



**BRITISH  
COLUMBIA**

Ministry of Forests  
and Range

**INTERIOR  
MARKET PRICING SYSTEM  
Specified Operations**



**June 5, 2006**



Revenue  
Branch

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## 1. Introduction

The auction database used to develop MPS is comprised of 1,182 auctions. Despite this large sample, there are some harvesting situations that are not represented in the auction data set (for example, access by railway only).

This paper and the appendices provide the technical methodology for calculating the specified operations<sup>1</sup>.

## 2. Policy and Procedure

If sufficient auction data is not available, the ministry will, for those identified situations, implement specified operations.

The specified operations will be used to adjust the MPS stumpage rate for the estimated incremental cost of the identified situation. The explicit assumption is that if a bidder was faced with a similar situation he or she would lower the bid by the extra cost incurred because of the identified situation.

The situations that may be eligible for specified operations adjustment will be determined according to the following principles:

- The expectation that a bid would be influenced by this situation;
- representation (number of samples, if any, in the auction data set);
- materiality of estimated cost differential (supported by verifiable financial data); and,
- statistical analysis (including the premise that other represented situations and variables in the MPS database and equations may serve as a proxy for the situation in question).

The ministry, after considering the above and any other relevant technical information, may or may not designate the situation as an identified situation eligible for a specified operations and, if eligible, specify the \$ per cubic metre adjustment.

The ultimate objective is to have a representative auction database and hence, few, if any, specified operations adjustments.

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<sup>1</sup> This paper is not intended to provide the basis for calculating stumpage rates nor should it be used as guidance for interpreting the legal policies and procedures for calculating stumpage rates, which will be contained in the *Interior Appraisal Manual*. The *Interior Appraisal Manual* contains the policies and procedures referred to in Section 105 of the *Forest Act*.

### **3. Specified Operations**

The following are identified as specified operations for the Interior MPS.

Cost estimates from the current *Interior Appraisal Manual* are used for 1, 2 and 3, below.

#### **1. Rail Haul**

- Rail haul including truck to rail transfer and rail transport.

#### **2. Barge/Ferry**

- Barge/ferry used for truck haul (private).
- Barge/ferry not used for truck haul (private).
- Francois Lake Ferry.

#### **3. Dump, Boom, Dewater, Reload**

- Dump, boom.
- Dewater and reload.

Note: towing is addressed in the MPS estimated winning bid equation.

#### **4. Isolated Cutting Authorities**

- Cost estimate is \$5.28/m<sup>3</sup> (refer to Appendix 1).

#### **5. Skyline Yarding**

- Cost estimate is \$10.20m<sup>3</sup> (refer to Appendix 1).

**Appendix 1**

**Appendix 1: Detailed Specified Operation Calculations**

1. Isolated Cutting Authorities

Current IAM:	Rail Access:	\$6.41/m <sup>3</sup>
	Other Access:	<u>\$5.11/m<sup>3</sup></u>
	Volume Weighted Average:	\$5.28/m <sup>3</sup>

2. Skyline Yarding

Interior average tree-to-truck costs (weighted by harvest volume) from the logging cost survey.

Skyline:	\$40.95/m <sup>3</sup>
Cable:	<u>\$30.75/m<sup>3</sup></u>
Difference:	\$10.20/m <sup>3</sup>