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June 29, 1999

To: Regional Managers

From: The Honourable David Zirnhelt  
Minister of Forests

Re: **Amendment to the *Interior Appraisal Manual***

I hereby approve Amendment No. 9 to the *Interior Appraisal Manual*, and attach a copy for your use.

The amendment contains the following changes:

1. Section 2.3 Clarification of the fixed stumpage rate status for road permits.
2. Section 2.3(2) Addition of appraisal policy for road permit amendments.
3. Section 2.3(3) Addition of mandatory reappraisal at anniversary date for road permits.

This amendment will come into force on July 1, 1999. Further amendments or revisions to this manual require my approval.



David Zirnhelt  
Minister

Attachments

pc: Bill Howard, Director, Revenue Branch

All Subscribers, *Interior Appraisal Manual*





FOR FURTHER INFORMATION CONTACT:

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<b>MANUAL TITLE</b> Interior Appraisal Manual	
<b>REVISION No.</b> Amendment No. 9	<b>ISSUE DATE</b> July 1, 1999
<b>MANUAL CO-ORDINATOR</b>  Judy Laton Revenue Branch	
<b>AUTHORIZATION (Name, Title)</b>  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.

ACTION (Remove/Insert)	(VOL.) CHAPTER-SECTION-SUBJECT	PAGE(S)	COMMENTS
	TABLE OF CONTENTS		
REMOVE	Chapter 2	5 - 8	
INSERT	Chapter 2	5 - 8	
REMOVE	Index	3 - 4	
INSERT	Index	3 - 4	
INSERT	Transmittal Sheet & Minister's Letter		Behind Amendment Tab



## 2.3 Reappraisal

A reappraisal is a re-estimation of operating cost and selling price according to the *Interior Appraisal Manual* in effect on the effective date of the reappraisal. Except in the case of "sudden and severe damage" as explained below, a reappraisal is based upon a complete reassessment of a cutting authority and assumes the cutting authority being reappraised has been returned to its original condition prior to development or harvesting. If there are changes to the cutting authority, the operating cost data must be revised to reflect those changes, unless a reappraisal is exempted under Section 2.3.3.

At reappraisal, the election of quarterly adjusting or annual adjusting stumpage rate remains unchanged.

A cutting authority that has elected fixed stumpage rates is not reappraised unless Sections 2.3 (1) or (5) require a reappraisal.

A cutting authority that has fixed stumpage rates because it was appraised under Sections 6.2 (1) or 6.3 shall remain as fixed status.

At the time of a reappraisal, initial detailed engineering cost estimates may be re-estimated once after construction to reflect more accurate on-site field information. However, development costs originally estimated using ministry approved competitive bids or costs that have been apportioned to more than one cutting authority are not re-estimated in a reappraisal.

A reappraisal is only made if one of five situations arises:

1. Sudden and Severe Damage

If the Regional Manager is satisfied that sudden and severe damage in excess of 10 ha or 10 percent of the original volume has occurred to the appraised timber, the cutting authority is reappraised upon the licensee's request. The effective date of the redetermined rate is the first of the month following the occurrence of the damage, unless otherwise specified by the Regional Manager. A reappraisal is not made in the case of fire damage caused by the licensee if they have failed to comply with the *Forest Practices Code of British Columbia Act*, Sections 75 through 95 and relevant regulations.

In the case of "sudden and severe damage" the redetermined stumpage rate is based upon the remaining timber only. The Regional Manager may approve the use of appraisal data obtained from comparable cutting authorities. The reappraisal cost estimate for development and silviculture takes into account volume already removed.

This policy on "sudden and severe damage" applies to fixed rate cutting authorities as well as to adjustable rate cutting authorities. Any existing bonus bid and/or levy is payable in addition to the redetermined upset stumpage rate.

## 2. Amendments

If a cutting authority area or cutting authority (see Section 1.3) is amended, a reappraisal may be triggered if:

- a. the accumulated amendments (either addition or deletion of merchantable timbered stumpage-bearing area) equal or exceed either 10 ha or 10 percent of the merchantable area, whichever is less: the entire cruise must be recompiled and the stumpage rate redetermined, or
- b. the amendment requires a specified operation or different logging method (see Sections 4.1.1 and 4.4.1) that equals or exceeds 10 percent of the cutting authority volumes: the entire cruise must be recompiled and the stumpage rate redetermined, or
- c. the amendment requires major subgrade reconstruction or replacement or reconstruction of a major drainage structure. In these instances, the cost estimate is based solely upon remaining timber volume (i.e., applicable volume).

The redetermined stumpage rate becomes effective on the first day of the month following written notice to the licensee which approves the amendment.

The fixed stumpage rate effective at the road permit anniversary date will be applied to any volume amended into the road permit until the next reappraisal. Road permits will not have a reappraisal triggered by an amendment to the area or volume.

## 3. Reappraisal at Anniversary Date

"Anniversary date" means the annual recurrence of the month and day when the term of the cutting authority began.

Reappraisal at the anniversary date is mandatory for all woodlot cutting authorities (Section 2.4 (2)) and road permits (Section 6.3) regardless of the volume remaining.

Reappraisals must be carried out on all quarterly adjustable stumpage rate cutting authorities with subsequent anniversary dates when both the following conditions are satisfied:

- a. timber from the cutting authority area is expected to be scaled under the cutting authority during the next year, and
- b. there is at least 2 000 m<sup>3</sup> of merchantable timber remaining on the cutting authority area.

Where the above conditions have not been met, reappraisals may be made at the option of either the District Manager, Regional Manager or licensee (see Section 2.2).

Anniversary date reappraisals are made in accordance with the *Interior Appraisal Manual* in effect on the anniversary date of the cutting authority. The effective date of the redetermined stumpage rate is the anniversary date.

If a reappraisal is not made, the untrended logging and silviculture cost estimates from the current appraisal will continue to be trended quarterly to determine stumpage rates.

#### 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 data sheet,
  - iii. an error in transcribing the data from an approved data sheet 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 data sheet does not constitute an error in the appraisal.

## 5. Minister's Direction

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. The reappraisal is made according to the appraisal manual in effect on the effective date of the reappraisal.

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