



Ministry of
Forests

Office of the Minister

MEMORANDUM

File: 280-20

July 31, 2003

To: Interior Regional Managers

From: The Honourable Michael de Jong
Minister of Forests

Re: Amendment No. 7 to the *Interior Appraisal Manual*

I hereby approve Amendment No. 7 to the *Interior Appraisal Manual* and attach a copy for your use. The following changes have been made:

- | | |
|---------------|---|
| Section 7.2.3 | Reappraisals for MPS Appraisals. The change makes it clear that the normal reappraisal procedures apply to the Market Pricing System (MPS). |
| Section 7.5.1 | MPS Upset Stumpage Rate. The change implements new procedures to be followed in the event no bids are received for a timber sale licence. |



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This amendment will come into force on August 1, 2003. Further amendments or revisions to this manual require my approval.

Michael de Jong
Minister of Forests

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.7

ISSUE DATE

August 1, 2003

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 7	3 - 4 9 - 10	After Chapter 7 Tab
INSERT	Chapter 7	3 - 4 9 - 10	

7.2 MPS Principles and Procedures

7.2.1 MPS Appraisals

The initial 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 next quarterly adjustment.

7.2.2 MPS 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.

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 and 21 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 6.7.

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:

- 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,
- if the selling price zone is Fort Nelson Peace (9) then Z9 = 1, otherwise enter 0,
- if the total net cruise coniferous volume is greater than 50 000, then VOL = 50 000,
- if horse or helicopter log appraisals, then VPT = 0.5490.
- if the cutting authority is for the salvage of damaged or diseased timber at risk of being lost, then SAL = 1 otherwise enter 0.

7.5 MPS Stumpage Rate

7.5.1 MPS Upset Stumpage Rate

1. Subject to subsections (2) and (3) 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 variable cost per cubic metre of preparing the timber for sale shall be calculated by the BC Timber Sales manager.
5. 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.