BRITISH COLUMBIA

Ministry of Forests and Range

Office of the Minister

MEMORANDUM

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BY EMAIL

To: Interior Regional Managers

From: The Honourable Rich Coleman
Minister of Forests and Range

Re: Amendment No. 14 to the *Interior Appraisal Manual*

I hereby approve Amendment No. 14 to the *Interior Appraisal Manual*, and attach a copy for your use. The following sections have been amended.

Section 1.3.2:	References have been added to two technical documents titled "Specifications: Calculation of Interior Stumpage Rates July 1, 2006," and "Specifications: Calculation of Interior Average Market Price July 1, 2006".
Section 2.5:	Updating of terminology to reflect changes to the Market Pricing System.
Section 3.1(5):	Section reference is corrected from 4.2 to 1.5.
Section 4.4.2(5):	Section reference is corrected from 4.2 to 1.5.
Section 5.4:	Section updated to reflect change to the Interior average market price and added reference to "Specifications: Calculation of Interior Average Market Price".
Section 6.2(2)	Section reference is corrected from 4.2 to 1.5.
Section 6.6(2)	Section reference is corrected from 4.2 to 1.5.
Chapter 7	Revisions to differentiate between Market Pricing System for BC Timber Sales and non-BC Timber Sales and a section reference is corrected from 4.2 to 1.5.

This amendment will come into force on July 1, 2006. Further amendments or revisions to this manual require my approval.

Rich Coleman
Minister

Attachment

pc: Bill Howard, Director, Revenue Branch

Interior Appraisal Advisory Committee

BRITISH COLUMBIA
Ministry of Forests and Range

MANUAL REVISION TRANSMITTAL

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MANUAL TITLE
Interior Appraisal Manual

REVISION No.	ISSUE DATE
Amendment No. 14	July 1, 2006

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 TABLE OF CONTENTS	PAGE(S)	COMMENTS
REMOVE	Table of Contents	iii	After Table of Contents Tab
INSERT		iii	
REMOVE	Chapter 1	5	After Chapter 1 Tab
INSERT		5	
REMOVE	Chapter 2	11	After Chapter 2 Tab
INSERT		11	
REMOVE	Chapter 3	3	After Chapter 3 Tab
INSERT		3	
REMOVE	Chapter 4	24	After Chapter 4 Tab
INSERT		24	
REMOVE	Chapter 5	5 - 6	After Chapter 5 Tab
INSERT		5 - 6	
REMOVE	Chapter 6	5, 12, 13	After Chapter 6 Tab
INSERT		5, 12, 13	
REMOVE	Chapter 7	1 - 3	After Chapter 7 Tab
INSERT		1 - 3	
INSERT	Minister's Letter and Manual Revision Transmittal		After Amendments Tab

4.7 Road and Land Use Charges 4-42
4.8 Administration and Other Costs 4-43
4.8.1 Overhead 4-43
4.8.2 Camp Costs 4-44
4.8.3 Low Volume Cost Estimate 4-44
4.9 Basic Silviculture Cost Estimate 4-45
4.10 Manufacturing Cost Estimates 4-50
4.10.1 Manufacturing Cost Estimate Adjustment 4-53
4.11 Cost Trend 4-56

5 Stumpage Rate Determination

5.1 Indicated Stumpage Rate (ISR) 5-2
5.2 Value Index 5-3
5.3 Interior Mean Value Index 5-4
5.4 Interior Average Market Price (IAMP) 5-5
5.5 Interior Base Rate (IBR) 5-6
5.6 Calculation of Stumpage Rate 5-7
5.6.1 Calculation of Indicated Stumpage Rate 5-7
5.6.2 Prescribed Minimum Stumpage Rate 5-7
5.6.3 Reserve Stumpage Rate 5-7
5.6.4 Upset Stumpage Rate 5-7
5.6.5 Total Stumpage Rate 5-7

6 Miscellaneous Timber Pricing Policies

6.1 Average Stumpage Rates by Forest Zone and Species 6-2
6.1.1 Incidental Conifer in Deciduous Leading Stands 6-3
6.2 Cutting Authorities With 5 000 m^3 or Less Volume 6-4
6.3 Road Permits 6-6
6.3.1 Blanket Salvage Cutting Permits 6-7
6.4 Salvage Timber Stumpage Rates 6-9
6.5 Partially Harvested Timber 6-11
6.6 BC Timber Sales (BCTS) 6-12
6.7 Levies 6-13
6.8 Miscellaneous Stumpage Rates 6-14
6.8.1 Miscellaneous Stumpage Rates for Timber Licences 6-16

7 Market Pricing System - BCTS

7.1 MPS Introduction 7-2
7.2 MPS Principles and Procedures 7-3
7.2.1 MPS Appraisals 7-3

1.3 Numbering and Calculation Conventions

1. The following exemplifies the numbering system used in this manual:

1. =	Chapter.
1.1 or 1.1.1. =	Section.
1.1.1., (2) =	Section with subsection.
Table 4-2 =	Table 2 within chapter 4.

2. The calculation of the Interior Average Market Price must be performed in accordance with the specifications contained in the document titled: *"Specifications: Calculation of the Interior Average Market Price*" dated July 1, 2006.

3. The calculation of the stand value index, mean value index and the base rate must be performed in accordance with the specifications in the document titled: "*Specifications: Calculation of Interior Stumpage Rates"* dated July 1, 2006.

2.5 Stumpage Adjustments

1. Unless a cutting authority or 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.

2. Each quarterly stumpage adjustment will be calculated using stumpage appraisal parameters.

3. Stumpage appraisal parameters are:

   a. Interior average market price,

   b. Interior base rate,

   c. Interior mean value index.

4. 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 4.11. 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 Interior Average Market Price and the Interior Base Rate and the Interior Mean Value Index.

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 m^3/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 m^3/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 1.5 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.

4.4.2 Tree-to-Truck Variables

For appraisal purposes the following variables are recognized, based on all compiled cruise plots segregated by logging method where applicable (see section 4.4.5). Where the licence requires harvesting in deciduous stands, applicable variables are to include the deciduous component.

1. Biogeoclimatic Zone

   A separate biogeoclimatic zone may be recognized for each harvest method (section 4.4.1) as part of the regional constant.

2. Slope (SLOPE%)

   The average side slope percent is derived from an area weighted average of the maximum side slope percentage on all cruise plots, rounded to the nearest whole percentage point.

   > If helicopter yarding is uphill the slope is set at 0.

3. Volume per Hectare (VOLHA)

   The average net cruise volume per hectare (m^3/ha), rounded to the nearest cubic metre. For partial cutting, it is based on the actual volume per hectare being harvested.

4. Percent Blowdown (BD%)

   The percentage of the net cruise volume classified as blowdown.

5. Partial Cut Variables (PCUT, DPCUT)

   The term partial cutting includes all forms of harvesting, other than clear cutting.

   Clear cutting is defined as those areas with block opening sizes equal to or greater than 1 hectare and where the volume removal is equal to or greater than 90 percent based on the net volume measured to the Standard Timber Merchantability Specifications (section 1.5).

   Partial cut areas that have less than 90 percent volume removal are not to be averaged with those areas that are equal to or greater than 90 percent. Clear cut areas are to be stratified out before calculating an overall weighted partial cut percent for the cutting authority.

5.4 Interior Average Market Price (IAMP)

The Interior Average Market Price is recalculated and published by Revenue Branch at the time of each quarterly stumpage adjustment and becomes an integral part of this manual.

5.5 Interior Base Rate (IBR)

The Interior Base Rate is recalculated at the time of each quarterly stumpage adjustment and becomes an integral part of this manual.

These cutting authorities are cruised if specified by the regional manager in accordance with section 1.5 of this manual.

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

6.6 BC Timber Sales (BCTS)

1. For appraisal purposes, the BCTS includes:

   - All timber sale licenses issued under the *Forest Act*, section 20, 21 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. For cutting authorities with volumes greater than 5 000 m^3, refer to section 1.5, for volumes 5 000 m^3 or less refer to section 6.2.

Non-adjusting Stumpage Rates

3. All timber sale licences awarded under section 20 of the *Forest Act* that were advertised on or after November 1, 2003 and forestry licences to cut awarded under section 47.6 (3) of the *Forest Act* will have non-adjusting stumpage rates.

   Except as provided in Appendix VI, if the zonal average sawlog stumpage rate method is used, the upset and hence the total stumpage rate does not adjust for the term of the cutting authority and all extensions. The only exceptions are if a reappraisal is done under section 2.3.2.1(d) due to sudden and severe damage or section 2.3.2.3 because of a minister's direction.

   A licensee's election of non-adjusting 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

1. Silviculture Levy:

A basic silviculture levy may be added to the reserve stumpage rate (Section 5.6.3) and to the reserve stumpage rate indicated in table 6-4 for all species, Grades 4, and 6. The levy is equal to the district manager's cost estimate of 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 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 manager's 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.

Market Pricing System - BCTS 7

7.1 MPS Introduction

The Market Pricing System for BCTS is the basis for determining sawlog stumpage rates for timber sale licences and forestry licences to cut entered into under section 20, 21 and 47.6 (3) of the *Forest Act*, subject to a minimum stumpage rate. Sections 2.1 (3) and (4) 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 full appraisal data as per section 1.5 is available for the cutting authority area. Where data is not available see chapter 6 of this manual.

Except where the upset stumpage rate is determined using section 7.5.1 (5), the MPS upset rate and bonus bid applies to coniferous sawlogs only. The stumpage rates for deciduous species, special forest products and grade 4 or 6 logs are listed under section 6.8.

7.2 MPS Principles and Procedures

7.2.1 MPS Appraisals

1. The MPS upset stumpage rate must be calculated using the *Interior Appraisal Manual* and monthly parameters published by Revenue Branch in effect on the date that the rate is determined (appraisal effective date).

2. Except as provided in Appendix VI, the MPS upset stumpage rate and the bonus bid remain in effect from the date of award of the sale until the sale expires.

3. Except as provided in Appendix VI, all MPS upset stumpage rates on Section 20 timber sale licences advertised on or after November 1, 2003 and Forestry Licences to Cut entered into under section 47.6 (3) of the *Forest Act* are fixed for the term of the timber sale and all extensions.

7.2.2 MPS Stumpage Adjustments

1. Cutting authorities issued under Timber Sale licences that were advertised for sale 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.

2. At the time of the quarterly adjustment, the MPS upset stumpage 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. Except as provided in Appendix VI, all other data remain unchanged.

3. 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.