

CELEBRATING 20 YEARS



BCTS
BC Timber Sales

2003 - 2023

QUARTER PERFORMANCE REPORT

APRIL 1, 2023 – JUNE 30, 2023

Safety • Reconciliation • Sustainable Resources • Economic Prosperity • Business Excellence



Library and Archives Canada Cataloguing in Publication Data

BC Timber Sales.

Quarter ... performance. - Quarter 1
(April 1/June 30, 2023)- Quarterly.

Running title: BC Timber Sales quarter ... performance.

ISSN 1715-6319 = Quarter ... performance (BC Timber Sales)

1. BC Timber Sales - Periodicals.
2. British Columbia - Marketing - Periodicals.
3. Logging - Government policy - British Columbia -
Periodicals.
I. Title. II. Title: BC Timber Sales quarter ... performance.

HD9764.B7B37

354.5'5

C2004-960204-X

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BC TIMBER SALES AREA MAP

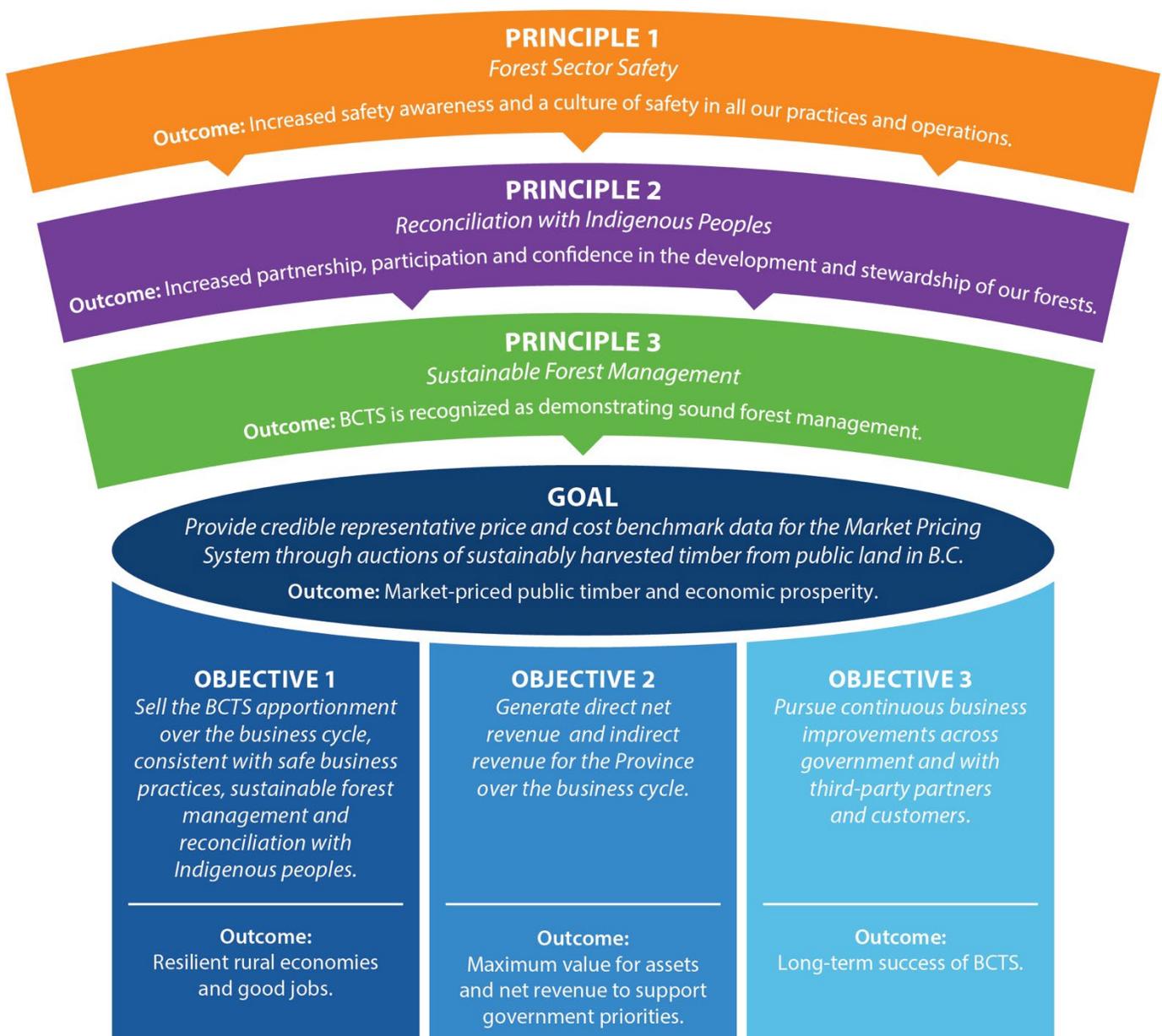


INTRODUCTION

BC Timber Sales (BCTS) presents its first quarter performance report for 2023/24. Quarterly performance reports are a key part of the BCTS Performance Management and Accountability Framework.

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.



QUARTERLY PERFORMANCE HIGHLIGHTS



OVERALL PERFORMANCE: SUMMARY OF HIGHLIGHTS

BCTS implemented the government’s Old Growth Strategy on November 2, 2021. This had serious impacts on BCTS operations and performance. At the end of the first quarter for FY24, BCTS is projecting that it will achieve its key performance targets by fiscal year-end; however, further assessment is currently underway as harvest volume declined sharply during the quarter. A net loss of \$7.2M was reported for the quarter.

FOREST SECTOR SAFETY

BCTS’ next annual Safe Companies maintenance audit is scheduled to be completed by November 2023. Prior year, we achieved an overall score of 96%. Some major strengths of the BCTS safety program include a mature and robust safety program with a management willingness to dedicate adequate resources to ensure its success. A strong safety culture throughout the organization able to adapt quickly to new hazards and a commitment to continuous improvement. Some opportunities to improve safety performance include looking for ways to increase employee awareness of BCTS’ safety goals & objectives and safety performance, consolidating various web-based safety policies and procedures to make them more easily accessed by new employees and supervisors, and developing a provincial reminder/tracking system to ensure routine compliance requirements are consistently completed. Routine compliance requirements include evacuation drills, first aid assessments, and updating emergency contact information.



RECONCILIATION WITH INDIGENOUS PEOPLES

As part of the Ministry of Forests, BCTS continues to work towards the province’s goal of meaningful reconciliation with Indigenous Peoples and the implementation of the Declaration Act. This includes engaging with First Nations to build ongoing, positive, and durable relationships. BCTS also continues to learn how the program can work better with First Nations, resulting in increased participation of First Nation communities in the forest sector. BCTS has a goal to become the “partner of choice”, and this may be achieved by working collaboratively with First Nations to provide additional economic, employment and educational opportunities for First Nations in BC. BCTS staff continue their education to: improve their cultural awareness, increase their understanding of Indigenous Peoples’ history and their relationship with the land, and understand why meaningful reconciliation is important. This includes working directly with local First Nations.



BCTS is working in collaboration with the BC First Nations Forestry Council and Ministry of Forests’ Indigenous Relations Branch, to support the Indigenous Forestry Scholarship Program. This includes providing funding for scholarships and placing students in summer jobs to gain experience to help them find future permanent employment. By May, ten Indigenous Forestry Scholarship Program students were employed by BCTS throughout the province.

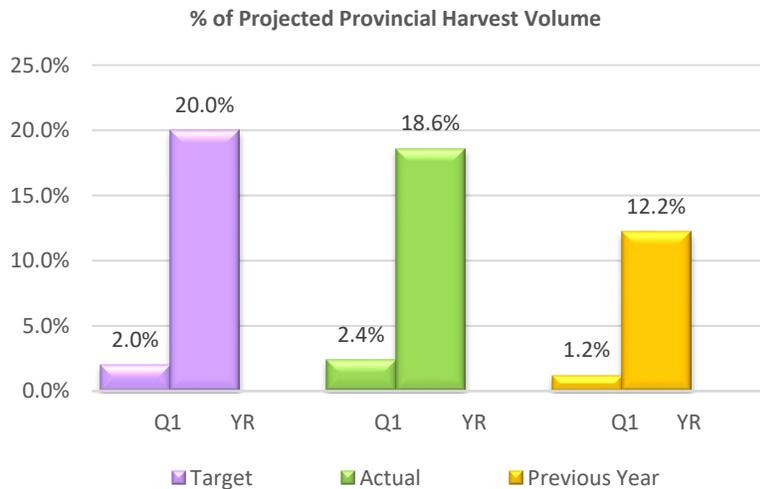
SUSTAINABLE FOREST MANAGEMENT

BCTS manages 100% of its apportioned timber volume under the Sustainable Forestry Initiative (SFI) Forest Management certification standard. Annual internal and external audits are conducted by independent third parties to verify that BCTS meets or exceeds standards of the certification program and legal requirements. Over the last year BCTS has made significant changes to its Environmental Management System and Sustainable Forest Management Program to meet the updated SFI 2022 Forest Management Standard. BCTS is an active member of the Western Canada SFI Implementation Committee.



GOAL: PROVIDE CREDIBLE DATA FOR MPS

BCTS auctioned volume as a percent of projected provincial harvest volume

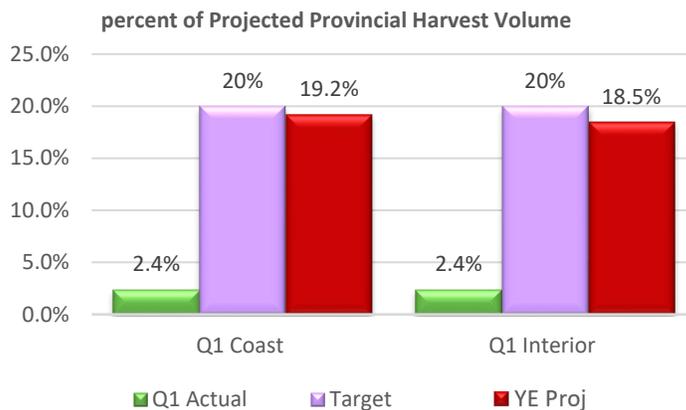


The volume of timber auctioned by BCTS must be at a level sufficient to support the Market-based Pricing System.

At the end of the quarter, BCTS had advertised 2.4% of the projected annual provincial harvest volume.

BCTS is projecting to auction 18.6% of the projected provincial harvest volume by year-

BCTS auctioned volume as a percent of projected provincial harvest volume – Coast and Interior

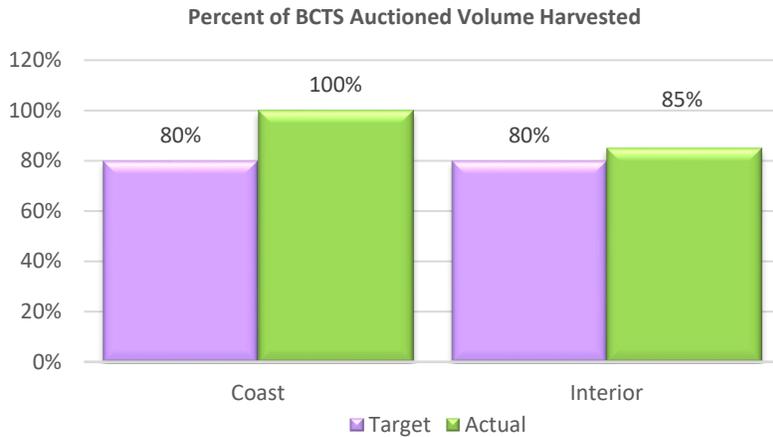


In quarter one, BCTS advertised 2.4% of the projected harvest volume on the Coast, and 2.4% in the Interior. This volume was sufficient for the MPS.

At this time, BCTS is projecting that it will auction 19.2% for the Coast and 18.5% for the Interior. This level of auction volume is just under the required thresholds of 20%.

GOAL: PROVIDE CREDIBLE DATA FOR MPS

The percent of BCTS timber volume sold is within 5 percentage points of the percent of harvested volume by major licensees for each major species and grade 80% of the time



BCTS must develop and auction a representative volume of timber sales to provide statistically credible data to the Market Pricing System. This data is used to establish market-based stumpage rates.

For the twelve-month period ending June 30, 2023, the BCTS auctioned volume harvested was within five (5) percentage points of the Major Licensee harvest volume by species and grade more than 80% of the time. This indicates good representation of harvested volume provided by BCTS.

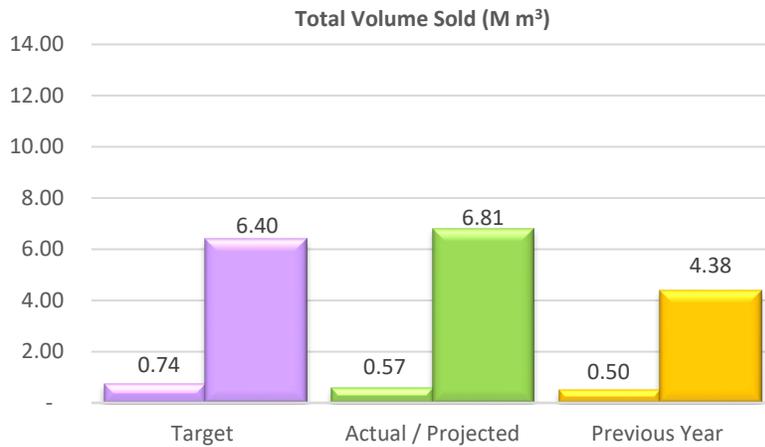
For BCTS to ensure it provides credible data to establish market-based stumpage rate it must also ensure its data is complete, accurate, and reliable.

BCTS implemented a data quality management system consistent with the International Standards Organization (ISO) 9001:2015 standard. Quarterly analysis of key BCTS data sets is completed to evaluate conformance of the data sets to their data standards. The target data quality standard is 100% conformance.

The overall average data quality performance rating for the first quarter was 97.4% conformance.

OBJECTIVE 1: SELLING THE APPORTIONMENT

Quarter 1 Timber Volume Sold (M m³)



Timber volume sold is a key measure that BCTS is selling its apportionment over the business cycle.

As of June 30, BCTS sold 0.57M m³, or 77% of target. The shortfall in sales for the quarter was 0.17M m³.

At this time, BCTS is projecting that it will sell 6.81M m³ by year-end, an over achievement of .41M m³.

Quarter 1 Timber Volume Sold by Business Area

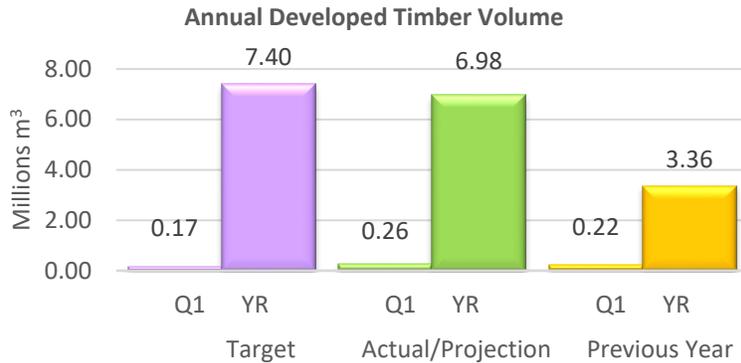
Volume Sold North	Target M m ³	Achieved M m ³	Variance M m ³	Variance %
BABINE	0.05	0.00	-0.05	-100%
PEACE LIARD	0.00	0.00	0.00	0%
PRINCE GEORGE	0.13	0.14	0.01	8%
SKEENA	0.04	0.00	-0.04	-100%
STUART NECHAKO	0.00	0.00	0.00	0%
North Total	0.22	0.14	-0.08	-36%

Volume Sold South	Target M m ³	Achieved M m ³	Variance M m ³	Variance %
CARIBOO CHILCOTIN	0.10	0.01	-0.09	-90%
KAMLOOPS	0.03	0.03	0.00	0%
KOOTENAY	0.15	0.23	0.08	53%
OKANAGAN	0.06	0.06	0.00	0%
South Total	0.34	0.32	-0.02	-6%

Volume Sold Coast	Target M m ³	Achieved M m ³	Variance M m ³	Variance %
CHINOOK	0.03	0.00	-0.03	-100%
SEAWARD	0.05	0.00	-0.05	-100%
STRAIT OF GEORGA	0.10	0.11	0.01	10%
Coast Total	0.18	0.11	-0.07	-39%

OBJECTIVE 1: SELLING THE APPORTIONMENT

Develop sufficient timber to maximize timber volume offered and sold

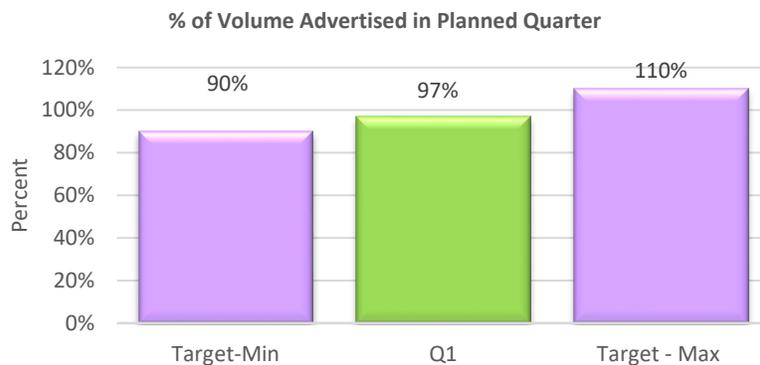


BCTS develops timber to have enough inventory for future auctions.

For the quarter ending June 30, BCTS declared 0.26M m³ of timber volume ready to sell.

At this time, BCTS is projecting that it will short fall by 0.42M m³, or 6% of its annual target by fiscal year-end.

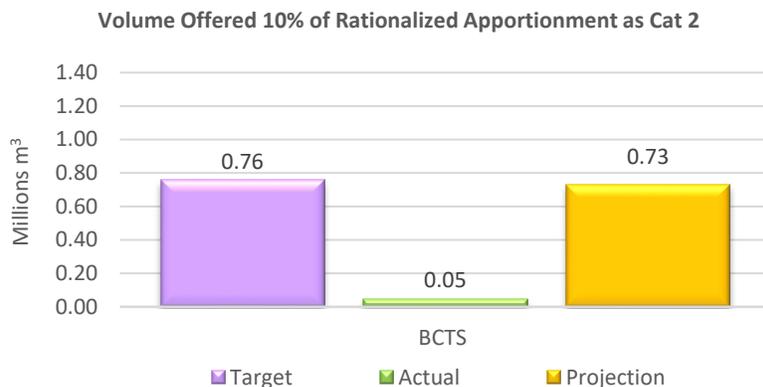
The volume of timber supplied to the market is reliable



Timber volume advertised in the quarter planned is an indicator of the reliability of timber supply and the reliability of BCTS' Sales Schedules.

In the first quarter, BCTS achieved its target for reliability of timber supply.

Offer 10% of Rationalized Apportionment as Category 2 Timber Sales



A key BCTS strategy is to provide open access to Crown timber for non-tenured or insufficiently tenured timber processing facilities. This promotes local employment and supports the value-added sector.

During the quarter, BCTS offered 0.05M m³ Category 2 timber. BCTS is projecting that it will substantially achieve its annual target of 0.76M m³.

OBJECTIVE 2: REVENUE

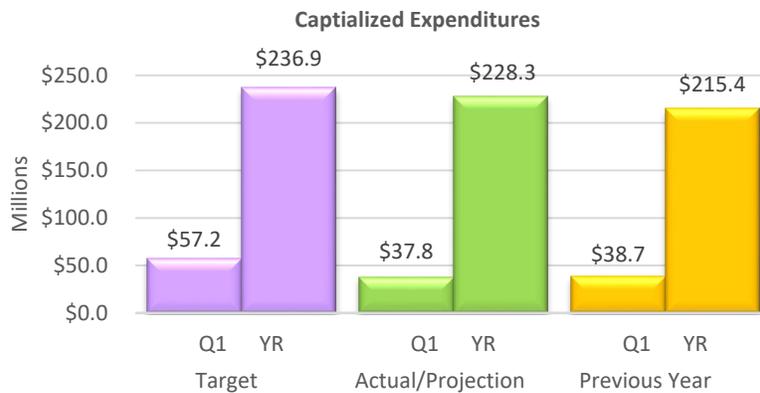
Gross Revenue



Gross revenue for the quarter was \$30.6M. It was \$27.0M under target, or 47%. The shortfall is mainly due to a decline in harvest volume.

At this time, BCTS is projecting that it will overachieve its gross revenue target by \$37.7M by year-end.

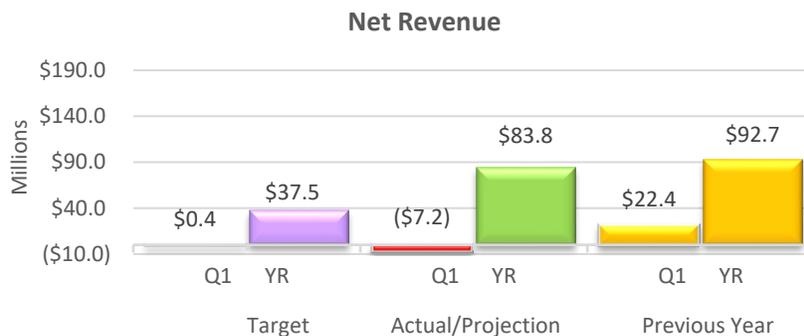
Less: Capitalized Expenditures



Capitalized expenditures for the quarter were under target by \$19.4M, mainly because of outstanding payments at the end of the period.

BCTS is projecting that its annual expenditures will be on target for the year.

Equals: Net Revenue



Net Loss for the quarter was \$7.2M. The loss is attributable to a sharp decline in harvest volume during the quarter.

At this time, BCTS is projecting that it will overachieve its annual net revenue target.

OBJECTIVE 3: CONTINUOUS IMPROVEMENT

To effectively realize its mission, goal, and objectives, deliver superior performance, and make a distinct and lasting impact, BC Timber Sales needs to be continuously improving.

“Only those with Excellent Processes and Excellent People will truly excel”.

To achieve this continuous improvement BC Timber Sales and its people are committed to continuously learn, innovate, and lead through change in the pursuit of excellence. BCTS has embraced **Lean** as the next step in continuous improvement.

Pursue excellence in people

The Work Environment Survey (WES) is conducted biennially and solicits feedback on elements of the work environment such as tools and workspace, stress, and workload, staffing practices and supervisory level management. The BCTS People Practices Working Group (PPWG) analyzed the results of the 2022 WES and areas of opportunity are being worked through to improve the work environment. The areas of opportunity include supervisory level management, teamwork, stress and workload and staffing practices. The PPWG developed a work plan to address the opportunities, undertaking the following projects:

- Continued support for the Supervisor’s Community of Practice.
- Improve the process for the onboarding of new employees.
- Create an “Innovation Portal” that manages the evaluation and implementation of employee suggested improvements.
- Organize a “Leadership Summit” that will provide training for the Supervisor’s Community of Practice.

Pursue excellence in operations, practices, and processes

BCTS is continually looking for new ways to reduce waste and improve efficiency. BCTS applies the Lean philosophy to reduce waste in our business processes and has an extensive training program to train staff on applying lean processes to their everyday work. BCTS continues to Lean our hiring process with focus on improving the planning of the hiring process to reduce the hiring time from 90 days to 30 days. The improvements will also result in a better hiring experience for candidates as critical dates in the process, such as interview dates may be included in the original posting.

OBJECTIVE 3: CONTINUOUS IMPROVEMENT

Pursue effective relationships

BC Timber Sales has begun various initiatives to enhance BCTS. The objective is to better position BCTS to deliver on the government objectives stated in the Intentions Paper. There are four focus areas:

- Market Pricing System continues to be our primary mandate
- Support the Value-Added sector
- Position BCTS as a “Partner of Choice”
- Rebrand BCTS

Support for the Market Pricing System continues to be our primary mandate. To continue to do this, we will work to identify ways to increase BCTS volume. Support for the Value-Added Sector will require a move from high-volume based to high value-based forestry. Positioning BCTS to be a “Partner of Choice” for forest sector business arrangements will require us to identify barriers in current BCTS policy and processes. “Rebranding BCTS” will mean becoming proactive in our communication, increasing awareness of BCTS, increasing trust in BCTS, and improving our social license. It will require development of messages that resonate with interest holders and the public and developing a multi-pronged communication approach. BCTS Indigenous Relations staff work diligently to build relationships with First Nations and to highlight our efforts for improved and effective reconciliation.



APPENDIX 1 – OUTPUTS

Key Year-to-Date Results by Interior Areas and Coast April 1 to June 30, 2023

Volume Results (M m ³)	Target	Total	Northern Interior	Southern Interior	Coast
Volume Advertised - CAT Any	0.74	0.88	0.35	0.34	0.19
Volume Advertised - CAT2	0.02	0.05	0.04	0.01	0.00
Total Volume Advertised	0.76	0.93	0.39	0.35	0.19
Less: No Bid Sales/No Sale	(0.02)	(0.23)	(0.12)	0.00	(0.11)
Less: Timing Variance (Note 1)	0.00	(0.18)	(0.13)	(0.02)	(0.03)
Plus: Year-end Timing Variance	0.00	0.05	0.00	0.00	0.05
Total Volume Sold	0.74	0.57	0.14	0.33	0.10
Total Volume Harvested	0.73	0.42	0.09	0.14	0.19

Note 1: The timing variance is the volume of timber advertised but not yet sold at cut off.

APPENDIX 2 – FINANCIAL PERFORMANCE

BCTS FY24 Q1 Report on Financial Performance			
	2022/23 First Quarter (Millions)	2023/24 First Quarter (Millions)	% Change incr/(decr)
Revenue from External Sources 	<u>\$61.139</u>	<u>\$30.612</u>	
GROSS REVENUE	\$61.139	\$30.612	(49.93%)
Capitalized Expenses:			
Cost of Timber Inventory Harvested			
Administration / Salaries	(\$4.884)	(\$2.223)	
Planning & Sales	(\$2.467)	(\$1.321)	
Access - Amortization	(\$9.764)	(\$9.926)	
Sub-Total Cost of Timber Inventory Harvested	<u>(\$17.115)</u>	<u>(\$13.470)</u>	(21.30%)
Period Costs			
Administrative Overhead	(\$6.126)	(\$6.433)	
Silviculture Liability Expense	(\$13.738)	(\$13.750)	
Harvest Conformance	(\$0.078)	(\$0.112)	
Old Growth Verification Costs	(\$0.006)	(\$0.048)	
Road & Bridge Maintenance	(\$1.910)	(\$1.326)	
Non-BCTS Roads	(\$0.022)	\$0.000	
Forest Investment Account (Expenditure)	\$0.000	(\$4.225)	
Forest Investment Account (Recovered)	\$0.270	\$0.000	
Section 108 (Recovered)	\$0.000	\$1.577	
Sub-Total Period Costs	<u>(\$21.611)</u>	<u>(\$24.316)</u>	12.52%
NET REVENUE/(LOSS)	<u>\$22.413</u>	<u>(\$7.174)</u>	(132.01%)

APPENDIX 2 – FINANCIAL PERFORMANCE Cont.

Selected Balance Sheet Items	2022/23 First Quarter (Millions)	2023/24 First Quarter (Millions)	% Change incr/(decr)
Silviculture Liability	(\$197.157)	(\$201.105)	2.00%
Inventory Value of Developed Timber			
Timber Inventory – Opening Balance	\$133.362	\$140.877	
Timber Developed	\$8.785	\$10.779	
Timber Available for Sale	\$142.147	\$151.656	
Cost of Timber Inventory Harvested	(\$7.351)	(\$3.544)	
Timber Inventory – Closing Balance	\$134.796	\$148.112	9.88%
Work-in-progress Inventory – Closing Balance	\$71.956	\$66.045	(8.21%)
Roads			
Book Value	\$943.189	\$972.925	
Accumulated Amortization	(\$653.867)	(\$691.960)	
Net Book Value	\$289.322	\$280.965	(2.89%)
Deactivation Liability	(\$19.405)	(\$23.810)	22.70%
Seed Inventory	\$18.381	\$19.015	3.45%

(Unaudited)

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