

File: 195-30/IAPP

July 12, 2010

BY EMAIL

To: Interior Regional Managers

Re: Errata – July 1, 2010 *Interior Appraisal Manual*

The purpose of this memo is to advise you that the title page, the table of contents, Table 3-1, “LRF update Add-ons for MPS,” and Table 4-3 “Trend Factors for ECE Costs” included with the July 1, 2010 *Interior Appraisal Manual*, contained errors.

Please remove the title page, table of contents i and ii, pages 2-5, 2-6, 3-3, 3-4, 4-23, 4-24 and replace them with the attached pages.

We apologize for any inconvenience this may have caused.



Grant Loeb
Manager
Timber Pricing

pc: Interior Appraisal Advisory Committee





PRICING BRANCH

Interior Appraisal Manual

Effective July 1, 2010



This manual is intended for the use of individuals or companies when conducting business with the British Columbia Government. Permission is granted to reproduce it for such purposes. This manual and related documentation and publications, are protected under the *Federal Copyright Act*. They may not be reproduced for sale or for other purposes without the express written permission of the Province of British Columbia.

Table of Contents

1 Introduction

1.1 Definitions.....	1-2
1.2 Terms of Reference.....	1-7
1.2.1 Responsibility for Stumpage Determination.....	1-7
1.2.2 Stumpage Appraisal Parameters	1-7
1.2.3 Minimum Stumpage Rate	1-7
1.3 Numbering and Calculation Conventions.....	1-8
1.4 Cutblocks within a Cutting Authority Area.....	1-9
1.5 Appraisal Data Requirements	1-10
1.5.1 Comparative Cruise Data.....	1-10
1.5.2 Appraisal Data Submission.....	1-11
1.5.3 Appraisal Map.....	1-11

2 Appraisals, Reappraisals and Stumpage Adjustments

2.1 Appraisals	2-2
2.2 Reappraisals	2-3
2.2.1 Changed Circumstances.....	2-3
2.2.1.1 Changed Circumstance Reappraisal Procedure	2-5
2.2.1.2 Effective Date of a Changed Circumstance Reappraisal	2-6
2.2.2 Minister's Direction.....	2-7
2.2.2.1 Minister's Direction Procedure.....	2-7
2.2.3 Reappraisals Due to Insect Damage	2-7
2.2.3.1 Insect Damage Reappraisal Procedure.....	2-8
2.2.3.2 Effective Date of an Insect Damage Reappraisal	2-8
2.3 Stumpage Adjustments	2-9
2.4 Correctable Errors.....	2-10
2.5 Redetermination of Stumpage Rate by Agreement	2-12

3 Final Estimated Winning Bid

3.1 Appraisal Methodology	3-2
3.2 MPS Selling Prices	3-3
3.2.1 MPS Lumber Average Market Values.....	3-3
3.2.2 Calculation of Species Lumber Selling Price	3-3
3.3 Estimated Winning Bid Variables	3-5
3.4 Estimated Winning Bid Equation	3-8
3.5 Log Transportation.....	3-9
3.5.1 Cycle Time Variables	3-9

3.5.1.1 Primary Cycle Time (CT):.....	3-9
3.5.1.2 Haul Method	3-10
3.5.1.3 Secondary Haul.....	3-11
3.5.2 Point of Appraisal	3-11
3.6 Specified Operations.....	3-13
3.6.1 Water Transportation	3-13
3.6.2 Special Transportation Systems.....	3-13
3.6.3 Camp Costs	3-15
3.6.4 Skyline and Intermediate Support Skyline	3-16
3.6.5 Horse Logging	3-17
3.6.6 High Development Cost.....	3-17
3.7 Final Estimated Winning Bid.....	3-18

4 Tenure Obligation Adjustments

4.1 Tenure Obligation Adjustment (TOA).....	4-2
4.2 Administration Costs	4-3
4.2.1 Forest Management Administration (FMA).....	4-3
4.2.2 Low Volume Cost Estimate (LVCE).....	4-3
4.2.3 Total Administration Costs (TAC)	4-3
4.3 Development.....	4-4
4.3.1 Development Cost Categories.....	4-4
4.3.1.1 Development Cost Allocation.....	4-6
4.3.2 Tabular Cost Estimates	4-9
4.3.2.1 Subgrade Construction.....	4-9
4.3.2.2 Subgrade Construction Variables	4-9
4.3.2.3 Subgrade Cost Estimate	4-12
4.3.2.4 Drainage Structures.....	4-14
4.3.2.5 Additional Stabilizing Material.....	4-16
4.3.2.6 Cattle Guards, Fencing and Pipeline Crossings.....	4-17
4.3.3 Detailed Engineering Cost Estimates.....	4-18
4.3.3.1 Trending of Detailed Engineering Costs.....	4-21
4.4 Road Management	4-24
4.4.1 Road and Land Use Charges.....	4-27
4.4.2 Total Road Management.....	4-28
4.5 Basic Silviculture Cost Estimate.....	4-29
4.5.1 Root Disease Control	4-31
4.5.2 Total Silviculture Cost Estimate	4-31
4.6 Low Grade Percent Adjustment.....	4-35
4.7 Market Logger Road Cost.....	4-40
4.8 Return to Forest Management (RFM).....	4-41
4.9 Tenure Obligation Adjustment	4-42

method is significantly different from the timber that was harvested on the cutting authority area prior to the transfer of the right to harvest the remaining timber.

2. Except as provided in subsections 3 or 4 of this section, where a changed circumstance has occurred with respect to a cutting authority area, other than a cutting authority area that is subject of a road permit or a cutting authority area with a non-adjusting stumpage rate, the cutting authority area must be reappraised in accordance with section 2.2.1.1.
3. Where a licensee has notified the ministry in writing that a changed circumstance has occurred and the indicated stumpage rate for the cutting authority area has been less than $\$0.25/\text{m}^3$ since the cutting authority area was first appraised, and the indicated stumpage rate that would be calculated in a changed circumstance reappraisal would remain less than $\$0.25/\text{m}^3$, a changed circumstance reappraisal is not required.
4. Where a licensee has notified the ministry in writing that a changed circumstance has occurred, log transportation activities have been completed on the cutting authority area and the amount of stumpage payable as a result of a changed circumstance reappraisal under section 2.2.1.1 would be reduced, the changed circumstance reappraisal must be done only at the licensee's request.
5. Where a cutting authority is reappraised because of a changed circumstance, any bonus bid in existence does not change and remains in effect.

2.2.1.1 Changed Circumstance Reappraisal Procedure

1. Where the cutting authority was issued prior to August 1, 2005, the licensee must submit an appraisal data submission to the district manager immediately if a changed circumstance has occurred.
2. The licensee must submit to the district manager within thirty days of the completion of log transportation activities on the cutting authority area or thirty days prior to the expiry of the cutting permit whichever comes first, an appraisal data submission if the cutting authority area must be reappraised because of a changed circumstance under section 2.2.1. Thereafter the changed circumstance reappraisal procedure is the same procedure as that required by section 2.1(2) through 2.1(7).
3. Where the district manager believes that a changed circumstance has occurred under subsections (1) or (2) of section 2.2.1, and the licensee fails to provide the district manager with an appraisal data submission as described in subsection (1) of this section, the district manager may initiate a changed circumstance reappraisal using information that is available to the district manager and may notify the licensee of that action. Thereafter the changed circumstance reappraisal procedure is the same procedure as that required by section 2.1(6) through 2.1(7).

2.2.1.2 Effective Date of a Changed Circumstance Reappraisal

1. Except as otherwise provided in this section, a reappraisal because of a changed circumstance is effective on the day after the effective date of the most recent appraisal or reappraisal of the cutting authority area prior to the changed circumstance reappraisal.
2. Where the cutting authority to which the reappraisal pertains was issued prior to August 1, 2005, and the date of the changed circumstance is on or after July 1, 2010, a reappraisal because of the changed circumstance is effective on the day after the date of the reappraisal.
3. Where the changed circumstance is a result of sudden and severe damage referred to in subsection 2.2.1(1)(e), the effective date of the reappraisal is the first day of the month following the date when the event that caused the sudden and severe damage stopped on the cutting authority area.
4. Where:
 - a. the most recent appraisal or reappraisal is a changed circumstance reappraisal under section 2.2.3, the reappraisal shall be effective on the day after the effective date of the most recent appraisal or reappraisal of the cutting authority area that is not a reappraisal under section 2.2.3, or
 - b. the most recent appraisal or reappraisal is a Minister's directed reappraisal under section 2.2.2, the effective date of a reappraisal under sections 2.2.1(1)(f) or 2.2.1(1)(g) is effective on the day after the date of the most recent appraisal or reappraisal of the cutting authority area that is not a reappraisal under section 2.2.2 dated July 1, 2010 or a reappraisal under section 2.2.3.

3.2 MPS Selling Prices

1. Selling prices for MPS are based on three-month averages of lumber values collected and published monthly by Pricing Branch. They are aggregated by zone based on Points of Appraisal in Table 3-4. When the MPS values are compiled and distributed they become an integral part of this manual.

3.2.1 MPS Lumber Average Market Values

1. Monthly market value information for the interior is obtained by Pricing Branch from lumber producers located in each selling price zone. The zones are defined by point of appraisal (see section 3.5.2). Average market values (AMV) for each species are compiled by dividing total sales value by total sales volumes for each zone.
2. The volume that is manufactured to Canadian Lumber Standard/American Lumber Standard (CLS/ALS) sizes is reported in foot board 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 is finger-jointed lumber and machine stress rated lumber.
3. The total net sales value for each species or species group is reported in Canadian dollars (FOB) mill. These sales values are rolled up into three-month averages each month. There is approximately a two-month lag in reporting.

3.2.2 Calculation of Species Lumber Selling Price

1. The total lumber selling price (SP) in $\$/m^3$ is determined for each species using lumber recovery factors (LRF) from the cruise compilation summary, LRF update add-ons and the current applicable lumber AMV for the species and zone.
 - a. Zonal LRF update add-ons are found in Table 3-1, by species.
 - b. Lumber AMVs as published every month.
 - c. Calculation of total species lumber selling price.
 - i. If the cruise LRF for Lodgepole pine has been reduced for Mountain Pine Beetle volume, the reduction must be added back as follows:
$$\text{Final Cruise LRF} = \text{Cruise LRF} + (\text{green attack volume} * 3 + \text{red attack volume} * 33 + \text{grey attack volume} * 83) \div \text{Lodgepole pine volume}.$$
 - ii. Appraisal LRF = Cruise LRF + LRF update add-on.
 - iii. Species SP ($\$/m^3$) = Species AMV($\$/mbm$)/1000 * Appraisal LRF.
 - d. The stand SP is the volume-prorated sum of the species SP.

- e. The real stand SP (RSP) is the stand SP divided by CPIF, as defined in section 3.3.

Table 3-1 LRF Update Add-ons for MPS

Species	Zone 5 (Northern Interior)	Zone 6 (Skeena)	Zone 7 (Southern Interior)	Zone 8 (Southern Cariboo)	Zone 9 (Ft. Nelson-Peace)
Lodgepole Pine	106	80	89	96	88
Spruce	127	106	113	117	106
Balsam	119	100	102	110	97
Douglas Fir	96	-	76	86	-
Larch	92	-	76	86	-
Cedar	71	51	58	62	-
Hemlock	73	54	61	67	-
White Pine	90	-	74	82	-
Yellow Pine	-	-	77	90	-

Table 4-3 Trend Factors for ECE Costs

ECE Cost Year	Multiply by this Trend Factor to Match the 2008 Cost Base
1995	0.925
1996	0.872
1997	0.811
1998	0.856
1999	0.899
2000	0.879
2001	0.894
2002	0.904
2003	0.978
2004	0.978
2005	1.0
2006	1.0
2007	1.0
2008	1.0
2009	1.0
2010	1.0

4.4 Road Management

Where the licensee is obliged to carry out road management, activities, the road management cost estimate includes but is not limited to, costs for the following:

- grading
- snowplowing and refreezing
- sanding
- spot gravelling (< 0.3 km distance)
- culvert repairs and thawing
- culvert removal
- culvert replacement
- non-structural maintenance of bridges
- bridge re-decking/wearing surface replacement
- ditching
- cattle guard cleanout
- road use charges paid to other licensees
- all access management
- seasonal erosion control
- roadside treatments
- sign maintenance
- dust control
- brushing
- minor flood and storm damage repair
- slough removal
- water bar construction (seasonal)
- road ripping
- cross ditch construction
- grass seeding
- all deactivation

The cost estimate for all road management carried out on logging operations depends on the geographic location of the cutting authority area (refer to Table 4-4).

Cutting authorities issued under forms of tenure not located administratively within a tree farm licence area or timber supply area will be assigned the road management cost estimate for the TFL or TSA/supply block in which the cutting authority is geographically located.