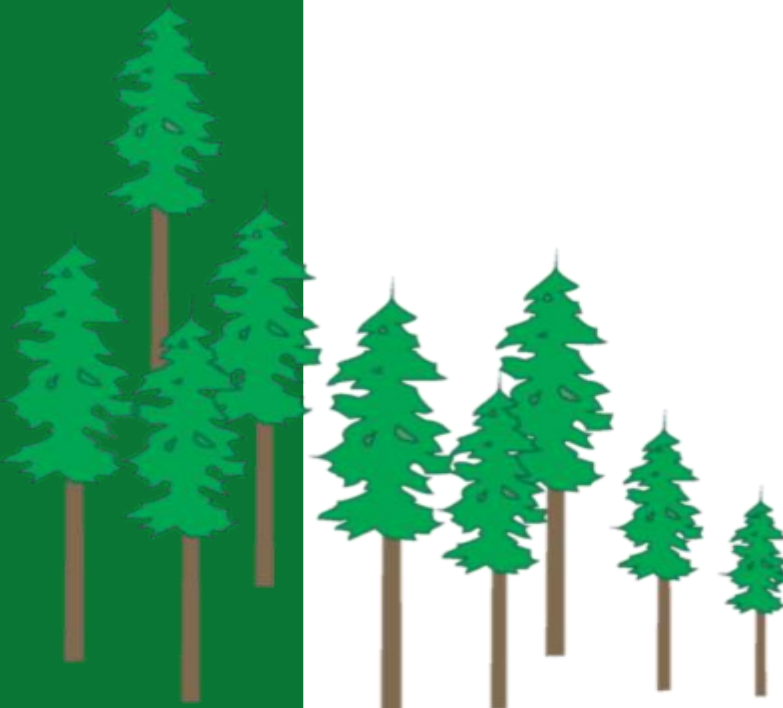




Coast Appraisal Training

Module 1

Introduction to Timber Pricing



Coast Area
March, 2024



Disclaimer: This document is intended for use during appraisal training activities and as a general guide to appraisals. It is not intended as a basis for legal interpretation of the *Coast Appraisal Manual (CAM)*. If there is any discrepancy between these materials and the *CAM*, the *CAM* in force on the effective date of the cutting authority is correct. The *CAM* is posted on Timber Pricing Branch's website is the official version. If there are any questions about a specific appraisal issue please contact Coast Area appraisal staff at the Coast Area office.

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Introduction to Training Modules in Timber Pricing

The appraisal modules have been designed to provide base level training to Ministry of Forests (FOR), industry and consulting staff on timber pricing on British Columbia's (BC) coast. Each module covers different aspects of timber pricing and includes reference material. The user will be directed to the relevant electronic site locations via imbedded links for detailed information retrieval rather than repeat the information in the text of a module.

Module 1 - Introduction to Timber Pricing - Provides a general introduction to timber pricing in BC's Coast Area.

Module 2 - Professional Practice - Provides information on professional practice obligations for timber appraisal functions.

Module 3 - Market Pricing System - Provides general overview of the market pricing system (MPS) along with explanation of estimated winning bid (EWB) variables, general explanation of equation development and specified operation(s).

Module 4 - Tenure Obligation Adjustment – Provides information regarding tenure obligation adjustment (TOA). Further details regarding the development cost TOA is provided in Module 5.

Module 5 – Road Development Cost – Provides information regarding the various types of tenure obligation adjustment, **new road construction, road reconstruction.**

Module 6 - PHARM – Provides processes details regarding the Coast Post-Harvest Appraisal Reconciliation Model (PHARM).

Module 7 - Miscellaneous Timber Pricing Policies – Provides an overview of the miscellaneous timber pricing policies within Chapter 7 of the Coast Appraisal Manual (CAM).

Module 8 - BC Timber Sales Appraisal Processes – Provides processes specific to BC Timber Sales program such as second pass and decked timber sale licences.

Module 9 - ECAS Overview – Provides general information regarding appraisal data elements in Electronic Commerce Appraisal System (ECAS) and ECAS status flow (appendix 9-1).

Module 10 - Various Timber Pricing Processes – Provides specific detail on appraisal processes such as Request for Approval of Road Use Charge, FRZ fraction, Non-Tabular Development Cost form population, Development Cost Distribution Agreements, Request for Redetermination, Appeal to Forest Appeals Commission, etc.

Any questions on the information provided should be directed to Coast Area Pricing (CAP) appraisal staff. Feedback and suggestions on the content of the modules are invited by email to the CAP appraisal staff.

The Coast Appraisal Manual

The primary purpose of the CAM is to provide the procedures that must be used by the submitting forest professional and person who determines the stumpage rate.

Chapter 1 – Definitions and Interpretations

This chapter defines some terms used in the CAM.

Chapter 2 – Scope and Requirements

This chapter sets out the terms of reference of the manual, identifies who can determine stumpage rates, and itemizes appraisal data submission requirements, including documentation that must be kept.

Chapter 3 – Appraisals, Reappraisals and Quarterly Adjustments

This chapter outlines the processes for initial appraisal data submission and post-harvest appraisal data submission for fully appraised non-auctioned timber cutting authorities that came into force April 1, 2019. It identifies reappraisal due to sudden & severe damage or minister's direction. Stumpage adjustments and redeterminations due to correctable errors by mutual agreement are explained in this chapter.

Chapter 4 - Estimated Winning Bid

This chapter provides the Market Pricing System (MPS) equation, describes the estimated winning bid (EWB) variables, and the procedure for determining the final estimated winning bid. The cruise log grades and lumber values are used to determine the timber stand value in the MPS equation. The chapter also describes the specified operations that may be applicable to a cutting authority and highest stumpage rate procedures.

Chapter 5 – Tenure Obligation Adjustment

This chapter identifies the types of Tenure Obligation Adjustment (TOA) costs that may be applicable in a cutting authority appraisal. The main TOA's include planning and administration, road development, management and use charges and basic silviculture. The procedures for calculating road and drainage structure costs using both tabular and non-tabular development cost estimates are described.

Chapter 6 – Stumpage Rate Determination

This chapter explains the process to determine a stumpage rate for auctioned timber (BC Timber Sales timber sale licence agreements) and non-auctioned timber (or all other forms of agreement other than BCTS timber sale licences) cutting authorities.

Chapter 7 – Miscellaneous Timber Pricing

This chapter provides the tabular method for determining stumpage rates for various smaller tenures and specific situations including community forest agreements, woodlot licenses, road permits, salvage logging, decked/partially harvested timber, miscellaneous timber products, linear tenures and Great Bear Rainforest North cutting authorities.

Purpose of an Appraisal

For a non-auctioned timber forms of agreement (major licensee) cutting authority the purpose of an appraisal is to determine a stumpage rate for a cutting authority area.

The Market Pricing System (MPS) uses site specific information of the cutting authority area from the cruise compilation, along with the Stumpage Appraisal Parameters (total harvest, North American and Japanese housing starts, lumber values and consumer price index) to calculate an Estimated Winning Bid (EWB). Next, a final estimated winning bid (FEWB) accounts for specific operations or situations on the cutting authority area, which are not common throughout the coast. The specified operations are subtracted from the EWB. The stumpage rate is then calculated by subtracting tenure obligations from the FEWB.

The appraisal system is not designed to achieve total cost recognition for licensees nor is it designed to be a vehicle for licensees' compensation.

For an auctioned timber cutting authority (competitive timber sale licence) issued by BC Timber Sales (BCTS), the purpose of the appraisal is twofold:

- First
- ⇒ **the site specific information is used to determine an EWB (same as for a non-auctioned timber cutting authority) and then a FEWB is calculated by subtracting any specified operations applicable to the cutting authority.**
 - ⇒ **the upset stumpage rate is FEWB discounted by 30 percent, to create the MPS70 rate or based upon specific circumstances the option of either the:**
 - **Variable Cost Upset (VCU), or**
 - **BCTS Executive Director rate.**
 - ⇒ **A bonus bid in \$/m³ or a bonus amount in total dollars (\$) is invited above the upset rate in the auction.**
 - ⇒ **The winning bonus is added to the upset rate to determine the total stumpage rate for the timber sale licence (TSL).**
- Second
- ⇒ **the EWB variables (appraisal information) along with the winning bid data is added to a rolling 17-year auction data base was used in the MPS2023 update of the estimated winning bid equation in the CAM.**
 - ⇒ **the development cost estimate information provided in BCTS cutting authority appraisal data submission for road sections and drainage structures that the successful applicant will build is added to a rolling data set to produce the Market Logger Cost.**

Appraised vs. Non-Appraised (Tabular) Stumpage Rates

Generally, there are two methods (outside of an order-in-council or a direction from the minister) to determine a stumpage rate in the Coast Area:

- **Fully appraised or “Appraised”** means stand data (site specific or borrowed) that has been used by GAS to calculate the stumpage rate or has been included in an appraisal for a BCTS cutting authority.
- **Non-appraised or “Tabular”** refers to the miscellaneous timber pricing method provided in the *CAM* for specific tenure types, situations or timber products where the stumpage rate is determined from a table of average stumpage rates instead of using site specific information. Licensees must submit a Miscellaneous Appraisal Data Submission (Misc ADS) or a Woodlot and Community Forest Tabular Rate Form to the CAP mailbox. Refer to Module 7 for additional information.

Roles and Responsibilities

Submitting forest professionals are professionally accountable for the quality and accuracy of their appraisal data submission (ADS). They have a professional responsibility to their client or employer to submit ADS which follow the policies and procedures outlined in the applicable appraisal manual.

Methods to ensure quality ADS include self-assessing competency in submitting and reviewing an ADS, maintaining competency in the appraisal field of practice by staying current with legislation and regulations, and using peers to review their work prior to submitting an ADS.

Forest professionals carry out a professional quality review/verification by ensuring a fair and consistent process/application is followed.

The general roles of district, region, and branch timber pricing staff in the appraisal process are as follows:

District:

- Review appraisal data elements in the ADS and ensure ADS is complete.
- Office or field review post-harvest ADS based on risk rating process.
- Forward appraisals to region and identify issues not resolved.
- Support region and assist district Compliance & Enforcement staff with monitoring harvest and verification of activities relative to the ADS.
- Stay current with changes to legislation and regulations affecting timber pricing.

Region:

- Review the ADS with respect to the *CAM*.
- Adjudicate appraisal issues with licensees/districts.
- Review ECAS documentation of appropriate rationales.
- Determine the stumpage rate.
- Provides background of the intent of sections in the *CAM* for district appraisal staff or other stakeholders. Provide interpretations of the text in the *CAM*.
- Make recommendations to Timber Pricing Branch on appraisal issues and policy development.
- Participate in the Market Pricing System (MPS) Committee and sub-Committees.
- Stay current with changes to legislation and regulations affecting timber pricing.
- Provide training to ministry staff.

Branch:

- Maintain the *CAM* and related components (systems, surveys, updates, amendments).
- Advise/make recommendations to the Minister on timber pricing issues, development & approval of Non-Tabular Development Cost procedures, policy development and changes to the *CAM*.
- Co-Chair the MPS Committee meetings and sub-Committees.
- Provides background of the intent of sections in the *CAM* for regional appraisal staff. Provide clarification of the text in the *CAM*.

History of Timber Pricing in BC

The dispersal of the rights to harvest timber on BC's coast began in the mid-1800s. In 1858, Crown land, along with the use of its trees, was made available at 10 shillings an acre. In 1865, unoccupied Crown land was available for lease and subject to a rent payment. From 1870 to 1887, lease rent fee amounts were at the discretion of the Lieutenant Governor in Council. In 1888, fees were set at \$0.50/Mfbm for all leases.

In 1912, the *Forest Act* was proclaimed by the Lieutenant Governor in Council and the BC Forest Service was created. The term "stumpage" was adopted in 1914 by the *Timber Royalty Act*. Stumpage is the fee that individuals and firms must pay when they harvest Crown timber in British Columbia. In 1949, Forest Management Licences allowed licensees to pay appraised stumpage calculated using the Rothery System. Prior to this date, stumpage was in the form of royalties first set out in the *Forest Act* in 1924 and was varied by species, log grades and location. In 1958, appraised stumpage became mandatory on all Tree Farm Licences.

In 1980, the *Forest Act* was amended to require that appraisals and stumpage rates be determined according to the policies and procedures approved by the minister. The Comparative Value Pricing (CVP) system was instituted in October 1987. The CVP system compared a stand's value (selling price value less operating costs) to the average stand value. The result of that comparison was then added to a base rate to get the stumpage rate. The base rate was the result of an iterative process of comparing individual stumpage rates for all active permits to a target rate. This comparison formed the basis of the "waterbed" which simply meant if there was a downward change in the stumpage rate for some permits the sum of that change was spread over the rest of the permits upwards to achieve the target rate (not revenue). The base rate would be re-calculated quarterly. The target rate was adjusted semi-periodically to reflect the change in the value of softwood lumber and chips based on information from Statistics Canada.

On January 1, 1999, the Market Pricing System (MPS) was introduced for the Small Business Forest Enterprise Program (now known as B.C. Timber Sales) cutting authorities in the Vancouver Forest Region only. On February 29, 2004 MPS was brought into force for all non-auctioned timber cutting authorities (non-BCTS license agreements) in the Coast Forest Region.

MPS is based on the concept of determining an estimated winning bid using the MPS equation and site specific information for a cutting authority area. That bid is adjusted for the tenure obligations that a major licensee would incur that a BCTS market logger would not.

The post-harvest appraisal reconciliation model (PHARM) came into force in the interior on April 1, 2018 and on the coast on April 1, 2019 for all fully appraised cutting authorities, except BC Timber Sales (BCTS). The appraisal system in place prior to this April 1, 2019 most often utilized estimates of harvesting methods and development cost provided in the appraisal data submission for the determination of stumpage rates.

PHARM in the interior uses estimates (if actual not available) in the appraisal data submission (ADS) and a change circumstance certification if thresholds of change do not trigger a change circumstance reappraisal.

PHARM on the coast uses estimates (if actual not available) in the initial appraisal data submission (ADS) for the initial determination of stumpage rates. The actual harvest information and development costs is then submitted in a post-harvest ADS for the determination of stumpage rates. The coast does not have change circumstance certification and a reappraisal is only due to sudden & severe damage or Minister direction.

Legislative Overview

Ministry of Forests and Range Act

Section 4 states: “The purpose and functions of the ministry are, under the direction of the Minister, to... (e) assert the financial interests of the government in its forest and range resources in a systematic and equitable manner.”

http://www.bclaws.ca/EPLibraries/bclaws_new/document/ID/freeside/00_96300_01

Forest Act

Section 105 (1) provides the legislative authority for the Coast and Interior Appraisal Manuals (*CAM* and *IAM*) and stipulates who is authorized to determine stumpage rates. Furthermore, they are the “policies and procedures approved by the minister” that is referenced in this section. As such the appraisal manuals are akin to subordinate legislation, in the nature of a regulation, and therefore have the force of law. Any changes to them have to be approved by the Minister of FOR.

http://www.bclaws.ca/EPLibraries/bclaws_new/document/ID/freeside/96157_00

Section 105 (5.1) states that these policies and procedures “...may require the holder of an agreement to submit information to the government as necessary or desirable for the determination, redetermination or variation of a stumpage rate.”

Section 105 (5.2) states the holder of an agreement required to submit information referred to in subsection (5.1) “...must comply with the requirement.”

Section 105 (6) states: “A stumpage rate must not be lower than the prescribed minimum”. The minimum stumpage rate is prescribed by the *Minimum Stumpage Rate Regulation* (BC Reg 354/87) and is currently set at \$0.25/m³.

Section 105 (7) states: “If the Lieutenant Governor in Council considers it to be in the public interest, he or she may order that stumpage rates applicable to all timber or a class of timber in an area of British Columbia or cut under an agreement are to be lower than the rates determined under subsection (1), for a period not exceeding one year.”

Section 105.1 (3) states that the holder of an agreement who is required under the agreement to submit information to the government for use in determining, redetermining or varying a stumpage rate, or “...must ensure that, at the time the information is submitted, the information is complete and accurate.”

Section 105.2 (2) provides for the redetermination of a stumpage rate, if the minister is of the opinion that the stumpage rate is based on incomplete or inaccurate information and/or the information did not meet the requirements of the policy and procedures.

Section 105.2 (3) provides for the redetermination of a stumpage rate, if the minister is of the opinion that after the stumpage rate was determined, redetermined or varied, the minister became aware of information that did not exist or, existed but was not taken into

account when the stumpage rate was determined, redetermined or varied, and the information is likely to result in a change in the stumpage rate.

Section 106 provides the authority to use information in the cruise instead of the volume reported in a scale, to calculate the amount of stumpage payable to the Crown.

Section 136 includes several requirements such as keeping accurate records and reporting certain information at the times and in the manner specified by the Minister (for example, annual cost survey). It also imposes a confidentiality requirement on those that receive the data.

Section 146 provides the ability to appeal a stumpage rate determination to the Forest Appeals Commission.

Section 163 authorizes fines up to \$500,000 and/or up to two years imprisonment, upon conviction for contraventions of several sections of the Act including 105.1 and 136.

Professional Governance Act

The Professional Governance Act and the accompanying Forest Professionals Regulation have replaced the Foresters Act which was repealed on February 5, 2021. The regulation, along with a revised Bylaw 9 – Code of Ethical and Professional Conduct, now define the practice of professional forestry which includes engaging in and reporting on appraisals and valuation of forests and forest lands. The practice of professional forestry is assigned to Registered Professional Foresters (RPFs) and Registered Forest Technologists (RFTs). The Association of British Columbia Forest Professionals (ABCFP) requires the signature and seal of all professional documents. Sections of Bylaw 9 (Code of Ethics and Professional Conduct) and Bylaw 12 (Standards of Professional Practice) apply to appraisal data submission and review as well. See Module 2 for a more detailed explanation of changes now implemented with the Professional Governance Act.

Forest Revenue Audit Program

The Forest Revenue Audit Program is part of the Income Taxation Branch. Audits can occur to ensure correct timber volumes are reported and correct stumpage is paid. Adjustments could be issued for the following reasons; Crown timber was not scaled, Crown timber was scaled or reported incorrectly, inaccurate or incomplete information was provided, or incorrect stumpage rates were applied. The assessment period is limited to six years from the date of reported timber volume, however there is no limitation period in the case of fraud, intentionally misrepresenting information reported or intentionally failing to submit reports.

Related Policy Advice and Communication

Timber Pricing Branch maintains appraisal advisory committees for both the Coast and Interior areas to solicit advice on appraisal policy issues and to consult on draft policy.

An example of these committees is the MPS Committee responsible for ensuring the estimated winning bid equation is current as well as functional. Under the MPS Committee are subcommittees such as the PHARM/TOA that consider issues like ensuring the Non-Tabular Development Cost (NDC) procedures on the Coast, and in the Interior that Engineering Cost Estimate (ECE) procedures are kept current. Membership includes timber pricing staff and industry representatives.

Appraisal Submission and Review

The flowcharts illustrating the pathway of a non-auctioned timber fully appraised cutting authority initial appraisal data submission (ADS) Figure 1-1a and post-harvest ADS Figure 1-1b from the licensee submitting forest professional (SFP) submission, through to final billing after a post-harvest ADS.

The flowchart illustrating the pathway of an auctioned timber (BC Timber Sales) fully appraised cutting authority (or timber sale licence [TSL] ADS in Figure 1-2 from the SFP submission, through indicated upset stumpage rate (IUSR), to advertisement and then to final billing.

The flowchart, Figure 1-3, illustrating the pathway of a cutting authority which is being appraised using miscellaneous timber pricing policy, from the SFP submission, through to final billing.

- NOTE
- **these flowcharts are not comprehensive and are merely visual representations of the work flow.**

Figure 1-1a – Initial ADS Process Flow for a Non-Auctioned Timber Fully Appraised Cutting Authority

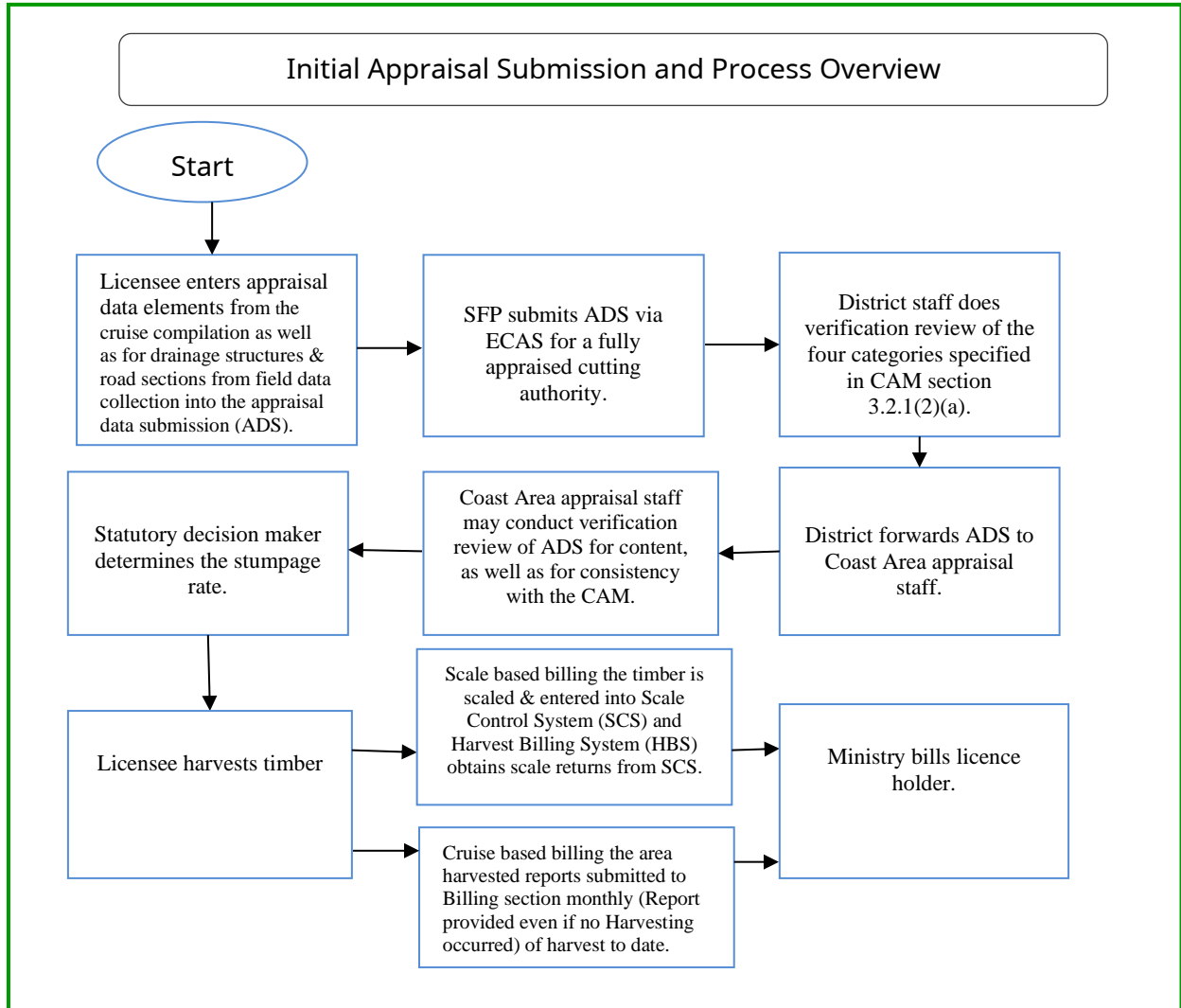


Figure 1-1b – Post-Harvest ADS Process Flow for a Non-Auctioned Timber Fully Appraised Cutting Authority

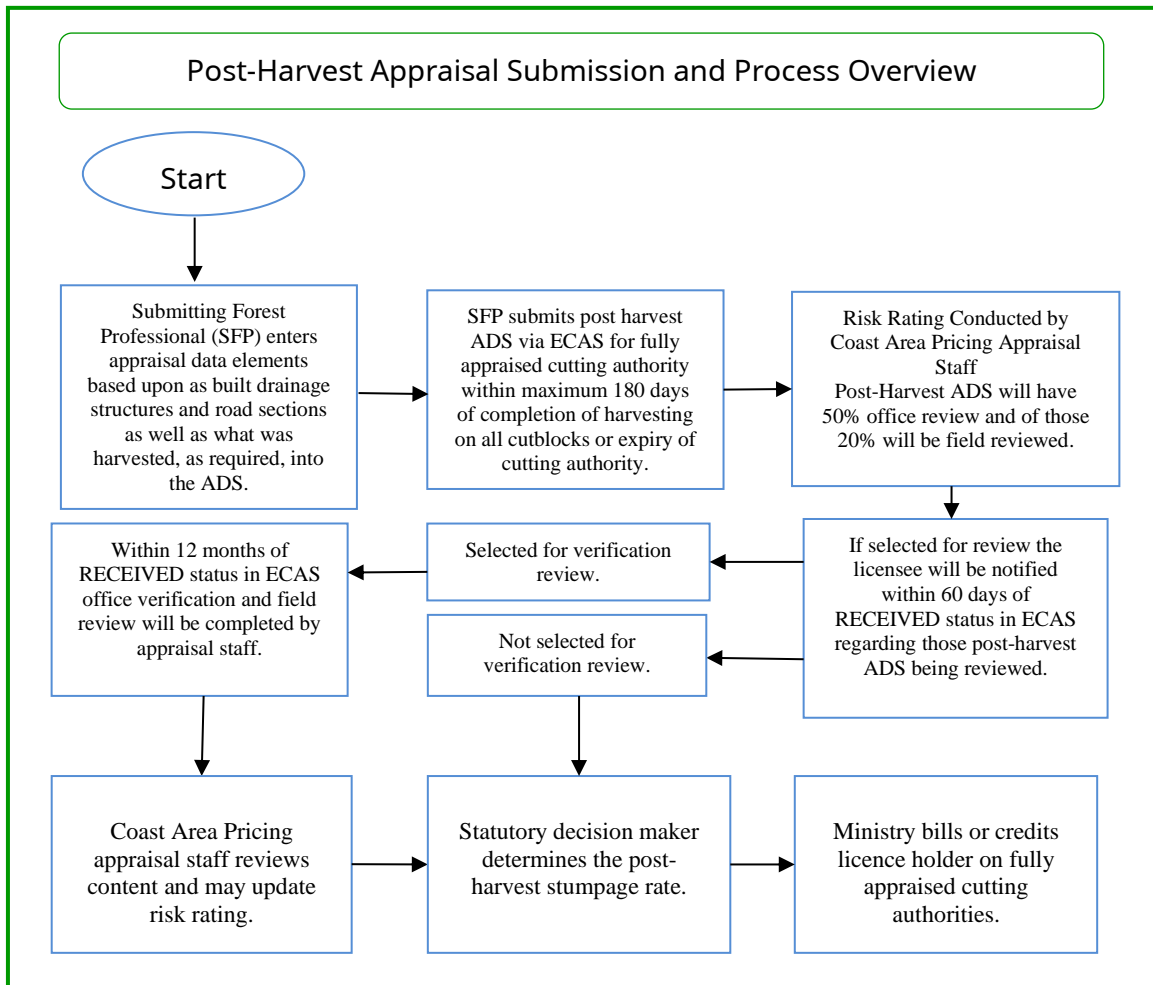


Figure 1-2 – BCTS ADS Process Flow for Fully Appraised Auctioned Timber Cutting Authority

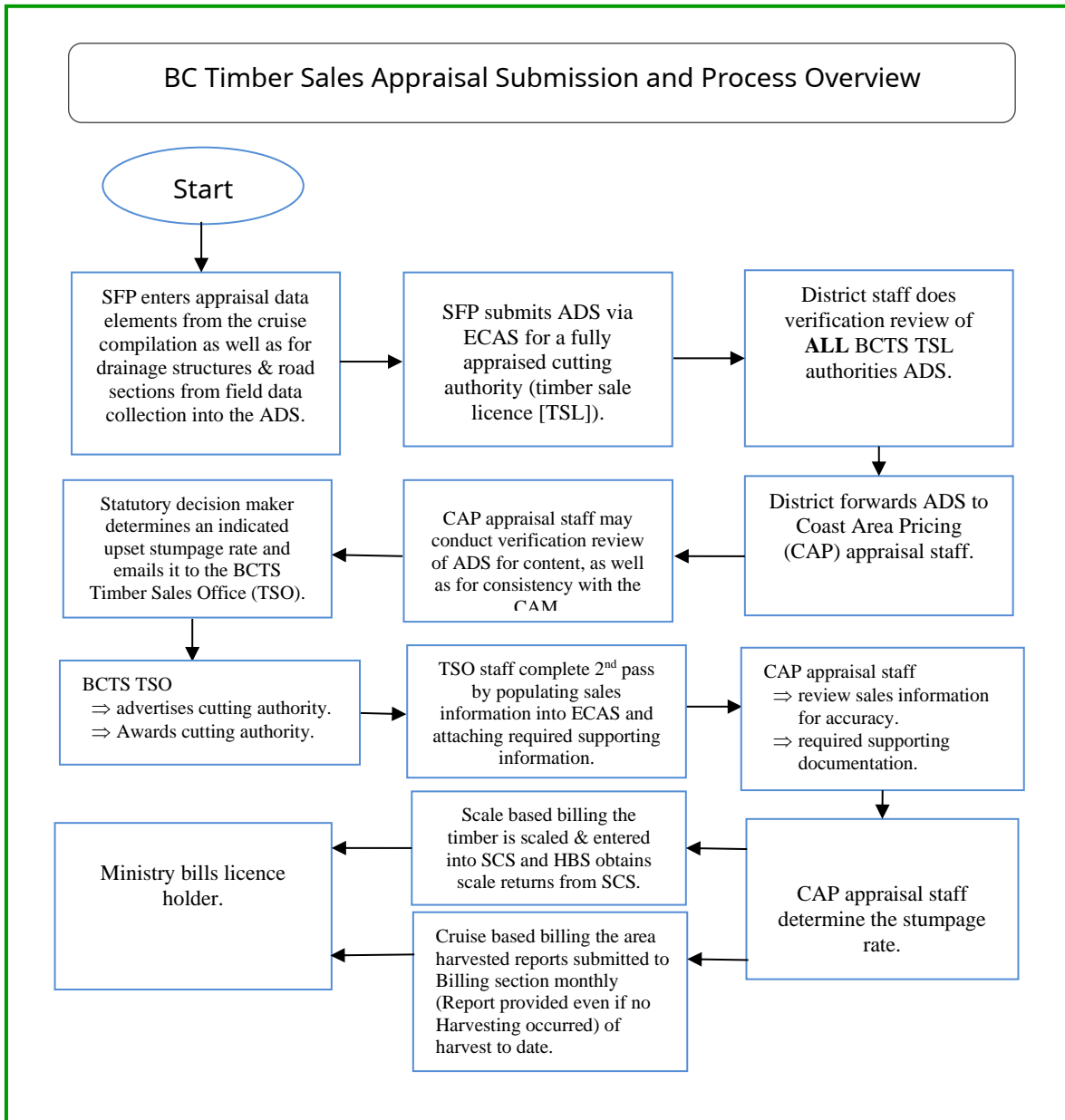
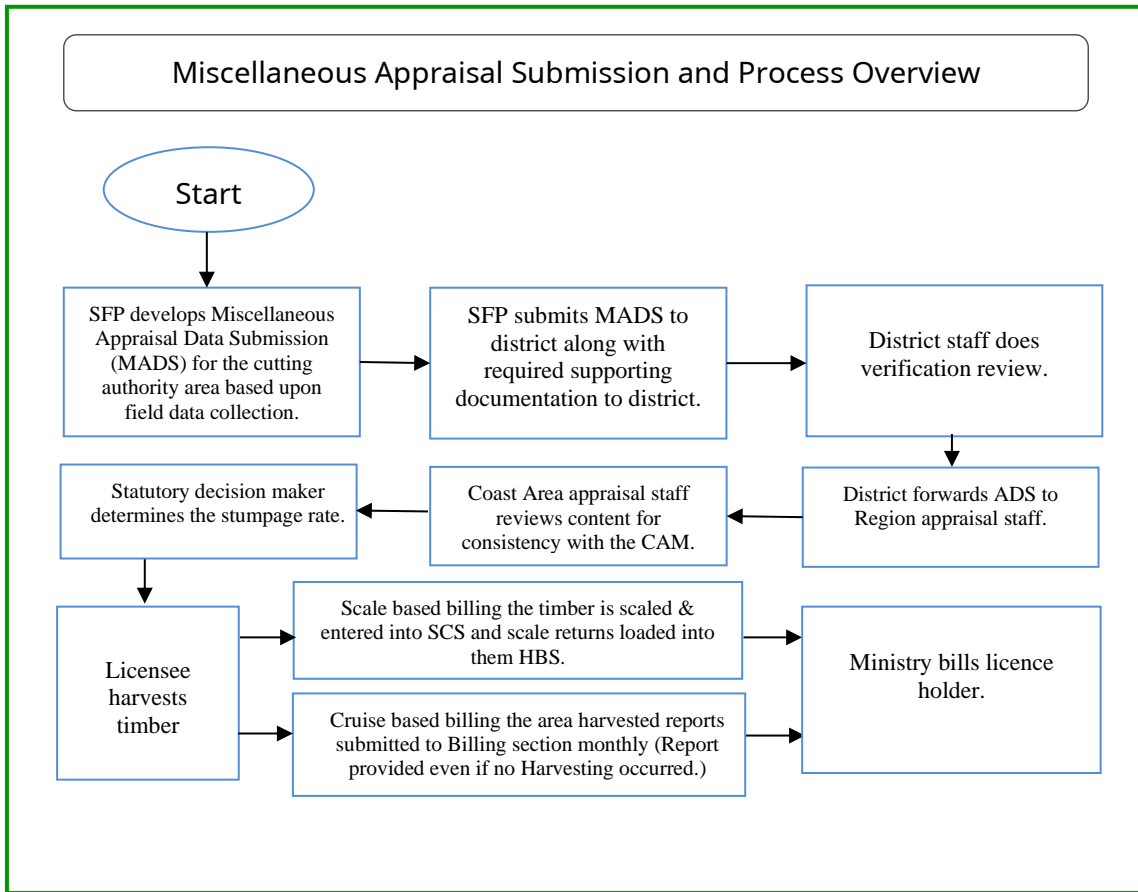


Figure 1-3 – Process Flow for Miscellaneous Timber Pricing Policy Cutting Authority



Timber Pricing Topics/Principles

This section is intended as a general overview of some timber pricing principles.

Market Pricing System

As of February 29, 2004, stumpage rates for all timber harvested on the coast are determined using the Market Pricing System (MPS).

The central concept underlying the MPS is that BCTS auctions of standing timber establish the market value of the timber, and those market values can then be used to determine the stumpage price for the timber harvested under non-auctioned timber tenures (major licensee).

Technically, MPS is a “transaction evidence pricing” system. The evidence from transactions (i.e., the results of the auction sales) is used to determine the price of other stands of timber which are not being auctioned.

Pricing systems like the MPS are common. The U.S. Forest Service and many U.S. states use similar approaches to appraise standing timber. Other examples are the market for crude oil, the benchmark price for West Texas intermediate crude oil is established on the New York Mercantile Exchange, and this price is adjusted to value oil with different characteristics such as sulphur content or viscosity. Also, each day in the stock market some shares in each firm are bought and sold and the results of those transactions are used to establish the value of all the remaining shares that were not traded.

More information on MPS, specified operations and tenure obligations can be found at:

<https://www2.gov.bc.ca/gov/content/industry/forestry/competitive-forest-industry/timber-pricing/coast-timber-pricing>

Estimated Winning Bid (EWB)

The estimated winning bid (see the EWB equations in Section 4.3 of the *CAM*) is calculated using the data from the appraisal data submission. The EWB equations, based on previous auction sales, estimates the market value or expected bid price of the timber, if the timber were sold at auction.

For non-auctioned timber cutting tenures (major licensee) there is an EWB equation for scale based billing cutting authorities where loss factor cruise compilation appraisal data elements are used and a second EWB equation for cruise based billing where call grade net factoring cruise compilation appraisal data elements are used.

Auctioned timber (BCTS) cutting authorities use loss factor cruise compilation only, regardless if billing is done using log scale of harvested volume or cruise compilation information.

Specified Operations (SOA)

If enough auction data is not available for an activity employed by either BCTS or major licenses, the ministry may, for those identified situations, implement a specified operations adjustment for use in the calculation of a stumpage rate. The explicit assumption is that if a bidder was faced with a similar situation he or she would lower the bid by the extra cost incurred because of the identified situation.

The specified operations will be used to adjust the MPS stumpage rate for the estimated incremental cost of the identified situation.

The ultimate objective is to have a representative auction database and hence, few, if any, specified operations adjustments.

Final Estimated Winning Bid (FEWB)

The FEWB equation in Section 4.5 of the *CAM* is the difference between the estimated winning bid and the total of the specified operations applicable to the appraisal:

$$\text{FEWB} = \text{EWB} - \text{SOA}$$

Tenure Obligation Adjustment (TOA)

In MPS, it is important that the costs incurred by non-auctioned tenure holders fulfilling tenure obligations are recognized. These obligations include the costs of road section and drainage structure construction, road management work, silviculture, and forest management administration.

BC Timber Sales licensees do not have similar obligations because the Province, through BCTS, manages those forests and incurs those costs. Therefore an adjustment to stumpage must be made for the differences.

Indicated Rate

For non-auctioned timber cutting authorities the MPS indicated rate (IR) is:

$$\text{IR} = \text{FEWB} - \text{FTOA}$$

Indicated Upset Stumpage Rate

For auctioned timber cutting authorities the MPS indicated upset stumpage rate (IUSR) is:

$$\text{IUSR} = (\text{EWB} - \text{SOA}) * 0.7$$

Stumpage Appraisal Parameters

The effective date of the cutting authority will determine which Stumpage Appraisal Parameters are used, when applicable, as EWB variables or in the calculation of EWB variables. The stumpage appraisal parameters are published monthly by Timber Pricing Branch (TPB) with the:

1. “Stumpage Appraisal Parameters – Coast” located on the TPB website at;

<https://www2.gov.bc.ca/gov/content/industry/forestry/competitive-forest-industry/timber-pricing/coast-timber-pricing/coast-appraisal-parameters>

2. Stumpage Appraisal Parameters – Interior” located on the TPB website at;

<https://www2.gov.bc.ca/gov/content/industry/forestry/competitive-forest-industry/timber-pricing/interior-timber-pricing/interior-appraisal-parameters>

The stumpage appraisal parameters source of information for:

1. North American and Japanese Housing Starts

Government statistics from Canada, United States and Japan.

2. Lumber Values

Lumber values are obtained from the ‘Random Length’ publication and Statistics Canada.

3. Total Harvest

Rolling 12-month total Coast harvest volume from Ministry records.

4. Canadian Price Index

The price index information is obtained from Statistics Canada.

Stumpage Adjustments

Each month the stumpage rate for each adjustable stumpage rate cutting authority is recalculated to account for changes in the stumpage appraisal parameters. The latest monthly stumpage appraisal parameters published by Timber Pricing Branch are used in the rate adjustment.

Statutory Decision Maker Authority

A statutory decision maker (SDM) is a FOR government official that has authority under section 105(1) of the *Forest Act* to determine stumpage rates. There are several obligations that an SDM must ensure are followed in their decision making and subsequent follow-up with parties affected by the decisions. This authority should not be taken lightly and is not considered as an objective to maximize stumpage rates either. A balanced systematic and equitable approach is necessary to ensure fairness and reasonableness throughout the process.

Interpretation of Timber Pricing Policy

Timber pricing policy as delineated in the appraisal manuals is subordinate legislation and must be followed. However, the appraisal manuals do not cover all the various circumstances that could be found in an appraisal as this would be impractical and could stifle innovation in forest harvesting practices. Therefore, the SDM needs to interpret the policy in a reasonable manner when reviewing appraisal data submissions in order to determine stumpage rates. This is a skill that needs to be learned from various sources such as supervisor direction, training, peers, Forest Appeal Commission decisions, Court decisions, and CAP timber pricing staff discussions, etc.

Another source of Timber Pricing policy is guidance from Timber Pricing Branch. This is not the same as legislated policy in the appraisal manuals but guidance from very experienced staff on the intent of the policy wording. Varying from this guidance on intent should only be considered in very unusual circumstances of the wording not supporting the intent and should be discussed with relevant Branch staff before proceeding.

Highest Stumpage

In 2004 the coast pricing method shifted to MPS, and the “Least Cost” principle transformed into the “Highest Stumpage” principle. Least Cost meant the person who determined the stumpage rate had to use the least total operating costs (harvesting, development and transportation phases) in an appraisal. Under MPS it is no longer applicable to just look at the total operating cost, but to also include the harvest method for producing the “Highest Stumpage”.

The Highest Stumpage test compares the stumpage rates for viable combinations of activities used in an appraisal. The combination of activities producing the highest stumpage rate must be used by the person who determines the rate. The district manager can deem a harvest method and/or transportation route as “unsuitable” and the person determining the stumpage rate must exclude that particular method or route(s) from the highest stumpage test.

The professional submitting the appraisal must consider the highest stumpage test. This includes providing supporting information/rationales to assist the person in determining the stumpage rate in their review.

Reappraisal

In coastal PHARM the conditions for a reappraisal are limited to sudden and severe damage that affects 15% or more of the total net cruise volume or Minister's direction. Cutting authorities issued prior to April 1, 2019 still can be reappraised for changed circumstances for changes in harvesting method, development costs, and harvest area when the changes met the criteria.

Be careful to note the original effective date when checking to see if a reappraisal (April 1, 2019 to present) or a changed circumstance reappraisal (prior to April 1, 2019) is required. Use the *CAM* in-force on the effective date of the cutting authority reappraisal. For example, if you are using an appraisal program (such as the EnFor program on the Coast and IFS in the interior) be sure to use the same year of program as the effective date so that the correct *CAM* is used in calculating the EWB equation and tenure obligation adjustments.