BRITISH COLUMBIA

Ministry of Forests
and Range and
Ministry Responsible for
Housing

Revenue Branch

MEMORANDUM

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BY EMAIL

To: Phil Zacharatos
Regional Manager
Southern Interior Forest Region

Bill Warner
Regional Manager
Northern Interior Forest Region

From: The Honourable R.T. (Rich) Coleman
Minister

Re: Amendment No. 6 to the *Interior Appraisal Manual*

I hereby approve Amendment No. 6 to the *Interior Appraisal Manual*, and attach a copy for your use. The following sections have been amended:

Section 1.7:	Addition of August 1, 2005, to the list of dates when stumpage rates will be adjusted.
Section 4.10.1:	New subsection describing how the Grade 3 pine interim adjustment will be made, including a table of adjustments by point of appraisal as well as a list of licences to which the adjustment will not apply.

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

Deputy Minister

R.T. (Rich) Coleman
Minister

Attachment

pc: Bill Howard, Director, Revenue Branch

Interior Appraisal Advisory Committee

BRITISH COLUMBIA Ministry of Forests and Range

MANUAL REVISION TRANSMITTAL

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MANUAL TITLE
Interior Appraisal Manual

REVISION No.	**ISSUE DATE**
Amendment No. 6	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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1.6 Comparative Value Timber Pricing

Comparative Value Pricing (CVP), subject to the minimum stumpage rate, is the basis for determining stumpage rates for all cutting authorities except those specified under section 1.5. Sections 2.1 (2), (3) and (4) provide the methods that are used for specific products and extraordinary situations.

One component of CVP is the determination of the average stumpage rate for the interior. The stumpage rate for a given stand of timber is more or less than the pre-set average rate (Interior Target Rate) (see chapter 5) depending upon whether the stand value index is more or less valuable than the average stand's value index. To determine the value index of the stand and hence to determine a stumpage rate, the forest officer will typically:

1. Estimate the selling price of the products that can be recovered from the timber stand (see chapter 3).

2. Estimate the least total cost necessary to harvest and deliver timber to a point of appraisal then add the manufacturing cost for that point of appraisal (see chapter 2 and 4).

3. Determine the Value Index (see chapter 5) of the timber stand by subtracting the estimated operating cost from the estimated selling price.

4. Determine the indicated stumpage rate by comparing the Value Index for the timber stand with the Interior Mean Value Index and adding the Interior Base Rate (see chapter 5).

5. Determine the reserve stumpage rate (see chapter 5) by selecting:

    a. the greater of the indicated stumpage rate or the prescribed minimum stumpage rate, or

    b. for an appraised cutting authority area containing timber licence volume, the greater of the adjusted indicated stumpage rate or the prescribed minimum stumpage rate.

6. Determine the upset stumpage rate by adding any development, silviculture, and administration levies (see section 6.7) to the reserve stumpage rate.

7. Determine the total stumpage rate by adding any bonus bid to the upset stumpage rate.

One stumpage rate is determined for all appraised timber in each cutting authority area with the exception of miscellaneous stumpage rates as specified under section 6.8.

The average stumpage rate for the interior is indexed to lumber market values as explained in chapter 5.

1.7 CVP Stumpage Adjustments

Unless a cutting authority or the application and tender for a timber sale licence specifies that stumpage rates are fixed for a specified period or for the full term of the cutting authority, stumpage rates are adjusted quarterly on January 1, April 1, July 1, and October 1, of each year, and August 1, 2005, subject to section 6.6.

Each quarterly stumpage adjustment will be calculated using stumpage appraisal parameters approved by the director, Revenue Branch.

Stumpage appraisal parameters are:

i. Statistics Canada interior composite index,

ii. Interior target rate,

iii. Interior base rate,

iv. Interior mean value index.

The adjusted stumpage rates reflect changes in estimated selling prices and lumber recovery factor update add-ons (as authorized in this manual since the previous adjustment), and the recalculated logging and silviculture costs based on the appropriate trend factors shown in section 4.11. The manufacturing costs used in the adjustment will be those authorized in this manual since the previous adjustment. In addition, the adjustment reflects changes in the Statistics Canada Interior Softwood Lumber Index, the Statistics Canada Pulpwood Chip Index for British Columbia, the Interior Base Rate and the Interior Mean Value Index.

Untrended Manufacturing Cost Estimates ($/m^3) 2001 Cost Survey Base		
	Species	**Manufacturing cost ($/m^3) 0% Decay**
Southern Cariboo (Zone 8)	LO	36.96
	SP	33.69
	BA	38.58
	FI, LA, WH, YE	52.22
	CE	45.71
	HE	45.62
Fort Nelson/Peace (Zone 9)	LO	34.85
	SP	31.65
	BA	35.89

To derive the manufacturing cost estimate for decay % from 1 to 50, use the above table values in the following equation:

The cost estimate is calculated to four decimal places, then rounded to the nearest cent. Where decay exceeds 50 percent, the manufacturing cost estimate for 50 percent decay is used.

Manufacturing cost ($/m^3) = decay % ∗ 0.1952 + base value from table.

For a list of points of appraisal by zone, refer to section 2.6.

4.10.1 Grade 3 Pine Interim Adjustment

The manufacturing cost estimate is adjusted for grade 3 pine on August 1, 2005 in the following manner:

Adjusted LO manufacturing cost estimate = LO manufacturing cost estimate - adjustment from Table 4-11, for the applicable point of appraisal.

The stumpage rates for the following licences or cutting authorities issued under these licences will not be affected by this interim adjustment:

All licences issued under BC Timber Sales, A57963, A59071, A59959, A61106, A61108, A61109, A61546, A64418, A65442, A66815, A66005, A71884, A72766, A73080, A73557, A73558, A73761, A73927, A74107, A74718, A75166, A75167, A76490, A76491, A76492, A76553, A76729, A57077, A68214, A73935, A73936, A73937, A74729, A74730, A75472, A75473, A75474, A75475, A75670, A75671, A75947, A75948, A76217, A76218, A76219, A76400, A76469, A76470.

Table 4-11 Grade 3 Pine Interim Adjustments

Point of Appraisal *	Grade 3 Pine Adjustment	Point of Appraisal *	Grade 3 Pine Adjustment
100 Mile House	2.84	Lavington	0.92
Adams Lake	1.93	Lillooet	0.00
Armstrong	1.62	Louis Creek	4.72
Bear Lake	2.54	Lumby	1.26
Boston Bar	0.00	Lytton	3.22
Burns Lake	2.09	Mackenzie	0.40
Canal Flats	0.64	McBride	0.92
Canoe	1.20	Merritt	1.13
Carnaby	0.00	Midway	0.83
Castlegar	2.51	Okanagan Falls	0.77
Chasm	2.50	Park Siding	1.47
Chetwynd	0.12	Prince George	3.71
Clear Lake	8.48	Princeton	0.55
Craigellachie	1.95	Quesnel	8.02
Cranbrook	0.00	Radium	1.29
Creston	0.57	Revelstoke	13.87
Elko	1.13	Slocan	2.01
Engen	9.79	Smithers	1.95
Fort Nelson	0.34	Squamish	0.00
Fort St. James	2.15	Strathnaver	6.99
Fort St. John	0.10	Taylor	0.09
Fraser Lake	5.48	Terrace	0.00
Galloway	1.15	Thrums	2.37
Grand Forks	1.39	Upper Fraser	3.74
Hazelton	0.00	Valemount	1.21
Houston	0.81	Vanderhoof	1.04
Isle Pierre	8.83	Vavenby	2.17
Kamloops	1.87	Westbank	0.41
Kelowna	0.85	Williams Lake	2.37
Kitwanga	0.16	Ymir	1.11

* The list includes two former Points of Appraisal Cranbrook and Lillooet.

4.11 Cost Trend

Cost trend factors are separately applied to the total logging, silviculture and manufacturing cost estimates. The factors cover the period from the effective date of the cost base to the effective date of the rate calculation. Cost trend factors are applied at the appraisal effective date and at the date of each stumpage adjustment.

For trend factors applicable prior to November 1, 2004, refer to earlier *Interior Appraisal Manuals.*

Appraisal Effective Dates From August 1, 1996 to November 30, 1997

Appraisal Effective Date or Stumpage Adjustment Date	Trend Factor	
	Logging and Silviculture	Manufacturing
January 1 to March 31, 2005	0.954	1.0
April 1 to June 30, 2005	0.954	1.0
July 1 to September 30, 2005	0.954	1.0
October 1 to December 31, 2005	0.954	1.0

Appraisal Effective Dates From December 1, 1997 to August 31, 1998

Appraisal Effective Date or Stumpage Adjustment Date	Trend Factor	
	Logging and Silviculture	Manufacturing
January 1 to March 31, 2005	0.886	1.0
April 1 to June 30, 2005	0.886	1.0
July 1 to September 30, 2005	0.886	1.0
October 1 to December 31, 2005	0.886	1.0

Appraisal Effective Dates From September 1, 1998 to September 30, 1999

Appraisal Effective Date or Stumpage Adjustment Date	Trend Factor	
	Logging and Silviculture	Manufacturing
January 1 to March 31, 2005	0.936	1.0
April 1 to June 30, 2005	0.936	1.0
July 1 to September 30, 2005	0.936	1.0
October 1 to December 31, 2005	0.936	1.0

Appraisal Effective Dates From October 1, 1999 to August 31, 2000

Appraisal Effective Date or Stumpage Adjustment Date	Trend Factor	
	Logging and Silviculture	Manufacturing
January 1 to March 31, 2005	0.983	1.0
April 1 to June 30, 2005	0.983	1.0
July 1 to September 30, 2005	0.983	1.0
October 1 to December 31, 2005	0.983	1.0

Appraisal Effective Dates From September 1, 2000 to June 30, 2001

Appraisal Effective Date or Stumpage Adjustment Date	Trend Factor	
	Logging and Silviculture	Manufacturing
January 1 to March 31, 2005	0.967	1.0
April 1 to June 30, 2005	0.967	1.0
July 1 to September 30, 2005	0.967	1.0
October 1 to December 31, 2005	0.967	1.0

Appraisal Effective Dates From July 1, 2001 to October 31, 2002

Appraisal Effective Date or Stumpage Adjustment Date	Trend Factor	
	Logging and Silviculture	Manufacturing
January 1 to March 31, 2005	0.967	1.0
April 1 to June 30, 2005	0.967	1.0
July 1 to September 30, 2005	0.967	1.0
October 1 to December 31, 2005	0.967	1.0

Appraisal Effective Dates From November 1, 2002 to October 31, 2004

Appraisal Effective Date or Stumpage Adjustment Date	Trend Factor	
	Logging and Silviculture	Manufacturing
January 1 to March 31, 2005	1.007	1.0
April 1 to June 30, 2005	1.007	1.0
July 1 to September 30, 2005	1.007	1.0
October 1 to December 31, 2005	1.007	1.0

Appraisal Effective Dates On or After November 1, 2004

Appraisal Effective Date or Stumpage Adjustment Date	Trend Factor	
	Logging and Silviculture	Manufacturing
January 1 to March 31, 2005	1.000	1.0
April 1 to June 30, 2005	1.000	1.0
July 1 to September 30, 2005	1.000	1.0
October 1 to December 31, 2005	1.000	1.0

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