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AUG 19 2008

To: Phil Zacharatos, Regional Executive Director, Southern Interior Region
Bill Warner, Regional Executive Director, Northern Interior Region

From: The Honourable Pat Bell, Minister of Forest and Range

Re: Amendment No. 2 to the *Interior Appraisal Manual*

I hereby approve Amendment No. 2 to the *Interior Appraisal Manual* and attach a copy for your use. The following sections have been amended:

- Section 1.1 The definition of "Appraisal Data Submission" has been revised and a definition for "Bonus Offer" has been added.
- Section 5.6.4(1)b) An additional section reference has been added.
- Section 5.6.6 Revised text clarifying what the term total stumpage rate means under Section 7.5.1(7).
- Section 6.6 Table 6-4. An exception for upset stumpage rates determined under Section 7.5.1(7) has been added.
- Section 7.1 Revised reference to the *Forest Act*.
- Section 7.2.3 The term "bonus offer" has been added.
- Section 7.2.4 An exception to what timber the stumpage rate applies to has been added.
- Section 7.5.1(4) An exception for Section 7.5.1(7) has been added.
- Section 7.5.1(7) A new subsection has been added for BCTS Innovative Timber Sale licence Initiative (ITSLI) timber sales targeting low quality (including beetle attacked and pulp) timber.



Interior Regional Managers

Section 7.5.3(1) Exceptions to the description of the term "total MPS stumpage rate" has been added.

Section 7.5.3(2) A section reference has been updated.

Section 7.5.3(4) Additional subsection for what the total MPS stumpage rate applies to when determined under Section 7.5.1(7).

This amendment will come into force on August 19, 2008. Further amendments or revisions to this manual require my approval.



for: Pat Bell
Minister

Attachment

pc: Murray Stech, Director, Revenue Branch
Mike Falkiner, Director of Operations, BC Timber Sales

<p>FOR FURTHER INFORMATION OR IF YOU HAVE A CHANGE OF ADDRESS, PLEASE CONTACT:</p> <p>Bob Bull Senior Timber Pricing Forester (Interior) Revenue Branch Ministry of Forests 1st Floor, 1520 Blanshard Street Victoria, BC V8W 3K1 Phone: 356-7709 PROFS userid: Bob.Bull@gov.bc.ca FAX: 387-5670</p>	MANUAL TITLE	
	Interior Appraisal Manual	
	AMENDMENT Amendment No. 2	ISSUE DATE August 19, 2008
	MANUAL CO-ORDINATOR	
	Judy Laton Manuals Co-ordinator	
	AUTHORIZATION (Name, Title) Murray Stech Director, Revenue Branch	

Please make the following changes to your copy of the above Ministry manual.

ACTION (Remove/Insert)	(VOL.) CHAPTER-SECTION-SUBJECT	PAGE(S)	COMMENTS
	TABLE OF CONTENTS		
Remove	Chapter 1	1 - 6	After Chapter 1 Tab
Insert		1 - 6	
Remove	Chapter 5	7 - 8	After Chapter 5 Tab
Insert		7 - 8	
Remove	Chapter 6	15 - 16	After Chapter 6 Tab
Insert		15 - 16	
Remove	Chapter 7	1 - 4 11 - 12	After Chapter 7 Tab
Insert		1 - 4 11 - 14	
INSERT	Letter from Minister and Transmittal Sheet		After Amendments Tab

Introduction

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1.1 Definitions

In this manual:

“Act” means *Forest Act*,

“Agreement” means a form of agreement granting rights to harvest crown timber referred to in section 12 of the *Act*, or a pulpwood agreement,

“Applicable Volume” means:

- a. Except as provided in section 2.2.1(d) and 4.3.1(4)(d), and subject to paragraph (b) of this definition, where the harvesting is authorized on a cutting authority area under an agreement other than a BCTS licence, applicable volume means the total net coniferous volume,
- b. Where the cutting authority or the agreement under which the cutting authority is issued requires harvesting in deciduous stands and the deciduous timber has not been reserved, applicable volume means the sum of the total net coniferous volume and the total net deciduous volume.
- c. Where the harvesting is authorized on a cutting authority area under a BCTS licence, applicable volume means the sum of the total net coniferous volume and the total net deciduous volume.

“Appraisal Data Submission (ADS)” means the information required by the person who determines the stumpage rate to determine that rate including the appraisal map, cruise information (including the required reports and the ASCII cruise data files **unless otherwise specified by the director of Revenue Branch**) and any other information required by the regional manager or district manager, in the form required by the director, signed by a registered professional forester (RPF) or registered forest technologist (RFT), registered with the Association of British Columbia Forest Professionals,

“BCTS” means British Columbia Timber Sales.

“Billing history record” means a record of log scale data derived from a record kept by the Revenue Branch of log scale data reported on stumpage invoices issued by the Revenue Branch for timber scaled under section 94 of the *Act*;

“BCTS licence” means:

- a. a timber sale licence entered into under Section 20 of the *Act* **or Section 21 of the former Act**, or
- b. a forestry licence to cut entered into under Section 47.6(3) of the *Act*,

“Bonus Bid” means a bonus bid described in section 103(1)(d) of the *Act*,

“Bonus Offer” means a bonus offer described in section 103(2) of the Act,

“Coniferous cruise volume” means that part of the total net cruise volume which is coniferous timber,

“Cutting Authority” means:

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,
 - h. a master licence to cut, or
 - i. a 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.

“Cutting Authority Area” means the area where timber may be harvested under a cutting authority, which has a unique timber mark,

“Deciduous timber” means timber that is not of a coniferous species,

“Decked timber” means timber that has been 100% decked at roadside,

“Director” means director of Revenue Branch Ministry of Forests and Range,

“District Manager” means district manager or district manager’s designate,

“Fully Appraised” means stand data (site specific or borrowed) has been used by the general appraisal system to calculate an indicated stumpage rate or an upset stumpage rate, including upset stumpage rates for BCTS set at variable cost to prepare timber for sale,

“Licensee” means the holder of a cutting authority,

“Manual” means *Interior Appraisal Manual*,

“Minister” means Minister of Forests and Range,

“Ministry” means Ministry of Forests and Range,

“New Construction” means the following construction phases: subgrade construction, placement of additional stabilizing material and the construction and installation of drainage and other pertinent structures,

“Partially Harvested Timber” means timber that has been felled and/or bucked and not yet forwarded to roadside.

“Prescribed Minimum Stumpage Rate” means the minimum stumpage rate prescribed by the minimum stumpage rate regulation (BC Regulation 354/87).

“Reconstruction and Replacement” means replacement or structural repair of a major drainage structure (e.g., replacing stringers, cross ties, or cribbing), or major resurfacing, which means resurfacing sections of more than 0.3 km in length that were initially surfaced but have deteriorated due to long term wear and tear, where stabilizing material was not previously used, or major reconstruction, which means restoring at least 0.1 km of road (per occurrence) that requires complete rebuilding of the subgrade,

“Regional Manager” means regional executive director or regional executive director’s designate,

“Regulations” means regulations under the *Act*,

“Remedial Fences and Wing Fences” means fencing that is required to remedy, reduce or manage the impact of timber harvesting activities on range management,

“Revenue Branch” means the Revenue Branch of the Ministry,

“Skidder Swing” means situations where two of the different harvest methods as listed in section 4.4.1 are required to move timber to an existing road or landing where it can be loaded onto a haul truck. Where skidder swing is included in an appraisal the harvest method that moves the felled timber first is the method that is indicated in the appraisal data submission,

“Salvage” except as provided in section 6.4, means a cutting authority area where greater than one-third of the net coniferous cruise volume is attacked by mountain pine beetle or other pests,

“Species Net Volume” is the species net volume reported in the appraisal summary report from the cruise compilation for the cutting authority area,

“Stud Log Percent” means the net volume of 5 m logs with top diameters under 20 cm expressed as a percentage of the total net cruise volume. The stud log percent is rounded to the nearest whole percentage point,

“Stumpage Appraisal Parameter” means:

- | | |
|-----------------------------------|--|
| a. Interior average market price, | e. US Dollar Exchange rate, |
| b. Interior base rate, | f. Lumber and Chip Average Market Values, |
| c. Interior mean value index, | g. Interior Basic Silviculture Costs by Species. |
| d. BC Consumer Price Index, | |

“Suitable Secondary Structure” means suitable secondary structure as defined in Section 1(4) of the *Forest Planning and Practices Regulation*.

“Timber Sales Manager” means the Timber Sales Manager or the Timber Sales Manager’s designate,

“Total Net Coniferous Volume” is the total of the species net volumes for all coniferous species on the cutting authority area,

“Total Net Cruise Volume” means the sum of the species net cruise volumes reported in the appraisal summary report from the cruise compilation for the cutting authority area,

“Total Net Deciduous Volume” is the total of the species net volumes for all deciduous species on the cutting authority area,

“Tributary Cutting Authority Area” means a cutting authority area from which timber must be transported over the road that is developed, or a cutting authority area to which bulk fuels, supplies, equipment and harvesting crews necessary to carry out the day-to-day harvesting activities on that area must be taken on a regular basis over the road that is developed,

1.2 Terms of Reference

1. Pursuant to section 105 of the *Forest Act* the provisions of this manual are policies and procedures to be used in the determination, redetermination and variance of stumpage rates in the Northern Interior Forest Region and in the Southern Interior Forest Region and Manning Park.

1.2.1 Responsibility for Stumpage Determination

1. The following employees of the ministry are authorized to determine, redetermine and vary rates of stumpage:
 - a. regional managers, regional timber pricing co-ordinators, and employees of the regional revenue sections, and
 - b. director and employees of Revenue Branch.

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 Levies

1. A silviculture levy may be added to:
 - a. the reserve stumpage rate determined under section 5.6.3,
 - b. the stumpage rate determined under sections 6.2(1), 6.2(2), 6.4(5) or 6.5(3),(4),(6),
 - c. the reserve rate indicated in Table 6-4 for all species grades 4 and 6,
2. The levy is equal to the district manager's cost estimate of silviculture costs to be incurred by the Crown.

3. 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.
4. The amount of any levy may be re-determined at reappraisal only.

5.6.5 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 5.6.4.

5.6.6 Total Stumpage Rate

1. Except as provided in subsection (2) of this section the total stumpage rate is the upset stumpage rate plus any bonus bid.
2. If the upset stumpage rate is determined under section 7.5.1(7), the total stumpage rate is equal to the MPS upset stumpage rate determined under that section.

6.6 Miscellaneous Stumpage Rates

1. The stumpage rates, at the time of scale for timber harvested for the purposes described, in the districts listed, in the forest district specific section of Table 6-4 are as prescribed in that table.

Table 6-4 Miscellaneous Stumpage Rates

All Interior Forest Regions

Species	Code	Product	Reserve Stumpage Rate
All Species	SB	Shake & Shingle Bolts, Blocks and Blanks.	\$5.30/m ³
All Species	SK	Shakes	\$6.00/m ³
Cedar	PR	Posts & Rails (Split and Round)	\$3.00/m ³
All other Species	PR	Posts & Rails (Split and Round)	\$1.20/m ³
All Species	MT	Mining Timbers	\$3.00/m ³
All Species	FW	Firewood	\$0.50/m ³
Yew		All	\$0.25/m ³
All Species		Grades: 4 and 6	\$0.25/m ³
Deciduous Species		All, except grades 4 and 6 and except where the MPS upset stumpage rate is calculated under Section 7.5.1 (5)	\$0.50/m ³
All Species		Stakes & Sticks.	\$1.20/m ³
All Species	XM	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		Marine Beachcomb	\$0.70/m ³
All Species		Trees classified as "Dead Potential" on Cruise-based cutting authorities (except where the MPS upset stumpage rate is calculated under Section 7.5.1(7))	\$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 of Activity	Forest District	Reserve Stumpage Rate
New Crown land area disturbed for mining exploration trails, seismic lines ¹ , gas or oil well sites and right-of-way to well sites. ²	Rocky Mountain Peace Ft. Nelson Mackenzie	\$2,771/ha \$1,284/ha \$773/ha \$1,404/ha

¹ The corresponding district reserve stumpage rate from the above table is adjusted according to the category of line clearing as follows:

Category 1 - no adjustment

Category 2 - 1/2 of the reserve stumpage rate

Category 3 - 1/3 of the reserve stumpage rate

The gross area for each category reported as new line on either; the Oil and Gas Commission's Geophysical Final Plan cover sheet or an As Cleared Plan is multiplied by the reserve stumpage rate as adjusted above (refer to Appendix V for category definitions).

² For pipe line rights-of-way a stumpage rate must be determined by using the above rates for cutting authorities containing 2 000 m³ or less, of merchantable coniferous volume. For pipe line rights-of-way cutting authorities greater than 2 000 m³ see section 6.7.

6.6.1 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.

Market Pricing System - BCTS

7

7.1 MPS Introduction

1. The Market Pricing System (the MPS) for BCTS is the basis for determining sawlog stumpage rates for timber sale licences and forestry licences to cut entered into under section 20 and 47.6 (3) of the *Act* or section 21 of the former *Act*, subject to the prescribed minimum stumpage rate.
2.
 - a. The MPS for BCTS can only be used in the appraisal of a BCTS cutting authority area where data is available to do a full appraisal.
 - b. Where the data is not available to do a full appraisal of a cutting authority area, the appraisal must use the procedures outlined in chapter 6 of this manual.

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* in effect on the date that the rate is determined (appraisal effective date).
2. 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 except where:
 - a. a reappraisal is done under section 2.2.1(1)(d) due to sudden and severe damage, or
 - b. a Minister's directed reappraisal is done under section 2.2.2.

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 procedures in chapter 2 of this manual. The original bonus bid or **bonus offer** remains in effect.

7.2.4 Methodology

1. Except as provided in Appendix VI, the following methodology must be used for the calculation of the MPS upset stumpage rate:
 - a. 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.
 - b. Calculate the market price using the equation in section 7.4.2, the variables for the stand, and the SP calculated in section 7.3.
 - c. Calculate the MPS upset stumpage rate according to section 7.5.
2. **Except as provided in section 7.5.3(3) or (4)** one stumpage rate is determined for all appraised coniferous sawlogs in each cutting authority area.
3. Where the MPS upset stumpage rate has been calculated under section 7.5.1(5) one stumpage rate is determined for all appraised coniferous and deciduous sawlogs in each cutting authority area.
4. All other products are priced using miscellaneous stumpage rates as prescribed under section 6.6.

7.5 MPS Stumpage Rate

7.5.1 MPS Upset Stumpage Rate

1. Except as provided in subsections (2), (3), (4), (5), (6) and (7), the MPS upset stumpage rates for a timber sale licence advertised on or after December 2, 2005, shall be determined in accordance with section 7.5.2.
2. Where applications for a timber sale licence with an MPS upset stumpage rate determined in accordance with section 7.5.1(1) have been invited but no applications have been received, the MPS upset stumpage rate shall be the rate requested by the timber sales manager and approved by the Director of Operations, BC Timber Sales.
3. Where the Director of Operations, BC Timber Sales does not anticipate that applications for a timber sale licence will be received due to market conditions or timber profile the MPS upset stumpage rate shall be the rate requested by the timber sales manager and approved by the Director of Operations, BC timber sales.
4. The MPS upset stumpage rate determined under subsections (2), (3), **or (7)** of this section shall not be less than the variable cost per cubic meter to prepare the timber for sale calculated by the Timber Sales Manager.
5.
 - a. Except as provided in paragraphs (b) and (c) of this subsection, the MPS upset stumpage rate for a timber sale licence where the volume of deciduous timber to be harvested on the cutting authority area is equal to or greater than sixty percent of the total net cruise volume, shall be determined in accordance with section 7.5.2 except that the market price determined under section 7.4.2 shall use $CD = 1$.
 - b. Subject to paragraph (c) of this subsection, where an MPS upset stumpage rate for a timber sale licence has been calculated under paragraph (a) of this subsection and
 - i. Applications for the licence have been invited but no applications have been received, or
 - ii. The Director of Operations, BC Timber Sales does not anticipate that application for the licence will be received due to market conditions or timber profile,then the MPS upset stumpage rate shall be the rate requested by the timber sales manager and approved by the Director of Operations, BC Timber Sales.
 - c.
 - i. if the upset stumpage rate calculated under paragraph (a) of this subsection is less than the variable cost to prepare the timber for sale calculated by the Timber Sales Manager, the upset stumpage rate shall be the variable cost to prepare the timber for sale calculated by the Timber Sales Manager,

- ii. the rate requested under paragraph (b) of this subsection shall not be less than the variable cost to prepare the timber for sale calculated by the Timber Sales Manager.
- 6.
 - a. The MPS upset stumpage rate for decked timber or partially harvested timber that is over three years old and is administered by the Timber Sales Manager, shall be the prescribed minimum stumpage rate when that is requested by the Timber Sales Manager.
 - b. The MPS upset stumpage rate for decked timber or partially harvested timber that has been decked or felled for three years or less and is administered by the Timber Sales Manager shall be the rate requested by the Timber Sales Manager. The upset stumpage rate requested by the Timber Sales Manager shall not be less than the variable cost to prepare the timber for sale.
- 7. Where the timber authorized for harvest under a timber sale licence is low quality (including Mountain Pine beetle attacked and pulp quality) timber, and the invitation to tender requires a bonus offer, and where the amount of stumpage payable will be based on a cruise of the timber under section 106 of the Act, the MPS upset stumpage rate shall be the rate approved by the Director of Operations, BC Timber Sales. This section will expire on August 15, 2009.
- 8. Notwithstanding anything else in this section the MPS upset stumpage rate must not be lower than the prescribed minimum stumpage rate.

7.5.2 Upset Stumpage Rate Calculation

The upset stumpage rate (USR) is calculated as follows:

$$\text{USR} = (\text{MP} - \text{SO}) \times (1 - \text{DF})$$

Where:

USR	=	Upset stumpage rate
MP	=	Market Price as defined in section 7.4.2
SO	=	Specified operations as defined in section 7.4.3.
DF	=	0.00 if the cutting authority being appraised was entered into under section 47.6(3) of the <i>Forest Act</i> , otherwise DF = 0.30

7.5.3 Total MPS Stumpage Rate

1. Except as provided in subsections (2), (3) and (4) of this section, the total MPS stumpage rate is the sum of the MPS upset stumpage rate and the bonus bid.
2. Where the MPS upset stumpage rate is determined under subsections (1), (2), (3), and (6) of section 7.5.1, or section 7.5.2, the total MPS stumpage rate applies to Grade Code 1 and 2 coniferous sawlogs.
3. Where the MPS upset stumpage rate is determined under section 7.5.1(5), the total MPS stumpage rate applies to Grade Code 1 and 2 coniferous and deciduous sawlogs.

4. Where the MPS upset stumpage rate is determined under section 7.5.1(7), the total MPS stumpage rate applies to the timber species and volumes specified by the Director of Operations, BC Timber Sales.

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