



BCTS
BC Timber Sales

BC Timber Sales Annual Performance Report APRIL 1, 2016 – MARCH 31, 2017

**Economic
Prosperity**

**Sustainable
Resources**

**Businesss
Excellence**



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



Table of Contents

Organizational Overview	2
Highlights of the Year	4
Report on Performance	5
GOAL: Provide credible representative price and cost benchmark data	8
• Objective 1: Selling the full apportionment	11
• Objective 2: Generate Direct and Indirect Revenue for the Province	15
• Objective 3: Continuous Business Improvement	17
Principle 1: Sustainable Forest Management	20
Principle 2: Forest Sector Safety	23
Appendices	
Appendix 1: 2016/17 Financial Results	25
Appendix 2: Resource Summary	27
Appendix 3: Historical Resource & Performance Summary	28
Appendix 4: Glossary	29

ORGANIZATIONAL OVERVIEW

BC Timber Sales (BCTS) is a semi-autonomous program within the Ministry of Forests, Lands, Natural Resource Operations and Rural Development. BCTS has an integral role in supporting the Forest Sector Strategy in the BC Jobs Plan. It also supports the Ministry's four key pillars, its goal for a "productive, thriving natural resource sector and resilient communities", and its objective to optimize "economic benefits of natural resource development".

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, contributing to another integral part of the MPS.

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.

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.

Our Goal

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

Our Objectives

- 1) **Sell the full BCTS apportionment over the business cycle, consistent with safe practices and sustainable forest management.**
- 2) **Generate direct net revenue and indirect Provincial government revenue over the business cycle.**
- 3) **Continuous business improvement within BCTS, across government and with third party partners and customers.**



HIGHLIGHTS OF THE YEAR

BC Timber Sales achieved its goal and objectives for the year.

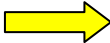
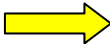
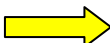
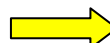

In 2016/17 BC Timber Sales:

- **Sold 12.7 million cubic metres of timber supporting the Market Pricing System, rural economies, jobs and families.**
- **Earned \$158.2 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 24.5 million seedlings and planting 10.6 million trees for the Forests for Tomorrow program.**
- **Delivered on our stewardship obligations by growing 49.1 million seedlings and planting 43 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 Strategy to support effective relations.**

REPORT ON PERFORMANCE

Since 2003, BC Timber Sales has sold 162.4 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 14 years and continue to do so.

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

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

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

REPORT ON PERFORMANCE

In fiscal year 2016/17, BCTS had 18 strategies and 22 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	Result
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			
Through competitive auctions sell sufficient timber to support the Market Pricing System	Annual Timber Volume Sold		O
Implement a Data Quality Management System (DQMS)	Accuracy and completeness of performance metric ,cost survey, and silviculture liability data		A
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)		O

Objective 1: Sell the full BC Timber Sales apportionment over the business cycle, consistent with safe practices and sustainable forest management.			
Develop sufficient timber to maximise timber volume offered and sold	Annual timber volume developed (ADV)		U
Plan sufficient volume Ready to Develop volume	Annual Ready to Develop volume		O
Auction a Reliable supply of timber	Per cent of timber volume advertised in quarter planned		U
Plan to sell more volume in the second and third quarters	Per cent of total volume sold that was sold in each quarter		U

Objective 2: Generate direct net revenue and indirect revenue for the Province over the business cycle			
Manage costs of developed timber	Cost of developed timber per cubic metre		U
Manage costs of access	Cost of access per cubic metre sold		A
Manage revenues by maximising volume sold	Annual Timber volume Sold		O

REPORT ON PERFORMANCE

Objective 3: Continuous business improvement				
Pursue excellence in people		Per cent of staff with foundational Lean training		O
		Number of Lean continuous improvement projects undertaken		S
Pursue excellence in operations, practices and processes		Number of (waste) activities eliminated		O
Pursue effective relationships		Incremental timber volume sold, managed under a business to business agreement		S

Principle 1: Sustainable forest management				
Maintain ISO 14001 EMS, and SFM certifications		Per cent of timber volume certified under a SFM system		A
Deliver on stewardship obligations		Audit major non-conformances		A
		Number of trees planted		O
		Km of road deactivated		U
Use our economies of scale...in support of productive future forests		Ministry NSR planted for FFT		A
		Seedlings grown for FFT		A

Principle 2: Forest sector safety				
BCTS safe practices supported by maintaining SAFE Company Certification		Maintain SAFE Company Certification		A
Promote safe work sites		Per cent of parties working ...that are SAFE Certified		A

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

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. BCTS provides credible data for pricing and costs of timber harvested from public land in British Columbia, which directly supports the market-based pricing system. BCTS also contributes to the Ministry's Objective 3.2: "Economic benefits of natural resource development are optimized". Through sustainable forest development and the sale of Crown timber, BCTS supports forestry jobs, local economies and a globally competitive operating environment.

For BCTS data to be credible and representative, it is important for the volume of BCTS market transactions to be at a level sufficient to support the Market Pricing System (MPS). It is also important that the volume of market transactions not be so large in relation to the total market to adversely influence the MPS. 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 a sufficient and appropriate 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	2016/17 Target	2016/17 Performance	
BCTS Auction volume as a per cent of projected provincial harvest volume	21.1%	23%	Over Achieved

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:	2016/17 Target	2016/17 Performance	
Coast	20.8%	20%	Achieved
Interior	21.2%	23%	Over Achieved

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

Corporate Performance Measure:	2016/17 Target	2016/17 Achievement	
Timber Volume Sold	12.5 Mm3	12.7 Mm3	Over Achieved

Measure Description: Timber volume sold is an indicator of BCTS' success in providing sufficient timber volume to the market in support of the Market Pricing System.

Change from previous plan: The target timber volume sold for 2016-17 and 2017-18 have decreased by 1.9 million cubic metres due to updated information on allowable annual cut forecasts and impending timber supply reductions and adapting BCTS plans and operations to address First Nations aspirations.

ECONOMIC PROSPERITY – Market Pricing

Results continued...

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

The DQMS is applied through quarterly monitoring of the published Performance Metric data sets and quality assurance reviews of all Cost Survey and Silviculture Liability data.

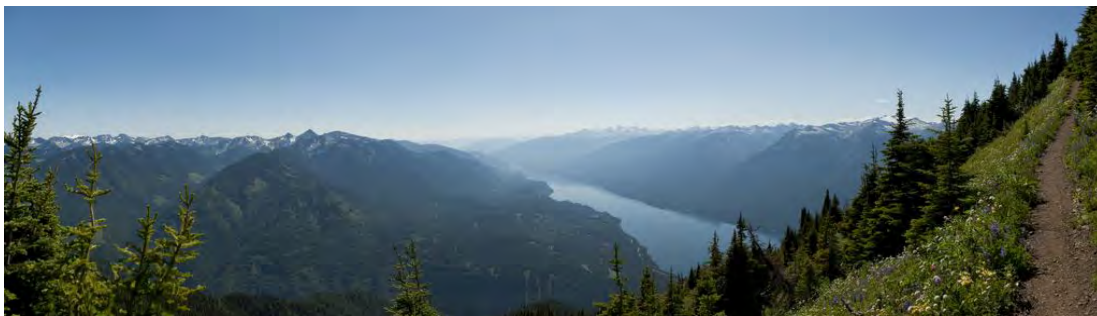
Corporate Performance Measure:	2016/17 Target	2016/17 Achievement	
Accuracy and completeness of Performance metric cost survey, and silviculture liability data	95%	93%	Substantially Achieved

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 compare to the harvest patterns of the Major Licensees to ensure representative benchmark data and make adjustments as required**

Corporate Performance Measure:	2016/17 Target	2016/17 Performance	
The per cent of BCTS volume harvested is within five percentage points of the per cent of harvest volume by major licensees for each major species and grade MPS attribute 80% of the time	80% 80%	Coast 97% Interior 81%	Over Achieved

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 BC Timber Sales' apportionment over the business cycle, consistent with safe practices and sustainable forest management.

Providing a reliable, competitive supply of fibre to the market is a significant objective of the Forest Sector Strategy. This supports the creation of a globally competitive, market-based operating climate and supports prosperous rural forest economies. Achievement of this objective also directly contributes to the Ministry goal of a "productive, thriving natural resource sector and resilient communities".

Results

Key Performance Indicator:	2016/17 Target	2016/17 Performance	
Per cent of total apportioned timber volume sold over the Business Cycle	63%	63%	Achieved

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 rationalised apportionment for five years. By March 31, 2019 BCTS plans to have sold 100 per cent of its rationalised apportionment.

Corporate Performance Measure:	2016/17 Target	2016/17 Performance	
Annual Timber Volume Sold	12.5 Mm3	12.7 Mm3	Over Achieved
Volume sold as a per cent of Rationalized Apportionment	99%	101%	Over Achieved

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

Regional Performance (Annual Timber Volume Sold)	2016/17 Target	2016/17 Performance	
Coast	2.7Mm3	2.7Mm3	Achieved
North Interior	4.9Mm3	5.0Mm3	Over Achieved
South Interior	4.9Mm3	5.0Mm3	Over Achieved

ECONOMIC PROSPERITY - Selling the Apportionment

Results continued...

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

Corporate Performance Measure	2016/17 Target	2016/17 Performance	
Annual Timber Volume Developed (ADV)	14.5Mm3	13.1Mm3	Under Achieved

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

Regional Performance (ADV)	2016/17 Target	2016/17 Performance	
Coast	3.1Mm3	2.2Mm3	Under Achieved
Northern Interior	5.6Mm3	5.6Mm3	Achieved
Southern Interior	5.8Mm3	5.3Mm3	Under Achieved

In order to support our future sales plans, BCTS strives to have between one and two years of planned sales volume as developed timber volume in its “ready to sell” inventory at the start of each year. Supplier management, planning and land use related issues in six of twelve business areas prevented or delayed achievement of targets.

- **Plan sufficient Ready to Develop Volume to support the achievement of the next one to two year’s annual timber volume developed targets**

Corporate Performance Measure	2016/17 Target	2016/17 Performance	
Ready to Develop Volume (RCDR)	15.7Mm3	16.7Mm3	Over Achieved

Measure Description: Ready to develop volume is the amount of timber volume planned where referrals are complete and they are development ready.

ECONOMIC PROSPERITY - Selling the Apportionment

Results continued...

Regional Performance (RCDR)	2016/17 Target	2016/17 Performance	
Coast	3.4Mm3	4.0Mm3	Over Achieved
Northern Interior	6.3Mm3	7.8Mm3	Over Achieved
Southern Interior	6.0Mm3	4.9Mm3	Under Achieved

Consultation related delays contributed to the Southern Interior not achieving its target for the year.

- Auction a reliable supply of timber to the market**

Corporate Performance Measure:	Quarterly Target	
Per cent of timber volume advertised in quarter planned	90% to 110%	Under Achieved (See Below)

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

		Number of Business Areas That:		
Quarter	Provincial Performance	Achieved Target 90 to 110		Did not achieve Target <90 or >110
1 – April - June	94%	4		8
2 – July - Sept.	85%	1		11
3 – Oct. - Dec.	107%	3		9
4 – Jan. - March	189%	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. Operational and land use related issues in the second quarter 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.

Results continued...

- Plan to sell more volume in the second and third quarters to reduce the risks of not selling target volume (due to unforeseen circumstances in the fourth quarter)

Corporate Performance Measure:	2016/17 Target	2016/17 Performance	
Q1	19%	16%	Under Achieved
Q2	47%	48%	Achieved
Q3	78%	75%	Substantially Achieved

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

Although first quarter target was not achieved, substantial improvement has been made by the Business Areas compared to previous years.



ECONOMIC PROSPERITY - Generating Revenue

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 to, "generate revenue from B.C.'s natural resources." BCTS operates under a self financing Special Account and must over the long term, generate sufficient revenue to finance its cash requirements (i.e. earn a profit) over the long term.

Since 2003, BC Timber Sales has generated over \$275 million of indirect revenue and has earned over 800 million dollars in net revenue for the Province.

Results

Key Performance Indicator	2016/17 Target	2016/17 Performance	
Indirect Revenue Generated	\$29.3M	\$24.2M	Under Achieved

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 2016/17, the amount of timber harvested was nine per cent less than expected, which lowered the indirect taxation revenue for the Province.

Corporate Performance Measure	2016/17 Target	2016/17 Performance	
Net Revenue (Millions)	\$95.1M	\$158.2 M	Over Achieved

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

The volume harvested in 2016/17 declined as compared to the previous year and expectations resulting in lower costs. In addition the prices being paid for the 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.

ECONOMIC PROSPERITY - Generating Revenue

Results continued...

- Actively manage the costs of developed timber for auction

Corporate Performance Measure	2016/17 Target	2016/17 Performance*	2016/17 Performance – Including Costs of Disposition Agreements (New)	
Cost of Developed Timber per m3	\$5.91/m3	\$6.04/m3	\$6.76/m3	Under Achieved

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.

During 2016/17, BCTS entered into a number of Disposition Agreements with various First Nation and other entities to provide incremental timber volume to the program in support of its goal and objectives. As part these agreements BCTS purchases the rights to harvest the timber apportionment of others. The associated costs are not a normal part of the programs costs of goods sold and are therefore netted out here and for the costs used in the Ministries Market Pricing System.

The primary reason for the under achievement in managing the costs of development is the underachievement in developed volume delivery. Supplier management, planning and land use related issues in six of twelve business areas prevented or delayed achievement of targets.

- Actively manage the costs of access to the timber

Corporate Performance Measure	2016/17 Target	2016/17 Performance	
Cost of Access per m3 Sold	\$3.10/m3	\$3.04/m3	Achieved

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.

- Actively manage revenues by maximizing timber volume sold consistent with safe practices and sustainable forest management

Corporate Performance Measure:	2016/17 Target	2016/17 Performance	
Annual Timber Volume Sold	12.5Mm3	12.7Mm3	Over Achieved

Measure Description: Timber volume sold is an indicator of BCTS' success in selling timber to generate direct revenue. Generally, the more timber sold the more revenues earned.

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

• Pursue 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 2016/17, BCTS had taken significant steps toward ensuring all people had developed a strong foundation in Lean required to fully implement a Lean Philosophy with the organization. Ultimately all people working within BCTS will have such a firm foundation in the Lean Philosophy from course work and projects.

Corporate Performance Measure	2016/17 Target	2016/17 Performance	
Per cent of staff with foundational Lean training	50%	74%	Over Achieved

Measure Description: Foundational Lean training in Lean 101, 201 and 301

EXCELLENCE - Continuous Improvement

Results continued...

Corporate Performance Measure	2016/17 Target	2016/17 Performance	
Number of Lean Projects Undertaken	35	28	Substantially Achieved

Measure Description: Number of continuous improvement - Lean projects undertaken

- Pursue 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.

Corporate Performance Measure	2016/17 Target	2016/17 Performance	
Number of (Waste) Activities Eliminated	400	1,260	Over Achieved

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.

The performance results reflect significant improvements in administrative processes in a number of areas of business. A focus on consistency of processes resulted in significant savings of time and costs for BCTS and its suppliers.



Results continued...

- Pursue 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 also 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”.

Corporate Performance Measure	2016/17 Target	2016/17 Performance	
Timber volume sold under a business to business agreement-Incremental to BCTS Apportionment	250,000 m3	185,871 m3	Substantially Achieved

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 volume means volume that was not already part of BCTS apportionment.*

Two key strategies were highlighted in the Business Plan supporting effective relationships. They were to continue implementation of our First Nations Relationship Strategy and our Business Relations Strategy.

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

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

The goal of the Business Relations 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,
- provide BCTS with the continuity of social licence to deliver superior and enduring performance.

BCTS has formed two important Working Groups and provided staff resources to support the delivery these two critical strategies. To date, 33 per cent of the key actions in the First Nations Relationship Strategy are complete or on track, while 52 per cent have limited progress and largely remain to be addressed in future years. In total, 50 per cent of the key actions in the Business Relations Strategy are complete or on track. The remaining 50 per cent will be addressed more fully in future years.

SUSTAINABLE FOREST MANAGEMENT

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 ISO 14001 Environmental Management System, Sustainable Forest Management (SFM) standard, (CSA, FSC, SFI certifications)**

Corporate Performance Measure	2016/17 Target	2016/17 Performance	
Per cent of timber volume certified under a SFM system	100%	100%	Achieved

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.

SUSTAINABLE FOREST MANAGEMENT

Results continued...

- **Deliver on stewardship obligations**

During 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 recognised 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 49.1 million seedlings for our obligations in fiscal 2016/17.

Corporate Performance Measure	2016/17 Target	2016/17 Performance	
Number of EMS/SFM external audit major non-conformances	Zero	Zero	Achieved
Number of Trees Planted*	37.0 M	43.0 M	Over Achieved
Km of Road Deactivated	315 km	90 km	Under Achieved

Note: including section 108

A significant amount of industrial road was not deactivated as planned. After consultation the responsibility for most of these roads were transferred to others. Many deactivations were deferred to enable future BCTS operations such as silviculture activities. The reminder of the deactivations was deferred to future years as a result of weather or contract management issues at the local level.



SUSTAINABLE FOREST MANAGEMENT

Results continued...

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

Corporate Performance Measure	2016/17 Business Plan	2016/17 Performance	
Hectares of Ministry NSR planted by BCTS	5,100 ha	5.962 ha	Over Achieved
Number of Trees Planted	9.0 M	10.6 M	Over Achieved
Seedlings Grown (FFT 24.5 M, Districts 1.8 M)	25.0 M	24.5 M	Achieved

BCTS also delivered:

- 34,138 hectares of surveys, and 3,719 hectares of site preparation
- 24 watershed assessments for fish passage and 4 crossing remediations for the Land Base Investment Program



SAFETY

Principle 2: Forest Sector Safety

BC Timber Sales Safety Policy:

- BCTS is committed to maintaining an organisational 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.



SAFETY

Results

- **Ensure safe BC Timber Sales practices by maintaining SAFE Companies Certification**

Corporate Performance Measure	2016/17 Target	2016/17 Performance	
Maintain SAFE certification	100%	100%	Achieved

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 Sales Licences or bidding on BCTS contracts that involve on the ground field work to be SAFE Certified.**

Corporate Performance Measure	2016/17 Target	2016/17 Performance	
Per cent of Parties Working on TSLs or Contracts that involve on the ground Field Work that are SAFE Certified	100%	100%	Achieved

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.



APPENDIX 1 Financial Results – 2016/17 Income Statement

		2015/16 (millions)	2016/17 (millions)
GROSS REVENUE		\$304.6	\$336.3
CAPITALIZED EXPENSES			
Cost of Timber Inventory Harvested			
Administration/Salaries	\$26.2		\$27.0
Planning and Sales	\$36.5		\$39.7
Access - Amortization	\$28.2		\$27.9
Sub – total Cost of Timber Inventory Harvested		(\$90.9)	(\$94.6)
Period Costs			
Silviculture Liability Expense	\$44.8		\$43.9
Road and Bridge Maintenance	\$9.7		\$10.8
Road Deactivation	\$0.1		\$0.0
Harvest Conformance	\$0.3		\$0.3
Administrative Overhead	\$26.4		\$27.9
Non-BCTS Roads	\$0.0		\$0.4
Seed Inventory Adjustments	\$0.0		\$1.5
Recoveries	(\$1.5)		(\$1.3)
Sub- total Period Costs		(\$79.8)	(\$83.5)
Prior period expenses over-accrual		\$0.1	\$0.0
NET REVENUE		\$133.9	\$ 158.2

APPENDIX 1 Financial Results – Selected Balance Sheet Items

		2015/16 (millions)	2016/17 (millions)
Silviculture Liability		(\$113.7)	(\$117.5)
Inventory Value of Developed Timber			
Timber Inventory – Opening Balance	\$131.2		\$142.0
Timber Developed	\$73.6		\$90.1
Timber Available for Sale	\$204.8		\$232.1
Cost of Timber Inventory Harvested	(\$62.8)		(\$66.7)
Timber Inventory – Closing Balance		\$142.0	\$165.4
Roads			
Book Value	\$770.9		\$794.8
Accumulated Amortization	(\$514.8)		(\$532.9)
Net Book Value		\$256.1	\$261.9
Deactivation Liability		(\$8.8)	(\$10.4)
Seed Inventory		\$20.9	\$18.3

APPENDIX 2 Resource Summary Results – 2016/17

	2016/17 Plan	2016/17 Actual	Variance
Gross Revenue	\$276.7	\$336.3	\$59.6
Less: Expenses (Capitalised)	(181.6)	(178.1)	3.5
Net Revenue (Loss)	\$95.1	\$158.2	\$63.1
Financing Transactions (\$millions)			
Cost of Developed Timber Inventory	\$86.2	\$90.1	(\$3.9)
Fish Habitat Inventory	0.3	0.1	.2
Seed Inventory	1.0	0.7	0.3
Total Financing Transactions	\$87.5	\$90.9	(\$3.4)
Capital Expenditures (\$millions)			
Capital - Roads	\$45.7	\$33.7	\$12.0
Capital – Non- Roads	0.5	0.1	0.4
Total Capital Budget	\$46.2	\$33.8	\$12.4
Cash Expenditures (\$millions)			
Administration	\$14.2	\$14.9	(\$0.7)
Salaries	53.0	48.6	4.4
Planning	9.3	7.5	1.8
Sales	42.6	51.7	(9.1)
Access	49.7	38.9	10.8
Silviculture	44.2	38.4	5.8
Land Base Investment - Expenditures	12.7	12.7	0.0
Land Base Investment - Recoveries	(13.7)	(14.0)	0.3
Total Cash Expenditures	\$212.0	\$198.7	\$13.3
Non-Cash Budgets (\$millions)			
Amortization – Roads	\$28.4	\$27.9	\$0.5
Amortization – Non roads	0.5	0.4	0.1
Silviculture Liability Expense	40.0	43.9	(3.9)
Cost of timber inventory harvested	72.4	66.7	5.7
Timber Volume Outputs (Mm3)			
Volume Advertised (Offered)	13.1	14.0	0.9
Volume Sold	12.5	12.7	0.2
Volume Developed	14.5	13.1	(1.4)
Volume Scaled (Harvested)	11.8	10.7	(1.1)
Apportionment Volume (Rationalized)	12.6	12.5	(0.1)

APPENDIX 3 – HISTORICAL RESOURCE AND PERFORMANCE SUMMARY

	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
Operating Revenues and Expenses (\$millions)														
Gross Revenue	\$185.7	\$266.1	\$273.7	\$273.7	\$243.8	\$145.9	\$117.0	\$133.6	\$136.6	\$175.1	\$233.9	\$253.8	\$304.6	\$336.3
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)
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
Less Extraordinary Item (note 1)					(115.6)					\$0.3				
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
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
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
Planning	-	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
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
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
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
Forest Investment Account – LBIP	-	-	-	\$2.3	3.0	5.5	1.8	(0.2)	(0.4)	(1.2)	(1.5)	(1.7)	(1.5)	(1.3)
Total Working Capital Expenditures	\$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
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
Capital Road Construction	\$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
Total Capital Expenditures	\$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
TIMBER VOLUME OUTPUTS (millions of cubic metres)														
Volume Advertised (Mm ³)	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
Volume Sold (Mm ³)	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
Volume Developed (Mm ³)	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
Volume Scaled (Mm ³)	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

***Note 1:** 2007/08 Capitalized Expenses includes extraordinary item of \$115.6 Million for prior period accounting adjustment

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 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.

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.

APPENDIX 4 – GLOSSARY CONTINUED

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.

