



**BCTS**  
BC Timber Sales

# BC Timber Sales

## Annual Performance Report

April 1, 2017 – March 31, 2018

**Economic  
Prosperity**

**Sustainable  
Resources**

**Business  
Excellence**

**Safety**



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



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# ORGANIZATIONAL OVERVIEW

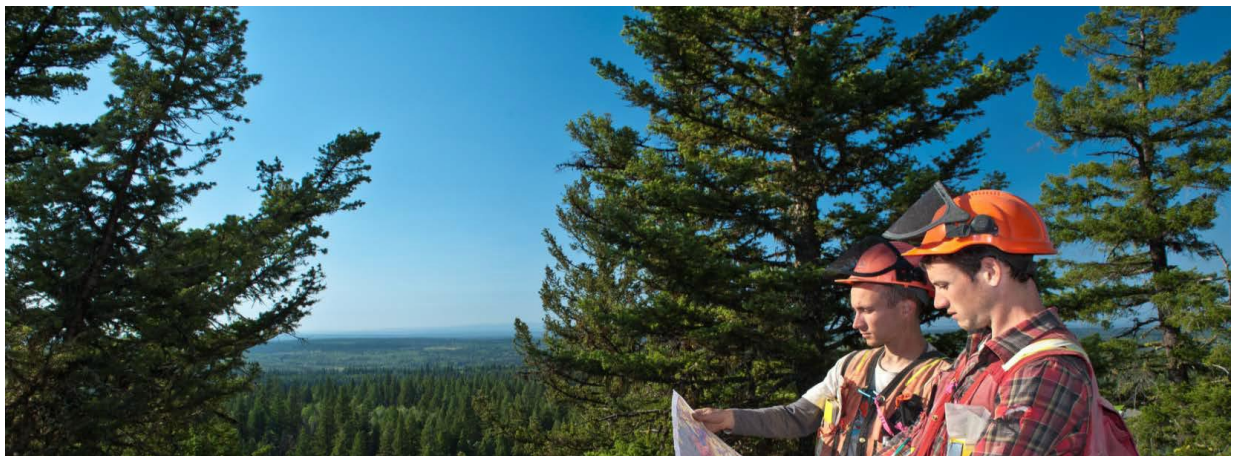
BC Timber Sales (BCTS) is a self-financing program within the Ministry of Forest, Lands, Natural Resources Operations and Rural Development. BCTS supports the Ministry's vision of environmental sustainability and economic prosperity and has an integral role in supporting the Forest Sector Strategy in 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. The bid prices received from auctioned timber support the Market Pricing System (MPS) in setting stumpage rates for the coastal and interior operating areas of the Province. The costs incurred by BCTS for developing timber and regeneration also provide data for the Tenure Obligation Adjustments, 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**, BCTS 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 of Forests, Lands and Natural Resource Operations and Rural Development, while retaining its operational and financial independence.



# HIGHLIGHTS OF THE YEAR

BCTS achieved its goals and objectives for the year.

## In 2017/18, BCTS:

- Sold 10.8 million cubic metres of timber supporting the Market Pricing System, rural economies, jobs and families.
- Earned \$170.1 million in net revenue supporting the government's fiscal plan and priorities.
- Maintained 100 per cent of our operational area certified under a Sustainable Forest Management system demonstrating sound forest management.
- Supported productive future forests by providing 25.2 million seedlings and planting 12.9 million trees for the Forest for Tomorrow Program.
- Delivered on our stewardship obligations by growing 49.7 million seedlings and planting 46.2 million trees.
- Maintained our SAFE Company certification supporting forest sector safety.
- Developed and began implementing a corporate First Nations Relationship Strategy, a Business Relations Strategy and a Rural Communities Communications and Engagement Strategy to support effective relations.

# REPORT ON PERFORMANCE

Since 2003, BCTS has sold 173.2 million cubic metres of timber through competitive auctions supporting rural forest economies. The development, auction, harvesting and processing of this timber has helped create and sustain over 8,000 direct and 10,000 indirect jobs. These jobs have supported families and rural communities over the last 15 years and continue to do so.

We measure our success in achieving our goal through **three key outcome indicators** and **two corporate performance measures**.

Key Outcome Indicator	Results
1. BCTS' auction volume as a per cent of projected provincial harvest volume	A
2. Per cent of total apportioned timber volume sold over the five-year business cycle	U
3. Direct net revenue earned	O
Corporate Performance Measure	Results
1. Annual timber volume sold	U
2. Net revenue earned	O

**A = Achieved target**  
**O = Over achieved target**  
**S = Substantially achieved target**  
**U = Underachieved target**  
**N/A = Not Applicable**

# REPORT ON PERFORMANCE - Continued

In fiscal year 2017/18, BCTS had 20 strategies and 27 measures that supported the achievement of its goal, objectives and principles. The table below provides a synopsis of our performance for the year.

Goal/Objectives/Principles	Key Strategies	Performance Measures	Results
<b>Goal: Provide credible representative price and cost benchmark data for the Market Pricing System through auctions of timber harvested from public land in B.C.</b>			
Through competitive auctions sell sufficient timber to support the Market Pricing System	Net timber volume sold		U
Implement a Data Quality Management System (DQMS)	Accuracy and completeness of performance metric ,cost survey and silviculture liability data		S
Monitor BCTS' timber volume sold by major MPS attributes	Per cent of BCTS auction volume harvested compared to that of Major Licensees (for each significant species and grade)		A

<b>Objective 1: Sell the full BCTS apportionment over the business cycle consistent with SAFE practices and sustainable forest management</b>			
Offer to the market, through competitive auctions, sufficient timber volume to achieve annual timber volume sold targets (*new)	Annual timber volume offered		U
Develop sufficient timber volume to maximize timber volume offered and sold	Annual timber volume developed (ADV)		U
Plan out sufficient ready to develop volume to support the achievement of the next one to two years' annual developed timber volume targets	Annual ready to develop volume (RCDR)		U
Auction a reliable supply of timber	Per cent of timber volume advertised in quarter planned		U
Optimize the timing of our delivery of timber volume to the market by responding to customer demands ad appropriately managing the risks to the achievement of our annual timber volume sold targets	Per cent of timber volume sold by quarter (cumulative)		U

<b>Objective 2: Generate direct net revenue and indirect revenue for the Province over the business cycle</b>			
Actively manage the costs of developing timber for auction	Cost of developed timber per cubic metre		U
Actively manage the costs of access to the timber	Access cost per m3 of timber volume sold		U
Offer a timber volume equivalent of 10 per cent of rationalized apportionment as Category 2 timber sales	Category 2 timber volume offered		A



# REPORT ON PERFORMANCE - Continued

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

Pursue excellence in people	Work Environment Survey overall engagement	A
	Per cent of staff with foundational Lean training	A
	Number of Lean continuous improvement projects undertaken	U
Pursue excellence in operations, practices and processes	Projects undertaken and (waste) activities eliminated	A
	ISO 9001:2015 International Standards	A
Pursue effective relationships	Timber volume sold under a business-to-business agreement – incremental to BCTS apportionment	O

## Principle 1: Sustainable forest management

Maintain an Environmental Management System (EMS) and Sustainable Forest Management Certifications (SFM)	Per cent of timber volume certified under an SFM system	A
Deliver on stewardship obligations	Number of EMS/SFM external audit major non-conformances	A
	Number of trees planted	O
	Km of road deactivated	U
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	Ministry NSR* area planted by BCTS	O
	Number of FFT trees planted	O
	Seedlings grown for FFT	O

## Principle 2: Forest sector safety

Ensure safe BCTS practices by maintaining SAFE Certification	SAFE Certification	A
Promote safe work sites	Per cent of parties working that are SAFE Certified	A
Actively support the Ministry in maintaining its Safe Certification	Ministry SAFE Certification	A

**A = Achieved target**

**O = Over achieved target**

**S = substantially achieved target**

**U = Underachieved target**

## 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.





# ECONOMIC PROSPERITY – MARKET PRICING

## Results

Key Outcome Indicator	2017/18 Target	2017/18 Performance	
BCTS auction volume as a per cent of projected provincial harvest volume	20%	20%	A

**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 2016.

Regional Performance Indicators	2017/18 Target	2017/18 Performance	
Coast	20%	19%	S
Interior	20%	21%	A

- Through competitive auctions sell sufficient timber to support the Market Pricing System

Corporate Performance Measure	2017/18 Target	2017/18 Performance	
Net timber volume sold	10.7Mm3	9.5Mm3	U

**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. 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.

## The 2017 Fire Season

In 2017, BCTS experienced a severe wildfire season mainly in the Caribou-Chilcotin and the Kamloops areas. The wildfires adversely impacted BCTS' operations and its ability to achieve a number of its performance targets for the year, including net timber volume sold.

## Results continued...

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

Corporate Performance Measure	2017/18 Target	2017/18 Performance	
Accuracy and completeness of performance metric cost survey and silviculture liability data	95%	93%	S

**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.

BCTS is developing and implementing a data quality management system that will be consistent with 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. Implementation was endorsed March 31, 2018.

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

Corporate Performance Measure	2017/18 Target	2017/18 Performance	
The per cent of BCTS volume harvested is within five percentage points of the harvest volume by major licensees, for each major species and grade MPS attribute 80% of the time	80% 80%	Coast 97% Interior 81%	A

**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 +/-5 percentage points of the major licensees 80 per cent of the time.



## Objective 1:

**Sell the full BCTS 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 economies. This objective also directly contributes to a productive, thriving natural resource sector, resilient communities and jobs.

## Results

Key Performance Indicator	2017/18 Target	2017/18 Performance	
Per cent of total apportioned timber volume sold over the business cycle	83%	80%	U

**Indicator Description:** The business cycle is defined as five years starting April 1, 2014 and ending March 31, 2019. The indicator is the cumulative timber volume sold/total BCTS rationalized apportionment for five years. By March 31, 2019, BCTS plans to have sold 100 per cent of its rationalized apportionment.

Corporate Performance Measure	2017/18 Target	2017/18 Performance	
Timber volume sold	12.4Mm3	10.8Mm3	U
Per cent of annual rationalized apportionment	101%	85%	U
Cumulative total timber volume sold	51.5Mm3	49.9Mm3	U

**Measure Description:** Timber volume sold is an indicator of BCTS' success in supplying timber to the market that our customers see as economically viable.

The severe wildfire season in 2017 adversely impacted BCTS' ability to achieve its sales targets for the fiscal period.

## Results continued...

Regional Performance (Annual Timber Volume Sold)	2017/18 Target	2017/18 Performance	
Coast	3.0 Mm3	2.5Mm3	U
North Interior	4.7 Mm3	4.1Mm3	U
South Interior	4.7 Mm3	4.2Mm3	U

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

Corporate Performance Measure	2017/18 Target	2017/18 Performance	
Volume Offered (Advertised)	13.1Mm3	11.8Mm3	U

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

Timber Volume Offered	2017/18 Target	2017/18 Performance	
Coast	3.1 Mm3	2.6Mm3	U
Northern Interior	5.2 Mm3	4.7Mm3	U
Southern Interior	4.8 Mm3	4.5Mm3	U

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

Corporate Performance Measure	2017/18 Target	2017/18 Performance	
Annual developed volume (ADV)	15.4Mm3	10.6Mm3	U

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

# ECONOMIC PROSPERITY – Selling the Apportionment

## Results continued...

Regional Performance (ADV)	2017/18 Target	2017/18 Performance	
Coast	3.0 Mm3	2.3Mm3	U
Northern Interior	6.5 Mm3	4.4Mm3	U
Southern Interior	5.9 Mm3	3.9Mm3	U

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

Corporate Performance Measure:	2017/18 Target	2017/18 Performance	
Volume ready for development	15.3Mm3	13.7Mm3	U

**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 (RCDR)	2017/18 Target	2017/18 Performance	
Coast	2.7 Mm3	2.2Mm3	U
Northern Interior	5.5 Mm3	6.5Mm3	O
Southern Interior	7.1 Mm3	5.0Mm3	U

The severe fire season and other operational delays caused inventory development issues for most business areas. The Northern Interior achieved its annual RCDR target by 18 per cent.

## Results continued...

- Auction a reliable supply of timber to the market

Performance Measure	Quarterly Target 2017/18	
Per cent of timber volume advertised in quarter planned	90% to 110%	U

**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

### Performance Measure

Per cent of timber volume sold by quarter (cumulative)				
Fiscal Year	Q1	Q2	Q3	Q4
2017-18 (Achievement)	16%	44%	66%	100%
2017-18 (Target)	21%	50%	81%	100%

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

		Number of Business Areas That:		
Quarter	Provincial Performance	Achieved Target 90 to 110		Did not achieve Target <90 or >110
1. April - June	82%	4		8
2. July - Sept.	82%	2		10
3. Oct. - Dec.	62%	1		11
4. Jan. - March	225%	0		12

**Measure Description:** The per cent of total timber volume advertised in the quarter planned as set out in annual Business Area sales plans.

Business Areas continue to work toward a predictable reliable supply of timber to the market. A number of operational issues during the year resulted in an underachievement. Addressing any underachievement from prior quarters by the end of the fiscal year almost always results in there being significantly more timber volume advertised in the fourth quarter than originally planned.



## 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. 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 generated over \$322 million of indirect revenue and has earned over \$990 million in net revenue for the Province.

### Results

Key Performance Indicator	2017/18 Target	2017/18 Performance	
Net revenue (Millions)	\$128.9M1	\$170.1M	O

**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 were updated during the year due to continued high prices for timber.

During the year, the prices being paid for timber continued to increase well beyond expectations significantly increasing gross revenues. The result was net revenue for the Province well in excess of target. This net revenue will help support other key government objectives and priorities.

The severe fire season resulted in additional unplanned expenditures for the year including \$5 million for loss of timber inventory and \$4.5 million for plantation damage. These losses are classified as Non-operating Losses for the Year (Appendix 1, Statement of Income).

Corporate Performance Measure	2017/18 Target	2017/18 Performance	
Indirect revenue	\$27.0 M	\$ 22.0M	U

**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.

Indirect revenue earned is a direct result of the amount of timber harvested. In 2017/18, the amount of timber harvested was 19 per cent less than expected, which lowered the indirect taxation revenue for the Province.

## Results continued...

- Actively manage the costs of developed timber for auction

Corporate Performance Measure	2017/18 Target	2017/18 Performance*	
Cost of Developed Timber per m3	\$5.88/m3	\$7.09/m3	U

**Measure Description:** The cost of developed timber is the future cost of goods sold and represents the cost of BCTS inventory. \* The cost of developed timber for the year excludes the costs related to the purchase of incremental timber volume through Disposition Agreements.

The primary reason for the under achievement in the target were timing issues preventing declaration of ADV by the end of the fiscal year. These timing differences will be realized in a later period when the costs of developed timber are declared ADV.

- Actively manage the costs of access to the timber

Corporate Performance Measure	2017/18 Target	2017/18 Performance	
Cost of Access per m3 Sold	\$3.18/m3	\$3.37/m3	U

**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.

- Offer a timber volume equivalent of 10 per cent of rationalized apportionment as Category 2 timber sales

Corporate Performance Measure:	2017/18 Target	2017/18 Performance	
Category 2 timber volume offered	1.2Mm3	1.2Mm3	A

**Measure Description:** Category 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 Processes, Excellent People and Effective Relationships will truly excel.”**

To achieve this objective, 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.

## **Results**

### **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 and ownership for it and 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. At 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 a Lean philosophy within BCTS is developing our own expertise.

By the end of 2017/18, BCTS had taken significant steps toward ensuring all people had developed a strong foundation in LEAN. Ultimately all people working within BCTS will have a firm foundation in the Lean philosophy from course work and continuous improvement projects.

In addition, research has shown 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 starts conversations on what

## Results continued...

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.

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

Work Environment Survey overall engagement			
	2013	2015	2017
	Achievement	Achievement	Achieved
Staff engagement score	63	69	NA

**Measure Description:** The WES staff engagement score is an indicator of BCTS' success in improving the workplace for staff and increasing staff engagement.

The latest WES survey was carried out in early 2018; however, the results and unpacking of the information was not finalized before the fiscal year end.

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

Per cent of staff with foundational Lean training			
	2017-18 Target	2017/18 Performance	
Staff per cent	87%	91%	A

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

All processes contain value added activities and non-value 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 or integrating processes to reduce or eliminate such waste.

## Results continued...

### Objective 3.2: Excellence in operations, practices and processes

- Apply Lean practices to BCTS operations, practices and processes

Corporate Performance Measure	2017/18 Target	2017/18 Performance	
Number of Lean Projects	35	17	U
Number of activities eliminated	400	3,000 <sup>1</sup>	A

**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.

**Note 1:** Includes the number of times an activity is done per year i.e. if waste activities are done 10 times per year = 10 activities eliminated.

- Implement a Contracting Quality Management System (CQMS) that conforms to the ISO 9001:2015 Standards

Corporate Performance Measure	2017/18 Target	2017/18 Performance	
Conformance to ISO 9001:2015 Standards	Conformance	Met ISO9001:2105 Standard	A

**Measure Description:** Conformance of BCTS Contract Quality Management system to the ISO9001:2015 Standard is an indicator of BCTS' success in excellence in its procurement practices.

Over the last number of years BCTS has had a strategy to implement a Contract Quality Management System (CQMS) to support a goal of Effective Contracting. In 2007, BCTS set an extremely challenging target to develop and implement a quality management system that met internationally recognised quality standards. After ten years of work on March 31, 2018 BCTS achieved its target and its Contract Quality Management System was, through internal audit, determined to meet the International Standards Organisation (ISO) Quality Management Standard 9001:2015.

BCTS is recognised as a leader within the B.C. government's procurement community. As part of implementation of the standard BCTS also partnered with the Public Service Agency and the Procurement Council to develop new updated procurement training.

## Results continued...

### 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”.

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

Corporate Performance Measure	2017/18 Target	2017/18 Performance	
Timber volume sold under a business-to-business agreement—Incremental to BCTS apportionment	250,000m3	372,400m3	O

*Measure Description: Incremental timber volume sold managed under a business-to-business agreement is a measure of the success of BCTS in increasing business-to-business partnerships and agreements. Incremental*

BCTS continues to work on initiatives that further the Ministry’s priority of “Supporting First Nations Reconciliation”. BCTS is developing and using new tools to support First Nations and community partnerships, while ensuring access to a sufficient and representative supply of Crown timber for BCTS.

BCTS is a key participant in the Study and Work Forestry Scholarship—First Nations Forestry Training Program, a joint training program with the First Nations Relations Branch and the B.C. First Nations Forestry Council. The program is actively seeking expansion for next year and beyond. During the 2017 wildfire season, nine students from the training program participated in forest fire management efforts during a temporary assignments with the Wildfire Services Branch.

During the year, BCTS staff engaged in discussions and planning work with the view of looking at new ways to collaborate and develop new First Nations and Community partnerships. Some of these agreements included collaborative management partnerships and an increased opportunity for training and employment for members of rural communities. In addition, BCTS Business Areas were active in the negotiation of business-to-business and disposition partnership agreements.

BCTS has been actively working toward developing a Rural Communities Communications and Engagement Strategy and an enhanced communications program across all 12 of our business areas. Since the fall of 2017, our participation in forestry sector industry, educational and community events and face-to-face meetings with stakeholders and First Nations groups has steadily increased.



## 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.

### Results

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

Corporate Performance Measure	2017/18 Target	2017/18 Performance	
Per cent of timber volume certified under a SFM system	100%	100%	A

**Measure Description:** Per cent of BCTS Business Areas with SFM certification 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.



## Results continued...

- **Deliver on stewardship obligations**

Throughout the year BCTS continued to regularly conduct internal audits of our operations. BCTS experienced less than two minor non-conformances per Business Area during the year. We also ensured all our silviculture obligations and industrial road deactivation obligations were recognized and effectively discharged. Through our Seedling Services program we ensured a secure supply of seeds for future BCTS' needs as well as an effective and reliable supply of quality seedlings to meet our obligations. Seedling Services provided 49.7 million seedlings for our obligations in fiscal 2017/18.

Corporate Performance Measure	2017/18 Target	2017/18 Performance	
Number of EMS/SFM external audit major non-conformances	Zero	Zero	A
Number of Trees Planted*	43.9 M	46.2M	O
Km of Road Deactivated	493 km	220km	U

Note: including section 108

A significant amount of industrial road was not deactivated as planned. Many deactivations were deferred to assist future BCTS operations such as silviculture activities. The remainder of the deactivations were deferred to future years as a result of weather or contract management issues at the local level.

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

BCTS continued to collaborate with the Forests for Tomorrow (FFT) Program and use BCTS skills, infrastructure and economies of scale to reduce costs and increase the outputs FFT can achieve from available funding.

Corporate Performance Measure	2017/18 Business Plan	2017/18 Performance	
Hectares of Ministry NSR* planted by BCTS	6,500 ha	7,140 ha	O
Number of Trees Planted	11.9 M	12.9 M	O
Seedlings Grown (FFT 25.2 M)	24.5 M	25.2M	O

\*NSR = Not satisfactorily restocked.

## Results 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.

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.

BCTS continues to implement its Climate Change Action Plan with particular focus on actions related to: addressing risks/impacts on wildfire, planting climate adapted trees and promoting climate change related information to staff.



# SAFETY

## Principle 2:

### Forest Sector Safety

BCTS' Safety Policy:

- BCTS is committed to maintaining an organizational culture where all staff proactively participates 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.



## Results

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

Corporate Performance Measure	2017/18 Target	2017/18 Performance	
Maintain SAFE certification (BCTS)	Maintained	Maintained	A

**Measure Description:** Maintaining SAFE Companies Certification is a measure of BCTS success in supporting the BCTS Safety Policy.

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

Corporate Performance Measure	2017/18 Target	2017/18 Performance	
Per cent of parties working on TSLs or contracts that involve on the ground fieldwork that are SAFE Certified	100%	100%	A

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

BCTS continued to maintain its SAFE Company Certification and collaborate with industry through the BC Forest Safety Council to promote the achievement of safe and healthy workplaces within the forest sector.

- **Actively support the Ministry in maintaining its SAFE Certification**

Ministry SAFE Certification (FLNR)	
Target = Maintained	Achieved = 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 1 Financial Result – 2017/18 Income Statement

		2016/17 (millions)		2017/18 (millions)
<b>GROSS REVENUE</b>		<b>\$336.3</b>		<b>\$ 359.10</b>
<b>CAPITALIZED EXPENSES</b>				
<b>Cost of Timber Inventory Harvested</b>				
Administration/ Salaries	(\$27.0)		(\$24.6)	
Planning and Sales	(\$39.7)		(\$39.3)	
Access – Amortization	<u>(\$27.9)</u>		<u>(\$27.1)</u>	
<b>Sub-total Cost of Timber Inventory Harvested</b>		<b>(\$94.6)</b>		<b>(\$91.0)</b>
<b>Period Costs</b>				
Silviculture Liability Expenses	(\$43.9)		(\$42.1)	
Silviculture Adjustment (Note 1)	(\$0.0)		(\$8.5)	
Road and Bridge Maintenance	(\$10.8)		(\$9.6)	
Road Deactivation	(\$0.0)		(\$0.0)	
Harvest Conformance	(\$0.3)		(\$0.4)	
Administrative Overhead	(\$27.9)		(\$29.1)	
Non-BCTS Roads	(\$0.4)		(\$0.2)	
Seed Inventory Adjustments	(\$1.5)		(\$0.0)	
Recoveries	<u>\$1.3</u>		<u>\$1.4</u>	
<b>Sub-total Period Costs</b>		<b>(\$83.5)</b>		<b>(\$88.5)</b>
<b>Net Revenue Before Non-Operating Loss</b>		<b>\$158.2</b>		<b>\$179.6</b>
<b>Non-operating loss due to fires</b>				
Write off of timber inventory (Note 2)			(\$5.0)	
Plantation damage (Note 3)			<u>(\$4.5)</u>	
<b>Sub-total non-operating loss</b>		<b>(\$0.0)</b>		<b>(\$9.5)</b>
<b>NET REVENUE</b>		<b>\$ 158.2</b>		<b>\$ 170.1</b>

Note 1 – Calculation of discounting/present value was adjusted

Note 2 – Write-off of timber inventory (due to wildfires)

Note 3 – Plantation damage (due to wildfires)



# APPENDIX 1 Financial Result – Selected Balance Sheet Items

		2016/17 (millions)	2017/18 (millions)
<b>Silviculture Liability</b>		<b><u>(\$117.5)</u></b>	<b><u>(\$128.7)</u></b>
<b>Inventory Value of Developed Timber</b>			
Timber Inventory – Opening Balance	\$142.0		\$165.4
Timber Developed	<u>\$90.1</u>		<u>\$82.2</u>
Timber Available for Sale	\$232.1		\$247.6
Cost of Timber Inventory Harvested	<u>(\$66.7)</u>		<u>(\$68.9)</u>
<b>Timber Inventory – Closing Balance</b>		<b>\$165.4</b>	<b>\$178.7</b>
<b>Roads</b>			
Book Value	\$794.8		\$817.6
Accumulated Amortization	<u>(\$532.9)</u>		<u>(\$552.4)</u>
<b>Sub-total Period Costs</b>		<b>\$261.9</b>	<b>\$265.2</b>
<b>Deactivation Liability</b>		<b><u>(\$10.4)</u></b>	<b><u>(\$10.1)</u></b>
<b>Seed Inventory</b>		<b><u>\$18.3</u></b>	<b><u>\$18.6</u></b>

## APPENDIX 2 Resource Summary Results – 2017/18

	2017/18 Plan	2017/18 Actual	2017/18 Variance
Gross Revenue	\$312.1	\$359.1	\$ 47.0
Less: Expenses (Capitalized)	<u>(\$183.2)</u>	<u>(\$189.0)</u>	<u>(\$ 5.8)</u>
<b>Net Revenue (Loss)</b>	<b>\$128.9</b>	<b>\$170.1</b>	<b>\$ 41.2</b>
<b>Financing Transactions (\$millions)</b>			
Cost of Developed Timber Inventory	\$93.6	\$74.9	\$18.7
Fish Habitat Inventory	\$0.28	\$0.10	\$0.18
Seed Inventory	<u>\$1.0</u>	<u>\$ 2.1</u>	<u>(\$1.1)</u>
<b>Total Financing Transactions</b>	<b>\$94.9</b>	<b>\$77.1</b>	<b>\$17.8</b>
<b>Capital Expenditures (\$millions)</b>			
Capital – Roads	\$42.1	\$32.2	\$ 9.9
Capital – Non-BCTS Roads	<u>\$ 0.5</u>	<u>\$ 0.4</u>	<u>\$ 0.1</u>
<b>Total Capital Budget</b>	<b>\$42.6</b>	<b>\$32.6</b>	<b>\$10.0</b>
<b>Cash Expenditures (\$millions)</b>			
Administration	\$14.8	\$15.7	(\$ 0.9)
Salaries	\$53.9	\$50.1	\$ 3.8
Planning	\$ 7.7	\$ 6.6	\$ 1.1
Sales	\$52.1	\$36.4	\$15.7
Disposition Agreement Development Cost	\$ 0.0	\$ 8.1	(\$ 8.1)
Access	\$49.4	\$35.6	\$13.8
Silviculture	\$46.7	\$45.3	\$ 1.4
Land Base Investment – Expenditures	\$14.6	\$13.5	\$ 1.1
Land Base Investment – Recoveries	<u>(\$15.8)</u>	<u>(\$14.8)</u>	<u>(\$ 1.0)</u>
<b>Total Cash Expenditures</b>	<b>\$223.4</b>	<b>\$196.5</b>	<b>\$26.9</b>
<b>Non-Cash Budgets (\$millions)</b>			
Amortization – Roads	\$27.7	\$27.1	\$0.6
Amortization – Non-BCTS Roads	\$0.3	\$ 0.2	\$0.1
Silviculture Liability Expense	\$40.0	\$42.1	(\$2.1)
Cost of timber inventory harvested	\$74.2	\$68.9	\$5.3
<b>Timber Volume Outputs (Mm3)</b>			
Volume Advertised (Offered)	13.1	11.8	(1.3)
Volume Sold	12.4	10.8	(1.6)
Volume Developed	15.4	10.6	(4.8)
Volume Scaled (Harvested)	11.8	9.6	(2.2)
Apportionment Volume (Rationalized)	12.3	12.7	0.4

# APPENDIX 3 Historical Resources & Performance Summary – 2017/18

	2003/04 Actual	2004/05 Actual	2005/06 Actual	2006/07 Actual	2007/08 Actual	2008/09 Actual	2009/10 Actual	2010/11 Actual	2011/12 Actual	2012/13 Actual	2013/14 Actual	2014/15 Actual	2015/16 Actual	2016/17 Actual	2017/18 Actual
Operating Revenues and Expenses (\$millions)															
Gross Revenue	\$185.7		\$273.7	\$273.7	\$243.8	\$145.9	\$117.0	\$133.6	\$136.6	\$175.1	\$233.9	\$253.8	\$304.6	\$336.3	\$359.1
Less: Expenses (Capitalized)	(84.7)	(115.9)	(148.9)	(178.0)	(197.8)	(168.8)	(172.4)	(149.1)	(135.3)	(150.6)	(151.2)	(\$162.9)	(\$170.7)	(\$178.1)	(\$189.0)
Net Revenue (prior to EOI)	\$101.0	\$150.2	\$124.8	122.4	\$46.0	(\$22.9)	(\$55.4)	(\$15.5)	\$1.3	\$24.5	\$77.3	\$90.9	\$133.9	\$158.2	\$179.6
Less Extraordinary Item (note 1)	0	0	0	0	(115.6)	0	0	0	0	\$0.3	0	0	0	0	(9.50)
Net Revenue (Loss)	\$101.0	\$150.2	\$124.8	\$122.4	(\$66.6)	(\$22.9)	(\$55.4)	(\$15.5)	\$1.3	\$24.8	\$77.3	\$90.9	\$133.9	\$158.2	\$170.1
Annual Cash Working Capital Expenditures by Activity (\$millions)															
Administration & Overhead	\$15.2	\$19.7	\$19.9	\$22.7	\$31.9	\$31.5	\$25.4	\$11.4	\$12.7	\$28.9	\$12.2	\$13.9	\$13.8	\$14.9	\$15.7
Salaries	33.6	39.3	44.5	46.1	45.1	45.6	46.3	42.7	41.1	40.9	41.3	41.5	45.1	48.6	50.1
Planning	0	13.7	8.1	7.3	6.7	5.7	3.3	2.6	3.0	3.3	3.8	4.7	7.4	7.5	6.6
Sales	23.6	30.4	33.6	27.7	30.3	30.9	22.4	15.9	17.9	22.3	32.0	34.1	38.9	51.7	36.4
Access	27.9	40.0	53.1	46.3	44.1	45.4	27.3	18.0	20.4	21.4	27.3	30.1	36.8	38.9	35.6
Silviculture	35.8	39.1	41.9	51.1	60.1	59.8	42.2	30.9	30.8	31.9	32.4	35.0	39.2	38.4	45.3
Forest Investment Account – LBIP	0	0	0	\$2.3	3.0	5.5	1.8	(0.2)	(0.4)	(1.2)	(1.5)	(1.7)	(1.5)	(1.3)	(1.3)
Total Cash	\$136.1	\$182.2	\$201.1	\$203.5	\$221.2	\$224.4	\$168.7	\$121.3	\$125.5	\$129.8	\$147.6	\$157.6	\$179.7	\$198.7	\$188.4
Capital IM/IT and Equipment	\$0.7	(\$0.4)	\$0.2	\$0.4	\$0.4	\$0.4	\$0.4	\$0.1	\$0.3	\$0.3	\$0.2	\$0.4	\$0.1	\$0.1	\$0.4
Capital Road Con- struction	\$29.3	\$39.7	\$51.8	\$45.4	\$49.2	\$44.5	\$22.5	\$16.9	\$29.5	\$29.7	\$29.0	\$29.2	\$33.7	\$33.7	\$32.2
Total Capital	\$30.0	\$39.3	\$52.0	\$45.8	\$49.6	\$44.9	\$22.9	\$17.0	\$29.8	\$30.0	\$29.2	\$29.6	\$33.8	\$33.8	\$32.6
TIMBER VOLUME OUTPUTS (millions of cubic metres)															
Volume Advertised (Mm <sup>3</sup> )	11.7	11.4	14.6	15.2	14.6	16.3	14.7	13.9	13.4	12.5	13.0	14.1	14.5	14.0	11.8
Volume Sold (Mm <sup>3</sup> )	9.6	9.9	12.6	13.5	11.7	11.4	10.6	11.3	11.1	10.5	11.4	13.1	13.0	12.7	10.8
Volume Developed (Mm <sup>3</sup> )	12.6	15.4	17.7	16.3	14.9	14.2	11.6	8.9	8.8	10.9	12.1	11.3	12.6	13.1	10.6
Volume Scaled (Mm <sup>3</sup> )	7.9	10.0	12.9	13.45	13.2	10.0	11.4	10.8	9.4	10.0	11.0	10.4	11.8	10.7	9.6
Apportionment Volume (Rational- ized)	0	0	0	0	0	0	0	0	0	0	0	0	12.8	12.60	12.7

## APPENDIX 4 – Glossary

**Bid Price** – The price per cubic metre of timber bid by customers during auctions of Section 20 Timber Sale Licences.

**Billed Rate** – The average revenue obtained per cubic metre of timber harvested and scaled.

**Capitalized Expenses** – The total costs associated with developing and selling the timber harvested in the year, post-sale activities such as harvest conformance; post-harvest activities such as silviculture; and period costs such as administrative overhead and road maintenance.

**Cash Expenditures** – The costs of developing and selling timber inventory for future harvest plus, post-harvest activities such as silviculture and period costs such as administrative overhead and road maintenance.

**Certification** – Forest certification is a voluntary tool available to forestry organizations who want to demonstrate corporate responsibility by having their forest management planning and practices independently certified against a sustainable forest management standard that goes beyond regulatory requirements and takes environmental, economic and social values into consideration.

**Cruise Based Timber Sale** – A competitively auctioned timber sale where the price is a single total price based on the cruise data for the timber sale rather than a price per cubic metre of timber scaled.

**Customers** – Individuals and/or companies that are registered in the program and others that are not registrants but that rely on BCTS' timber as an input to production.

**Full-time Equivalent (FTE)** – The equivalent of one person working 1,827 hours in one year.

**Goals** – Goals are the ends that BCTS wants to achieve in fulfilling its mandate and mission. Goals are long-range outcomes that guide an organization's efforts in moving toward a desired future state.

**Gross Revenue** – The sum of all BCTS revenue collected from stumpage and annual fees and billings (annual rent, trespass charges, scaling fees and registration fees) incidental to the operation of the program and sale of logs.

**Inputs** – The resources used by the organization to produce its outputs. The key inputs of BCTS are its employees, public forests and the organization's financial, contracted and partnership resources.

**Key Outcome Indicators** – Key outcome indicators represent key results related to an organization's goals, which often are not directly attributable to its business activities.

**Lump Sum Timber Sale Licence** – A competitively auctioned timber sale where the price is a single total price rather than a price per cubic metre of timber scaled.

**Market Pricing System** – The system used in British Columbia to determine the price of Crown timber for major forest tenures, based on market value and cost data from BCTS.

## APPENDIX 4 – Glossary Continued

**Mission** – Describes the reason for BCTS' existence. It defines what BCTS does, why it does it and for whom.

**Net Revenue** – The remainder of Gross Revenues less Capitalized Expenses – the equivalent of profit to a private sector company.

**Objective** – A broad time-phased accomplishment required to realize the successful completion of a strategic goal. Objectives are specific statements about desired business results.

**Outcomes** – Long-term results of the activities and outputs of the organization. Logic models are used to link outcomes to business activities.

**Outputs** – The deliverables or products produced by the organization. The key outputs of BCTS are the volumes developed, offered, sold and harvested (scaled).

**Performance Measures** – Measurable factors of significant importance to the organization in achieving the strategic goals and objectives. A performance measure is a quantified, time specific measure used to indicate the degree of success the Ministry has in achieving its goals, objectives and strategies.

**Strategies** – The activities that, by their implementation, will lead to the achievement of an objective.

**Targets** – Performance targets express pre-set quantifiable performance levels to be attained at a future date.

**Upset Price** – The starting price for auction bidding on timber sales.

**Values** – An expression of BCTS' core principles and fundamental beliefs that inform the organization's management style, organizational principles and rules of personal and organizational behaviour.

**Vision** – A clear, concise and compelling picture of the organization's preferred future.

**Volume Advertised** – The timber volume advertised for auction by BCTS.

**Volume Developed** – The volume of timber developed as inventory for sale by BCTS.

**Volume Managed** – The total volume of timber being managed by BCTS. In addition to Section 20 Auction Timber Sale Licences, this includes volumes associated with legacy tenure types awarded by the Small Business Forest Enterprise Program that are still being managed by BCTS (e.g. Section 21 Bid Proposal Sales and Non-replaceable Forest Licences).

**Volume Offered** – The timber volume offered for sale to customers.

**Volume Scaled** – The volume of timber harvested by BCTS licensees.

**Volume Sold** – The volume of timber sold to BCTS customers.



