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July 25, 2006

BY EMAIL

To: Interior Regional Managers

From: The Honourable Rich Coleman
Minister of Forests and Range

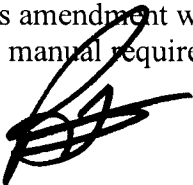
Re: **Amendment No. 15 to the *Interior Appraisal Manual***

I hereby approve Amendment No. 15 to the *Interior Appraisal Manual*, and attach a copy for your use. The following sections have been amended.

Section 1.3.2:	An additional changed circumstance has been added relating to the surrender of existing permits on or after April 1, 2006.
Sections 6.1 and 6.4:	Tabular average stumpage rates by forest zone and species are updated. A column has been added for yellow pine.



This amendment will come into force on August 1, 2006. 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. 15

ISSUE DATE

August 1, 2006

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.

ACTION (Remove/Insert)	(VOL.) CHAPTER-SECTION-SUBJECT TABLE OF CONTENTS	PAGE(S)	COMMENTS
REMOVE INSERT	Table of Contents	i - iv i - iv	After Table of Contents Tab
REMOVE INSERT	Chapter 2	5 - 16 5 - 16	After Chapter 2 Tab
REMOVE INSERT	Chapter 6	1 - 2 9 - 10 1 - 2 9 - 10	After Chapter 6 Tab
REMOVE INSERT	Index	1 - 4 1 - 4	After Index Tab
INSERT	Minister's Letter and Manual Revision Transmittal		After Amendments Tab

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- aa) when used in the changed circumstance reappraisal will produce the least cost total harvesting, development, and transportation cost estimate, and
 - bb) is different from the harvest method that was used in the most recent appraisal or reappraisal, or
- b. there will be at least a fifteen percent change in the total appraised development cost estimate from the total development cost estimate used in the most recent appraisal or reappraisal 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.
- e. a cutting permit authorizing the harvesting of timber on the cutting authority area:
 - i. was issued before April 1, 2006, and
 - ii. surrendered on or after April 1, 2006, because of the interior log grade change, and
 - iii. the volume of timber in cutblocks where harvesting has not started (remaining timber) is greater than twenty-five percent (25 %) of the volume of timber that was on the cutting authority area when the cutting permit was issued (the original timber), and

- (iv) the District Manager is satisfied that the remaining timber is significantly different than what has been harvested under the cutting authority.
- 2. The licensee must notify the district manager immediately of a changed circumstance.
- 3. Where the district manager believes that a changed circumstance has occurred, the district manager will immediately notify the licensee of that belief.
- 4. A cutting authority area other than a cutting authority area that is the subject of a road permit or a cutting authority area with a non-adjusting stumpage rate, must be reappraised when a changed circumstance has occurred.
- 5. Where a cutting authority is reappraised because of a changed circumstance, any bonus bid in existence does not change and remains in effect.

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 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.

Reappraisals Due to Mountain Pine Beetle (MPB) Damage

1. a. A cutting authority with an adjustable stumpage rate may be reappraised on or after April 1, 2006 only once during the term and all extensions of the cutting authority on the basis of a revised appraisal data submission if the licensee submits a revised appraisal data submission to the District Manager.
- b. The revised appraisal data submission is the appraisal data submission that was used in the most recent appraisal or reappraisal of the cutting authority area prior to the revision, hereinafter referred to in this section as the original ADS, with changes permitted only to the cruise data in the original ADS in accordance with the paragraphs (c) or (d) of this section.
- c. The licensee may either:
 - i. Update the MPB attack code information for Lodgepole pine in the cruise data and recompile the cruise for the cutting authority area by using the cruise data from the cruise in the original ADS for the plots in that part of the cutting authority area where timber has been harvested and combining that with the cruise data with updated MPB attack codes for the plots in that part of the cutting authority area where timber has not been harvested, or
 - ii. Recompile the cruise data that was in the cruise in the original ADS.
- d. Notwithstanding any other paragraph of this section, other data may be changed if it is required by the manual in effect at the time of the reappraisal and was not submitted in the original ADS.

2.3.2.5.1 MPB Reappraisal Procedure

1. The MPB reappraisal procedure is the procedure required by section 2.4(2) through 2.4(8).

2.3.2.5.2 Effective Date of a MPB Reappraisal

1. The effective date of MPB reappraisal is the first day of the month following the month in which the District Manager receives the revised appraisal data submission..

2.4 Changed Circumstance Reappraisal Procedure

1. The licensee shall submit to the district manager an interior appraisal data submission and map if the cutting authority area must be reappraised because of a changed circumstance under section 2.3.2.1.
2. The licensee shall submit to the district manager any other information required by the district manager or their designate for the purposes of the reappraisal.
3. The submissions under subsections (1) and (2) of this section must be signed by a registered professional forester (RPF) or registered forest technologist (RFT), registered with the Association of British Columbia Forest Professionals.
4. The district manager or their designate may review the licensee's submission and will notify the licensee, in writing, of any omissions, errors or provisions of the *Interior Appraisal Manual* that, in the opinion of the district manager or their designate, the signing RPF or RFT may not have considered. The licensee's signing RPF or RFT will consider the district manager's or their designate's notification and may revise the submission.
5. The district manager or their designate shall give any information supplied by the licensee under this section to the person who determines the stumpage rate together with any other information that the district manager or their designate considers relevant to the appraisal.
6. The person who determines the stumpage rate may review the licensee's submission and information supplied by the district manager or their designate, and will notify the licensee, in writing, of any omissions, errors or provisions of the *Interior Appraisal Manual* that, in the opinion of the person who determines the stumpage rate, the signing RPF or RFT may not have considered. The licensee's signing RPF or RFT will consider the notification and may revise the submission.
7. The person who determines the stumpage rate shall consider, when determining the stumpage rate:
 - a. any information provided by the licensee and the district manager or their designate, and
 - b. any information available to the person who determines the stumpage rate that is relevant to the reappraisal.
8. Regional staff will notify the licensee of the reappraised stumpage rate in the form of a stumpage advisory notice and will provide the licensee with a summary of the information used to determine the reappraised stumpage rate.

2.4.1 Effective Date of Changed Circumstance Reappraisal

1. Except as provided in subsections (2) and (3) of this section, a reappraisal because of a changed circumstance is effective on the day after the effective date of the most recent appraisal or reappraisal of the cutting authority area prior to the changed circumstance reappraisal:
2. Where the changed circumstance is because of an amendment to the cutting authority area referred to in subsection 2.3.2.1(1)(c), the reappraisal is effective on the first day of the month following the date that the district manager approves the amendment.
3. Where the changed circumstance is a result of sudden and severe damage referred to in subsection 2.3.2.1 (1)(d), the effective date of the reappraisal is the first day of the month following the date when the event that caused the sudden and severe damage stopped on the cutting authority area.

2.4.2 Minister Directed Reappraisal Procedure

1. The licensee shall submit to the district manager an interior appraisal data submission, and map, if requested by the district manager or their designate, within forty-five days of the minister's direction.
2. Thereafter, the ministerial direction reappraisal procedure shall be the same procedure as that required by subsections 2.4 (2) through 2.4 (8).

2.5 Stumpage Adjustments

1. Unless a cutting authority or 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, subject to section 6.6.
2. Each quarterly stumpage adjustment will be calculated using stumpage appraisal parameters.
3. Stumpage appraisal parameters are:
 - a. Interior average market price,
 - b. Interior base rate,
 - c. Interior mean value index.
4. 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 Interior Average Market Price and the Interior Base Rate and the Interior Mean Value Index.

2.6 Fixed Stumpage Rate and Extension of Term

BC Timber Sales (BCTS)

1. Except as provided in Appendix VI a fixed stumpage rate for a BCTS cutting authority means that the reserve stumpage rate, levies and bonus bids will not change during the term of the cutting authority and all extensions. Except where:
 - a. a reappraisal is done under section 2.3.2.1(1)(d) due to sudden and severe damage, or
 - b. a reappraisal is done under section 2.3.2.3 because of a minister's direction.

Woodlots

2. Except as provided in Appendix VI:
 - a. The stumpage rate for a cutting authority issued under a woodlot licence shall be an adjusting stumpage rate unless:
 - (i) the stumpage rate for the cutting authority is changed to a non-adjusting stumpage rate under this subsection, or
 - (ii) the cutting authority is a road permit, or blanket salvage cutting permit, or
 - (iii) the stumpage rate has been determined under section 6.2(1)(a) or 6.4.
 - b. A licensee may choose to have an adjusting stumpage rate changed to a non-adjusting stumpage rate under this subsection by giving written notice to the regional timber pricing co-ordinator.
 - c. Where the licensee gives written notice to the regional timber pricing co-ordinator of that choice, the adjusting stumpage rate shall become a non-adjusting stumpage rate three (3) weeks after the regional timber pricing co-ordinator receives the notice.
 - d. On the date that the stumpage rate becomes a non-adjusting stumpage rate, the stumpage rate for the cutting authority continues to be the stumpage rate that was in effect on that date.
 - e. Where a stumpage rate is changed from an adjusting stumpage rate to a non-adjusting stumpage rate, the stumpage rate for the cutting authority shall not change for the term of the cutting authority and all extensions from the date that the stumpage rate is changed to a non-adjusting stumpage rate, except where the cutting authority area is reappraised under section 2.3.2.1(1)(d) or under section 2.3.2.3.

Zonal Average Sawlog Stumpage Rates

3. Except as provided in Appendix VI where the stumpage rate has been determined under section 6.2 and the term of the cutting authority is extended, the stumpage rate shall not change during the term of the cutting authority and all extensions.

Miscellaneous Stumpage Rates

4. Miscellaneous stumpage rates (section 6.8) will be based on the *Interior Appraisal Manual* in effect on the date that the timber is scaled.

2.7 Point of Appraisal

The appraiser must select the point of appraisal, from Table 2-1, which will produce the least cost total development, harvesting and transportation estimate for the timber on the cutting authority area unless;

- i. five years have passed from the date that a milling facility was permanently rendered incapable of producing lumber and chips, and
- ii. it was the only milling facility associated with that point of appraisal.

In which case, the appraiser must select the next the point of appraisal, from Table 2-1, which will produce the least cost total harvesting, development and transportation estimate for the timber on the cutting authority area.

For the purposes of determining the least cost total harvesting, development and transportation estimate, the specific locations that were used in measurement of cycle time for each point of appraisal in Table 2-1 as of October 1, 2003, will continue to be used. The appraiser must then assume the manufacturing costs and average market values for the Zone relative to that point of appraisal.

Table 2-1 Points of Appraisal¹

Northern Interior (Zone 5, 15, 25 & 35)			
Bear Lake	Fort St. James	Mackenzie	Smithers
Burns Lake	Fraser Lake	Prince George	Strathnaver
Clear Lake	Houston	Quesnel	Upper Fraser
Engen	Isle Pierre		Vanderhoof
Skeena (Zone 6, 16, 25 & 36)			
Terrace	Carnaby	Hazelton	Kitwanga

¹ The following Points of Appraisal will expire on the dates indicated: Upper Fraser (June 30, 2008), Taylor (July 31, 2008), Louis Creek (August 1, 2008).

Southern Interior (Zone 7, 17, 25 & 37)					
Adams Lake	Galloway	Merritt	Thrums		
Armstrong	Grand Forks	Midway	Valemount		
Canal Flats	Kamloops	Okanagan Falls	Vavenby		
Canoe	Kelowna	Park Siding	Westbank		
Castlegar	Lavington	Princeton	Ymir		
Craigellachie	Louis Creek	Radium			
Creston	Lumby	Revelstoke			
Elko	McBride	Slocan			
South Cariboo (Zone 8, 18, 25 & 38)					
100 Mile House	Chasm	Lytton	Squamish	Williams Lake	Boston Bar
Fort Nelson - Peace (Zone 9, 19 & 25)					
Chetwynd	Fort Nelson	Fort St. John	Taylor		

2.7.1 Method of Transportation to be Used in Determining Point of Appraisal

The estimate of transportation costs for a cutting authority area must be determined by using the criteria for determining the transportation cost estimate as set out in this manual for the method of transportation referred in this manual to the point of appraisal that will produce the least total harvesting and transportation cost estimate unless:

- a. that particular method of transportation is not permitted by the cutting authority, or
- b. as provided in section 4.5.1(1).

In considering whether or not a particular method of transportation is not permitted by the cutting authority, the timber pricing co-ordinator must not consider, nor take into account, nor have regard for:

- 1. Any destination referred to in the cutting authority.
 - 2. Any enactment.
 - 3. Any document other than the cutting authority.
- Any other fact.

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:

North Central Zone - Fort St. James, Mackenzie, Nadina, Prince George, Quesnel and Vanderhoof Forest Districts.

North West Zone - Kalum and Skeena Stikine Forest Districts.

North East Zone - Fort Nelson and Peace Forest Districts.

South East Zone - Arrow Boundary, Columbia, Headwaters, Kamloops, Kootenay Lake, Okanagan Shuswap and Rocky Mountain Forest Districts.

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

FOREST ZONE	BALSAM	CEDAR	FIR	HEMLOCK	LARCH	L. PINE	Y. PINE	SPRUCE	OTHER
North Central	18.96	12.49	20.61	8.50	-	16.90	-	19.89	18.22
North West	7.74	7.50	-	8.80	-	13.91	-	9.82	8.81
South East	18.92	11.27	15.49	8.25	14.34	18.85	9.11	20.08	17.47
South West	16.41	10.87	13.70	1.98	16.44	15.29	14.60	16.54	15.34
North East	15.87	-	-	-	8.94	20.00	-	17.93	18.73

- For community forest agreements issued under sections 43.2, 43.4 or 43.51 of the *Forest Act* and associated road permits, the sawlog stumpage rate by species will be 15 percent of the sawlog stumpage rate from Table 6-1 in all cases. This provision expires on December 31, 2006.

Sections 6.2 through 6.7 do not apply to community forest agreements and associated road permits.

6.4 Salvage Timber Stumpage Rates

This section applies to cutting authorities issued under 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 to be harvested 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. Except as provided in Appendix VI, the stumpage rate will be fixed for one year from the effective date 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	Y. PINE	SPRUCE	OTHER
North Central	11.37	11.24	18.55	5.10	-	12.67	-	17.90	10.93
North West	4.64	6.75	-	5.28	-	10.44	-	8.84	5.29
South East	11.35	10.15	13.94	4.95	12.90	14.14	6.83	18.07	10.48
South West	9.84	9.79	12.33	1.19	14.80	11.47	10.95	14.89	9.20
North East	9.52	-	-	-	8.05	15.00	-	16.14	11.24

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	Y. PINE	SPRUCE	OTHER
North Central	4.74	9.99	10.31	2.12	-	8.45	-	9.94	4.55
North West	1.93	6.00	-	2.20	-	6.96	-	4.91	2.20
South East	4.73	9.02	7.75	2.06	7.17	9.42	4.55	10.04	4.37
South West	4.10	8.70	6.85	0.49	8.22	7.64	7.30	8.27	3.84
North East	3.97	-	-	-	4.47	10.00	-	8.97	4.68

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