



BCTS
BC Timber Sales

BC Timber Sales Business Plan 2018/19 – 2020/21

**Economic
Prosperity**

**Sustainable
Resources**

**Business
Excellence**

Safety



Ministry of
Forests, Lands, Natural
Resource Operations
and Rural Development

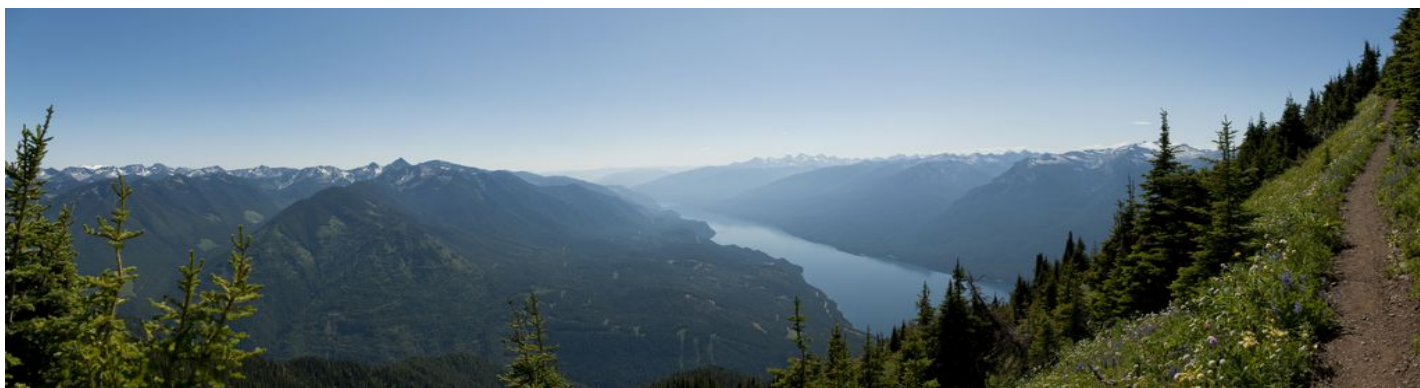
BC Timber Sales Business Plan 2018/19 - 2020/21



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Who are we?

BC Timber Sales (BCTS) is a self-financing program within the Ministry of Forests, Lands, Natural Resource Operations and Rural Development (the Ministry). BCTS supports the Ministry's vision of: *"Stewardship of the Province's Crown land and resources that reflects the diverse values and interests of all British Columbians"*. BCTS also supports the Ministry's six goals (see page 4).

BCTS provides these benefits by planning, developing and selling through auction a substantial and representative portion of the Province's annual available timber volume as well as reforesting harvested areas. The bid prices received from auctioned timber support the Market Pricing System (MPS) in setting stumpage rates for most non-BCTS cutting authorities throughout the province. The costs incurred by BCTS also provide data for the Tenure Obligation Adjustments, contributing to another integral part of the MPS.

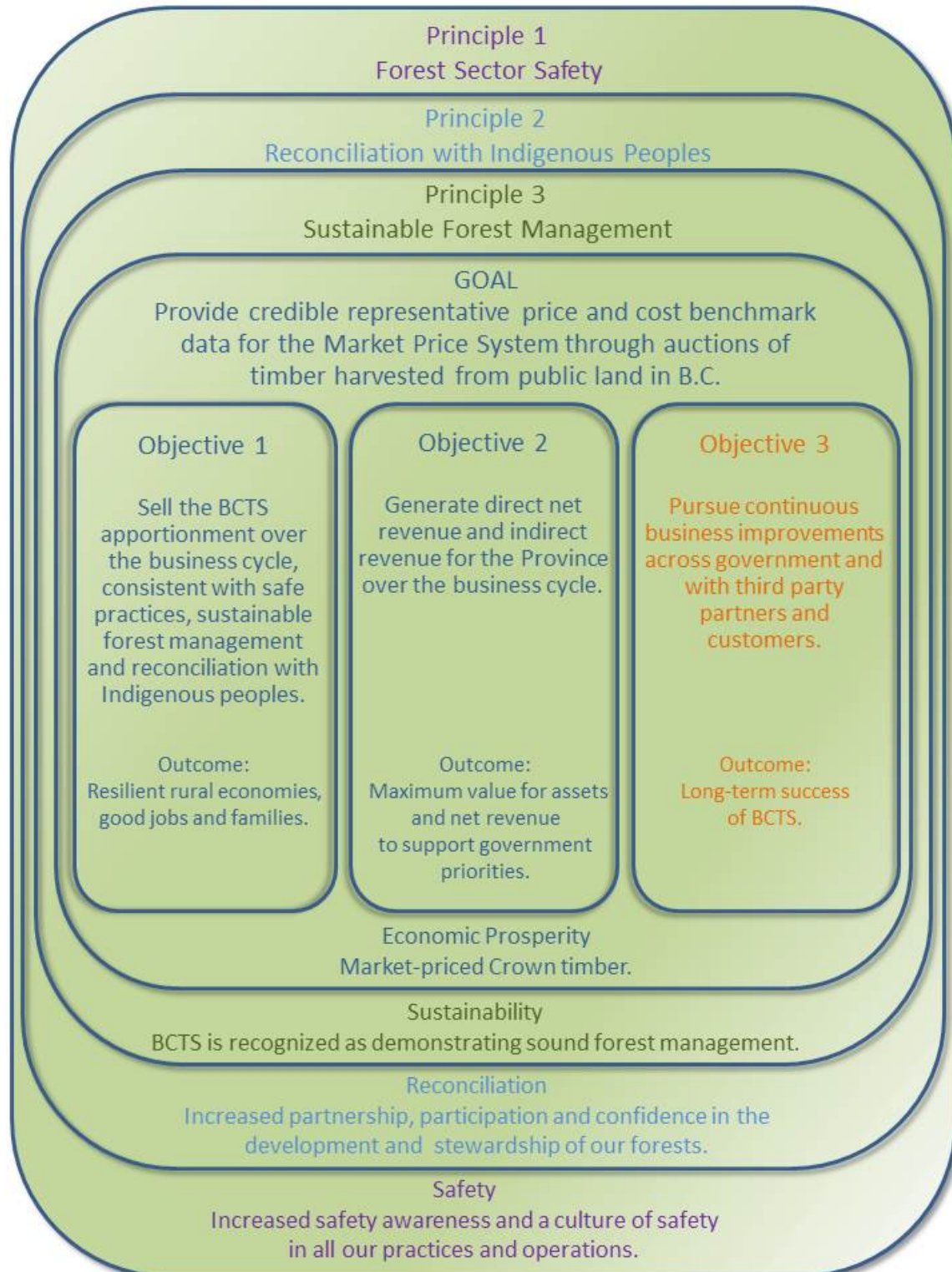
Our Vision: To be an effective timber marketer generating wealth through sustainable resource management.

Our Mission: Committed to pursuing ***excellence*** in all aspects of our business, maintaining ***effective relations*** and focusing on ***results***, BC Timber Sales generates ***economic prosperity*** for all British Columbians through the ***safe, sustainable*** and ***reliable*** development and auction of Crown timber, and by playing a pivotal role in the ministry's reforestation strategies.

BCTS maintains mutually productive and beneficial relations with all other parts of the Ministry while retaining the operational and financial independence needed to support the MPS and the achievement of our goal.

What drives us?

BCTS has one goal and three objectives set within three overarching principles. Their achievement supports the outcomes of **Economic Prosperity**, **Sustainability**, **Business Excellence**, **Safety** and **Reconciliation** benefiting all the citizens of British Columbia.



How we support Government Commitments and Ministry Goals

Government Commitments:

1. Make life more affordable for British Columbians
2. Deliver the services that people count on
3. Build a strong, sustainable and innovative economy that works for everyone

Integrating with these priorities is government's commitment to true, lasting reconciliation with First Nations in British Columbia, while we move toward fully adopting and implementing the United Nations Declaration on the Rights of Indigenous Peoples and the Calls to Action of the Truth and Reconciliation Commission.

Our strongest link to these commitments is through our program's contributions to the forest sector economy, the economies of rural communities and the well-paying jobs our activities create and support. By obtaining the market value for the Crown timber under our control, we ensure the people of B.C. receive fair value for their resource, which contributes toward making life more affordable. BCTS timber auctions are a service British Columbians count on. They help ensure fair and competitive access to timber resources for all. The Ministry's six goals:

1. Excellence in Delivery of our business.
2. Sustainable Natural Resource Management.
3. Reconciliation with Indigenous Peoples.
4. Resilience to Natural Hazards in a Changing Climate.
5. Revitalizing Forests and the Forest Sector.
6. Rural Development and Resilience.

Through its operations and activities BCTS directly and indirectly supports all six Ministry goals.

**On average, BCTS activities directly support
over 8,000 well-paying jobs and
another 10,000 indirect jobs within B.C.**

Principle 1: Forest Sector Safety

BCTS' Safety Policy

- BCTS is committed to maintaining an organizational culture where all staff proactively participate to ensure a safe and healthy workplace as a fundamental component of everyday business.
- BCTS supervisory staff will be accountable for ensuring employees are properly trained for their jobs, making employees aware of safety hazards, ensuring unsafe action or conduct is not tolerated in the workplace, and endorsing sound health and safety work practices on a daily basis.
- BCTS workers will be accountable for conducting their work activities in accordance with sound health and safety practices and will endorse these practices to their fellow workers.

Key Strategies supporting Principle 1

- **Ensure safe BCTS practices by maintaining SAFE Certification**

Corporate Performance Measure:

SAFE Certification	
Target	Maintained

Measure Description: Maintaining our safety certification is a measure of BCTS' success in supporting the BCTS Safety Policy.

- **Promote safe worksites by requiring all parties working on TSLs or bidding on BCTS contracts that involve on-the-ground fieldwork to be SAFE Certified**

Corporate Performance Measure:

Per cent of parties working on BCTS TSLs or contracts that involve on the ground fieldwork that are SAFE Certified	
Target	100%

Measure Description: Requiring all parties working on TSLs or contracts that involve on-the-ground fieldwork to be SAFE Certified is a measure of BCTS' success in supporting and promoting safe worksites.

Key Strategies supporting Principle 1 continued...

- Actively support the Ministry in maintaining its SAFE Certification by implementing a strategy to better align the BCTS safety program with the Ministry’s Safety Management System

Corporate Performance Indicator:

Ministry SAFE Certification	
Target	Maintained

Measure Description: The Ministry’s maintenance of its safety certification is an indicator of BCTS’ success in supporting the Ministry’s safety program.



Principle 2:

Reconciliation with Indigenous Peoples

Reconciliation with Indigenous peoples is integral to BCTS' mandate and its long-term success. In that context, the program supports government's commitment to true, lasting reconciliation with First Nations in British Columbia, and its move towards fully adopting and implementing the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) and the Calls to Action of the Truth and Reconciliation Commission (CTA).

In supporting government's reconciliation efforts, BCTS is also committed to supporting the achievement of the Ministry's Strategic Roadmap Objectives, including:

- Increasing the level of partnership with Indigenous people in the work of the Ministry.
- Increasing participation by Indigenous people in the natural resource economy.
- Increasing the confidence of Indigenous people in the stewardship of natural resources.

Key Strategies supporting Principle 2

In meeting the above commitments, BCTS will pursue the following key strategies:

- **Work to align our culture, policies and business practices to support reconciliation with Indigenous peoples.**
- **Develop and deploy a training program for staff focused on improving cultural awareness and understanding of Indigenous people's history, culture and legal framework.**
- **Pursue opportunities to build effective and durable relationships with Indigenous peoples.**
- **Connect with Indigenous peoples to develop and deploy approaches to engagement that are strategically focused and that align with UNDRIP and the CTA.**

Principle 3:

Sustainable Forest Management

High-quality forest and environmental management practices are integral to the BCTS mandate. Sustainable forest management is important both to how BCTS conducts business and to protecting the interests of the people of British Columbia.

Through the application of this principle, BCTS supports the achievement of the Ministry objective to have the public's confidence and trust in the stewardship of British Columbia's natural resources.

Key Strategies supporting Principle 3

- Maintain an Environmental Management System (EMS) and Sustainable Forest Management Certifications (SFM)**

For BCTS, sustainable forest management is the management of our operating areas to access a sufficient and representative supply of Crown timber to meet our goal and objectives, while maintaining the forest and the related environmental, economic and social values and benefits over the long-term.

Corporate Performance Measure:

Per cent of timber volume certified under an SFM system	
Target	100%

Measure Description: Per cent of BCTS apportioned volume certified to sustainable forest management standards, such as Canadian Standards Association (CSA), Sustainable Forestry Initiative (SFI) or Forest Stewardship Council (FSC). This measure is an indicator of BCTS' success in demonstrating and being recognized for having sound forest management practices.

- Deliver on stewardship obligations**

BCTS is committed to deliver on its stewardship obligations. In addition to its ongoing stewardship operations, BCTS is obligated to reforest the areas it harvests and to rehabilitate its industrial roads.

Corporate Performance Measures:

Major stewardship obligations				
	2017-18	2018-19	2019-20	2020-21
	Achieved	Targets		
Number of EMS/SFM external audit major non-conformances	Zero	Zero		
Number of trees planted	46.2M	45.3M	46.8M	46.2M
Km of road deactivated	220Km	572km	430km	484km

Key Strategies supporting Principle 3 continued...

- *Use our economies of scale and expertise to deliver cost effective silviculture services and provide quality seedlings for the Forests for Tomorrow (FFT) program and the Ministry*

Corporate Performance Measures:

BCTS contributions to Forests for Tomorrow (FFT)				
	2017-18	2018-19	2019-20	2020-21
	Achieved	Target	Target	Target
Ministry NSR* area planted by BCTS	7,140 ha	8,290 ha	6,690 ha	6,140 ha
Number of FFT trees planted	12.9 M	15.2 M	14.7 M	18.0 M
Seedlings grown for FFT	25.2 M	39.8 M	40.0 M	40.0 M

*NSR = Not Satisfactorily Restocked.



Key Strategies supporting Principle 3 continued...

- ***Implement our Climate Change Action Plan***

Looking forward, the Ministry is focused on a proactive response to climate change and managing natural resource hazards as a priority. The purpose of BCTS' Climate Change Action Plan is to foster the adoption of climate change mitigation and adaptation actions within BCTS business processes, while ensuring consistency and alignment with the Ministry's Service Plan and associated climate change strategies and action plans.

Four principles guide our actions on climate change:

1. We acknowledge changes in climate have a high potential of impacting our operations and the achievement of our obligations, therefore, we accept that as a forest manager in B.C. we must take proactive action on climate change.
2. We stay up to date on emerging climate change information and incorporate this information in their job functions.
3. We place reliance on the professionals we hire to ensure they are current on best practices to address climate change risk and opportunity.
4. We actively participate on Ministry and forest industry groups to identify climate change solutions.

The goals of our Climate Change Action Plan are to:

- build our adaptive capacity;
- establish resilient forests;
- protect and enhance future harvest opportunities;
- protect infrastructure – function and investment; and,
- capitalise on any climate change related opportunities.

Corporate Performance Measure:

Implementation of Climate Change Actions	
Target	Annual Progress Report

Measure Description: A report will be prepared annually on our progress in implementing the Climate Change Action Plan.

Goal:

Provide credible representative price and cost benchmark data for the Market Pricing System through auctions of timber harvested from public land in British Columbia

Creating a globally competitive, market-based operating climate is a key component of a strong, sustainable and innovative forest sector economy that works for everyone. The goal of BCTS is to provide credible data directly supporting the Ministry's Market Pricing System (MPS). Through the MPS the Ministry ensures that the people of B.C. receive market value for their timber assets. BCTS obtains the data needed by developing Crown timber, selling it through competitive auctions and reforesting harvested areas.

For the data to be credible and representative it needs to cover a similar range of timber types and operating conditions to what non-BCTS forest tenure holders experience. It is equally important that the amount of timber BCTS auctions be sufficient (in a statistically significant sense), in order to accurately support the MPS. The optimum amount (as determined by world-leading experts in auction theory) is between 20 to 30 per cent of the overall amount of Crown timber harvested each year. This range of activity provides a sufficient amount of data to adequately support the MPS but not so much that the market influenced.

BCTS tracks the timber volume it auctions and sells as a per cent of the total timber volume projected to be harvested each year. This is a good indicator of its success in developing and auctioning an optimum volume of timber, which is necessary to establish credible representative benchmark cost and pricing data within an environment of changing market conditions and demand.

Key Performance Indicator:

BCTS timber volume auctioned as a per cent of the projected provincial harvest volume				
	2017-18	2018-19	2019-20	2020-21
	Achieved	Target	Target	Target
Minimum per cent	20%	20%	20%	20%

Measure Description: BCTS timber volume auctioned (Section 20 Timber Sales Licences) in the year as a per cent of the total projected provincial harvest volume for the year as of January 2017.

Regional Performance Indicators:

BCTS timber volume auctioned as a per cent of the projected provincial harvest volume				
	2017-18	2018-19	2019-20	2020-21
	Achieved	Target	Target	Target
Coast	19%	20%	20%	20%
Interior	20%	20%	20%	20%

Economic Prosperity

Key Strategies supporting our Goal

- ***Through competitive auctions, sell the appropriate amount of timber to support the Market Pricing System***

The provincial allowable annual cut in the interior is projected to decrease over the next few years as new Timber Supply Reviews are completed by the Chief Forester. This is primarily due to a projected decrease in the midterm timber supply as a result of the impacts of the mountain pine beetle and wildfires. First Nations' aspirations are also expected to continue to pressure the timber supply. As a result, the amount of timber that BCTS has to offer and sell is expected to decrease.

Corporate Performance Measure:

Net timber volume sold				
	2017-18	2018-19	2019-20	2020-21
	Achieved	Target	Target	Target
Timber volume	9.5 Mm3	10.7 Mm3	10.7 Mm3	10.5 Mm3

Measure Description: Net timber volume sold is an indicator of BCTS' success in providing sufficient timber volume to the market in support of the MPS. Net timber volume sold is total volume sold (18/19 12.1Mm3, 19/20 11.8Mm3, 20/21 11.6Mm3) less Category 2 volume sold (18/19 1.1Mm3, 19/20 1.1Mm3, 20/21 1.1Mm3) and other committed volume sold (18/19 0.3Mm3, 19/20 0.1Mm3, 20/21 0.0Mm3).

Net timber volume sold was introduced in 2017/18. Net timber volume sold differs from annual timber volume sold in that any Category 2 Timber Sale Licences (TSLs) sold and Non-Replaceable Forest Licence volumes are not counted toward the total. These special timber volumes currently do not contribute data in support of the MPS.



Economic Prosperity

Key Strategies supporting our Goal continued...

- ***Implement a Data Quality Management System to ensure BCTS data is complete, accurate, reliable and verifiable***

BCTS has developed and is implementing a data quality management system (DQMS) that is self-certified to the International Standards Organization (ISO) 9001: 2015 quality standard. The data quality management system has been endorsed and is currently being applied throughout BCTS. BCTS will continue with the current performance measure. A target date for certification of our data quality management system has been set for the end of 2020/21.

Corporate Performance Measure:

Accuracy and completeness of performance metric, cost survey and silviculture liability data				
	2017-18	2018-19	2019-20	2020-21
	Achieved	Target	Target	Target
Performance standard	93%	95%	95%	Certification

Measure Description: For each set of monitored data, the current quality level will be assessed and compared to the expected performance standard of 95 per cent conformance.

- ***Monitor BCTS timber volume sold by major MPS attributes such as species and grade, compared to the harvest patterns of the Major Licensees, to ensure representative benchmark data and make adjustments as required***

Corporate Performance Measure:

Representativeness of BCTS Volume Sold	
The per cent of BCTS volume harvested is within five percentage points of the per cent of harvest volume by Major Licensees for each major species and grade MPS attribute 80% of the time	2018/19 – 2020/21
	80%

Measure Description: BCTS volume harvested by major species and grade attribute as a per cent of total BCTS volume harvested compared to the volume harvested by the Major Licensees by the same attribute as a per cent of their total harvest volume. BCTS volume percentage is within plus/minus five percentage points of the Major Licensees 80 per cent of the time.

Objective 1:

Sell the full BC Timber Sales apportionment over the business cycle, consistent with safe practices, sustainable forest management, and reconciliation with Indigenous peoples.

Providing a reliable, competitive supply of fibre (timber) to market supports a forest sector that builds on the strengths of the primary manufacturing sector and thriving rural communities – indigenous and non-indigenous– that enable residents to achieve their desired objectives for themselves and future generations.

BCTS' apportionment is the volume of Crown timber specified by the Minister, pursuant to the *Forest Act*, that the program has available to sell. It is the objective of the program to sell its full apportionment over the five year business cycle consistent with safe practices, sustainable forest management, and reconciliation with Indigenous peoples. In addition to adhering to these overarching safety, sustainability and reconciliation principles there may be circumstances where BCTS is unable to or should not attempt to sell its full apportionment. More specifically, in circumstances where:

- Non-replaceable forest licences have been issued under Section 13 (1.1) of the *Forest Act* using BCTS apportionment;
- There is an established lack of market demand for certain forest types or partitions (e.g. mountain pine beetle uplifts or deciduous volumes in certain Timber Supply Areas);
- The Ministry's Chief Forester has reduced the Allowable Annual Cut (AAC) in a management unit, but this reduction has not yet been apportioned by the Minister; and,
- There are land base exclusions due to circumstances beyond BCTS' control (e.g. First Nations treaty or established log rounds) adversely affecting operations.

This netted down apportionment is called the “rationalized apportionment”. The rationalized apportionment is the apportionment against which program performance related to selling the full apportionment is measured.

Since 2003, BCTS has sold over 173 million cubic metres of timber, contributing over \$10.4 billion to the provincial gross domestic product (GDP).

Through these competitive auctions the program has also supported strong, sustainable, and innovative rural economies that work for everyone.

Economic Prosperity

Key Performance Indicator:

Cumulative per cent of BCTS rationalized apportioned timber volume sold over the business cycle					
	2014-15	2015-16	2016-17	2017-18	2018-19
	Achieved	Achieved	Achieved	Achieved	Target
Per cent	22%	44%	63%	80%	100%

Indicator Description: The business cycle is defined as five years starting April 1, 2014 and ending March 31, 2019. The indicator is the cumulative volume sold/total BCTS rationalized apportionment for five years.

BCTS apportionments over the business cycle					
	2014-15	2015-16	2016-17	2017-18	2018-19
Apportionment	14.2 Mm3	15.1 Mm3	14.5 Mm3	14.6 Mm3	14.6 Mm3
Rationalized apportionments	13.6 Mm3	12.8 Mm3	12.5 Mm3	12.7 Mm3	11.1 Mm3
Cumulative total rationalized apportionment	13.6 Mm3	26.4 Mm3	38.9 Mm3	51.6 Mm3	62.7 Mm3

Indicator Description: Rationalized apportionment excludes volume where BCTS is unable to, or should not attempt to, sell its full apportionment as set out in policy.

The extreme fire season last year will have a lingering impact on BCTS timber volume sold over the business cycle ending March 31, 2019. A significant amount of standing timber that was being developed for sale, was ready for sale or was already sold was burned. It will take time to recover from these losses. In addition, BCTS is projecting its apportionment in the interior will decrease over the next few years as new Timber Supply Reviews are completed by the Ministry's Chief Forester, and the new annual allowable cuts are apportioned out by the Minister to BCTS and non-BCTS forest tenure types. This is due to a projected decrease in the midterm timber supply as a result of the impacts of the mountain pine beetle. First Nations' aspirations are also expected to continue to pressure the timber supply.

Corporate Performance Measure:

Timber volume sold over the current five year business cycle					
	2014-15	2015-16	2016-17	2017-18	2018-19
	Achievement	Achievement	Achievement	Achievement	Target
Timber volume sold	13.1 Mm3	13.0 Mm3	12.7 Mm3	10.8 Mm3	12.1 Mm3
Per cent of annual rationalized apportionment	97%	102%	102%	87%	109%
Cumulative total timber volume sold	13.1 Mm3	26.1 Mm3	38.8 Mm3	49.6 Mm3	61.7 Mm3
Per cent of cumulative rationalized apportionment	96%	99%	100%	96%	98.4%

Regional Performance/Targets:

Timber volume sold over the current five year business cycle					
	2014-15	2015-16	2016-17	2017-18	2018-19
Coast	2.4 Mm3	2.6 Mm3	2.7 Mm3	2.5 Mm3	2.6 Mm3
North Interior	5.6 Mm3	5.8 Mm3	5.0 Mm3	4.1 Mm3	4.6 Mm3
South Interior	5.1 Mm3	4.9 Mm3	5.0 Mm3	4.2 Mm3	4.0 Mm3

Economic Prosperity

Corporate Performance Measure:

Annual timber volume sold				
	2017-18	2018-19	2019-20	2020-21
	Achievement	Target	Target	Target
Volume sold	10.8 Mm3	12.1 Mm3	11.8 Mm3	11.6 Mm3

Measure Description: Timber volume sold is an indicator of BCTS' success in analyzing market conditions and providing a reliable supply of timber to the market that our customers see as economically viable.

Regional Performance Targets:

Annual timber volume sold				
	2017-18	2018-19	2019-20	2020-21
Coast	2.5 Mm3	2.6 Mm3	2.6 Mm3	2.6 Mm3
North Interior	4.1 Mm3	4.8 Mm3	4.7 Mm3	4.7 Mm3
South Interior	4.2 Mm3	4.7 Mm3	4.5 Mm3	4.3 Mm3



Key Strategies supporting Objective 1

- **Offer to the market, through competitive auctions, sufficient timber volume to achieve annual timber volume sold targets**

To achieve our goal to support the MPS, BCTS will at times offer Timber Sale Licences (TSLs) in marginal economic areas or profiles. Not all of these TSLs offered to the market will sell. As well, customer demand can shift resulting in no auction bids for TSLs. Therefore, Business Areas must anticipate these possible results and plan to offer sufficient timber volume to achieve their annual timber volume sold targets.

Corporate Performance Measure:

Annual timber volume offered				
	2017-18	2018-19	2019-20	2020-21
	Achievement	Target	Target	Target
Volume offered (advertised)	11.8 Mm3	12.5 Mm3	12.3 Mm3	12.1 Mm3

Measure Description: The annual timber volume offer is a measure of BCTS' success in offering sufficient volume to achieve its timber volume sold targets.

Regional Performance Targets:

Timber volume offered				
	2017-18	2018-19	2019-20	2020-21
Coast	2.6 Mm3	2.7 Mm3	2.7 Mm3	2.7 Mm3
North Interior	4.7 Mm3	5.0 Mm3	5.0 Mm3	5.0 Mm3
South Interior	4.5 Mm3	4.8 Mm3	4.6 Mm3	4.4 Mm3



Key Strategies supporting Objective 1 continued...

- ***Through business-to-business disposition agreements, sell timber volume incremental to our base apportionment***

Selling timber volume incremental to our base apportionment increases the amount of timber in the market that is available to all through competitive auctions. The sale, harvest and processing of this additional timber volume directly supports rural economies, communities, local jobs and families. This additional volume also helps BCTS in the achievement of our business goal and objectives.

Corporate Performance Measure:

Timber volume sold under a business-to-business agreement – Incremental to BCTS apportionment					
	2016-17	2017-18	2018-19	2019-20	2020-21
	Achieved	Achieved	Target	Target	Target
Timber volume sold (m3)	186,000	196,600	250,000	250,000	250,000

- ***Develop sufficient timber volume to maximize timber volume offered and sold***

BCTS strives to have between one and two years of planned timber sales volume ready for sale as developed timber volume in its “ready to sell” inventory at the start of each year. This provides Business Areas with a sufficient supply to react to any operational issues and achieve annual targets. To achieve this inventory level BCTS sets annual targets for the development of timber that is ready to sell (ADV).

Corporate Performance Measure:

Annual timber volume developed				
	Achievement	Target	Target	Target
	2017-18	2018-19	2019-20	2020-21
Annual developed volume (ADV)	10.6 Mm3	13.7 Mm3	13.5 Mm3	13.1 Mm3

Measure Description: Timber volume developed is the annual amount of timber developed (ADV) and ready for advertising and auction.

Regional Performance Targets:

Annual timber volume developed				
	2017-18	2018-19	2019-20	2020-21
Coast	2.3 Mm3	3.0 Mm3	2.9 Mm3	2.9 Mm3
North Interior	4.4 Mm3	5.5 Mm3	5.4 Mm3	5.2 Mm3
South Interior	3.9 Mm3	5.2 Mm3	5.2 Mm3	5.0 Mm3

Economic Prosperity

Key Strategies supporting Objective 1 continued...

- ***Plan out sufficient ready to develop volume to support the achievement of the next one to two years' annual developed timber volume targets***

In order to ensure a reliable and sufficient supply of time for development and future sale, BCTS needs to first identify available timber volume and then undertake planning and consultation activities. Once completed, the timber volume is then ready to develop. It is a corporate priority of the program to have at least five years of timber identified and field checked to supply its planning and development needs.

Corporate Performance Measure:

Annual ready to develop volume				
	2017-18	2018-19	2019-20	2020-21
	Achievement	Target	Target	Target
Volume ready for development	13.7 Mm3	14.7 Mm3	13.8 Mm3	11.8 Mm3

Measure Description: The annual volume ready for development is the amount of timber volume planned out where Referrals are Complete and they are Development Ready (RCDR).

Regional Performance Targets:

Annual ready to develop volume (RCDR)				
	2017-18	2018-19	2019-20	2020-21
Coast	2.2 Mm3	2.6 Mm3	2.5 Mm3	2.5 Mm3
North Interior	6.5 Mm3	5.9 Mm3	5.7 Mm3	4.2 Mm3
South Interior	5.0 Mm3	6.2 Mm3	5.6 Mm3	5.1 Mm3

- ***Auction a reliable supply of timber***

Predictability of timber supply for our customers is also important to BCTS. BCTS demonstrates reliability in supply by advertising and auctioning timber consistent with its annual sales plans.

Performance Measure:

Per cent of timber volume advertised in quarter planned	
	2018/19 - 2020/21
Target	90% to 110%

Measure Description: Timber volume advertised in the quarter planned as a per cent of the planned timber volume as set out in annual Business Area sales plans is a measure of consistency and reliability.

Key Strategies supporting Objective 1 continued...

- ***Optimize the timing of our delivery of timber volume to the market by responding to customer demand and appropriately managing the risks to the achievement of our annual timber volume sold targets***

Customer demand for timber is not equal throughout the year, nor is it consistent throughout the province. BCTS recognizes that in some areas customers prefer an even flow of timber volume into the market, while in other areas they may prefer greater volumes in quarters two or three before the snow falls. In addition, there is inherently greater risk that unforeseen circumstances in the last quarter can prevent the achievement of our annual timber volume sold targets. To address this, BCTS attempts to optimize its delivery throughout the year.

Performance Measure:

Per cent of timber volume sold by quarter (cumulative)				
Fiscal Year	Q1	Q2	Q3	Q4
2017-18 (Achievement)	16%	44%	66%	100%
2018-19 (Targets)	19%	41%	68%	100%

Measure Description: The timber volume sold in the quarter as a per cent of the total timber volume sold for the year.



Objective 2: **Generate direct net revenue and indirect revenue for the Province over the business cycle**

This objective supports the provincial government and the Ministry as major contributors to the current and future economic health of the Province. BCTS' revenues contribute to make life more affordable for British Columbians and building a strong, sustainable and innovative economy that works for everyone. BCTS operates under a self-financing special account and must generate sufficient revenue to finance its cash requirements (i.e. earn a profit) over the long term.

Since 2003, BCTS has earned \$790 million dollars in net revenue and generated over \$300 million of indirect revenue for the Province.

Direct net revenue is the result of the timber volume harvested and the price paid for that timber. Although the volume of timber harvested each year is projected to decrease, the prices are expected to remain fairly stable and may increase due to increasing demand. Overall, this is projected to result in slightly declining net revenues over the next few years.

Corporate Performance Measure:

Net revenue				
	2017-18	2018-19	2019-20	2020-21
	Achieved	Target	Target	Target (Note 1)
Net revenue	\$170.1 M ¹	\$149.2 M	\$145.3 M	\$135.9 M

Measure Description: Net revenue is a key indicator of the success of BCTS in generating value and revenue return for the Province and being self-sustaining. The measure is calculated as gross revenue less capitalized expenses.

¹ – Pending final year-end audit adjustments



Economic Prosperity

Indirect revenue is a result of the economic activity generated by the volume of timber harvested. Therefore, as the harvest decreases so too does the indirect revenue generated.

Key Performance Indicator:

Indirect revenue generated				
	2017-18	2018-19	2019-20	2020-21
	Achieved	Target	Target	Target
Indirect revenue	\$22.0 M	\$25 M	\$25 M	\$25 M

Measure Description: Indirect revenue generated is a key indicator of the success of BCTS in generating a return on the sale of Crown assets for the Province. Indirect revenue is the non-stumpage revenue generated for the Province from the harvest of Crown timber.

Key Strategies supporting Objective 2

- **Actively manage the costs of developing timber for auction**

Operating on relatively flat ground, chasing the bark beetle in the interior has resulted in lower average costs for developing timber over the last number of years. As timber development in the interior moves out of these areas and into green wood in more difficult terrain, the development costs are expected to increase. In addition, managing for safety, sustainability and reconciliation – our three operating principles – requires more resources and are projected to result in cost increases over time.

Corporate Performance Measure:

Cost of developed timber per m3				
	2017-18	2018-19	2019-20	2020-21
	Achieved	Target	Target	Target
Timber development costs	\$7.10/m3	\$6.26/m3	\$6.31/m3	\$6.47/m3

Measure Description: The cost of developed timber is the future cost of goods sold and represents the cost of BCTS inventory. The cost is net of any costs related to the purchase of harvest rights through BCTS disposition agreements. This excludes the development costs associated with disposition agreements.

- **Actively manage the costs of access to the timber**

Similar to development, as interior operations move out of the beetle areas to more difficult terrain, the costs of access are also expected to increase.

Corporate Performance Measure:

Access cost per m3 of timber volume sold				
	2017-18	2018-19	2019-20	2020-21
	Achievement	Target	Target	Target
Access costs	\$3.37/m3	\$3.22/m3	\$3.67/m3	3.89/m3

Measure Description: Access costs are road and bridge amortization plus annual maintenance divided by the volume of timber sold. This represents the cost of access infrastructure.

Key Strategies supporting Objective 2 continued...

- ***Offer 10 per cent of BCTS' rationalized apportionment as Category 2 TSLs***

Eligibility to bid on Category 2 TSLs is limited to registrants with timber processing facilities. BCTS' objectives for offering such TSLs are to: Provide open access to Crown timber for non-tenured or insufficiently tenured timber processing facilities; to promote local employment; and, to support the value-added sector of British Columbia.

Corporate Performance Measure:

Category 2 timber volume offered				
	2017-18	2018-19	2019-20	2020-21
	Achieved	Target	Target	Target
Volume offered	1.2 Mm3	1.1 Mm3	1.1 Mm3	1.1 Mm3

Measure Description: Cat 2 timber volume offered is an indicator of the success of BCTS in providing opportunities for non-tenured or insufficiently tenured timber processing facilities to access timber.



Objective 3: Continuous business improvement – within BCTS, across government and with third parties

BCTS needs to be building and maintaining strong relationships and continuously improving in order to effectively realize its vision, achieve its mission and goal, deliver superior performance, and make a distinct and lasting impact. To this end, BCTS believes that:

“Only those with Excellent People, Excellent Operations, Practices and Processes, and Effective Relationships will truly excel.”

BCTS and its people are committed to:

- continuously learning, innovating and leading through change in the pursuit of **Excellence**,
- embracing a **Lean Philosophy** as the next step in continuous improvement; and
- building **Effective Relationships** and collaborations.

Objective 3.1: Excellence in people

People are the key to any successful implementation of a Lean philosophy. The people doing the work take responsibility for doing it better and take ownership of their work to improve processes and develop products. Most Lean activities are not sustained because they fail to build the capacity for Lean within the organization. In BCTS, we are not implementing “Lean solutions”, we are developing people to achieve challenging goals through a clearly defined improvement process. The key to implementing such a Lean philosophy within BCTS is developing our own expertise.

By the end of 2017/18, BCTS had already taken significant steps toward ensuring all employees were developing the strong foundation in Lean practices required to fully implement a Lean philosophy within the organization. Ultimately, all BCTS staff will have a firm foundation in the Lean Philosophy from course work and projects.

In addition, research has shown that engaged employees are more productive, less likely to resign and provide better service. The investment in efforts aimed at achieving a more engaged workforce is an investment benefiting all. The BC Public Service and BCTS have been committed to understanding and improving employee engagement for over a decade. The BC Public Service Work Environment Survey (WES) helps provide information on work environment challenges impacting engagement, starts conversations on what can be done differently and is used to guide actions and initiatives to improve engagement. The survey is conducted every second year.

Based on previous WES results BCTS, through its People Practices Working Group, has been working on actions focused on improving the following priority WES drivers: Staffing Practices, Pay and Benefits, Recognition, Tools and Workspace, Supervisory Level Management and Executive Level Management.

Key Strategies supporting Objective 3.1

- **Use the government's biennial Work Environment Survey (WES) to guide our people priorities to improve the work environment for staff**

Corporate Performance Measure:

Work Environment Survey overall engagement					
	2013	2015	2018	2019	2020
	Achieved	Achieved	Achieved	Target	Target
Staff engagement score	63	69	69	N/A	Increase

Measure Description: The WES staff engagement score is an indicator of BCTS' success in improving the workplace for staff and increase staff engagement. There is no WES in 2018.

- **Provide all staff with foundational training in Lean practices**

Corporate Performance Measure:

Per cent of staff with foundational Lean training					
	2016-17	2017-18	2018-19	2019-20	2020-21
	Achieved	Projected	Target	Target	Target
Staff per cent	74%	91%	97%	100%	100%

Measure Description: Foundational Lean training is Lean 101, 201 and 301.



Objective 3.2: Excellence in operations, practices and processes

All processes contain value added activities and non-value added activities. Value added activities are critical to the organization and expected results. Non-value added activities are considered waste. They are not necessary from either the organization's or customer's perspective. A Lean philosophy focuses on eliminating, simplifying, reducing or integrating processes to reduce or eliminate such waste.

Key Strategies supporting Objective 3.2

- **Apply Lean practices to all our operations, practices and processes**

"Standardized Work" means that a process is operating as the standard specifies. Having common standards for all processes and having those processes operate in line with those standards is a key foundational objective of BCTS' Lean philosophy. It is through the implementation of this standardized work that BCTS will be able to truly coordinate and collaborate to achieve increased operational effectiveness and efficiencies.

Key Performance Indicator:

Projects undertaken and (waste) activities eliminated					
	2016-17	2017-18	2018-19	2019-20	2020-21
	Achieved	Achieved	Target	Target	Target
Number of projects	28	17	40	40	40
Number of activities eliminated or standardized	1,260	3,000 ¹	1,500	TBD ²	TBD

Measure Description: Number of continuous improvement/Lean projects undertaken.

Measure Description: Number of waste processes eliminated is a key indicator of the success of BCTS in continuously improving its operations and increasing value. Waste processes are those identified through Lean activities at any level as not adding value.

¹ Includes the number of times an activity is done per year

² Starting in 2019/20, BCTS plans to change its performance measure from the "Number of activities eliminated or standardized" to "The time saved through the elimination or standardization of activities" or some similar measure.

Key Strategies supporting Objective 3.2 continued...

- **Maintain a Contract Quality Management System (CQMS) to ISO 9001 International Standards**

Each year, BCTS contracts for an average \$140-150 million in goods and services. Effective contracting is the procurement goal for the program. The achievement of this goal is supported by four objectives:

1. BCTS employees have appropriate levels of contracting knowledge and competency.
2. Efficient and competitive contracting practices providing value for money.
3. Fair, transparent and consistent contracting practices across BCTS.
4. Continuously improve BCTS' contracting practices.

As of March 31, 2018, BCTS has self-certified its Contract Quality Management System to the **International Organization for Standardization's** (ISO) 9001:2015 quality standards.

BCTS CQMS Policy

- Comply with all relevant contract laws, acts, legislation, associated regulations and government Core policy;
- Strive for excellence in contract management by continually improving the performance of contract management activities and practices;
- Maintain a framework that establishes the quality objectives associated with BCTS contract activities; and,
- Monitor and evaluate key BCTS contract operations.

Corporate Performance Measure:

ISO 9001 international standards					
	2016-17	2017-18	2018-19	2019-20	2020-21
	Achieved	Projected	Target	Target	Target
Self-Certification of CQMS	In process	Certification	Maintain	Maintain	Maintain

Measure Description: Self-certification of BCTS Contracting Quality Management System to ISO 9001 international standards is an indicator of BCTS' success in excellence in its procurement practices.

Objective 3.3: Effective relationships

Effective relationships are vital to the success of BCTS. These relationships can be with the Ministry, across government or with third parties such as First Nations, communities, customers and suppliers. Building and maintaining effective relationships supports the long-term success of BCTS.

Key Strategies supporting Objective 3.3

- ***Continue to implement and improve our Rural Communities Communications and Engagement Strategy***

The goal of the strategy is that our communications and engagement with rural communities:

- results in effective relationships with our stakeholders;
- supports us in effectively selling our apportioned timber volume;
- strengthens our role within the forest sector and rural economies; and,
- provides us with the continuity of social licence to deliver superior and enduring performance.

- ***Continue to implement and improve our Business Relations Strategy***

The goal of the strategy is that our business relationships:

- support us in effectively selling our apportioned timber volume;
- strengthen our role within the forest sector and rural economies; and,
- provide us with the continuity of social licence to deliver superior and enduring performance.

- ***Pursue opportunities to build effective and durable relationships particularly in respect of business and stewardship partnership opportunities of mutual benefit***

- ***Continue to actively engage and collaborate with key customer and supplier stakeholder groups***

Appendix 1

Appendix 1 Resource Summary 2017/18 - 2020/21				
	2017/18 Achieved	2018/19 Plan	2019/20 Plan	2020/21 Plan
Gross Revenue (Millions)	\$359.1	\$345.9	\$339.9	\$332.6
Less: Expenses (Capitalized)	(189.0)	(196.7)	(194.6)	(\$196.7)
Net Revenue (Loss)	\$170.1	\$149.2	\$145.3	\$135.9
Transferred to CRF	(\$125.0)	(\$125.0)	(\$125.0)	(\$125.0)
Financing Transactions (\$millions)				
Cost of Developed Timber Inventory	\$74.9	\$94.3	\$88.2	\$86.4
Fish Habitat Inventory	0.1	0.2	0.3	0.3
Seed Inventory	2.1	2.5	2.0	2.0
Total Financing Transactions	\$77.1	\$97.0	\$90.5	\$88.7
Capital Expenditures (\$millions)				
Capital – Roads	\$32.2	\$44.8	\$39.7	\$35.4
Capital – Non Roads	0.4	0.5	0.5	0.5
Total Capital Budget	\$32.6	\$45.3	\$40.2	\$35.9
Cash Expenditures (\$millions)				
Administration	\$15.7	\$16.6	\$16.1	\$16.2
Salaries	50.1	54.8	55.4	55.0
Planning	6.6	7.6	6.9	6.0
Sales	36.4	43.3	45.6	44.8
Disposition Agreements Development Costs	8.1	3.5	1.0	1.0
Access	35.6	48.4	45.9	41.0
Silviculture	45.3	46.9	49.7	47.7
Land Base Investment (FFT) – Expenditures	13.5	19.8	23.0	22.8
Land Base Investment (FFT) – Recoveries	(14.9)	(21.4)	(24.9)	(24.8)
Total Cash Expenditures	\$196.4	\$219.5	\$218.7	\$209.7
Non Cash Budgets (\$millions)				
Amortization – Roads	\$27.1	\$30.8	\$34.1	\$35.9
Amortization – Non Roads	\$0.2	\$0.3	\$0.3	\$0.3
Silviculture Liability Expense	\$42.1	\$40.0	\$39.0	\$38.0
Cost of Timber Inventory Harvested	\$66.7	\$83.4	\$82.8	\$82.5
Timer Volume Outputs (Mm3)				
Volume Advertised (Offered)	11.8	12.5	12.3	12.1
Volume Sold	10.8	12.1	11.8	11.6
Volume Developed	10.6	13.5	13.7	13.1
Volume Scaled (Harvested)	9.6	11.4	11.2	11.0
Apportionment Volume (Rationalized)	12.7	11.1	11.5	11.1

