

File: 280-20

July 28, 2005

BY EMAIL

To: Interior Regional Managers

From: The Honourable Rich Coleman
Minister of Forests and Range
and Minister Responsible for Housing

Re: Amendment No. 4 to the *Interior Appraisal Manual*

I hereby approve Amendment No. 4 to the *Interior Appraisal Manual*, and attach a copy for your use. The following sections have been amended.

- Section 2.3.2.2: Revised text redirects users to Sections 6.3 and 6.3.1.
- Section 6.1: Annual update of the average saw log stumpage rates by forest zone and species in Table 6-1.
- Section 6.3: Section retitled and revised text revised clarifies information for BC Timber Sales road permits.
- Section 6.3.1: New section implementing the new blanket salvage cutting permit methodology.
- Section 6.4: New text restricting the use of Tables 6-2 and 6-3 to licences that do not have an allowable annual cut. Updated average saw log stumpage rates by forest zone and species for damaged timber and post harvest material are included. Revised text is added clarifying how the tabular stumpage rates will be redetermined.



This amendment will come into force on August 1, 2005. Further amendments or revisions to this manual require my approval.



Rich Coleman
Minister

Attachment

pc: Bill Howard, Director, Revenue Branch

Interior Appraisal Advisory Committee



FOR FURTHER INFORMATION CONTACT:

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MANUAL TITLE Interior Appraisal Manual	
REVISION No. Amendment No. 4	ISSUE DATE August 1, 2005
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.

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2.3 Redeterminations and Reappraisals

2.3.1 Redetermination of Stumpage Rate by Agreement

1. Where, within twenty-one days of the date of a Stumpage Advisory Notice, the person to whom the Notice has been sent and an employee of the Ministry of Forest authorized to redetermine a stumpage rate under section 1.4 of this manual agree, the stumpage rate set out in the Notice, hereinafter referred to as the original stumpage rate, may be redetermined by the employee, and the redetermined stumpage rate shall be effective on the effective date of the original stumpage rate.
2. The twenty-one day period referred to in subsection (1) of this section may be extended by agreement between the person to whom the Notice has been sent and the employee.

2.3.2 Reappraisals

1. A reappraisal is a process used to redetermine a stumpage rate for a cutting authority area using the *Interior Appraisal Manual* in effect on the effective date of the reappraisal.
2. A reappraisal is based on a complete reassessment of the cutting authority area at the time of the reappraisal, as if the area has been returned to the condition it was in prior to development or harvesting.
3. At the time of a reappraisal, initial detailed engineering cost estimates may be re-estimated once after construction utilizing information as specified in section 4.3.3. However, development costs originally estimated using ministry approved competitive bids are not re-estimated in a reappraisal.

2.3.2.1 Changed Circumstances

1. An adjustable stumpage rate cutting authority shall be reappraised when a changed circumstance has occurred. The licensee will make a request (including a revised appraisal data submission and map) to the district manager to carry out a reappraisal stating in the request the changed circumstance that has occurred. If the district manager determines that a changed circumstance has occurred and a licensee has not requested a reappraisal, the district manager will notify the licensee in writing that a reappraisal is required, stating the changed circumstance that has occurred. The regional manager must be satisfied that any of the following changed circumstances have occurred:

- a.
 - (i) The licensee plans to use a method of harvest to harvest at least fifteen percent of the volume of timber in the cutting authority area that is different from the method planned to be used for that timber prior to the appraisal of the cutting authority area, and
 - (ii) the method of harvesting that will produce the appraisal least total operating cost estimate in the reappraisal is different from the method of harvesting that was used to produce the appraisal least total operating cost estimate in the appraisal, or
 - b. there will be at least a fifteen percent change in the total appraised development cost estimate due to changed site conditions upon reappraisal, or
 - c. land containing merchantable timber has been either added to or deleted from the cutting authority area since the most recent cruise compilation or recompilation was used in an appraisal or reappraisal that exceeds the lesser of
 - i. fifteen hectares, or
 - ii. fifteen percent of the area of the cutting authority area as it was prior to the addition or deletion of the land, or
 - d. at least fifteen percent of the volume of the appraised timber in a cutting authority area has been suddenly and severely damaged, unless the timber was damaged by a fire for which the licensee was responsible and the licensee failed to comply with any of section 75 through 95 of the *Forest Practices Code of British Columbia Act* or the *Forest Fire Prevention and Suppression Regulation*. Despite subsection 2.3.2(2) where the cutting authority area is reappraised because of sudden and severe damage the redetermined stumpage rate is based upon the remaining timber only. The reappraisal cost estimate for development takes into account volume of timber already removed from the cutting authority area. This subsection is applicable to cutting authorities with either a non-adjusting (fixed) stumpage rate or a quarterly adjusted stumpage rate.
2. Where a cutting authority is reappraised under this section, any existing bonus bid remains in effect despite a redetermination of the upset rate.

2.3.2.2 Annual Reappraisal for Road Permits and Blanket Salvage Cutting Permits

Refer to section 6.3 or 6.3.1 respectively.

2.3.2.3 Minister's Direction

1. The Minister of Forests may direct that a reappraisal be made at any time and that the redetermined stumpage rate be effective on any future date, and may specify criteria and procedures for the reappraisal.
2. A reappraisal directed by the Minister of Forests, may be a re-estimation of operating cost, lumber recovery factor, or selling price, or any combination of these, as may be directed by the Minister of Forests.

2.3.2.4 Mathematical Error

- a. If a government employee or contractor in the Ministry of Forests or a licensee (or employee or contractor of a licensee) becomes aware of what is or probably is a mathematical error in a stumpage determination, that person shall give written notice of the error ("the Notice") as follows:
 - i. in the case of appraisals and reappraisals, to the appropriate regional manager, and
 - ii. in the case of quarterly adjustments, to the director of Revenue Branch,
- b. the Notice shall describe the stumpage determination or determinations involved and shall describe the nature and cause of the error to the extent reasonably possible,
- c. upon receipt of the Notice, the regional manager or the director of Revenue Branch shall make the appropriate investigation to decide whether or not an error has, in fact, been made,
- d. if the regional manager or the director of Revenue Branch decides that an error has not been made, they shall notify the person who sent the Notice of the decision and the reasons for it,
- e. if the regional manager or director of Revenue Branch, decides that an error has been made, the following shall occur:
 - i. the regional manager or the director of Revenue Branch, shall notify the person who sent the Notice of the decision and the reasons for it,
 - ii. the regional manager or the director of Revenue Branch, shall take reasonable steps to ensure that all licensees who have been affected by the error are informed of the Notice and of the nature and cause of the error,
 - iii. the cutting authority or authorities under which the error was made shall be reappraised or the quarterly stumpage adjustment recalculated to correct the

error unless the cutting authority, the *Interior Appraisal Manual* or the application in tender for a timber sale licence specified that the stumpage rate is fixed, and

- iv. the effective date of the redetermined rate shall be the first day of the month following the date on which the Notice was received by the regional manager or the director of Revenue Branch,
- f. if an error has occurred and no Notice has been given with respect to it, the Notice shall be deemed to have been given on the date on which the regional manager or the director of Revenue Branch, became aware of the error or probable error,
- g. no person who discovers or otherwise becomes aware of a mathematical error in a stumpage determination shall be obliged to send the Notice as required herein if that person, on reasonable grounds, believes that someone else has sent the Notice with respect to the same error,
- h. the redetermined rate does not apply to timber scaled before the first of the month following the date upon which the Notice was given. No remedy will be available with respect to timber scaled before the first of the month,
- i. in this section, a mathematical error is any of the following:
 - i. an error in transcribing or compiling approved cruise field data, or in the application of approved loss factors and taper equations,
 - ii. an error in a calculation made as part of the appraisal data submission,
 - iii. an error in transcribing the data from an approved appraisal data submission or in performing the calculation specified in the manual, and
 - iv. an error in the application of published appraisal parameters,

A difference between cruise estimates and actual timber quality or quantity does not constitute an error in the appraisal.

A difference between appraisal estimates of selling price or operating cost and the licensee's experience does not constitute an error in the appraisal.

Omission of data by the licensee on an approved appraisal data submission does not constitute an error in the appraisal.

Miscellaneous Timber Pricing Policies

6

6.1 Average Stumpage Rates by Forest Zone and Species

Each of the following forest zones used in Tables 6-1, 6-2 and 6-3 is made up of the corresponding forest district areas:

1. North Central Zone - Fort St. James, Mackenzie, Nadina, Prince George, Quesnel and Vanderhoof Forest Districts.
2. North West Zone - Kalum and Skeena Stikine Forest Districts.
3. North East Zone - Fort Nelson and Peace Forest Districts.
4. South East Zone - Arrow Boundary, Columbia, Headwaters, Kamloops, Kootenay Lake, Okanagan Shushwap and Rocky Mountain Forest Districts.
5. South West Zone - 100 Mile House, Cascades, Central Cariboo and Chilcotin Forest Districts.

Where a species of timber is not listed in Table 6-1, the rate that shall be used for that species of timber is the rate listed in the column headed as OTHER.

Table 6-1 Average Sawlog Stumpage Rates by Forest Zone and Species (\$/m³)

FOREST ZONE	BALSAM	CEDAR	FIR	HEMLOCK	LARCH	L. PINE	SPRUCE	OTHER
North Central	24.10	29.90	29.21	25.07	-	26.39	30.09	27.68
North West	10.57	9.81	-	9.51	-	17.77	13.21	10.95
South East	22.70	20.22	19.56	15.72	15.20	23.07	23.17	21.35
South West	24.37	15.82	20.15	11.06	32.79	19.51	23.40	20.45
North East	14.29	-	-	-	17.80	18.74	16.71	17.21

6.3 Road Permits

1. Except as provided in subsection 2 of this section, the stumpage rate for a road permit shall be:
 - a. the weighted average sawlog stumpage rate that is in effect, when the stumpage rate is determined, for:
 - i. all cutting authorities, other than road permits, that authorize the harvesting of timber in the same forest district as is the land to which the road permit applies, and that are issued under the licence that entitles the licensee to apply for the road permit, or
 - ii. if there are no records from which the weighted average saw log stumpage rate may be determined under (i), and the licence permitting the granting of the road permit has an allowable annual cut of 3 000 m³ or more per year, then all the cutting authorities, other than road permits, that authorize the harvesting of timber on land located in the same forest district as is the land to which the road permit applies, or
 - iii. if there are no records from which the weighted average saw log stumpage rate may be determined under (i), and the licence permitting the granting of the road permit has an allowable annual cut of less than 3 000 m³ per year, all the cutting authorities, other than road permits, that are for licences that have an allowable annual cut of less than 3 000 m³ in the same forest district as the area to which the road permit applies.
2. The stumpage rate for a road permit granted to the holder of a timber sale licence entered into under section 20 of the *Forest Act* will be the same as the stumpage rate for the timber sale licence which entitled the licensee to apply for the road permit.
3. The weighted average sawlog stumpage rate that is in effect for the period between June 1 of one year (the first year) and May 31 of the following year is the sum of the stumpage billed according to stumpage billing records of the revenue branch for sawlogs of grade code () blank during the twelve-month billing period ending March 31 in the first year divided by the sum of the volume of those sawlogs.
4. The stumpage rate for a road permit shall be redetermined on June 1 of each year in accordance with the procedure in this section.
5. The costs of roads constructed under road permits are eligible for inclusion as development cost estimates under section 4.3 in the appraisal of the first tributary cutting authority. These roads will not be considered as existing roads under section 4.3.1.1.4 (2).

6.3.1 Blanket Salvage Cutting Permits

1. The stumpage rate for a blanket salvage cutting permit shall be the weighted average sawlog stumpage rate that is in effect, when the stumpage rate is determined, for:
 - a. All the cutting authorities other than blanket salvage cutting permits, that are located in the same forest district as is the land to which the blanket salvage cutting permit applies, and that have been issued under the same licence, or,
 - b. if there are no records from which the weighted average sawlog stumpage rate may be determined under paragraph (a) and the licence under which the blanket salvage cutting permit has been issued has an allowable annual cut of 3 000 m³ or more then: all the cutting authorities, other than blanket salvage cutting permits for areas of land located in the same forest district that the area to which the blanket salvage cutting permit applies, or
 - c. if there are no records from which the weighted average sawlog stumpage rate may be determined under paragraph (a) and the licence under which the blanket salvage cutting permit is issued has an allowable annual cut of less than 3 000 m³ per year, then all the cutting authorities, other than blanket salvage cutting permits, which have been issued under licences that have allowable annual cuts less than 3 000 m³ in the same forest district as the area to which the blanket salvage cutting permit applies.
2. The weighted average sawlog stumpage rate that is in effect for the period between August 1 of one year (the first year) and July 31 of the following year, is the sum of the stumpage billed according to stumpage billing records of the revenue branch for the twelve-month period ending on March 31 in the first year for sawlogs of grade code () blank during that period divided by the sum of the volume of those sawlogs.
3. The stumpage rate for a blanket salvage cutting permit shall be redetermined on August 1 each year in accordance with the procedure in this section.

6.4 Salvage **Timber** Stumpage Rates

This section applies to licences which do not have an allowable annual cut.

1. Salvaged timber is either post harvest material or damaged timber:
2. Post Harvest Material is either:
 - a. wooden culverts and bridges, or
 - b. post logging residue.
3. Damaged Timber is timber that:
 - a. Has been blown down,
 - b. Has been damaged by fire, disease, snow press, or
 - c. Will die within one year, as determined by the district manager, as a result of the affects of the mountain pine beetle, or other forest pests.
4. The criteria and methodology for the calculation of salvaged timber stumpage rates are:
 - a. Post harvest material may not be combined in the same cutting authority area with damaged timber.
 - b. Except where damage to adjacent or contiguous timber occurs after harvesting is completed on the adjacent primary logging cutting permit area and the harvesting equipment has been demobilized from the area, damaged timber salvage cutting authority areas must be scattered, and not be adjacent to or contiguous with an existing cutting authority area.
 - c. Except as provided in subsection (4)(d) of this section the total area of a clearcut salvage harvesting area shall not exceed 1 hectare.
 - d. Where salvage of only damaged stems through partial cutting will leave a stand that meets minimum stocking standards, the area harvested may be larger than 1 hectare.
 - e. Salvage logging stumpage rates may only be determined for a cutting authority where more than one-third of the volume of coniferous timber in the cutting authority area is damaged timber.
 - f. Post harvest salvage may only occur after primary logging has been satisfactorily completed and residue and waste assessments have been submitted to and accepted by the Ministry.

- g. Salvage cannot occur on a road right-of-way which has an active timber mark associated with it.
- h. The stumpage rate will be fixed for one **year after the date of the determination of the stumpage rate. The stumpage rate will be redetermined annually in accordance with the procedure in this section.**
5. Where salvaged timber is damaged timber, the stumpage rate for each species of the salvaged timber will be determined using the schedule of Sawlog Stumpage Rates for Salvage of Damaged Timber by Forest Zone and Species found in Table 6-2.
6. Where the source of the salvaged timber is post harvest material, the stumpage rate for each species of timber will be determined using the schedule of Sawlog Stumpage Rates of Post Harvest Material by Forest Zone and Species found in Table 6-3.

Where a species of timber is not listed in Table 6-2 and 6-3, the rate that shall be used for that species of timber is the rate listed in the column headed as OTHER.

Table 6-2 Average Sawlog Stumpage Rates for Salvage of Damaged Timber by Forest Zone and Species (\$/m³)

FOREST ZONE	BALSAM	CEDAR	FIR	HEMLOCK	LARCH	L. PINE	SPRUCE	OTHER
North Central	14.46	26.91	26.29	15.04	-	19.79	27.08	16.61
North West	6.34	8.83	-	5.71	-	13.33	11.89	6.57
South East	13.62	18.20	17.60	9.43	13.68	17.30	20.85	12.81
South West	14.62	14.24	18.14	6.64	29.51	14.63	21.06	12.27
North East	8.57	-	-	-	16.02	14.06	15.04	10.33

Table 6-3 Average Sawlog Stumpage Rates for Salvage of Post Harvest Material by Forest Zone and Species (\$/m³)

FOREST ZONE	BALSAM	CEDAR	FIR	HEMLOCK	LARCH	L. PINE	SPRUCE	OTHER
North Central	6.03	23.92	14.61	6.27	-	13.20	15.05	6.92
North West	2.64	7.85	-	2.38	-	8.89	6.61	2.74
South East	5.68	16.18	9.78	3.93	7.60	11.54	11.59	5.34
South West	6.09	12.66	10.08	2.77	16.40	9.76	11.70	5.11
North East	3.57	-	-	-	8.90	9.37	8.36	4.30

6.5 Partially Harvested Timber

Where decked timber, or timber which has been felled and bucked, such as on right-of-way, is sold without competition; and where the volume exceeds 300 m³, a full cost estimate appraisal is completed upon an "as is, where is" basis.

Phase costs may be based on borrowed data from a representative cutting permit, adjusted for partial phase.

If the timber volume is being sold competitively, the timber may be priced according to the procedures in section 6.2, or 7.5.1 (4).

6.6 BC Timber Sales (BCTS)

1. For appraisal purposes, the BCTS includes:
 - All timber sale licenses issued under the *Forest Act*, sections 20, 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. The data for the full appraisal may be site-specific or may be obtained from a comparable cutting authority. For cutting authorities with volumes greater than 5 000 m³, refer to section 4.2.1. For cutting authorities with 5 000 m³ or less, comparative cruise data will be chosen following procedures set out in section 2.1.2.3 of the *Cruising Manual*.

Fixed 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 fixed stumpage rates.

If the zonal average sawlog stumpage rate method is used, the upset and hence the total stumpage rate is fixed 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 fixed 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 (CVP only)

1. Silviculture Levy:

A silviculture cost estimate is made for every cutting authority that will require basic silviculture, including those with a volume of less than 2 000 m³.

A basic silviculture levy may be added to the reserve stumpage rate. 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.

6.8 Miscellaneous Stumpage Rates

For the purpose of determining stumpage rates for certain special forest products, including deciduous species, low grade logs and timber in specified areas listed under this section, the miscellaneous stumpage rates tables are to be used.

6.8.1 Special Forest Products and Other Miscellaneous Rates

Table 6-4 is to be used for determining stumpage rates for the specified products from all sources of Crown timber when scaled.

Table 6-4 Miscellaneous Stumpage Rates*All Forest Regions*

Species	Product	Reserve Stumpage Rate
Cedar	Shakes	\$6.00/m ³
Cedar	Blanks	\$7.20/m ³
Cedar	Fence Posts	\$3.00/m ³
Cedar	Mining Timbers & Fence Rails	\$3.00/m ³
All Species	Firewood	\$0.50/m ³
All Species	Bolts/Blocks	\$5.30/m ³
Yew	All	\$0.25/m ³
All Species	Grades: 3, 4, 5 and 6	\$0.25/m ³
All Deciduous	All (except grades 3,4,5 and 6)	\$0.50/m ³
All Species (except Cedar)	Fence Rails, Mining Timbers, Fence Posts	\$1.20/m ³
All Species	Pickets & Palings, Mine Cribbing, Car Stakes, Round Stakes & Sticks, Rails (Split), Lagging (Split), Orchard Props	\$1.20/m ³
All Species	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	\$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	District	Reserve Stumpage Rate
Gross area cleared for seismic lines ¹ , gas or oil well sites and right-of-way to well sites. ²	Rocky Mountain	\$1,663/ha
	Peace	\$1,731/ha
	Ft. Nelson	\$1,040/ha
	Mackenzie	\$2,122/ha

1. The gross area cleared as "Low Impact Seismic" or "Minimal Impact" line (refer to Appendix V) is divided by 2 as defined by the Geophysical Final Plan Cover Sheet and the appropriate per ha rate from the table applied to the adjusted area.
2. For pipe line rights-of-way a stumpage rate may be determined by using the above rates for cutting authorities containing less than 2 000 m³, of merchantable volume. For cutting authorities of 2 000 m³ and over see section 6.2.

6.8.2 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.

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