



**BCTS**  
BC Timber Sales

# **BC Timber Sales Business Plan 2017/18 – 2019/20**

**Economic  
Prosperity**

**Sustainable  
Resources**

**Business  
Excellence**

**Safety**



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

# BC Timber Sales Business Plan 2017/18 - 2019/20

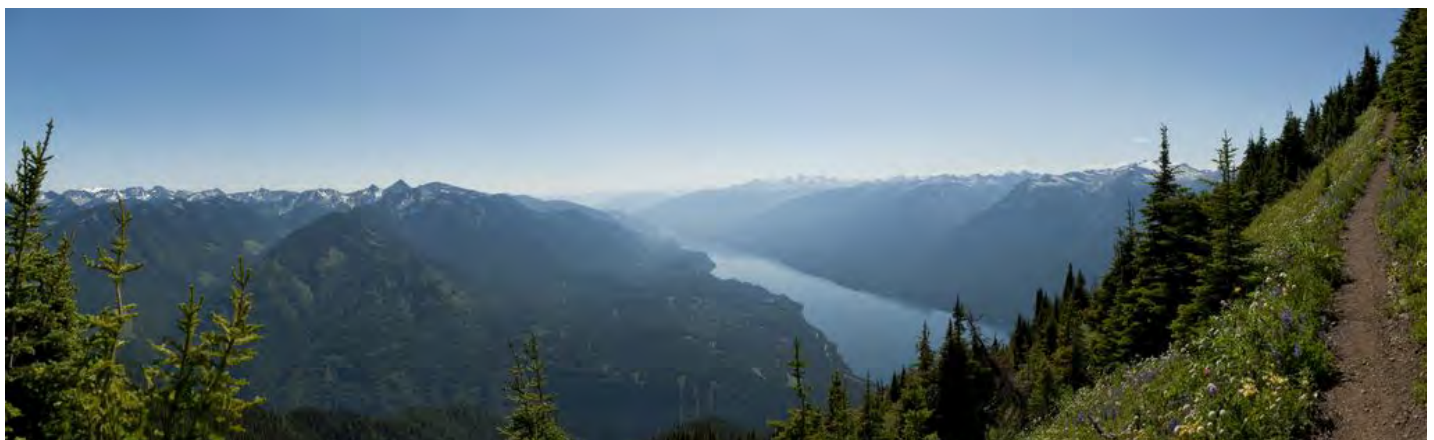


# BCTS

BC Timber Sales

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## Organizational Overview

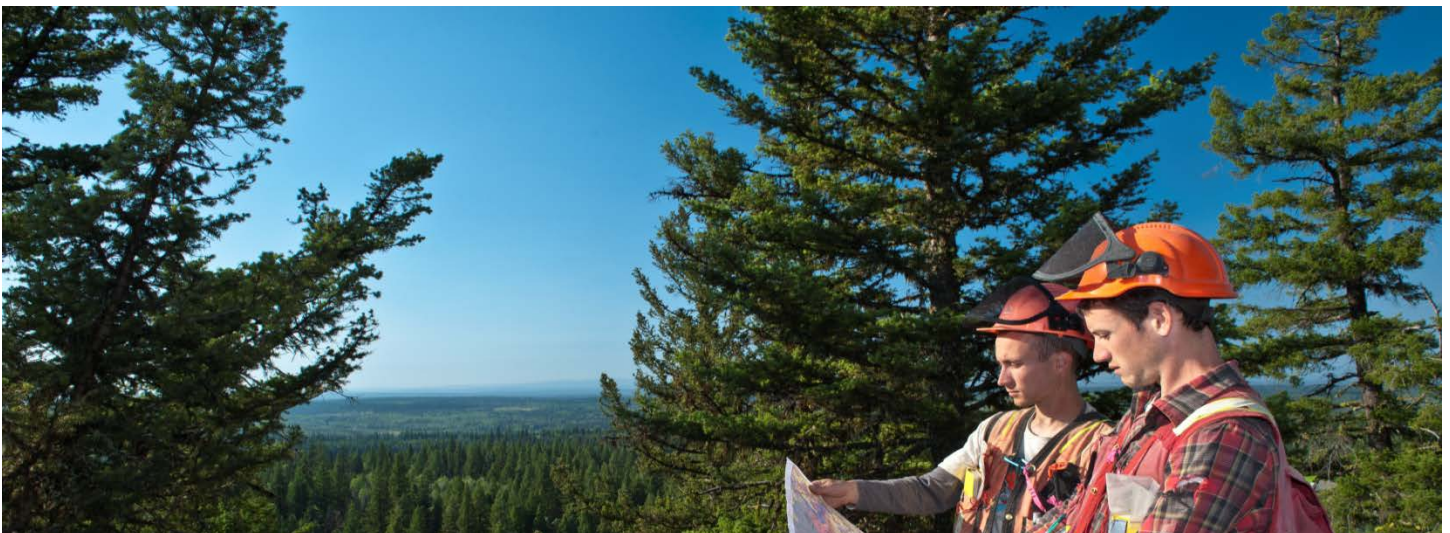
BC Timber Sales (BCTS) is a self-financing program within the Ministry of Forests, Lands, Natural Resource Operations and Rural Development. BCTS supports the Ministry's vision of environmental sustainability and economic prosperity and has an integral role in supporting the Forest Sector Strategy in the BC Jobs Plan. It also supports the Ministry's three Goals: Efficient, citizen-centred public service delivery; Co-ordinated sustainable management of British Columbia's natural resources; and Productive, thriving natural resource sector and resilient communities.

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-BC Timber Sales 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 Forests, Lands, Natural Resource Operations and Rural Development, while retaining its operational and financial independence.



# BC Timber Sales Goal and Objectives

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

## Business Goal and Objectives

### 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.*

### Objectives:

1. *Sell the full BC Timber Sales' apportionment over the business cycle, consistent with safe practices & sustainable forest management.*
2. *Generate direct net revenue and indirect revenue for the Province over the business cycle.*
3. *Pursue continuous business improvement within BCTS, across government and with third party partners and customers.*

### Principle 1 - Sustainable Forest Management

### Principle 2 - Forest Sector Safety

## Business Outcomes

### Economic Prosperity

- Market-priced timber.
- Rural economies, jobs & families.
- Maximum value for asset & net revenue to support government priorities.

### Business Excellence

- Continuous improvement & long term success of BCTS.

### Sustainability

- Recognized as demonstrating sound forest management.

### Safety

- Increased safety awareness and a culture of safety in all our practices & operations.

# Links to Ministry Service Plan and the BC Jobs Plan

## Ministry Service Plan

The Ministry has three goals:

1. Efficient, citizen-centred public service delivery
2. Coordinated, sustainable management of B.C.'s natural resources
3. Productive, thriving natural resource sector and resilient communities

BCTS directly supports all Ministry goals and in particular the Ministry's following three key objectives noted in the Ministry Service Plan.

- 2.2: Safe and environmentally responsible natural resource management practices
- 3.1: Natural resource decisions and dispositions support community needs and provincial priorities
- 3.2: Economic benefits of natural resource development are optimized

Under Ministry objective 2.2, BCTS is directly involved in supporting the Ministry in achieving its strategy to maintain its SAFE Company Certification and to cooperate with industry to improve environmental management and resource worker safety.

Under Ministry objective 3.2, there is now a specific BCTS corporate strategy to "Ensure that BC Timber Sales supports a globally competitive operating environment and forestry jobs in B.C. through sustainable forest development and auction of Crown timber." Associated with this strategy is Ministry Performance Measure #8 – BC Timber Sales Timber Volume Sold. This Ministry performance measure highlights the critical importance of BCTS to the success of the Ministry and links the Ministry plan to BCTS' Business Plan and its key Corporate Performance Measure of annual timber volume sold.

## The BC Jobs Plan

**On average, BCTS supports over 8,000 jobs within B.C.**

British Columbia's forest strategy – called "Our Natural Advantage: Forest Sector Strategy for British Columbia" – is based on six priorities put forward by the Working Roundtable on Forestry:

1. A commitment to using wood first;
2. Growing trees, sequestering carbon and ensuring that land is available from which to derive a range of forest products;
3. Creating a globally competitive, market-based operating climate;
4. Embracing innovation and diversification;
5. Supporting prosperous rural forest economies; and
6. First Nations becoming partners in forestry.

BCTS directly supports and contributes to the achievement of all six of the above priorities through its Business Plan goal and objectives.

### 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 aspect of the Forest Sector Strategy in the BC Jobs Plan. The one and only 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 value for their asset. BCTS obtains this data by developing Crown timber and selling it through competitive auctions.

For BCTS' data to be credible and representative, it is important for the volume of market transactions to be at a level sufficient to support the MPS. The optimum level has been determined by experts to be at or above 20 per cent but below 40 per cent of the harvest. This range of activity provides sufficient data to adequately support the MPS but not so much as to overtly influence the market.

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				
	2016-17	2017-18	2018-19	2019-20
	Achievement	Target	Target	Target
Minimum per cent	23%	20.0%	20.0%	20.0%

**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				
	2016-17	2017-18	2018-19	2019-20
	Achievement	Target	Target	Target
Coast	20%	20.0%	20.0%	20.0%
Interior	23%	20.0%	20.0%	20.0%

## Key Strategies

- **Through competitive auctions, sell sufficient 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. 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 also expected to decrease.

### Corporate Performance Measure:

Net timber volume sold				
	2016-17	2017-18	2018-19	2019-20
	Achievement	Target	Target	Target
Timber volume	11.3 Mm3	10.7 Mm3	10.2 Mm3	10.0 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 less Category 2 volume sold and other committed volume sold.

**Change from previous plan:** Net timber volume sold is a new term for 2017/18. Net timber volume sold differs from annual timber volume sold in that any Category 2 Timber Sale Licences (TSLs) sold are not counted toward the total. Category 2 TSLs currently do not contribute data in support of the MPS.



## Key Strategies continued...

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

BC Timber Sales (BCTS) is developing and implementing a data quality management system that will be self-certified to the International Standards Organization (ISO) 9001: 2015 standard. The quality system is currently being applied through quarterly monitoring of key published performance metric data sets and quality assurance reviews of all cost survey and silviculture liability data.

### Corporate Performance Measure:

Accuracy and completeness of performance metric, cost survey and silviculture liability data				
	2016-17	2017-18	2018-19	2019-20
	Achievement	Target	Target	Target
Performance standard	93%	95%	95%	95%

**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 5 percentage points of the per cent of harvest volume by Major Licensees for each major species and grade MPS attribute 80% of the time	2017/18 - 2019-20
	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 5 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 and sustainable forest management.*

Providing a reliable, competitive supply of fibre to market is a significant objective of the Forest Sector Strategy in support of creating a globally competitive, market-based operating climate and prosperous rural forest economies. This objective also directly contributes to a productive, thriving natural resource sector, resilient communities and jobs.

BC Timber Sales' 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 and sustainable forest management. However, circumstances may arise whereby 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) 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.

BCTS has **sold over 160 million cubic metres** of timber through competitive auctions in rural forest economies since 2003. The development, auction, harvesting and processing of this timber has helped create and sustain **over 8,000 direct jobs**. It is estimated that this has also led to **10,000 indirect jobs**, supporting B.C. families and rural communities.

# Economic Prosperity

## Key Performance Indicator:

Cumulative Percent of BCTS Rationalised Apportioned Timber Volume Sold over the Business Cycle					
	2014-15	2015-16	2016-17	2017-18	2018-19
	Achievement	Achievement	Achievement	Target	Target
Per cent	22%	44%	63%	83%	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	14.4 Mm3	15.1 Mm3	14.7 Mm3	14.6 Mm3	12.5 Mm3
Rationalized apportionments	13.6 Mm3	12.8 Mm3	12.7 Mm3	12.7 Mm3	11.2 Mm3
Cumulative total rationalized apportionment	13.6 Mm3	26.4 Mm3	38.9 Mm3	51.6 Mm3	62.8 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.

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. 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	Target	Target
Timber volume sold	13.1 Mm3	13.0 Mm3	12.7 Mm3	12.4 Mm3	11.2 Mm3
Per cent of annual rationalized apportionment	92%	104%	102%	98%	100%
Cumulative total timber volume sold	13.1 Mm3	26.1 Mm3	38.8 Mm3	51.2 Mm3	62.4 Mm3

## 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	3.0 Mm3	2.6 Mm3
North Interior	5.6 Mm3	5.8 Mm3	5.0 Mm3	4.7 Mm3	4.6 Mm3
South Interior	5.1 Mm3	4.9 Mm3	5.0 Mm3	4.7 Mm3	4.0 Mm3

# Economic Prosperity

## Corporate Performance Measure:

Annual timber volume sold				
	2016-17	2017-18	2018-19	2019-20
	Achievement	Target	Target	Target
<b>Volume sold</b>	<b>12.7 Mm3</b>	<b>12.4 Mm3</b>	<b>11.2 Mm3</b>	<b>11.0 Mm3</b>

**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				
	2016-17	2017-18	2018-19	2019-20
<b>Coast</b>	2.7 Mm3	3.0 Mm3	2.6 Mm3	2.5 Mm3
<b>North Interior</b>	5.0 Mm3	4.7 Mm3	4.6 Mm3	4.7 Mm3
<b>South Interior</b>	5.0 Mm3	4.7 Mm3	4.0 Mm3	3.8 Mm3



# Economic Prosperity

## Key Strategies

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

To achieve our goal to support the Market Pricing System, 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 volumes sold targets.

### Corporate Performance Measure:

Annual timber volume offered				
	2016-17	2017-18	2018-19	2019-20
	Achievement	Target	Target	Target
Volume offered (advertised)	14.0 Mm3	13.1 Mm3	12.4 Mm3	11.6 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				
	2016-17	2017-18	2018-19	2019-20
Coast	2.7 Mm3	3.1 Mm3	2.7 Mm3	2.5 Mm3
North Interior	5.7 Mm3	5.2 Mm3	5.1 Mm3	5.2 Mm3
South Interior	5.6 Mm3	4.8 Mm3	4.6 Mm3	3.9 Mm3



## Economic Prosperity

### Key Strategies Continued...

- ***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.

#### Corporate Performance Measure:

Annual timber volume developed				
	Achievement	Target	Target	Target
	2016-17	2017-18	2018-19	2019-20
Annual developed volume (ADV)	13.1 Mm3	15.4 Mm3	13.4 Mm3	12.5 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				
	2016-17	2017-18	2018-19	2019-20
Coast	2.2 Mm3	3.0 Mm3	2.6 Mm3	2.6 Mm3
North Interior	5.6 Mm3	6.5 Mm3	5.5 Mm3	5.2 Mm3
South Interior	5.3 Mm3	5.9 Mm3	5.3 Mm3	4.7 Mm3

- ***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				
	2016-17	2017-18	2018-19	2019-20
	Achievement	Target	Target	Target
Volume ready for development	16.7 Mm3	15.3 Mm3	14.2 Mm3	12.8 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)				
	2016-17	2017-18	2018-19	2019-20
Coast	4.0 Mm3	2.7 Mm3	2.7 Mm3	2.7 Mm3
North Interior	7.8 Mm3	5.5 Mm3	5.3 Mm3	5.0 Mm3
South Interior	4.9 Mm3	7.1 Mm3	6.2 Mm3	5.1 Mm3

## Economic Prosperity

- ***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:**

Percent of timber volume advertised in quarter planned	
	<b>2017-18 to 2019-20</b>
<b>Target</b>	<b>90% to 110%</b>

**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.

- ***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
<b>2016-17 (Achievement)</b>	<b>16%</b>	<b>48%</b>	<b>75%</b>	<b>100%</b>
<b>2017-18 (Targets)</b>	<b>21%</b>	<b>50%</b>	<b>81%</b>	<b>100%</b>

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

2017-18 per cent of timber volume sold by quarter – by region				
	Q1	Q2	Q3	Q4
<b>Coast</b>	25%	28%	35%	12%
<b>North</b>	23%	26%	31%	20%
<b>South</b>	15%	30%	29%	26%

**Change from previous plan:** The key strategy last year was to plan to sell more timber in the second and third quarters to reduce the risks of not achieving our annual timber volume sold targets in the fourth quarter. The new strategy includes a focus on customer demand and responding to when our customers prefer we advertise the timber volume.

### **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. It also directly contributes to the Ministry's objective that economic benefits of natural resource development are optimized. BC Timber Sales (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.**

BCTS is projecting the timber harvest volume in the interior to decrease over the next few years as the supply of timber decreases due to the impacts of the mountain pine beetle and other land-based constraints.

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				
	2016-17	2017-18	2018-19	2019-20
	Achievement	Target (Note 1)	Target (Note 1)	Target (Note 1)
Net revenue	\$158.2 M	\$128.9 M	\$119.1 M	\$109.1 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.

**Note 1:** Net revenue targets have been updated since January 2017 due continued high prices for timber.



## 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				
	2016-17	2017-18	2018-19	2019-20
	Achievement	Target	Target	Target
Indirect revenue	\$24.2 M	\$27 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

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

Operating on relatively flat ground, chasing the bark beetle in the interior has artificially lowered the average cost of developing timber over the last number of years. As development in the interior moves out of these areas and into green wood in more difficult terrain, the costs of development are expected to increase.

### Corporate Performance Measure:

Cost of developed timber per m3				
	2016-17	2017-18	2018-19	2019-20
	Achievement	Target	Target	Target
Timber development costs	\$6.04/m3	\$6.19/m3	\$6.36/m3	\$6.55/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.

- **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				
	2016-17	2017-18	2018-19	2019-20
	Achievement	Target	Target	Target
Access costs	\$3.04/m3	\$3.18/m3	\$3.22/m3	3.65/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 continued...

- ***Offer a timber volume equivalent of 10 percent of rationalized apportionment as Category 2 timber sales***

Eligibility to bid on Category 2 Timber Sale Licences (TSLs) is limited to registrants with timber processing facilities. BC Timber Sales' 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				
	2016-17	2017-18	2018-19	2019-20
	Achievement	Target	Target	Target
Volume offered	1.2 Mm3	1.2 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*

BC Timber Sales (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 2016/17, 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 for Objective 3.1

- *Use the bi-annual Work Environment Survey to guide our people priorities to improve the workplace for staff*

Corporate Performance Measure:

Work Environment Survey overall engagement					
	2013	2015	2017	2018	2019
	Achievement	Achievement	Target	Target	Target
Staff engagement score	63	69	Increase	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:

Percent of staff with foundational Lean training				
	2016-17	2017-18	2018-19	2019-20
	Achievement	Target	Target	Target
Staff percent	74%	87%	95%	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 Objective 3.2

- **Apply Lean practices to BCTS operations, practices and processes**

#### Key Performance Indicator:

Projects undertaken and (Waste) Activities Eliminated				
	2016-17	2017-18	2018-19	2019-20
	Achievement	Target	Target	Target
Number of projects	28	35	40	40
Number of activities eliminated	1,260	400	500	500

**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.

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

- **Implement a Contracting Quality Management System (CQMS) to ISO 9001 International Standards**

#### Corporate Performance Measure:

ISO 9001 International Standards				
	2016-17	2017-18	2018-19	2019-20
	Achievement	Target	Target	Target
Self-certification of CQMS	In process	Self-certified	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 and with third parties such as First Nations, communities, customers and suppliers. Building and maintaining effective relationships supports the Ministry objective that “natural resource decisions and dispositions support community needs and provincial priorities” and its key strategy to “engage with communities, industry and First Nations to manage the impacts to upcoming fibre supply as a result of the mountain pine beetle epidemic”.

#### Key Strategies Objective 3.3

- ***Implementation of our First Nations Relationship Strategy***

The goal of the strategy is that our relationships with First Nations:

- Support BCTS in effectively selling its apportioned timber volume;
- enables BCTS to effectively deliver on its legal consultation and accommodation requirements; and,
- results in business agreements that support the achievement of mutual goals and increased First Nations capacity and participation in the forest sector.

- ***Implementation of our Business Relations Strategy***

The goal of the strategy is that our business relationships:

- Support BCTS in effectively selling our apportioned timber volume;
- strengthens the role of BCTS within the forest sector and rural economies; and,
- provides BCTS with the continuity of social licence to deliver superior and enduring performance.

- ***Revitalization and implementation of our Rural Communities Communications Strategy***

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

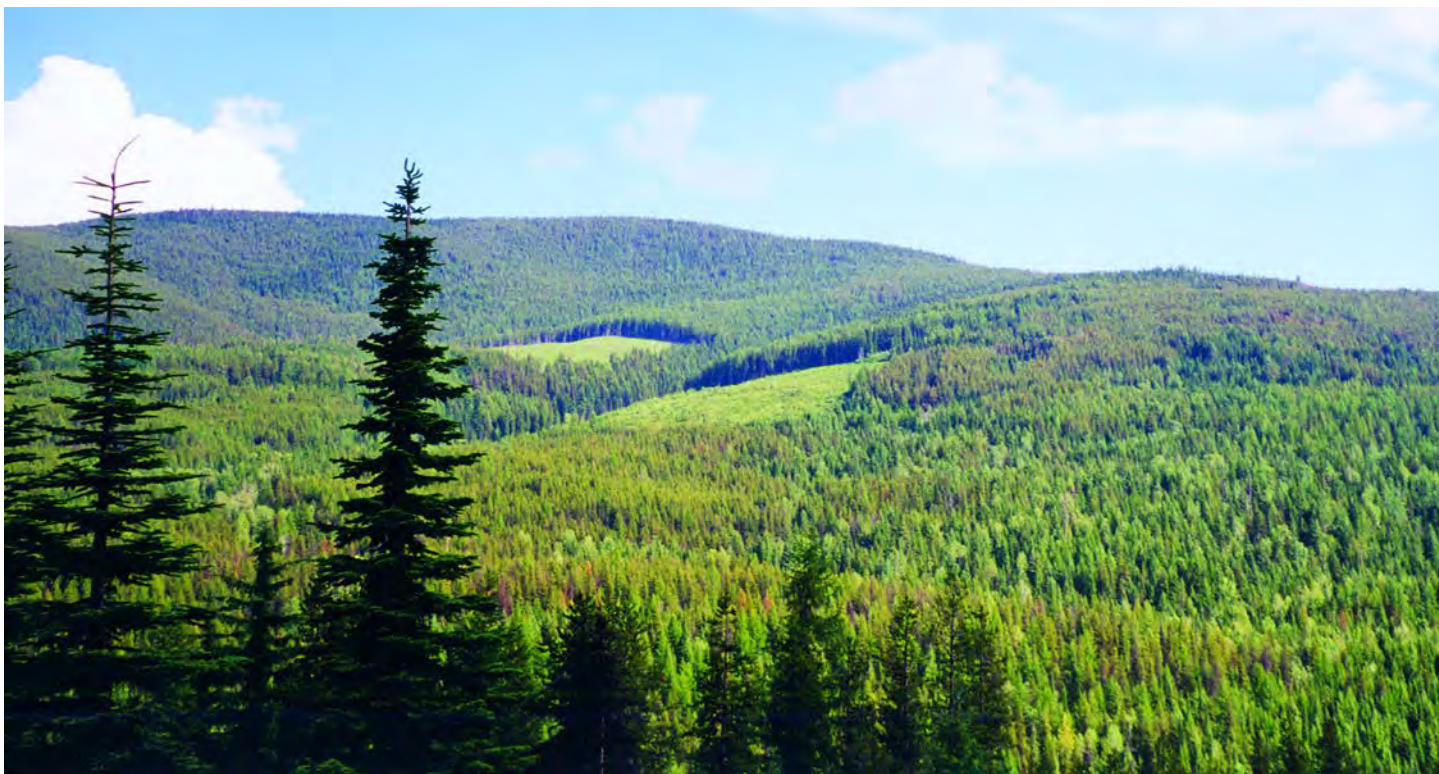
- Results in effective relationships with our stakeholders;
- supports BCTS in effectively selling our apportioned timber volume;
- strengthens the role of BCTS within the forest sector and rural economies; and,
- provides BCTS with the continuity of social licence to deliver superior and enduring performance.

### Key Strategies Objective 3.3

- *Through business-to-business disposition agreements, sell timber volume incremental to our base apportionment to support the achievement of our goal and objectives as well rural economies, jobs and families*

Corporate Performance Measure:

Timber volume sold under a business-to-business agreement – Incremental to BCTS apportionment				
	2016-17	2017-18	2018-19	2019-20
	Achievement	Target	Target	Target
Timber volume sold	186,000 m3	250,000 m3	250,000 m3	250,000 m3



## Principle 1:

### 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.

#### Key Strategies:

- **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:** Percent of BC Timber Sales 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 BC Timber Sales' 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				
	2016-17	2017-18	2018-19	2019-20
	Achievement	Targets		
Number of EMS/SFM external audit major non-conformances	Zero	Zero		
Number of trees planted	43 M	43.9 M	48.3 M	43.5 M
Km of road deactivated	90 km	493 km	444 km	373 km

## Key Strategies 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)				
	2016-17	2017-18	2018-19	2019-20
	Achievement	Target	Target	Target
Ministry NSR* area planted by BCTS	5,960 ha	6,730 ha	6,760 ha	7,460 ha
Number of FFT trees planted	10.6 M	12.1 M	11.9 M	13.7 M
Seedlings grown for FFT	24.5 M	24.5 M	24.5 M	24.5 M

NSR = Not satisfactorily restocked.



## Key Strategies 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. BCTS staff will 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,
- capitalize 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.

## Principle 2: 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 personnel 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:**

- **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 Timber Sales Licences or bidding on BCTS contracts that involve on the ground fieldwork to be SAFE Certified**

Corporate Performance Measure:

Percent of parties working on BCTS TSLs or Contracts that involve on the ground field work 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 continued...

- Actively support the Ministry in maintaining its SAFE Certification

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.



# Appendix

## Appendix 1 Resource Summary 2016/17 to 2019/20

	2016/17 Achieved	2017/18 Plan	2018/19 Plan	2019/20 Plan
Gross Revenue (Millions)	\$336.3	\$312.1	\$300.0	\$291.7
Less: Expenses (Capitalised)	(178.1)	(183.2)	(181.0)	(\$182.6)
<b>Net Revenue (Loss)</b>	<b>\$158.2</b>	<b>\$128.9</b>	<b>\$119.1</b>	<b>\$109.1</b>
<b>Transferred to CRF</b>	<b>(\$100.0)</b>	<b>(\$100.0)</b>	<b>(\$100.0)</b>	<b>(\$100.0)</b>
<b>Financing Transactions (\$millions)</b>				
Cost of Developed Timber Inventory	\$90.1	\$93.6	\$83.6	\$80.5
Fish Habitat Inventory	0.1	0.28	0.2	0.15
Seed Inventory	0.7	1.0	1.0	1.0
<b>Total Financing Transactions</b>	<b>\$90.9</b>	<b>\$94.9</b>	<b>\$84.8</b>	<b>\$81.7</b>
<b>Capital Expenditures (\$millions)</b>				
Capital – Roads	\$33.7	\$42.1	\$35.6	\$36.3
Capital – non Roads	0.1	0.5	0.5	0.5
<b>Total Capital Budget</b>	<b>\$33.8</b>	<b>\$42.6</b>	<b>\$36.1</b>	<b>\$36.8</b>
<b>Cash Expenditures (\$millions)</b>				
Administration	\$14.9	\$14.8	\$14.8	\$14.7
Salaries	48.6	53.9	54.8	55.0
Planning	7.5	7.7	6.7	6.3
Sales	51.7	52.1	43.2	40.6
Access	38.9	49.4	40.1	40.4
Silviculture	38.4	46.7	46.3	45.9
Land Base investment (FFT) – Expenditures	12.7	14.6	15.8	16.3
Land Base investment (FFT) – Recoveries	(14.0)	(15.8)	(17.0)	(17.5)
<b>Total Cash Expenditures</b>	<b>\$198.7</b>	<b>\$223.4</b>	<b>\$204.7</b>	<b>\$201.7</b>
<b>Non Cash Budgets (\$millions)</b>				
Amortization – Roads	\$27.9	\$27.7	\$29.1	\$31.4
Amortization – Non Roads	\$0.4	\$0.3	\$0.3	\$0.3
Silviculture Liability Expense	\$43.9	\$40.0	\$39.0	\$38.0
Cost of timber inventory harvested	\$66.7	\$74.2	\$73.9	\$74.4
<b>Timer Volume Outputs (Mm3)</b>				
Volume Advertised (Offered)	14.0	13.1	11.8	11.7
Volume sold	12.7	12.4	11.2	11.0
Volume developed	13.1	15.4	12.9	12.3
Volume Scaled (harvested)	10.7	11.8	11.4	11.2
Apportionment Volume (Rationalized)	12.5	12.7	11.2	10.9

