

File: 280-20

MAY 25 2004

To: Interior Regional Managers

From: The Honourable Michael de Jong
Minister of Forests

Re: **Amendment No. 9 to the *Interior Appraisal Manual***

I hereby approve Amendment No. 9 to the *Interior Appraisal Manual* and attach a copy for your use. The following changes have been made:

- Section 2.2 (9) and (10) Appraisal Procedure. Synchronizes policy with changes to the appeal provisions in the amended *Forest Act*. Minor wording changes have been added for clarity. Section 11 has been removed.
- Section 2.4 (8) and (9) Changed Circumstance Reappraisal Procedure. Synchronizes policy with changes to the appeal provisions in the amended *Forest Act*. Minor wording changes have been added for clarity. Section 10 has been removed.
- Section 3.1 Lumber Average Market Values. The reference to licence utilization requirements is removed.
- Section 3.1(1) Average Market Values for Small Log Cutting Authorities. The subsection has been given a new title.
- Section 3.1(2) Average Market Values for Small Log Licences. The subsection has been given a new title. Revised wording removes the text referring to licence utilization requirements.
- Section 3.1(5) Grade 4 Hemlock Average Market Values. The subsection has been given a new title. Revised wording removes the text referring to licence utilization requirements.
- 3.1.1 Application of Lumber Market Markets. The text has been revised to refer to the new subsection titles.



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Interior Regional Managers

Section 4.11

Cost Trend. This change adds an additional trend factor for logging, silviculture, and manufacturing costs in appraisals for the period April 1, 2004, to June 30, 2004, in each of the trend factor tables.

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

 J. De Jong A/DM
Michael de Jong
Minister of Forests

Attachment

pc: Bill Howard, Director, Revenue Branch

All Subscribers, *Interior Appraisal Manual*



ACTION (Remove/Insert)	(VOL.) CHAPTER-SECTION-SUBJECT	PAGE(S)	COMMENTS
	TABLE OF CONTENTS		
REMOVE	Chapter 2	3 - 4 9 - 10	After Chapter 2 Tab
INSERT	Chapter 2	3 - 4 9 - 10	
REMOVE	Chapter 3	1 - 4	After Chapter 3 Tab
INSERT	Chapter 3	1 - 4	
REMOVE	Chapter 4	55 - 48	After Chapter 4 Tab
INSERT	Chapter 4	55 - 58	
REMOVE	Index	1 - 4	After Index Tab
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INSERT	Minister's Letter and Manual Revision Transmittal		After Amendments Tab

2.2 Appraisal Procedure

1. An appraisal is a process used to determine a stumpage rate for a cutting authority area using the *Interior Appraisal Manual* in effect on the effective date of the cutting authority.
2. A licensee or BC Timber Sales (BCTS) shall submit an interior appraisal data submission and map (Appendix IV) to the district manager when the licensee or BCTS makes an application for a cutting authority.
3. The licensee or BCTS shall submit to the district manager any other information required by the district manager or their designate for the purposes of the appraisal.
4. The submissions under subsections (2) and (3) of this section must be signed and sealed by a professional forester registered in the Province of British Columbia.
5. The district manager or their designate may review the licensee or BCTS submission and will notify the licensee or BCTS, in writing, of any omissions, errors or provisions of the *Interior Appraisal Manual* that, in the opinion of the district manager or their designate, the signing professional forester may not have considered. The licensee or BCTS signing professional forester will consider the district manager's or their designate's notification and may revise the submission.
6. The district manager or their designate shall give any information supplied by the licensee or BCTS under this section to the person who determines the stumpage rate together with any other information that the district manager or their designate considers relevant to the appraisal.
7. The person who determines the stumpage rate may review the licensee or BCTS submission and information supplied by the district manager or their designate, and will notify the licensee or BCTS, in writing, of any omissions, errors or provisions of the *Interior Appraisal Manual* that, in the opinion of the person who determines the stumpage rate, the signing professional forester may not have considered. The licensee or BCTS signing professional forester will consider the notification and may revise the submission.
8. The person who determines the stumpage rate shall consider, when determining the stumpage rate:
 - a. the information provided by the licensee or BCTS and the district manager or their designate, and
 - b. any information available to the person who determines the stumpage rate that is relevant to the appraisal.

9. Regional staff will notify the licensee of the total stumpage rate by way of a stumpage advisory notice. Regional staff will advise BCTS of the upset stumpage rate. Once the timber sale has been auctioned regional staff will notify the successful bidder of the total stumpage rate by way of a stumpage advisory notice. Regional staff will also provide the licensee or BCTS with a summary of the information used to determine the stumpage rate or upset stumpage rate.
10. If the licensee does not agree with the stumpage rate indicated in the stumpage advisory notice the licensee may appeal the determination to the Forest Appeals Commission in accordance with the appeal provisions in the *Forest Act*.

2.4 Changed Circumstance Reappraisal Procedure

1. The licensee shall submit to the district manager an interior appraisal data submission and map if the cutting authority area must be reappraised because of a changed circumstance under section 2.3.1.
2. The licensee shall submit to the district manager any other information required by the district manager or their designate for the purposes of the appraisal.
3. The submissions under subsections (1) and (2) of this section must be signed by a professional forester registered in the Province of British Columbia.
4. The district manager or their designate may review the licensee's submission and will notify the licensee, in writing, of any omissions, errors or provisions of the *Interior Appraisal Manual* that, in the opinion of the district manager or their designate, the signing professional forester may not have considered. The licensee's signing professional forester will consider the district manager's or their designate's notification and may revise the submission.
5. The district manager or their designate shall give any information supplied by the licensee under this section to the person who determines the stumpage rate together with any other information that the district manager or their designate considers relevant to the appraisal.
6. The person who determines the stumpage rate may review the licensee's submission and information supplied by the district manager or their designate, and will notify the licensee, in writing, of any omissions, errors or provisions of the *Interior Appraisal Manual* that, in the opinion of the person who determines the stumpage rate, the signing professional forester may not have considered. The licensee's signing professional forester will consider the notification and may revise the submission.
7. The person who determines the stumpage rate shall consider, when determining the stumpage rate:
 - a. any information provided by the licensee and the district manager or their designate, and
 - b. any information available to the person who determines the stumpage rate that is relevant to the reappraisal.
8. Regional staff will notify the licensee of the reappraised stumpage rate in the form of a stumpage advisory notice and will provide the licensee with a summary of the information used to determine the reappraised stumpage rate.

9. If the licensee does not agree with the reappraised stumpage rate indicated in the stumpage advisory notice the licensee may appeal the determination to the Forest Appeals Commission in accordance with the appeal provisions in the *Forest Act*.

2.4.1 Effective Date of Changed Circumstance Reappraisal

1. The effective date of the reappraisal under section 2.3.1 is the first day of the month following the date of the licensee's written request to the district manager or the district manager's notification to the licensee that a changed circumstance has occurred unless the reappraisal is because of:
 - a. amendments to the cutting authority exhibit A area under subsection 2.3.1(1)(c), in which case the reappraisal is effective on the first day of the month following the date that the district manager notifies the licensee of the amendment approval, or
 - b. sudden and severe damage to the appraised timber under subsection 2.3.1(1)(d), in which case the effective date of the reappraisal is the first day of the month following the date of the occurrence of the damage, unless otherwise specified by the regional manager.

2.4.2 Minister Directed Reappraisal Procedure

1. The licensee shall submit to the district manager an interior appraisal data submission, if requested by the district manager or their designate, within forty-five days of the minister's direction.
2. Thereafter, the ministerial direction reappraisal procedure shall be the same procedure as that required by subsections 2.4 (2) through 2.4 (8).

Interior Selling Prices

3

Selling price estimates are based on schedules of lumber and chip values collected and published by Revenue Branch. When the values are compiled and distributed, they become an integral part of this manual.

3.1 Lumber Average Market Values

Monthly market value information for the interior is obtained by Revenue Branch from lumber producers located in each of the recognized average market value zones. Average market values (AMV) for each species are compiled by dividing total sales value by total sales volume for each zone. When there is inadequate data to provide a reasonable average for a species in one zone, the data is adjusted and combined with other species in other zones. Separate AMVs are derived for small log cutting authorities, small log licences, stud lumber, random lumber and Grade 4 hemlock.

The volume that is manufactured to Canadian Lumber Standard/American Lumber Standard (CLS/ALS) sizes is reported in footboard measure (fbm). Lumber manufactured in non-CLS/ALS sizes is adjusted to equivalent CLS/ALS sizes. The total volume for each species includes all sizes and grades of rough and dressed lumber in the green and dried state. Also included are railroad ties, trim blocks, finger jointed CLS/ALS lumber and machine stress rated (MSR) lumber.

The total net sales value for each species is reported in Canadian dollars, after freight, actual sales expenses incurred to a maximum of 5%, cash discounts, duty and entry charges and leased rail car costs have been deducted from the selling price.

1. AMVs for Small Log Cutting Authorities

Small log AMVs are based on dimension lumber products capable of being produced from small trees.

Small log AMVs are used for cutting authorities with an average net volume per tree (conifers only) of less than 0.20 m^3 where the governing licence document does not restrict harvesting to stands of timber having a net average cruise volume per tree of less than $0.20 \text{ m}^3/\text{tree}$. Cutting authorities meeting this criteria will use lumber AMVs listed under "AMVs for Small Logs" which is included in the quarterly stumpage parameters published by Revenue Branch.

The selection of a small log AMV zone (Zones 15, 16, 17, 18 and 19) will only affect AMVs and will be made at the time of appraisal or reappraisal. Lumber recovery factors (LRF) and manufacturing costs will continue to be determined by zonation based on point of appraisal.

2. AMVs for Small Log Licences

AMVs for licences which restrict harvesting to stands of timber having a net average cruise volume per tree of less than $0.20 \text{ m}^3/\text{tree}$, are based on dimension lumber products capable of being produced from trees smaller than standard timber merchantability specifications. Removing the effect of the LRF add-on (section 3.1 (1)) from "AMVs for Small Log Cutting Authorities" creates these AMVs.

These AMVs are used for all cutting authorities where the governing licence document restricts harvesting to stands of timber having a net average cruise volume per tree of less than 0.20 m³/tree. Other similarly restricted licences may also use these AMVs at the regional manager's discretion. Cutting authorities meeting this criteria and having a net average cruise volume/tree of less than 0.20 m³/tree will use lumber AMVs listed under "AMVs for Small Log Licences" (Zone 25) which is included in the quarterly stumpage parameters published by Revenue Branch.

The selection of AMV Zone 25 will only affect AMVs and will be made at the time of appraisal or reappraisal. Lumber recovery factors and manufacturing costs will continue to be determined by zonation based on point of appraisal.

3. Stud Lumber AMVs

Stud AMVs are compiled for two species groups; Lodgepole Pine/Douglas-fir/Larch and Spruce/Balsam. No other species are recognized as "stud species".

4. Random Lumber AMVs

Random AMVs are compiled for all species.

5. Grade 4 Hemlock AMVs

Grade 4 hemlock AMVs will be used by all cutting authorities, where the district manager required or where the licensee elected utilization of Grade 4 hemlock prior to November 4, 2003, unless otherwise specified by the Director of Revenue Branch under section 4.2 of this manual. Cutting authorities meeting this criteria will use lumber AMVs listed under "AMVs for Grade 4 Hemlock Logs" which are included in the quarterly stumpage parameters published by Revenue Branch.

The selection of a Grade 4 hemlock AMV zone (Zones 35, 36, 37 or 38) will only affect AMVs and will be made at the time of appraisal or reappraisal. Lumber recovery factors and manufacturing costs will continue to be determined by zonation based on the point of appraisal.

3.1.1 Application of Lumber Average Market Values

Application of the small log cutting authorities, small log licences, stud lumber, random lumber and grade 4 hemlock AMVs in appraisals for all cutting authorities are made according to the formulae in section 3.3.

3.1.2 Lumber Average Market Value Zones

Refer to section 2.6 for a list of points of appraisal by lumber AMV zones.

Index

A

Adjustable Stumpage Rates, 6-6
Adjustments, 2-7
 CVP, 1-8
 MPS, 7-3
Administration and Other Costs, 4-45
AMVs for Small Log Cutting Authorities, 3-2
AMVs for Small Log Licences, 3-2
Applicable Licences, 4-2
Appraisal LRF, 3-11
Appraisals
 New MPS, 7-3
 New MPS Reappraisals, 7-3
Area, 4-5
Average Cost Estimates, 4-7
Average Stumpage Rate, 1-7

B

Barge/Ferry, 4-40
Barge/Ferry Not Used for Truck Haul, 4-40
Basic Silviculture, 4-48
Basic Silviculture Levy, 6-7
BCTS, 6-6
Benefits, 4-2, 4-52
Biogeoclimatic Zone, 4-26
Blasting, 4-13
Block Roads, 4-12
Bonus Bid, 1-7, 5-8
Boom, 4-39
Borrow Pit, 4-19
Boulders, 4-13
Breakage, 4-5
Bridges, 4-22

C

Calculating the Interior Composite Index (ICI), 5-5
Calculating the Interior Target Rate, 5-5
Calculating the Target Rate, 5-5
Calculation of Total Species End Product Selling Price, 3-10
Camp, 4-39
Canadian Lumber Standard/American Lumber Standard, 3-2
Cattle Guards, 4-21
Charges as a Share of Road Maintenance, 4-44
Charges Other Than for Road Maintenance, 4-44
Chip Value, 3-11
Chip Yield, 3-11
Chip Yield Derivation, 3-8
Chip Yield Factors, 3-9
Chips, 4-52
Clear Cut, 4-31
Clearing, 4-12
Combined Product Recovery Factors, 3-7
Comparative Cruising, 4-5
Continuous Road Access, 4-46
Conventions and Terms of Reference, 1-2
Converting Indexes From 1997=100 Base to 1992=100 Base, 5-5
Corduroy, 4-22
Cost Trend, 4-55
Cost Trend Factors, 4-55
Crib Back Fills, 4-19
Cruise Data, 4-4
Cruising Manual, 4-4
Culverts, 4-12, 4-17
Cutting Authority, 1-4
Cutting Authority Document, 4-3
Cycle Time, 4-35

D

Dead/Live Useless Snags, 4-33
Debris Disposal, 4-12
Decay, 4-5
Decked Timber, 6-5

Depreciation, 4-2, 4-52
Detailed Engineering Cost Estimates, 4-6, 4-7
Determination of Stud Log Percent, 3-9
Development Costs, 4-6
Development Costs on Private Land, 4-10
Development Levy, 6-7
Dewater, 4-38
Dewater and Reload, 4-39
Distance to Support Centre, 4-27
Ditch Construction, 4-12
Drain Structure Cost Estimates, 4-7
Drainage Structures, 4-17
Drilling, 4-13
Dump, 4-39

E

Effective Date, 4-55
End Haul Construction, 4-22
Existing Roads and Structures, 4-10
Extended Road Amortization, 4-11

F

Fences, 4-21
Fire Damage, 4-33
Fixed Stumpage Rates, 6-6
Forest Act, 1-2
Forest Development Plan, 4-3
Forest District Specific, 6-10
Forest Service *Cruising Manual*, 4-33
Forest Service Roads, 4-44
Free-Growing Stocking Standards, 4-48
Fuel, 4-2, 4-52
Full Appraisal, 2-2

G

Geo-tech Fabric, 4-22
Grade 4 Hemlock AMVs, 3-3
Gravel, 4-19
Gross Volume, 4-28
Ground Skidding, 4-25, 4-31
Grubbing, 4-12

H

Haul Method, 4-36
Heli Yarding Distance, 4-29
Helicopter, 4-25
Helicopter Logging, 4-30
Highway Haul, 4-37
Highway Hauling, 4-36
Horse, 4-25
Horse Logging, 4-30

I

Indicated Stumpage Rate, 1-7, 5-8
Installation, 4-19
Insurance, 4-2, 4-52
Interior Appraisal Data Submission, 4-4
Interior Base Rate, 1-7, 5-8
Interior Mean Value Index, 5-8
Interior Target Rate, 1-7, 5-5
Interior, Area of Application, 1-3
Isolated Cutting Authorities, 4-28
Isolated Cutting Authority Areas, 4-46

L

Landings, 4-12
Least Total Harvesting Cost Estimate, 4-2
Licensee, 2-3
Log Bridges, 4-19
Low Volume Additive, 4-46
LRF Update Add-ons, 3-7
Lumber, 4-52
Lumber Market Values, 1-7
Lumber Recovery Factors, 3-6

M

Main Service Road, 4-6
Maintenance, 4-2, 4-52
Manufacturing Cost Differential, 3-10
Manufacturing Costs, 1-2
Market Pricing System, 7-2
Material Costs, 4-12
Mean Value Index, 1-7
Minimum Stumpage Rate, 1-7
Miscellaneous Stumpage Rates, 1-7, 6-8

Moving Assistance, 4-2
MPS Stumpage Rate, 7-10
MPS Upset Stumpage Rate, 7-10

N

New Construction, 4-7
New Construction, 4-22

O

Off-Highway Haul, 4-37
Off-Highway Hauling, 4-37
Operating Cost, 1-7, 5-3
Operational Roads, 4-12
Order, 2-2
Other Land Use Charges, 4-44
Other Roads, 4-44
Overhead, 4-2
Overhead Cable Logging, 4-25, 4-31
Overland Construction, 4-22
Overtime, 4-2, 4-52

P

Partial Cut Variables, 4-26
Partial Cutting, 4-27
Percent (%) Stud AMV, 3-9
Percent Blowdown, 4-26
Percent Rock, 4-13
Percentage of the Indicated Stumpage Rate, 1-7
Permitted Roads, 4-44
Pipe Line Rights-of-Way, 6-10
Pipeline Crossings, 4-21
Point of Appraisal, 4-35
Prescribed Minimum Stumpage Rate, 7-10
Primary Haul, 4-37
Profit and Risk Margins, 4-2

R

Railway, 4-39
Railway Transportation, 4-40
Random Lumber, 3-2
Random Lumber AMVs, 3-3
Reappraisal, 2-2
Reconstruction, 4-22

Reconstruction and Replacement, 4-8
Reload, 4-38
Repair, 4-2, 4-52
Request for Approval for a Road Use Charge, 4-44
Reserve Stumpage Rate, 1-7
Retaining Walls, 4-22
Right-of-way Felling, 4-12
Rip Rap, 4-19
Road Type, 4-12
Road Use Charges, 4-44
Roads, 4-6
Rock, 4-13
Rock Drilling, 4-19
Root Disease Control, 4-3
Routine Road Maintenance Cost Estimate, 4-41

S

Secondary Haul, 4-38
Section Length, 4-12
Sector Times, 4-36
Selling Price, 1-7, 5-3
Shipping Differential, 3-10
Side Slopes, 4-22
Silviculture Prescription, 4-3
Site Preparation, 4-19
Skidder Swinging, 4-3
Skyline, 4-32
Skyline Yarding Distance, 4-29
Slope, 4-26
Small Log, 3-2
Small Scale Salvage Initiative, 6-3
Small Tree Dummy Variable, 4-29
Small Tree Volume, 4-28
Snow Roads, 4-13, 4-15
Soil Moisture Regime (SMR), 4-14
Special Structures, 4-22
Stabilizing Material, 4-19
Stripping, 4-12
Stud Lumber, 3-2, 3-3
Stump Removal, 4-12
Subgrade Construction, 4-12
Subgrade Cost Estimate, 4-14
Supplies, 4-2, 4-52

Supply and Delivery, 4-19

T

Tabular Cost Estimates, 4-6

Tally Sheets, 4-4

Total Coniferous Volume of 2 000 m³ to
5000 m³, 6-3

Total Coniferous Volume of Less than 2000
m³, 6-3

Total Merchantable, 4-5

Total MPS Stumpage Rate, 7-11

Total Stumpage Rate, 1-7

Tow, 4-39

Tributary Cutting Authorities, 4-6

Truck Hauling, 4-19

Truck to Rail Transfer, 4-39

Turnout Construction, 4-12

U

Uphill Side Slope, 4-13

Upset Stumpage Rate, 1-7, 5-8

Upset Stumpage Rate Calculation, 7-10

V

Value Index, 1-7, 5-2, 5-8

Volume per Hectare, 4-5

Volume Per Hectare, 4-26

Volume per Tree, 4-28

W

Wages, 4-2, 4-52

Waste, 4-5