

# B.C. TIMBER SALES

## ANNUAL PERFORMANCE REPORT

April 1, 2019 to March 31, 2020



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



**BCTS**  
BC Timber Sales



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



## **BCTS** BC Timber Sales

### **Table of Contents**

|   |    |
|---|----|
| <b>Organizational Overview</b>  | 3  |
| <b>Highlights of the Year</b>   | 5  |
| <b>Report on Performance</b>  | 6  |
| <b>Principle 1: Forest Sector Safety</b>                                    | 9  |
| <b>Principle 2: Reconciliation with Indigenous Peoples</b>                  | 11 |
| <b>Principle 3: Sustainable Resources</b>                                   | 13 |
| <b>GOAL: Provide credible representative price and cost benchmark data</b>  | 17 |
| • <b>Objective 1: Selling the full apportionment</b>                        | 20 |
| • <b>Objective 2: Generate direct and indirect revenue for the Province</b> | 26 |
| • <b>Objective 3: Continuous business improvement</b>                       | 28 |
| <br>  |    |
| <b>Appendices</b>   |    |
| Appendix 1: 2019/20 Financial Results                                       | 32 |
| Appendix 2: Resource Summary  | 35 |
| Appendix 3: Historical Resource and Performance Summary                     | 36 |
| Appendix 4: Glossary  | 38 |

# ORGANIZATIONAL OVERVIEW

**BCTS sustainably manages the harvesting and reforestation of approximately 20 per cent of the timber available for harvest from British Columbia's timber harvesting land base. "Timber harvesting land base" is public land where environmentally sound timber harvesting is allowed and economically feasible.**

BC Timber Sales (BCTS) is a self-financing program within the Ministry of Forest, Lands, Natural Resources Operations and Rural Development (the Ministry). BCTS supports the Ministry's vision of "*Stewardship of the Province's Crown (public) land and resources that reflects the diverse values and interests of all British Columbians*". BCTS also supports the Ministry's six goals: Excellence in Delivery of our Business, Sustainable Natural Resource Management, Reconciliation with Indigenous Peoples, Resilience to Natural Hazards in a Changing Climate, Revitalizing Forests and the Forest Sector, and Rural Development and Resilience.

BCTS' primary function is to sustainably manage, plan, develop and sell through auction a substantial and representative portion of the Province's annual available timber volume and to reforest harvested areas. The data obtained from these timber auctions and operations determine the market value of timber harvested from public land. This business process, referred to as the Market Pricing System, is used to demonstrate to the Province's trade partners that public timber is being sold at market prices. It also helps ensure that British Columbians receive fair market value for their Crown assets.

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

## **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 public 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 for public land in British Columbia.



# ORGANIZATIONAL OVERVIEW

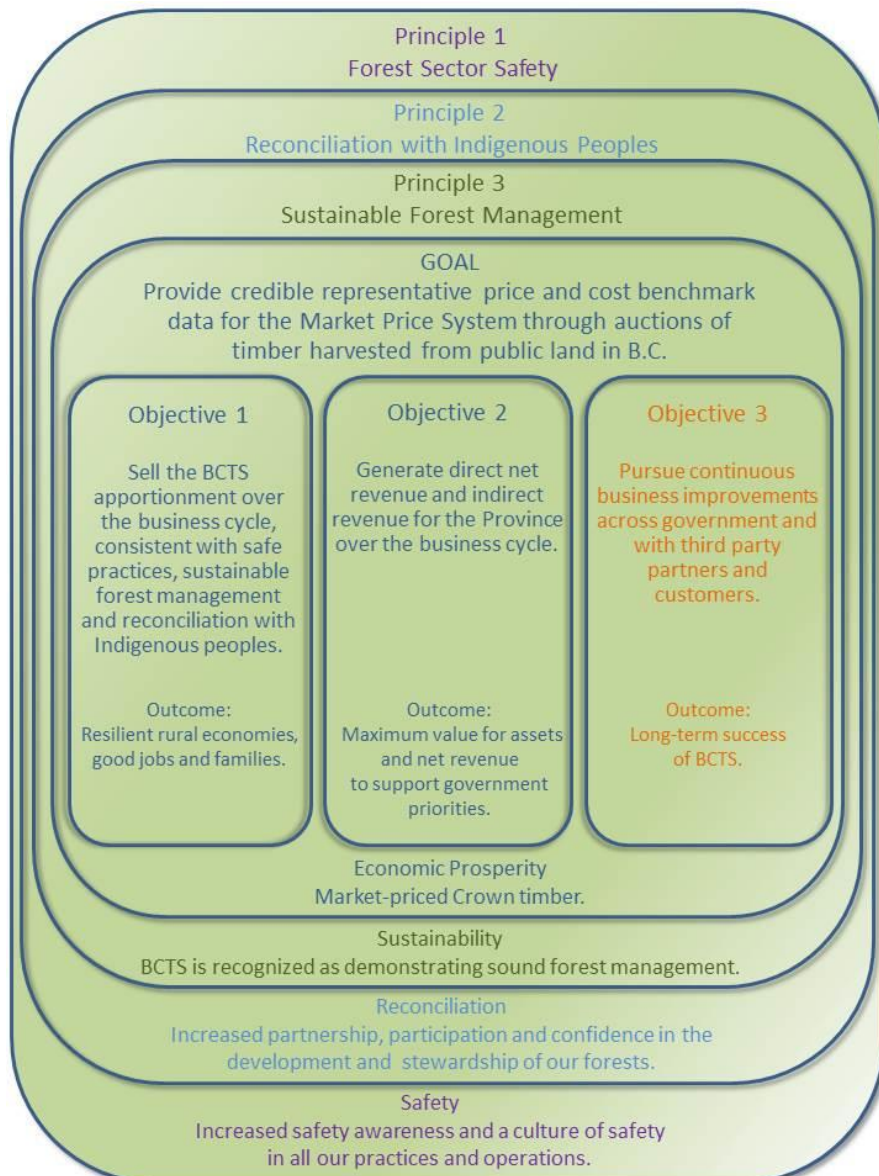
BCTS' strategic and operational business planning process creates the platform for the program to identify and deliver on key objectives for the fiscal year. BCTS has three key business objectives and operates within three overarching guiding principles.

## BCTS' business objectives:

1. Sell the BCTS apportionment over the business cycle, consistent with safe practices, sustainable forest management and reconciliation with Indigenous peoples.
2. Generate direct net revenue and indirect revenue for the Province over the business cycle.
3. Pursue continuous improvements across government and with third party partners

## BCTS' guiding principles:

1. Forest Sector Safety
2. Reconciliation with Indigenous Peoples
3. Sustainable Forest Management



# HIGHLIGHTS OF THE YEAR

BCTS' achievement supports the outcomes of Economic Prosperity, Sustainability, Business Excellence, Safety and Reconciliation benefiting all citizens of British Columbia. We are committed to pursuing excellence in all aspects of our business, focusing on results and maintaining effective, meaningful relationships with stakeholders and First Nations.

## **In 2019/20, BCTS:**

- Maintained our SAFE Company certification supporting forest sector safety.
- Maintained 100 percent of our operational area certified under a Sustainable Forest Management system, demonstrating environmentally sound forest management practices.
- Delivered on our environmental stewardship commitment by growing 47.7 million seedlings and planting 39 million trees, replenishing areas harvested by our licensees.
- Sold 10.1 million cubic metres of timber, supporting the Market Pricing System, rural economies, jobs and families.
- Earned \$175.7 million in net revenue, supporting the government's fiscal plan and priorities.
- Managed and stored 51 million seedlings and planted 16.7 million trees for the Forests for Tomorrow (FFT) and Forest Carbon Initiative (FCI) programs, supporting productive future forests.
- Continued to implement our Business Relations Strategy and Rural Communities Communications and Engagement Strategy, supporting effective relations.

# REPORT ON PERFORMANCE

Since 2003, BC Timber Sales has sold 195 million cubic metres of timber through competitive auctions, supporting rural economies across B.C. The development, auction, harvesting and processing of this timber has helped create and sustain over 7,500 direct and 10,000 indirect jobs. These jobs have supported families and rural communities over the last 17 years and continue to do so.

We measure 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 percent of projected Provincial harvest volume           | A       |
| 2. Percent of total apportioned timber volume sold over the five-year business cycle | U       |
| 3. Indirect revenue earned   | U       |
| Corporate Performance Measure  | Results |
| 1. Annual timber volume sold   | U       |
| 2. Net revenue earned  | O       |

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

# REPORT ON PERFORMANCE

In fiscal year 2019/20, 31 performance measures supported the achievement of our 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 British Columbia.</b> |                |   |         |
| 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   |                | Percent of BCTS auction volume harvested compared to that of major licensees (for each significant species and grade) | A       |

| <b>Objective 1: Sell the full BC Timber Sales apportionment over the business cycle. Consistent with Safe Company practices and sustainable forest management.</b>                                    |  |  |   |
|---|--|--|---|
| Offer to the market, through competitive auctions, sufficient timber volume to achieve annual timber volume sold targets  |  | Annual timber volume offered                           | O |
| 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   |  | Percent 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 and appropriately managing the risks to the achievement of our annual timber volume sold targets |  | Percent 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 (m3)      | A |
| Actively manage the costs of access to the timber  |  | Access costs per cubic metre of timber volume sold | U |
| Offer a timber volume equivalent to 10 percent of rationalized apportionment as Category 2 timber sales        |  | Category 2 timber volume offered                   | A |
| <b>Objective 3: Continuous business improvement – within BCTS, across government and with third parties.</b>   |  |  |   |
| Pursue excellence in people  |  | Work Environment Survey overall engagement         | A |
|  |  | Percent of staff with foundational Lean training   | U |
| Pursue excellence in operations, practices and processes   |  | Projects undertaken                                | O |
|  |  | ISO 9001:2015 Standards - Procurement              | A |

# REPORT ON PERFORMANCE

| <b>Principle 1: Forest Sector Safety</b>  |  |   |
|---|--|---|
| Ensure safe BCTS practices by maintaining SAFE Certification  | SAFE Company certification   | A |
| Promote safe worksites by requiring all parties working on Timber Sales Licenses (TSLs) or bidding on BCTS contracts to be SAFE Company certified   | Percent of parties working that are SAFE Company certified                     | A |
| Actively support the Ministry in maintaining its SAFE Company certification by implementing a strategy to align with BCTS   | Ministry SAFE Company certification  | A |
| <b>Principle 2: Reconciliation with Indigenous Peoples</b>  |  |   |
| <p>Worked to align our culture, policies and business practices to support reconciliation with Indigenous peoples.</p> <p>Enhanced our training program for staff focused on improving cultural awareness and understanding of Indigenous peoples history, culture and legal framework.</p> <p>Pursued opportunities to build effective and durable relationships with Indigenous peoples.</p> <p>Continued to engage with Indigenous peoples to learn more on how BCTS can strategically align with the <i>Declaration Act</i> and CTA</p> | Percent of staff having completed the Learning for Reconciliation Five Actions | U |
| <b>Principle 3: Sustainable Forest Management</b>   |  |   |
| Maintain an Environmental Management System (EMS) and Sustainable Forest Management Certification (SFM)   | Percent 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  | A |
|   | Km of road deactivated   | S |
| 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 Not Satisfactorily Restocked (NRS) area planted by BCTS               | A |
|   | Number of FFT/FCI trees planted  | O |
|   | Seedlings grown for FFT/FCI  | O |
| Implement our Climate Change Action Plan  | Annual progress report   | A |



## Principle 1: Forest Sector Safety

### BCTS' Safety Policy

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

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

| Corporate Performance Measure (BCTS) | 2019/20 Target | 2019/20 Performance |          |
|--------------------------------------|----------------|---------------------|----------|
| SAFE Company certification           | Maintained     | Maintained          | Achieved |

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

# SAFETY

- Promote safe worksites by requiring all parties working on Timber Sales Licences (TSLs) or bidding on BCTS contracts that involve on-the-ground fieldwork to be SAFE Company certified

| Corporate Performance Measure   | 2019/20 Target | 2019/20 Performance |          |
|---|----------------|---------------------|----------|
| Percent of parties working on BCTS TSLs or contractors that involve on the ground fieldwork that are SAFE Company certified | 100%           | 100%                | Achieved |

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

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



| Corporate Performance Measure (Ministry) | 2019/20 Target | 2019/20 Performance |          |
|--|----------------|---------------------|----------|
| Ministry SAFE Certification              | Maintained     | Maintained          | Achieved |

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

## Principle 2: Reconciliation with Indigenous Peoples

Reconciliation with Indigenous peoples is integral to BCTS' mandate and its long-term success. In that context, the program supports government's commitment to true, lasting reconciliation with First Nations in British Columbia; this includes the implementation of the *Declaration on the Rights of Indigenous Peoples Act (Declaration Act)* and the Calls to Action of the Truth and Reconciliation Commission (CTA).

BCTS is committed to supporting the achievement of the Ministry's objective to "*Strengthen partnerships and increase engagement with Indigenous peoples in the management of B.C.'s natural resources*" by:

- Exploring greater opportunities to promote partnerships with Indigenous peoples in the work of the Ministry.
- Increasing participation from Indigenous peoples in the natural resource economy.
- Increasing the confidence of Indigenous peoples in BCTS' stewardship of natural resources (including continued work on the incorporation of Indigenous Knowledge).

In recognition of the above commitments, BCTS pursued the following key strategies during the year:

- Worked to align our culture, policies and business practices to support reconciliation with Indigenous peoples.
- Enhanced our staff training program with a focus on improving cultural awareness and understanding of Indigenous peoples history, culture and legal framework.
- Pursued opportunities to build effective and durable relationships with Indigenous peoples.
- Continued to engage with Indigenous peoples to learn more on how BCTS can strategically align with the *Declaration Act* and CTA.
- Continued to implement the Learning for Reconciliation strategy, which included the following five actions:
  1. All staff to read the Truth and Reconciliation Commission of

# RECONCILIATION

Canada (TRC) Calls to Action, the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP) and the Provincial 10 Draft Principles

2. All staff to seek additional learning opportunities within the BC Public Service.
3. All staff to participate in the group presentation and discussion on UNDRIP, CTA, and the 10 Draft principles and the *Declaration Act*.
4. All staff to receive in-person training, preferably from a local indigenous training provider.
5. All managers and team lead to work with their teams to identify actions that will be undertaken to support the CTA, implementation of the Declaration Act and the Provincial 10 Draft Principles.

| Corporate Performance Measure  | 2019/20 Target | 2019/20 Performance |                      |
|--|----------------|---------------------|----------------------|
| Percent of staff who completed the Learning for Reconciliation Strategy's five actions | 100%           | 90%                 | <b>Underachieved</b> |





## Principle 3: Sustainable Forest Management

High-quality forest and environmentally sound management practices are integral to the BCTS mandate. Sustainable forest management is important to how BCTS conducts its business and to protecting the interests of the people of British Columbia. Through the application of this principle, BCTS supports the achievement of the Ministry objective for the public's confidence and trust in the stewardship of British Columbia's natural resources.

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

| Corporate Performance Measure                          | 2019/20 Target | 2019/20 Performance |          |
|--|----------------|---------------------|----------|
| Percent of timber volume certified under an SFM system | 100%           | 100%                | Achieved |

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

- **Deliver on stewardship obligations**

Through our Seedling Services program we ensured a secure supply of seeds for future BCTS' needs and to meet our current commitments. During the year, Seedling Services grew 47.7 million seedlings and collected 290 kg of seed for our obligations.

# SUSTAINABLE RESOURCES

| Corporate Performance Measure<br>Major Stewardship Obligations | 2019/20<br>Target | 2019/20<br>Performance |                           |
|--|-------------------|------------------------|---------------------------|
| Number of EMS/SFM external audit<br>major non-conformances     | ZERO              | ZERO                   | Achieved                  |
| Number of trees planted  | 38.3M             | 39.0M                  | Overachieved              |
| Km of BCTS road deactivated                                    | 450KM             | 417KM                  | Substantially<br>Achieved |

**In spring 2020, BCTS delivered its  
one billionth tree seedling  
for government-funded planting initiatives.**



On average, BCTS manages more than 90 million seedlings a year from a mix of over 20 different native tree species seed to help maintain ecosystem processes, resilience and diverse habitats.

# SUSTAINABLE RESOURCES

- **Use BCTS economies of scale and expertise to deliver cost-effective silviculture services and provide quality seedlings for the Forests for Tomorrow (FFT) and Forest Carbon Initiative (FCI) programs and the Ministry**

During the year, BCTS continued to collaborate and deliver high-quality services to the Forests for Tomorrow Program (FFT) and the Forest Carbon Initiative (FCI). In 2019/20, the demand from these programs grew and the number of trees planted and seedlings grown exceeded the planned targets for the year.

|                                    | 2019/20 Target | 2019/20 Performance |              |
|------------------------------------|----------------|---------------------|--------------|
| Ministry NSR* area planted by BCTS | 8,665 ha       | 9,193 ha            | Overachieved |
| Number of FFT/FCI trees planted    | 15.2M          | 16.7M               | Overachieved |
| Seedlings grown for FFT/FCI        | 48.0M          | 51.0M               | Overachieved |

\*NSR = Not Satisfactorily Restocked.

- **Improve wildlife management and support the recovery of species at risk**

Consistent with the Ministry’s commitment to improving wildlife management and habitat conservation, BCTS has dedicated additional staff positions to support its operations through collaboration with the provincial Caribou Recovery program and regional wildlife managers on the development and implementation of plans and beneficial management practices for wildlife, species at risk and associated habitats.

- **Implement our Climate Change Action Plan**

The Ministry’s objective is to expand and strengthen climate change mitigation and adaptation activities. 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 actions plans.

# SUSTAINABLE RESOURCES

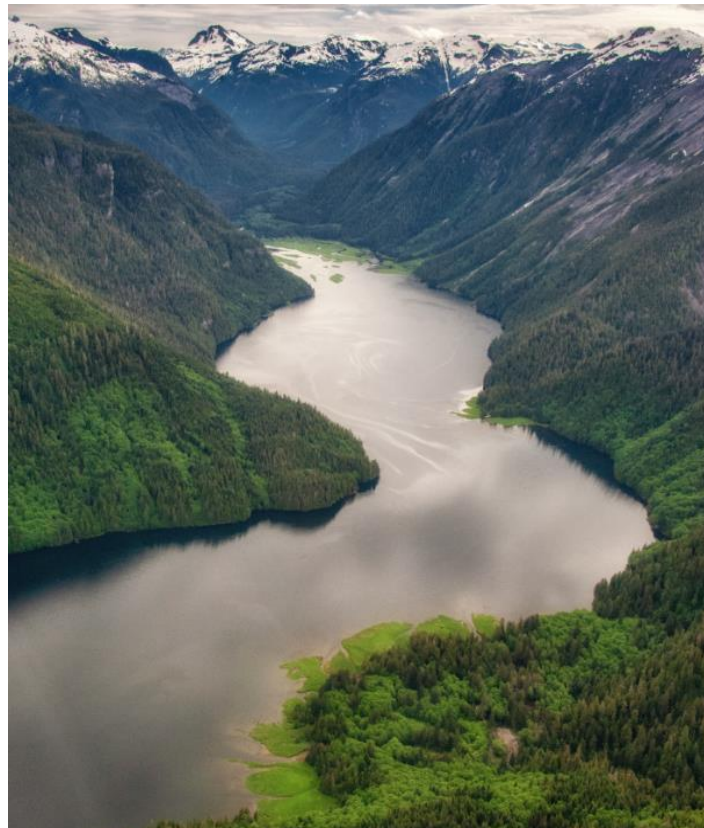
Some examples of how we actively engaged in advancing climate change actions during the year include:

- Acknowledging changes in climate have a high potential of impacting our operations and the achievement of our obligations and that as a forest manager in B.C. we must take proactive action on climate change.
- Staying up to date on emerging climate change information and incorporating this information in our job functions.
- Placing reliance on the professionals we hire to ensure they are current on best practices to address climate change risks and opportunities.
- Participating on Ministry and forest industry groups to identify climate change solutions.

We report out on our Climate Change Action Plan's progress annually in our Annual Progress Report.

| Corporate Performance Measure            | 2019/20 Target         | 2019/20 Performance |                 |
|--|------------------------|---------------------|-----------------|
| Implementation of climate change actions | Annual progress report | Report Issued       | <b>Achieved</b> |

**Measure Description:** A report will be prepared annually on our Climate Change Action Plan plan's progress and implementation.





# ECONOMIC PROSPERITY – MARKET PRICING

## 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 where environmentally sound timber harvesting is allowed and economically feasible.**

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

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

BCTS tracks the timber volume it auctions and sells as a percentage 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 costs and pricing data within an environment of ever-changing market conditions and demand.

## Results

| Key Outcome Indicator  | 2019/20 Target | 2019/20 Performance |                 |
|--|----------------|---------------------|-----------------|
| <b>BCTS auction volume as a percent of projected Provincial harvest volume</b> | <b>20%</b>     | <b>22%</b>          | <b>Achieved</b> |

*Measure Description: BCTS' timber volume auctioned (Section 20 Timber Sales Licenses) in the year as a percent of the total projected Provincial harvest volume for the year, as of January 2017.*

# ECONOMIC PROSPERITY – MARKET PRICING

| Regional Performance Indicators | 2019/20 Target | 2019/20 Performance |          |
|---------------------------------|----------------|---------------------|----------|
| Coast                           | 20%            | 21%                 | Achieved |
| Interior                        | 20%            | 23%                 | Achieved |

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

| Corporate Performance Measure   | 2019/20 Target | 2019/20 Performance |          |
|---|----------------|---------------------|----------|
| Accuracy and completeness of performance metric cost survey and silviculture liability data | 95%            | 96.3%               | 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 percent conformance.*

BCTS is implementing a data quality management system that is consistent with the International Standards Organization (ISO) 9001: 2015 standard. The management system is currently being applied through quarterly monitoring of key published performance metric data sets and quality assurance reviews of selected key performance criteria.

The key selected performance targets for the year included the following:

| Key Performance Data Sets                           | Quality Performance Rating at March 31, 2020 |
|---|--|
| Annual Referrals Complete, Development Ready Volume | 98.5%  |
| Annual Developed Timber Volume                      | 97.2%  |
| Ready to Develop Timber Inventory                   | 93.0%  |
| Development in Progress Timber Inventory            | 98.7%  |
| Ready to Sell Timber Inventory                      | 95.0%  |
| Road Deactivation Liability                         | 99.0%  |
| Silviculture Obligations Liability                  | 99.6%  |
| Timber Volume Sold                                  | 88.0%  |

During 2019/20, the overall average performance rating was 96.3% for the year ending March 31, 2020. The rating was calculated as an average of key selected performance data (identified in the table above). Seven of the Eight targets were achieved for the year. There were inconsistencies in volumes between systems that caused the Volume Sold data set to have a performance rating below target.

# ECONOMIC PROSPERITY – MARKET PRICING

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

| Corporate Performance Measure  | 2019/20 Target | 2019/20 Performance       |          |
|--|----------------|---------------------------|----------|
| The percent of BCTS volume harvested is within five percentage points of the percent of harvest volume by major licensees for each major species and grade MPS attribute 80% of the time | 80%<br>80%     | Coast 83%<br>Interior 91% | Achieved |

**Measure Description:** BCTS volume harvested by major species and grade attribute as a percent of total BCTS volume harvested, compared to the volume harvested by the major licensees by the same attribute as a percent of their total harvest volume. BCTS' volume percentage is within +/-5 percentage points of the major licensees 80 percent of the time.



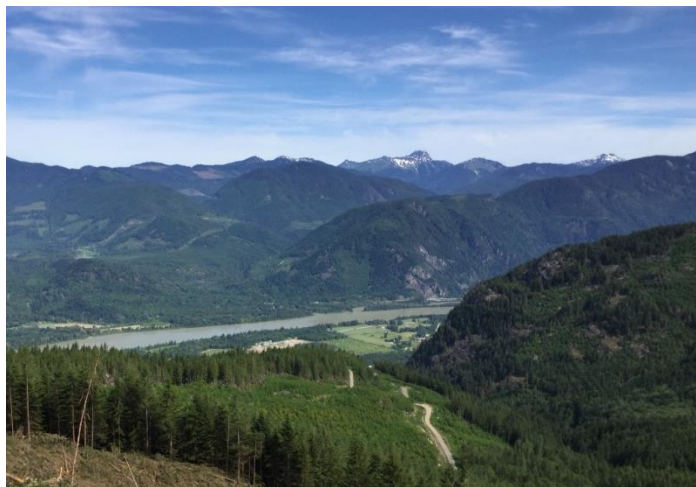
## Objective 1:

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

Providing a reliable, competitive fibre supply (timber) to market supports a forest sector that builds on the strengths of the manufacturing sector and thriving rural communities—Indigenous and non-Indigenous—that enables residents to achieve desired outcomes for themselves and future generations.

BCTS’ apportionment is the volume of public timber specified by the Minister, pursuant to the *Forest Act*, that the program has available to sell. It is the objective of the program to sell its full apportionment over the five-year business cycle, consistent with safe practices, sustainable forest management and reconciliation with Indigenous peoples.

In some cases, adhering to these overarching principles of safety, sustainability and reconciliation can cause unique circumstances where BCTS is unable to, or should not attempt to, sell its full apportionment. This netted down apportionment is called the “rationalized apportionment”. The rationalized apportionment is the apportionment against which the program’s performance related to selling the full apportionment is measured.





# ECONOMIC PROSPERITY – Selling the Apportionment

## Results

Year one of BCTS' current five-year business cycle is 2019/2020. The forest sector downturn during 2019/20 impacted the timber volume sold achievements for the year. As a result of the fall in lumber prices, the number of timber sale auctions that received no bids increased from 0.59 million cubic metres in fiscal 2018/19 to 2.92 million cubic metres in 2019/20. This was a 395% increase and a major factor contributing to the underachievement in timber volume sold. While this timber will eventually be sold, much of it was not able to be reauctioned in time for our 2019/20 performance.

Other contributing factors that affected volume sold performance were the Western Forest Products strike on the coast and impacts related to wildfires, Goshawks, Caribou and reconciliation activities.

| Key Performance Indicators                            | 2019/20 Target | 2019/20 Performance |               |
|---|----------------|---------------------|---------------|
| Percent of cumulative rationalized apportionment sold | 20%            | 17%                 | Underachieved |
| Percent of annual rationalized apportionment sold     | 100%           | 86%                 | Underachieved |

*\*Measure Description: The business cycle is defined as five years starting April 1, 2019 and ending March 31, 2024. The indicator is the cumulative timber volume sold/total BCTS rationalized apportionment for five years.*

| Corporate Performance Measure | 2019/20 Target       | 2019/20 Performance  |               |
|-------------------------------|----------------------|----------------------|---------------|
| Timber Volume sold            | 11.8 Mm <sup>3</sup> | 10.1 Mm <sup>3</sup> | Underachieved |

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

| Regional Performance (Annual Timber Volume Sold) | 2019/20 Target      | 2019/20 Performance |               |
|--|---------------------|---------------------|---------------|
| Coast  | 2.1 Mm <sup>3</sup> | 1.7 Mm <sup>3</sup> | Underachieved |
| North Interior                                   | 5.7 Mm <sup>3</sup> | 4.7 Mm <sup>3</sup> | Underachieved |
| South Interior                                   | 4.0 Mm <sup>3</sup> | 3.7 Mm <sup>3</sup> | Underachieved |

# ECONOMIC PROSPERITY – Selling the Apportionment

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

BCTS overachieved its total volume advertised target for the year. However, the overachievement was largely the result of the higher than expected number of auctions receiving no bids as a result of changing market conditions and mill curtailments.

| Corporate Performance Measure      | 2019/20 Target       | 2019/20 Performance  |              |
|------------------------------------|----------------------|----------------------|--------------|
| Timber Volume offered (Advertised) | 12.4 Mm <sup>3</sup> | 13.1 Mm <sup>3</sup> | Overachieved |

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

| Timber Volume Offered | 2019/20 Target      | 2019/20 Performance |                        |
|-----------------------|---------------------|---------------------|------------------------|
| Coast                 | 2.2 Mm <sup>3</sup> | 2.6 Mm <sup>3</sup> | Overachieved           |
| Northern Interior     | 6.0 Mm <sup>3</sup> | 5.8 Mm <sup>3</sup> | Substantially Achieved |
| Southern Interior     | 4.2 Mm <sup>3</sup> | 4.7 Mm <sup>3</sup> | Overachieved           |

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

BCTS disposition agreements are voluntary agreements where at request of the non-BCTS tenure holder BCTS develops and auctions their volume on their behalf. The sale, harvest and processing of this additional timber volume directly supports rural economies, communities, local jobs, families and in many cases relationships with Indigenous peoples.

| Corporate Performance Measure  | 2019/20 Target         | 2019/20 Performance    |              |
|--|------------------------|------------------------|--------------|
| Timber volume sold under a business-to-business agreement, incremental to BCTS apportionment | 350,000 m <sup>3</sup> | 448,150 m <sup>3</sup> | Overachieved |

BCTS continues to pursue effective relationships. Business-to-business disposition agreements are an effective tool to support this objective. During 2019/20, BCTS sold 448,150m<sup>3</sup> of timber volume through business-to-business agreements incremental to the BCTS apportionment. The volume sold was 28% more than the planned target for the year.

# ECONOMIC PROSPERITY – Selling the Apportionment

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

BCTS strives to have between one and two years of planned timber sales volume ready for sale as developed timber volume in its “ready to sell” inventory at the start of each year. This provides BCTS business areas with a sufficient supply of ready to sell timber to react to any operational issues and achieve annual targets.

BCTS underachieved its production targets for the year. The loss in production was primarily due to wildlife (Goshawk, Caribou) impacts and delays from consultation activities with Indigenous peoples.

| Corporate Performance Measure | 2019/20 Target       | 2019/20 Performance |               |
|-------------------------------|----------------------|---------------------|---------------|
| Annual developed volume (ADV) | 13.6 Mm <sup>3</sup> | 9.7 Mm <sup>3</sup> | Underachieved |

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

| Regional Performance (ADV) | 2019/20 Target      | 2019/20 Performance |               |
|----------------------------|---------------------|---------------------|---------------|
| Coast                      | 2.4 Mm <sup>3</sup> | 1.9 Mm <sup>3</sup> | Underachieved |
| Northern Interior          | 6.3 Mm <sup>3</sup> | 4.2 Mm <sup>3</sup> | Underachieved |
| Southern Interior          | 4.9 Mm <sup>3</sup> | 3.6 Mm <sup>3</sup> | Underachieved |

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

In order to ensure a reliable and sufficient supply of timber for development and future sale, BCTS needs to first identify available timber volume and then undertake planning and consultation activities. Once completed, the timber volume is ready to develop. Operational and planning issues along with delays in consultations with Indigenous peoples resulted in an underachievement for the year in all three areas of the province.

| Corporate Performance Measure | 2019/20 Target       | 2019/20 Performance  |               |
|-------------------------------|----------------------|----------------------|---------------|
| Volume ready for development  | 15.4 Mm <sup>3</sup> | 12.8 Mm <sup>3</sup> | Underachieved |

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

# ECONOMIC PROSPERITY – Selling the Apportionment

| Regional Volume Ready for Development (RCDR) | 2019/20 Target      | 2019/20 Performance |               |
|--|---------------------|---------------------|---------------|
| Coast  | 2.2 Mm <sup>3</sup> | 1.6 Mm <sup>3</sup> | Underachieved |
| Northern Interior                            | 7.6 Mm <sup>3</sup> | 6.2 Mm <sup>3</sup> | Underachieved |
| Southern Interior                            | 5.6 Mm <sup>3</sup> | 5.0 Mm <sup>3</sup> | Underachieved |

- Auction a reliable supply of timber**

Predictability of timber supply for our customers is important. BCTS demonstrates reliability in supply by advertising and auctioning timber consistent with its annual sales plans. The primary reason for underachievement in the first three quarters was the increase in timber sales receiving no bids. Addressing any underachievement from prior quarters by the end of the fiscal year typically results in significantly more timber volume advertised in the fourth quarter than is originally planned.

| Performance Measure – Percent of Timber Volume Advertised in the Quarter Planned |             |
|--|-------------|
| Target   | 90% to 110% |

**Measure Description:** Timber volume advertised in the quarter as a percent of the planned timber volume set out in annual business area sales plans is a measure of consistency and reliability.

| Quarter         | Provincial performance | Number of Business Areas that: |                                      |
|-----------------|------------------------|--------------------------------|--------------------------------------|
|                 |                        | Achieved target 90% to 110%    | Did not achieve target <90% or >110% |
| 1. April – June | 80%                    | 5                              | 7                                    |
| 2. July - Sept. | 64%                    | 1                              | 11                                   |
| 3. Oct. - Dec.  | 78%                    | 1                              | 11                                   |
| 4. Jan. – March | 176%                   | 0                              | 12                                   |

**Measure Description:** The percent of total timber volume advertised in the quarter planned as set out in annual BCTS business areas sales plans.

# ECONOMIC PROSPERITY – Selling the Apportionment

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

Customer demand for timber is not equal throughout the year and it is not consistent throughout the province. BCTS recognizes in some areas customers prefer an even flow of timber volume into the market, while in other areas they may prefer greater volumes in quarters two or three, before the snow falls. In addition, there is greater risk unforeseen circumstances in the last quarter can prevent the achievement of our annual timber volume sold targets. To address this, BCTS attempts to optimize its delivery throughout the year.

| Percent of timber volume sold by quarter (cumulative) |     |     |     |      |
|---|-----|-----|-----|------|
|   | Q1  | Q2  | Q3  | Q4   |
| 2019-20 (Targets)                                     | 18% | 47% | 76% | 100% |
| 2019-20 (Achieved)                                    | 22% | 42% | 65% | 100% |

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





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

This objective supports the Provincial government and the Ministry as major contributors to the current and future economic health of the Province. It also directly contributes to the Ministry’s objective that the 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, BC Timber Sales has generated over \$391 million of indirect revenue and earned \$1.4 billion in net revenue for the Province.**

## Results

Despite the downturn in the forest sector and other challenges during the year resulting in a lower than expected annual harvest, BCTS continued to realize higher than expected billed rates for harvested timber, which had a favourable impact on gross and net revenues. Lower than expected harvest volume resulted in the generation of less indirect revenue than targeted.

| KPI Corporate Performance Measure | 2019/20 Target | 2019/20 Performance |               |
|-----------------------------------|----------------|---------------------|---------------|
| Indirect revenue                  | \$50 M         | \$44 M              | Underachieved |

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

| CPM Key Performance Indicator | 2019/20 Target | 2019/20 Performance |              |
|-------------------------------|----------------|---------------------|--------------|
| Net revenue                   | \$153.3M       | \$175.7M            | Overachieved |

**Measure Description:** Net revenue is a key measure 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.

# ECONOMIC PROSPERITY – Generating Revenue

Indirect revenue earned is a direct result of the amount of timber harvested. In 2019/20, the amount of timber harvested was less than expected for the year, which decreased the indirect taxation revenue for the Province.

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

During the year, BCTS implemented improvements to its inventory management system. The changes provide additional information on timber volume and costs as cutblocks move through development and into timber volume ready for sale (finished goods).

| Corporate Performance Measure          | 2019/20 Target        | 2019/20 Performance   |               |
|--|-----------------------|-----------------------|---------------|
| Cost of access per m <sup>3</sup> sold | \$3.53/m <sup>3</sup> | \$4.37/m <sup>3</sup> | Underachieved |

**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 the costs of access to the timber**

The cost of access per cubic meter during the year was higher than target primarily because the volume sold (the denominator) was lower than planned. Had the planned volume been sold the cost of access would have been \$3.75 per cubic metre.

| Corporate Performance Measure                 | 2019/20 Target        | 2019/20 Performance*  |          |
|---|-----------------------|-----------------------|----------|
| Cost of developed timber per m <sup>3</sup> * | \$6.82/m <sup>3</sup> | \$5.93/m <sup>3</sup> | 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.

- **Offer a timber volume equivalent of 10 percent of rationalized apportionment as Category 2 Timber Sale Licences**

Eligibility to bid on Category 2 TSLs is limited to registrants with timber processing facilities. BCTS' objectives for offering such TSLs are to:

- provide open access to Crown timber for non-tenured or insufficiently tenured timber processing facilities;
- promote local employment; and,
- support the value-added sector of British Columbia.

| Corporate Performance Measure    | 2019/20 Target     | 2019/20 Performance |          |
|----------------------------------|--------------------|---------------------|----------|
| Category 2 timber volume offered | 1.2Mm <sup>3</sup> | 1.2Mm <sup>3</sup>  | Achieved |

**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 build and maintain strong relationships and to continuously improve 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:

**Only those with Excellent Processes, Excellent People and Effective Relationships will truly excel.**

BCTS and its people are committed to:

- Continuously learning, innovating and leading through change in the pursuit of **Excellence**.
- Embracing a **Lean Philosophy** as the next step in continuous improvement.
- Building **Effective Relationships** and collaborations.

## **Results**

### **Objective 3.1: Excellence in people**

People are crucial to any successful implementation of a Lean philosophy. The key to implementing a Lean philosophy within BCTS is developing our own expertise.

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) results provide information on work environment challenges impacting engagement. The survey is conducted every second year, and the results help to start conversations on what can be done differently and to guide actions and initiatives to improve employee engagement and retention. Based on previous WES results BCTS, through its People Practices Working Group, has been working to improve the following priority WES drivers: Staffing Practices, Pay and Benefits, Recognition, Tools and Workspace and Supervisory Level Management. The last survey was completed in 2018.

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

# BUSINESS EXCELLENCE – Continuous Improvement

| Work Environment Survey Overall Engagement |                  |             |                  |
|--|------------------|-------------|------------------|
|  | 2018 Achievement | 2020 Target | 2020 Achievement |
| Staff engagement score                     | 69               | Increase    | 70               |

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

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

Currently, 91 percent of staff have a firm foundation in the Lean philosophy from course work and projects. A number of planned in-person Lean training sessions had to be cancelled in March 2020 due to COVID-19.

| Percent of Staff with Foundational Lean Training | 2019/20 Target | 2019/20 Performance |
|--|----------------|---------------------|
| Staff percent                                    | \$100%         | 91%                 |

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

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

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

Over the last year, BCTS undertook 55 improvement projects using the Lean philosophy and has reduced duplication and unnecessary steps from our hiring, invoicing and contracting processes. These improvements save time for BCTS staff and our contractors.

| Corporate Performance Measure | 2019/20 Target | 2019/20 Performance |
|-------------------------------|----------------|---------------------|
| Number of projects            | 40             | 55                  |

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

- **Maintain a Contract Quality Management System (CQMS) that conforms to the ISO 9001 International standards**

Each year, BCTS contracts an average of \$140-170 million in goods and services. Effective contracting is the procurement goal for the program. The achievement of this goal is supported by four objectives:

- BCTS employees have appropriate levels of contracting knowledge and competency.
- Efficient and competitive contracting practices that provide value for money.
- Fair, transparent and consistent contracting practices across BCTS.
- Continuously improve BCTS' contracting practices.

BCTS' Contract Quality Management System (CQMS) maintained its compliance with the International Standards Organization (ISO) Quality Management Standard 9001:2015. BCTS continues to implement procurement tools and seek streamlined processes to better support the overall goal of effective contracting. Continuous improvement and a risk-based approach are key focuses to advance the success of the CQMS.

BCTS is recognized as a leader within the B.C. Government's procurement community. We continue to partner with the Public Service Agency and the Procurement Council to develop new updated procurement training. BCTS' engaging with its suppliers through the Contractor Advisory Committee and is committed to finding solutions that bring consistent contract practices across the program.

| ISO 9001:2015 Standard                |                |                       |
|---------------------------------------|----------------|-----------------------|
| Corporate Performance Measure         | 2019/20 Target | 2019/20 Performance   |
| Conformance to ISO 9001:2015 standard | Conformance    | Conformed to standard |
|                                       |                | Achieved              |

*Measure Description: Conformance of BCTS Contract Quality Management System to the ISO 9001:2015 Standard is an indicator of BCTS' success in excellence in its procurement practices.*

### Objective 3.3: Effective Relationships

Effective relationships are vital to the success of BCTS. These relationships can be with the Ministry and across government as well as with Indigenous peoples, 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 the Ministry’s key strategy to “engage with communities, industry and First Nations to manage the impacts to future fibre supply as a result of the mountain pine beetle epidemic.”

BCTS is implementing its Rural Communities Communications and Engagement Strategy and an enhanced communications program across all 12 of its 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 Indigenous peoples has steadily increased.

During the past year, BCTS engaged and collaborated with a number of Indigenous communities and groups as well as with key stakeholder groups throughout the province. We continue to seek new opportunities for meaningful engagement and to build and maintain mutually beneficial relationships.

During the year, BCTS' 12 business areas have integrated within the Ministry's Regional Operations divisions to better support programs with shared objectives.



## **BCTS Nominated for Premier's Award in Recognition for Organizational Excellence**

BCTS was nominated as a 2019 Regional Finalist for the prestigious Premier's Award for its Forest Technologist Entry Level Program (FTELP). The Premier's Award for Organizational Excellence recognizes one or more BC Public Service organizations that have delivered a program, service or initiative resulting in substantial benefits to their organization, the public service or citizens of British Columbia. BCTS is honoured to have been selected as a finalist for this Award.

### **About the FTELP Program:**

The FTELP is located in the town of Mackenzie and was developed to provide new forestry graduates with on-the-job pathways to a forest professional designation and opportunities for career growth in the forest sector.

The program helps participants relocate and provides a two-year curriculum of classroom learning and hands-on training. The program supports participants in achieving their Registered Forest Technologist and Forester in Training designations as well as providing them with the field experiences necessary to be fully qualified Forest Technologist with BCTS.

The program helps young people establish ties with northern communities and BCTS while addressing a serious recruitment and retention issue affecting the forestry sector.



# APPENDIX 1: Financial Results – 2019/20 Income Statement

|                      | 2018/19<br>(millions) | 2019/20<br>(millions) |
|----------------------|-----------------------|-----------------------|
| <b>GROSS REVENUE</b> | <b>\$434.3</b>        | <b>\$395.0</b>        |

## CAPITALIZED EXPENSES

| <b>Cost of Timber Inventory Harvested</b>                              |                  |                  |
|--|------------------|------------------|
| Administration/ Salaries   | (\$27.1)         | (\$29.6)         |
| Planning and Sales   | (\$50.2)         | (\$52.1)         |
| Access – Amortization  | <u>(\$30.7)</u>  | <u>(\$32.2)</u>  |
| <b>Sub-total Cost of Timber Inventory Harvested &amp; Amortization</b> | <b>(\$108.0)</b> | <b>(\$113.9)</b> |

| <b>Period Costs</b>  |                        |                         |
|--|------------------------|-------------------------|
| Silviculture Liability Expenses                                  | (\$41.6)               | (\$63.7)                |
| Road and Bridge Maintenance                                      | (\$12.2)               | (\$12.1)                |
| Harvest Conformance  | (\$0.2)                | (\$0.4)                 |
| Administrative Overhead  | (\$29.1)               | (\$31.6)                |
| Non-BCTS Road Costs  | (\$0.2)                | (\$0.4)                 |
| Recoveries   | <u>\$1.8</u>           | <u>\$2.8</u>            |
| <b>Sub-total Period Costs</b>                                    | <b><u>(\$81.5)</u></b> | <b><u>(\$105.4)</u></b> |
| <b>Net Revenue before Non-Operating Loss</b>                     | <b><u>\$244.8</u></b>  | <b><u>\$175.7</u></b>   |
| <b>Non-operating Loss Due to Fires</b>                           |                        |                         |
| Write-off of timber inventory (Note 1)                           | <b>(\$3.8)</b>         | <b>(\$0.0)</b>          |
| Plantation damage (Note 1)                                       | <b><u>(\$20.0)</u></b> | <b><u>(\$0.0)</u></b>   |
| <b>Sub-total non-operating loss</b>                              | <b>(\$23.8)</b>        | <b>(\$0.0)</b>          |
| <b>NET REVENUE</b>   | <b>\$ 221.0</b>        | <b>\$175.7</b>          |
| <i>Note 1: timber loss/ plantation damage (due to wildfires)</i> |                        |                         |
| <i>Results are unaudited</i>                                     |                        |                         |

# APPENDIX 1: Financial Results – Selected Balance Sheet Items

|                               | 2018/19<br>(millions) | 2019/20<br>(millions) |
|-------------------------------|-----------------------|-----------------------|
| <b>Silviculture Liability</b> | <b>(\$145.5)</b>      | <b>(\$157.1)</b>      |

| <b>Inventory Value of Developed Timber</b>   |                       |                       |
|--|-----------------------|-----------------------|
| Total Timber Inventory – Opening Balance   | \$178.7               | \$202.9               |
| Transfer to Development-In-Progress Note 1)  | \$0.00                | (\$15.8)              |
| Cost of Developed Timber   | <u>\$105.3</u>        | <u>\$57.4</u>         |
| Developed Timber Available for Sale  | <u>\$284.0</u>        | \$244.5               |
| Cost of Timber Inventory Harvested   | (\$81.1)              | (\$81.7)              |
| <b>Developed Timber Inventory – Closing Balance</b>  | <b><u>\$202.9</u></b> | <b><u>\$162.8</u></b> |
| <b>Development-In-Progress Inventory – Closing Balance (note 1)</b>  | <b><u>\$0.00</u></b>  | <b><u>\$51.3</u></b>  |
| <b>Total Timber Inventory – Closing Balance</b>  | <b><u>\$202.9</u></b> | <b><u>\$214.1</u></b> |
| <p>Note 1: During Fiscal 2019/2020, Timber Inventory was separated into two major categories; Development-In-Progress and Developed Timber Available for Sale.</p> |                       |                       |

| <b>Roads</b>                  |                  |                  |
|-------------------------------|------------------|------------------|
| Book Value                    | \$847.2          | \$871.1          |
| Accumulated Amortization      | <u>(\$575.4)</u> | <u>(\$593.0)</u> |
| <b>Sub-total Period Costs</b> | <b>\$271.8</b>   | <b>\$278.1</b>   |

# APPENDIX 1: Financial Results – Selected Balance Sheet Items

|                               |                 |                 |
|-------------------------------|-----------------|-----------------|
| <b>Deactivation Liability</b> | <b>(\$10.8)</b> | <b>(\$10.4)</b> |
| <b>Seed Inventory</b>         | <b>\$19.8</b>   | <b>\$18.4</b>   |

\* Results are Unaudited

## APPENDIX 2: Resource Summary – 2019/20

|  | 2019/20<br>Plan  | 2019/20<br>Actual | 2019/20<br>Variance |
|--|------------------|-------------------|---------------------|
| Gross Revenue  | \$366.1          | \$395.0           | \$28.9              |
| Less: Expenses (Capitalized)                           | <u>(\$212.8)</u> | <u>(\$219.3)</u>  | <u>(\$6.5)</u>      |
| <b>Net Revenue (Loss)</b>                              | <b>\$153.3</b>   | <b>\$ 175.7</b>   | <b>\$22.4</b>       |
| <b>Financing Transactions (\$millions)</b>             |                  |                   |                     |
| Cost of Developed Timber Inventory Ready to Sell       | \$91.8           | \$57.4            | \$34.4              |
| Cost of Disp. Agreement Inventory (DA) <sup>*new</sup> | \$14.2           | \$10.0            | \$4.2               |
| Cost of Timber in Development (DIP) <sup>*new</sup>    | \$0.0            | \$25.5            | (\$25.5)            |
| Fish Habitat Inventory                                 | \$0.4            | \$0.1             | \$0.3               |
| Seed Inventory   | <u>\$ 2.5</u>    | <u>\$2.5</u>      | <u>0.0</u>          |
| <b>Total Financing Transactions</b>                    | <b>\$108.9</b>   | <b>\$95.5</b>     | <b>\$13.4</b>       |
| <b>Capital Expenditures (\$millions)</b>               |                  |                   |                     |
| Capital – Roads  | \$47.9           | \$38.5            | \$9.4               |
| Capital – Non-BCTS Roads                               | <u>\$ 0.7</u>    | <u>\$ 0.4</u>     | <u>\$0.3</u>        |
| <b>Total Capital Budget</b>                            | <b>\$48.6</b>    | <b>\$38.9</b>     | <b>\$9.7</b>        |
| <b>Cash Expenditures (\$millions)</b>                  |                  |                   |                     |
| Administration   | \$16.7           | \$16.1            | \$0.6               |
| Salaries   | \$56.5           | \$55.2            | \$1.3               |
| Planning   | \$ 8.0           | \$6.7             | \$1.3               |
| Sales  | \$48.5           | \$42.3            | \$6.2               |
| Disposition Agreement Development Cost                 | \$14.2           | \$10.0            | \$4.2               |
| Access   | \$55.2           | \$46.0            | \$9.2               |
| Silviculture   | \$50.8           | \$50.9            | (\$0.1)             |
| Land Base Investment – Expenditures                    | \$23.4           | \$25.9            | (\$2.5)             |
| Land Base Investment - Recoveries                      | <u>(\$25.1)</u>  | <u>(\$28.7)</u>   | <u>\$3.6</u>        |
| <b>Total Cash Expenditures</b>                         | <b>\$248.2</b>   | <b>\$224.4</b>    | <b>\$23.8</b>       |
| <b>Non-Cash Budgets (\$millions)</b>                   |                  |                   |                     |
| Amortization – Roads                                   | \$33.2           | \$31.9            | \$1.3               |
| Amortization – Non-BCTS Roads                          | \$0.3            | \$0.3             | (\$0.1)             |
| Silviculture Liability Expense                         | \$44.0           | \$63.7            | (\$19.7)            |
| Cost of Timber Inventory Harvested                     | \$84.4           | \$72.9            | \$11.5              |
| Cost of Timber Inventory Harvested – D. A              | \$8.0            | \$8.8             | (\$0.8)             |

F



# APPENDIX 3: 2003 to 2010 Resource/Performance Summary

|  | 2003/04<br>Actual | 2004/05<br>Actual | 2005/06<br>Actual | 2006/07<br>Actual | 2007/08<br>Actual | 2008/09<br>Actual | 2009/10<br>Actual | 2010/11<br>Actual |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Operating Revenues and Expenses (\$millions)</b>                      |                   |                   |                   |                   |                   |                   |                   |                   |
| Gross Revenue  | \$185.7           | \$266.1           | \$273.7           | \$273.7           | \$243.8           | \$145.9           | \$117.0           | \$133.6           |
| Less: Expenses (capitalized)   | (84.7)            | (115.9)           | (148.9)           | (152.7)           | (194.8)           | (168.8)           | (172.4)           | (149.1)           |
| Net Revenue (prior to EOI)   | \$101.0           | \$150.2           | \$124.8           | 121.0             | \$49.0            | (\$22.9)          | (\$55.4)          | (\$15.5)          |
| Less Extraordinary Item (note 1)   | 0                 | 0                 | 0                 | 0                 | (115.6)           | 0                 | 0                 | 0                 |
| Net Revenue (loss)   | \$101.0           | \$150.2           | \$124.8           | \$121.0           | (\$66.6)          | (\$22.9)          | (\$55.4)          | (\$15.5)          |
| <b>Annual Cash Working Capital Expenditures by Activity (\$millions)</b> |                   |                   |                   |                   |                   |                   |                   |                   |
| Administration & Overhead  | \$15.2            | \$19.7            | \$19.9            | \$22.7            | \$31.9            | \$31.5            | \$25.4            | \$11.4            |
| Salaries   | 33.6              | 39.3              | 44.5              | 46.1              | 45.1              | 45.6              | 46.3              | 42.7              |
| Planning   | 0                 | 13.7              | 8.1               | 7.3               | 6.7               | 5.7               | 3.3               | 2.6               |
| Sales  | 23.6              | 30.4              | 33.6              | 27.7              | 30.3              | 30.9              | 22.4              | 15.9              |
| Access   | 27.9              | 40.0              | 53.1              | 46.3              | 44.1              | 45.4              | 27.3              | 18.0              |
| Silviculture   | 35.8              | 39.1              | 41.9              | 51.1              | 60.1              | 59.8              | 42.2              | 30.9              |
| Forest Investment Account – LBIP   | 0                 | 0                 | 0                 | \$2.3             | 3.0               | 5.5               | 1.8               | (0.2)             |
| <b>Total Cash</b>  | <b>\$136.1</b>    | <b>\$182.2</b>    | <b>\$201.1</b>    | <b>\$203.5</b>    | <b>\$221.2</b>    | <b>\$224.4</b>    | <b>\$168.7</b>    | <b>\$121.3</b>    |
| Capital IM/IT and Equipment  | \$0.7             | (\$0.4)           | \$0.2             | \$0.4             | \$0.4             | \$0.4             | \$0.4             | \$0.1             |
| Capital Road Construction  | \$29.3            | \$39.7            | \$51.8            | \$45.4            | \$49.2            | \$44.5            | \$22.5            | \$16.9            |
| <b>Total Capital</b>   | <b>\$30.0</b>     | <b>\$39.3</b>     | <b>\$52.0</b>     | <b>\$45.8</b>     | <b>\$49.6</b>     | <b>\$44.9</b>     | <b>\$22.9</b>     | <b>\$17.0</b>     |
| <b>TIMBER VOLUME OUTPUTS (millions of cubic metres)</b>                  |                   |                   |                   |                   |                   |                   |                   |                   |
| Volume Advertised (Mm <sup>3</sup> )                                     | 11.7              | 11.4              | 14.6              | 15.2              | 14.6              | 16.3              | 14.7              | 13.9              |
| Volume Sold (Mm <sup>3</sup> )   | 9.6               | 9.9               | 12.6              | 13.5              | 11.7              | 11.4              | 10.6              | 11.3              |
| Volume Developed (Mm <sup>3</sup> )                                      | 12.6              | 15.4              | 17.7              | 16.3              | 14.9              | 14.2              | 11.6              | 8.9               |
| Volume Scaled (Mm <sup>3</sup> )   | 7.9               | 10.0              | 12.9              | 13.45             | 13.2              | 10.0              | 11.4              | 10.8              |
| Apportionment Volume (rationalized)                                      | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 | 0                 |

# APPENDIX 3: 2011 to 2019 Resource/Performance Summary

|  | 2011/12<br>Actual | 2012/13<br>Actual | 2013/14<br>Actual | 2014/15<br>Actual | 2015/16<br>Actual | 2016/17<br>Actual | 2017/18<br>Actual | 2018/19<br>Actual | 2019/20<br>Actual |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Operating Revenues and Expenses (\$millions)</b>                      |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Gross Revenue  | \$136.6           | \$175.1           | \$233.9           | \$253.8           | \$304.6           | \$336.3           | \$359.1           | \$434.3           | \$395.0           |
| Less: Expenses (capitalized)   | (135.3)           | (150.6)           | (151.2)           | (\$162.9)         | (\$170.7)         | (\$178.1)         | (\$179.5)         | (\$189.5)         | (\$219.3)         |
| Net Revenue (prior to EOI)   | \$1.3             | \$24.5            | \$82.7            | \$90.9            | \$133.9           | \$158.2           | \$179.6           | \$244.8           | \$175.7           |
| Less Extraordinary Item (note 1)   | 0                 | \$0.3             | 0                 | 0                 | 0                 | 0                 | (9.50)            | (23.8)            | 0                 |
| Net Revenue (loss)   | \$1.3             | \$24.8            | \$82.7            | \$90.9            | \$133.9           | \$158.2           | \$170.1           | \$221.0           | \$175.7           |
| <b>Annual Cash Working Capital Expenditures by Activity (\$millions)</b> |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Administration & Overhead  | \$12.7            | \$28.9            | \$12.2            | \$13.9            | \$13.8            | \$14.9            | \$15.7            | \$14.9            | \$16.1            |
| Salaries   | 41.1              | 40.9              | 41.3              | 41.5              | 45.1              | 48.6              | 50.1              | 51.4              | 55.2              |
| Planning   | 3.0               | 3.3               | 3.8               | 4.7               | 7.4               | 7.5               | 6.6               | 7.7               | 6.7               |
| Sales <i>*including DA costs</i>   | 17.9              | 22.3              | 32.0              | 34.1              | 38.9              | 51.7              | 36.4              | 65.8              | 52.4              |
| Access   | 20.4              | 21.4              | 27.3              | 30.1              | 36.8              | 38.9              | 35.6              | 44.1              | 46.0              |
| Silviculture   | 30.8              | 31.9              | 32.4              | 35.0              | 39.2              | 38.4              | 45.3              | 46.6              | 51.0              |
| Forest Investment Account – LBIP   | (0.4)             | (1.2)             | (1.5)             | (1.7)             | (1.5)             | (1.3)             | (1.3)             | (1.8)             | (2.8)             |
| <b>Total Cash</b>  | <b>\$125.5</b>    | <b>\$147.5</b>    | <b>\$147.5</b>    | <b>\$157.6</b>    | <b>\$179.7</b>    | <b>\$198.7</b>    | <b>\$188.4</b>    | <b>\$228.7</b>    | <b>\$224.5</b>    |
| Capital IM/IT and Equipment  | \$0.3             | \$0.3             | \$0.2             | \$0.4             | \$0.1             | \$0.1             | \$0.4             | \$0.5             | \$0.4             |
| Capital Road Construction  | \$29.5            | \$29.7            | \$29.0            | \$29.2            | \$33.7            | \$33.7            | \$32.2            | \$36.7            | \$38.5            |
| <b>Total Capital</b>   | <b>\$29.8</b>     | <b>\$30.0</b>     | <b>\$29.2</b>     | <b>\$29.6</b>     | <b>\$33.8</b>     | <b>\$33.8</b>     | <b>\$32.6</b>     | <b>\$37.2</b>     | <b>\$38.9</b>     |
| <b>TIMBER VOLUME OUTPUTS (millions of cubic metres)</b>                  |                   |                   |                   |                   |                   |                   |                   |                   |                   |
| Volume Advertised (Mm <sup>3</sup> )                                     | 13.4              | 12.5              | 13.0              | 14.1              | 14.5              | 14.0              | 11.8              | 10.07             | 13.1              |
| Volume Sold (Mm <sup>3</sup> )   | 11.1              | 10.5              | 11.4              | 13.1              | 13.0              | 12.7              | 10.8              | 11.4              | 10.1              |
| Volume Developed (Mm <sup>3</sup> )                                      | 8.8               | 10.9              | 12.1              | 11.3              | 12.6              | 13.1              | 10.6              | 10.6              | 9.7               |
| Volume Scaled (Mm <sup>3</sup> )   | 9.4               | 10.0              | 11.0              | 10.4              | 11.8              | 10.7              | 9.6               | 10.3              | 8.8               |
| Apportionment Volume (rationalized)                                      | 0                 | 0                 | 0                 | 0                 | 12.8              | 12.60             | 12.7              | 11.0              | 11.9              |

## 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, 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 public timber for major forest tenures, based on market value and cost data from BCTS.

## APPENDIX 4: Glossary

**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.





**BCTS**  
BC Timber Sales



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