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To: All Interior Licensees:

The purpose of this notice is to advise you of upcoming planned changes in the Interior Market pricing System (MPS) in response to the Mountain Pine Beetle (MPB) epidemic. The planned implementation date for these changes is June 1, 2010.

The two main changes are:

1) **Stand as a whole pricing with cruise based billing for MPB damaged timber.**

This change will target stands where 35% or more of the MPB damaged timber is Red and Grey attacked lodge pole pine. A single stumpage rate will be determined for all of the merchantable timber on the cutting authority area. The cruise of the timber will be used to determine the volumes for billing purposes under section 106 of the *Forest Act* rather than the current system of scaling and post harvest waste assessment. This change will eliminate the need for the determination of scale log grades and encourage better utilisation of low value material on site.

2) **MPS A for the Interior**

A more market sensitive system will be implemented for the Interior. Just as on the Coast an estimated winning bid is determined from the MPS equation that is based on five years of competitive timber auctions. This estimated winning bid is adjusted for the tenure obligations that non-competitive tenure holders have for activities such as forest management administration (planning), road development and management and silviculture. The adjusted winning bid then becomes the individual stumpage rate for the cutting authority instead of the stumpage rate determined using the previous distributional mechanism under MPS B (using the average market price and the “waterbed”).



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Transition

Existing cutting authorities where harvest has not yet started and that meet certain criteria will be converted to stand as a whole pricing with cruise based billing and scaling will no longer be necessary. New cutting authorities meeting the same criteria will have stand as a whole pricing and cruise based billing.

The change to MPS A will be phased in over a two year transition period planned for June 1, 2010.

More detailed information on transition measures will be provided as it becomes available.

Web site

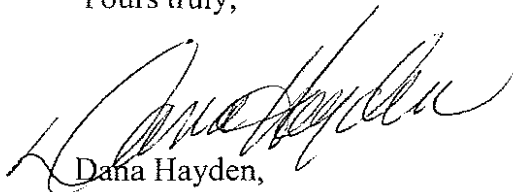
A public web site has been set up to post up to date information related to the above changes.

Site link: http://www.for.gov.bc.ca/hva/interior_pricing_changes.htm

The website will be updated continually as information becomes available. You may subscribe to an email notification service to be kept informed when new material is posted to the site. You will also be able to send in any questions you may have.

If you have any questions please visit the website or contact
Forests.RevenueBranchOffice@gov.bc.ca

Yours truly,



Dana Hayden,
Deputy Minister