost estimate in the appraisal, or
 - b. there will be at least a fifteen percent change in the total appraised development cost estimate due to changed site conditions upon reappraisal, or
 - c. land containing merchantable timber has been either added to or deleted from the cutting authority area since the most recent cruise compilation or recompilation was used in an appraisal or reappraisal that exceeds the lesser of
 - i. fifteen hectares, or

- ii. fifteen percent of the area of the cutting authority area as it was prior to the addition or deletion of the land, or
 - d. at least fifteen percent of the volume of the appraised timber in a cutting authority area has been suddenly and severely damaged, unless the timber was damaged by a fire for which the licensee was responsible and the licensee failed to comply with any of section 75 through 95 of the *Forest Practices Code of British Columbia Act* or the *Forest Fire Prevention and Suppression Regulation*. Despite subsection 2.3(2) where the cutting authority area is reappraised because of sudden and severe damage the redetermined stumpage rate is based upon the remaining timber only. The reappraisal cost estimate for development takes into account volume of timber already removed from the cutting authority area. This subsection is applicable to cutting authorities with either a non-adjusting (fixed) stumpage rate or a quarterly adjusted stumpage rate.
2. Where a cutting authority is reappraised under this section, any existing bonus bid remains in effect despite a redetermination of the upset rate.

2.3.2 Annual Reappraisal for Road Permits and Blanket Salvage Cutting Permits

1. A road permit must be appraised or reappraised effective June 1 of each year. The stumpage rate determined at the appraisal or reappraisal is fixed for one year.
2. A (blanket) salvage cutting permit must be reappraised at the anniversary date of the cutting authority. See section 6.4.

2.3.3 Minister's Direction

1. The Minister of Forests may direct that a reappraisal be made at any time and that the redetermined stumpage rate be effective on any future date, and may specify criteria and procedures for the reappraisal.
2. A reappraisal directed by the Minister of Forests, may be a re-estimation of operating cost, lumber recovery factor, or selling price, or any combination of these, as may be directed by the Minister of Forests.

2.3.4 Mathematical Error

- a. If a government employee or contractor in the Ministry of Forests or a licensee (or employee or contractor of a licensee) becomes aware of what is or probably is a mathematical error in a stumpage determination, that person shall give written notice of the error ("the Notice") as follows:

2.5 Fixed Stumpage Rate and Extension of Term

BC Timber Sales (BCTS)

1. A fixed stumpage rate for a BCTS cutting authority means that the reserve stumpage rate, levies and bonus bids will not change during the term of the cutting authority and all extensions. Except where:
 - a. a reappraisal is done under section 2.3.1(1)(d) due to sudden and severe damage or
 - b. a reappraisal is done under section 2.3.3 because of a minister's direction.

Woodlots

2.
 - a. An appraised or reappraised stumpage rate for a cutting authority, other than a road permit, issued under a woodlot licence shall be adjusted quarterly unless a woodlot licensee chooses in accordance with this section, to have, or the woodlot licence has under section 2.5,(2)(c) a fixed stumpage rate for the term of the cutting authority and all extensions.
 - b. A licensee may choose to change the adjusting stumpage rate to a fixed stumpage rate at any time upon giving three (3) weeks prior written notice of that choice to the regional appraisal coordinator. Once the choice has been made by the licensee, it is irrevocable and is not retroactive. Where the proper notice above, is given, the stumpage rate will be fixed.
 - c. Where a woodlot licence cutting authority has a stumpage rate that is not adjusted quarterly as of April 1, 2003, that stumpage rate shall remain fixed for the term of the cutting authority and all extensions.
 - d. Where a woodlot licence cutting authority has a stumpage rate that is fixed by section 2.5,(2)(b) or 2.5,(2)(c) that cutting authority shall only be reappraised under section 2.3.1,(1),(d), section 2.3.2, or section 2.3.3.

Zonal Average Sawlog Stumpage Rates

3. Where the stumpage rate has been determined under section 6.1 or section 6.2 and the term of the cutting authority is extended, the stumpage rate shall continue unchanged during the term of the cutting authority.

Miscellaneous Stumpage Rates

4. Miscellaneous stumpage rates (section 6.8) will be based on the *Interior Appraisal Manual* in effect on the date of scale, except for those cutting authorities that specify miscellaneous stumpage rates in their cutting authority document.

4.1.1 Specified Operations

In addition to the logging methods and phase costs that are covered by this manual, there are specified operations which require special cost estimating. Table 4-1 contains a complete list of specified operations for which certain phase cost estimates are based on the information on hand rather than on the tables and formulas in this manual. Other phase cost estimates in this manual are combined with the specified operation cost estimate to determine the total operating cost. Where appropriate, specified operations are weighted according to the applicable net cruise volume.

Specified operations shall be recognised only when the treatment is required within the Silviculture Prescription, Site Plan, Cutting Authority Document or the Forest Development Plan as dictated by site conditions. Where a specific treatment is not required based on these conditions, the conventional cost estimate shall apply.

Further information on specified operations may be obtained from the regional appraisal coordinators.

Table 4-1 Specified Operations

Specified Operations	Affected Phase
Root Disease Control	Silviculture (section 4.9).
Skidder Swinging (includes all ground skidding methods) ¹	Tree-to Truck (section 4.4).

1. Skidder swing will only be considered between harvest methods listed in section 4.4.1 (four methods), in order to deliver logs to an existing road/landing.

4.2 Appraisal Data Requirements

The cruise and all other pertinent information required for the appraisal must be submitted by the licensee or BC Timber Sales with the appropriate interior appraisal data submission and map to the district manager.

Unless otherwise specified by the director, Revenue Branch, cruise data must be gathered and compiled according to the approved interior standard timber merchantability specifications in Table 4-2 below and in accordance with the following Ministry of Forests publications:

- *Cruising Manual* (*Cruising Manual* web site: <http://www.for.gov.bc.ca/revenue/manuals/cruising/>),
- *Cruise Compilation Manual*.

Table 4-2 Interior Standard Timber Merchantability Specifications

Description		
The following standard timber merchantability specifications must be used for all appraisals.		
Stumps (Measured on the side of the stump adjacent to the highest ground.)		
• no higher than		30.0 cm
Diameter (outside bark) at stump height		
• lodgepole pine: all timber that meets or exceeds		15.0 cm
• all other species: all timber that meets or exceeds		20.0 cm
Top diameter (inside bark or slab thickness)		
• for all species and ages, except cedar older than 141 years, all timber that meets or exceeds		10.0 cm
Top diameter (inside bark or slab thickness)		
• for cedar older than 141 years, all timber that meets or exceeds		15.0 cm
Minimum length		
• log or slab		3.0 m

In order to verify the accuracy of the cruise compilation program, the licensee must provide, on request, photocopies of the tally sheets and a magnetic copy of the data list in a format prescribed by the regional manager.

5.5 Interior Base Rate (IBR)

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:

$$\text{ISR} = \text{IBR} + (\text{VI} - \text{IMVI})$$

Where:

ISR = Indicated Stumpage Rate

IBR = Interior Base Rate as defined in Section 5.5

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

IMVI = 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.

5.6.4 Upset Stumpage Rate

The upset stumpage rate is the total of the reserve stumpage rate plus any development, silviculture and administration levies which may be charged as defined in section 6.7.

5.6.5 Total Stumpage Rate

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

Miscellaneous Timber Pricing Policies

6

6.1 Average Stumpage Rates by Forest Zone and Species

Each of the following forest zones used in Tables 6-1, 6-2 and 6-3 is made up of the corresponding forest district areas:

1. North Central Zone - Fort St. James, Mackenzie, Nadina, Prince George, Quesnel and Vanderhoof Forest Districts.
2. North West Zone - Kalum and Skeena Stikine Forest Districts.
3. North East Zone - Fort Nelson and Peace Forest Districts.
4. South East Zone - Arrow Boundary, Columbia, Headwaters, Kamloops, Kootenay Lake, Okanagan Shushwap and Rocky Mountain Forest Districts.
5. South West Zone - 100 Mile House, Cascades, Central Cariboo and Chilcotin Forest Districts.

Where a species of timber is not listed in Table 6-1, the rate that shall be used for that species of timber is the rate listed in the column headed as OTHER.

Table 6-1 Average Sawlog Stumpage Rates by Forest Zone and Species (\$/m³)

FOREST ZONE	BALSAM	CEDAR	FIR	HEMLOCK	LARCH	L. PINE	SPRUCE	OTHER
North Central	24.00	22.52	23.88	19.41	28.75	21.80	24.55	22.79
North West	7.82	10.89	0.25	6.81	-	15.87	12.37	10.33
South East	21.91	14.74	16.38	12.44	13.30	18.79	20.17	17.98
South West	22.35	18.95	14.04	22.28	24.71	14.67	20.52	15.78
North East	10.81	-	-	-	7.51	12.73	9.57	10.55

6.2 Cutting Authorities With 5 000 m³ or Less Volume

1. This subsection applies to a cutting authority area that has a total coniferous volume of 2 000 m³ or less :

- a. Sawlog Stumpage Rates by Forest Zone and Species

- i. Except as provided in section 6.4, and in subsections (1)(a)(ii) and (1)(b) of this section, where a cutting authority area has 2 000 m³ or less of coniferous timber, the stumpage rate for each species of timber must be determined using the stumpage rate prescribed in table 6-1 for the forest zone in which the cutting authority area is located.
- ii. Where the licensee is not required to establish a free growing crop of trees on the cutting authority area, the stumpage rate for a species of timber shall be the sum of the rate prescribed in table 6-1 plus the basic silviculture levy determined under section 6.7.
- iii. The stumpage rates calculated under this section are not adjusted quarterly.
- iv. For extensions of the cutting authority, see section 2.5(3).

- b. Full Appraisal

Alternatively, an indicated stumpage rate may be determined through a full appraisal. The stand data may be site-specific (i.e., timber cruised or scaled) or obtained from one or more comparable cutting authorities (e.g., similar stand and terrain characteristics, etc.). When choosing the comparative cruise data, the district manager may require that procedures in section 2.1.2.3 of the *Cruising Manual* be followed. The total stumpage rate is adjustable for the term of the cutting authority, except as provided in section 6.6.

Each full appraisal is made as described in chapters 3, 4 and 5.

2. Total coniferous volume of greater than 2 000 m³ to 5 000 m³.

An indicated stumpage rate is determined on the basis of full appraisal data. The data may be site-specific or the data may be obtained from comparable cutting authorities, as per section 2.1.2.3 of the *Cruising Manual*.

Each appraisal is made as described in chapters 3, 4 and 5.

These cutting authorities are cruised if specified by the regional manager in accordance with section 4.2 of this manual.

The total stumpage rate is adjustable for the term of the cutting authority, except as provided in section 6.6.

6.3 Right-of-way Cutting Authorities

1. The stumpage rate for a road permit will be determined using Ministry of Forests stumpage billing records.
2. The stumpage rate for a road permit is the weighted average sawlog stumpage rate for:
 - a. cutting authorities, other than a road permit, that are located in the same forest district as the area to which the road permit applies, and that are issued under the licence that entitles the licensee to apply for the road permit,
 - b. a licence to cut or a timber sale licence under which cutting permits have not or will not be issued, that entitles the licensee to apply for the road permit,
 - c. if there are no records from which the stumpage rate may be determined under (a) or (b),
 - i. all the cutting authorities, other than road permits, that are for areas located in the same forest district as the area to which the road permit applies, or
 - ii. if the licence that the cutting authority is issued under has an annual allowable cut of Crown timber less than 3 000 m³ per year, all the cutting authorities, other than road permits, that are for licences that have an annual allowable cut of less than 3 000 m³ in the same forest district as the area to which the road permit applies.
3. The weighted average sawlog stumpage rate is the sum of the stumpage billed for sawlogs of grade code () blank during the billing period referred in subsection 4, divided by the sum of the volume of those sawlogs.
4. The billing period referred to in subsection 3 for a road permit appraisal or reappraisal, with an effective date between June 1 of one year (the first year) and May 31 of the following year, is the twelve-month billing period ending March 31 in the first year.

The costs of roads constructed under road permits are eligible for inclusion as development cost estimates under section 4.3 in the appraisal of the first tributary cutting authority. These roads will not be considered as existing roads under section 4.3.1.1.4 (2).

All road permits will be reappraised in accordance with section 2.3.2.

6.4 Salvage Logging Stumpage Rates

1. Salvaged timber is either post harvest material or damaged timber:
2. Post Harvest Material is either:
 - a. wooden culverts and bridges, or
 - b. post logging residue.
3. Damaged Timber is timber that:
 - a. Has been blown down,
 - b. Has been damaged by fire, disease, snow press, or
 - c. Will die within one year, as determined by the district manager, as a result of the affects of the mountain pine beetle, or other forest pests.
4. The criteria and methodology for the calculation of salvaged timber stumpage rates are:
 - a. Post harvest material may not be combined in the same cutting authority area with damaged timber.
 - b. Except where damage to adjacent or contiguous timber occurs after harvesting is completed on the adjacent primary logging cutting permit area and the harvesting equipment has been demobilized from the area, damaged timber salvage cutting authority areas must be scattered, and not be adjacent to or contiguous with an existing cutting authority area.
 - c. Except as provided in subsection (4)(d) of this section the total area of a clearcut salvage harvesting area shall not exceed 1 hectare.
 - d. Where salvage of only damaged stems through partial cutting will leave a stand that meets minimum stocking standards, the area harvested may be larger than 1 hectare.
 - e. Salvage logging stumpage rates may only be determined for a cutting authority where more than one-third of the volume of coniferous timber in the cutting authority area is damaged timber.
 - f. Post harvest salvage may only occur after primary logging has been satisfactorily completed and residue and waste assessments have been submitted to and accepted by the Ministry.

- g. Salvage cannot occur on a road right-of-way which has an active timber mark associated with it.
 - h. The stumpage rate will be fixed for one year. Multiple year (blanket) salvage cutting authorities will be reappraised annually as per section 2.3.2.
3. Where salvaged timber is damaged timber, the stumpage rate for each species of the salvaged timber will be determined using the schedule of Sawlog Stumpage Rates for Salvage of Damaged Timber by Forest Zone and Species found in Table 6-2.
 4. Where the source of the salvaged timber is post harvest material, the stumpage rate for each species of timber will be determined using the schedule of Sawlog Stumpage Rates of Post Harvest Material by Forest Zone and Species found in Table 6-3.

Where a species of timber is not listed in Table 6-2 and 6-3, the rate that shall be used for that species of timber is the rate listed in the column headed as OTHER.

Table 6-2 Average Sawlog Stumpage Rates for Salvage of Damaged Timber by Forest Zone and Species (\$/m³)

FOREST ZONE	BALSAM	CEDAR	FIR	HEMLOCK	LARCH	L. PINE	SPRUCE	OTHER
North Central	14.40	20.27	21.50	11.64	25.88	16.35	22.09	13.67
North West	4.69	9.80	0.25	4.09	-	11.90	11.13	6.20
South East	13.14	13.26	14.75	7.46	11.97	14.09	18.15	10.79
South West	13.41	17.06	12.63	13.37	22.24	11.00	18.47	9.47
North East	6.49	-	-	-	6.76	9.54	8.61	6.33

Table 6-3 Average Sawlog Stumpage Rates for Salvage of Post Harvest Material by Forest Zone and Species (\$/m³)

FOREST ZONE	BALSAM	CEDAR	FIR	HEMLOCK	LARCH	L. PINE	SPRUCE	OTHER
North Central	6.00	18.02	11.94	4.85	14.38	10.90	12.27	5.70
North West	1.96	8.71	0.25	1.70	-	7.94	6.18	2.58
South East	5.48	11.79	8.19	3.11	6.65	9.39	10.08	4.49
South West	5.59	15.16	7.02	5.57	12.35	7.34	10.26	3.95
North East	2.70	-	-	-	3.76	6.36	4.78	2.64

6.5 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 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).

6.6 BC Timber Sales (BCTS)

1. For appraisal purposes, the BCTS includes:
 - All timber sale licenses issued under the *Forest Act*, sections 20, and
 - all forestry licences to cut issued under the *Forest Act*, section 47.6(3).

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 zonal average sawlog stumpage rate 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.

6.7 Levies (CVP only)

1. Basic Silviculture Levy:

A basic silviculture cost estimate is made for every cutting authority that will require basic silviculture, including those with a volume of less than 2 000 m³.

A basic silviculture levy may be added to the reserve stumpage rate. The levy is \$0.00/m³ if no Crown expenditures are anticipated for basic silviculture, or the district manager may set the levy at \$0.00/m³ if the sale is offered under the *Forest Act*, section 20, and the district manager is satisfied that there will be competition for the sale. Otherwise the silviculture levy is equal to the district managers cost estimate of basic silviculture liability to be incurred by the Crown.

2. Development/Administration Levy:

- a. A development levy may be added to the reserve stumpage rate. The levy is \$0.00/m³ if no Crown expenditures are anticipated for road construction, or the district manager may set the levy at \$0.00/m³ if the sale is offered under the *Forest Act*, section 20, and the district manager is satisfied that there will be competition for the sale. Otherwise, the development levy is equal to the appraisal cost estimate of road construction provided by the Crown as approved by the regional manager.
- b. An administration levy may be added to the reserve stumpage rate. The administration levy is equal to the district managers cost estimate of administration provided by the Crown for preparing a Forestry Licence to Cut for salvage timber. An administration cost estimate is made for every cutting authority where the district office has to prepare all details of a Forestry Licence to Cut for salvage. No levy is applicable to professional applications.

The amount of any levy may be re-determined at reappraisal only.

6.8 Miscellaneous Stumpage Rates

For the purpose of determining stumpage rates for certain special forest products, including deciduous species, low grade logs and timber in specified areas listed under this section, the miscellaneous stumpage rates tables are to be used.

6.8.1 Special Forest Products and Other Miscellaneous Rates

Table 6-4 is to be used for determining stumpage rates for the specified products from all sources of Crown timber when scaled.

Table 6-4 Miscellaneous Stumpage Rates*All Forest Regions*

Species	Product	Reserve Stumpage Rate
Cedar	Shakes	\$6.00/m ³
Cedar	Blanks	\$7.20/m ³
Cedar	Fence Posts	\$3.00/m ³
Cedar	Mining Timbers & Fence Rails	\$3.00/m ³
All Species	Firewood	\$0.50/m ³
All Species	Bolts/Blocks	\$5.30/m ³
Yew	All	\$0.25/m ³
All Species	Grades: 3, 4, 5 and 6	\$0.25/m ³
All Deciduous	All (except grades 3, 4, 5 and 6)	\$0.50/m ³
All Species (except Cedar)	Fence Rails, Mining Timbers, Fence Posts	\$1.20/m ³
All Species	Pickets & Palings, Mine Cribbing, Car Stakes, Round Stakes & Sticks, Rails (Split), Lagging (Split), Orchard Props	\$1.20/m ³
All Species	Christmas Tree: under 3m 3-5 m over 5 m	\$0.20/each \$1.00/each \$1.50/each
All Species	Logs salvaged below the high water levels of Reservoir Lakes and the Slocan, Kootenay, Mineral, Babine and Ootsa Lakes	\$0.25/m ³
All Species	Trees classified as "Dead Potential" on Cruise-based cutting authorities	\$0.25/m ³
All Coniferous	For logs harvested from the Alex Fraser (UBC), Aleza Lake (UBC and UNBC) and Fort St. James (UNBC) Research Forests	\$0.25/m ³
All Species	Firmwood Reject	NIL

Forest District Specific

Description	District	Reserve Stumpage Rate
Gross area cleared for seismic lines, gas or oil well sites and right-of-way to well sites	Cranbrook Peace Ft. Nelson	\$3,009/ha \$1,644/ha \$1,644/ha

* For pipe line rights-of-way a stumpage rate may be determined by using the above rates for cutting authorities containing less than 1 000 m³, of merchantable volume. For cutting authorities of 1 000 m³ and over see section 6.2.

6.8.2 Miscellaneous Stumpage Rates for Timber Licences

Timber licence cutting authority areas that have not been appraised and have a cutting authority term that began before May 1, 1995, must be appraised effective April 1, 2003.

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Market Pricing System

7

The market pricing system (MPS) policy provided in this chapter is to be used only for timber sale licences awarded under sections 20 and 21 of the *Forest Act* on or after January 1, 1999.

Chapters 3, 4, 5 and 6 of this manual are only to be used, for sections 20 and 21 timber sale licences (TSL), where directly referenced in chapter 7.

7.1 MPS Introduction

The market pricing system is the basis for determining sawlog stumpage rates for timber sale licences issued under section 20 of the *Forest Act*, subject to a minimum stumpage rate. Sections 2.1 (4) and (3) of this manual provide the methods that are used for deriving stumpage rates for specific products and extraordinary situations.

MPS is a method of estimating the stumpage value of a stand of timber based on the results of previous similar timber stands that were sold competitively.

MPS can only be used where complete appraisal data as per section 4.2 is available for the cutting authority area. Where data is not available see section 6.2 of this manual.

The MPS upset rate and bonus bid applies to coniferous sawlogs only. All deciduous species, special forest products and grade 3, 4, 5 or 6 logs have a default price listed under section 6.8.

7.2 MPS Principles and Procedures

7.2.1 MPS Appraisals

The upset stumpage rate will be calculated using the *Interior Appraisal Manual* and monthly parameters (selling prices and consumer price index (CPI)) in effect on the date of calculating (appraisal effective date). This rate plus the bonus bid remains in effect from the date of award of the sale until the sale expires. All MPS stumpage rates on Section 20 timber sale licences advertised on or after November 1, 2003 are fixed for the term of the timber sale and all extensions.

7.2.2 MPS Stumpage Adjustments

For cutting authorities that were advertised prior to November 1, 2003, that elected to have, or have adjustable stumpage rates, the stumpage rates are adjusted quarterly on January 1, April 1, July 1, and October 1, of each year.

At the time of the quarterly adjustment, the MPS upset rate will be re-calculated based on the equations applicable for the appraisal effective date and the cutting authority data. The monthly parameters effective for the month of the adjustment will be used in the calculation instead of the original values. All other data remain unchanged.

This process is repeated quarterly until the cutting authority is reappraised.

7.2.3 Reappraisals for MPS Appraisals

Revised data and revised monthly parameters will be used with the equations in effect on the reappraisal date. Any reappraisal will follow the policy direction of chapter 2 of this manual. The original bonus bid remains in effect.

7.2.4 Methodology

Calculating the upset stumpage rate for BC Timber Sales, issued under section 20 of the *Forest Act*, will be done using the following methodology:

1. Calculate a selling price (SP) of the products that can be recovered from the stand using sections 7.3.1 and 7.3.2 with the variables as defined.
2. Calculate the market stumpage price using the equation in section 7.4.2, the variables for the stand, and the SP calculated in section 7.3.
3. Calculate the upset stumpage rate by discounting the market stumpage price calculated in section 7.4.2 using the discount factor in section 7.5.

One stumpage rate is determined for all appraised coniferous sawlogs in each cutting authority area. Other products and deciduous species are priced using miscellaneous stumpage rates as specified under section 6.8.

7.5.4 Total MPS Stumpage Rate

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

7.6 Deciduous and Miscellaneous Forest Products

The stumpage rates for deciduous sawlogs, all species grade 3, 4, 5 and 6 logs and other miscellaneous forest products are found in section 6.8.

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