

# **B.C. TIMBER SALES**

# **QUARTER PERFORMANCE**

# **REPORT**

**April 1, 2020 to September 30, 2020**



**BCTS**  
BC Timber Sales



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

**Library and Archives Canada Cataloguing in Publication Data**

BC Timber Sales.

Quarter ... performance. – Quarter 2

(April 1/September 30, 2020)- Quarterly.

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

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

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

HD9764.B7B37

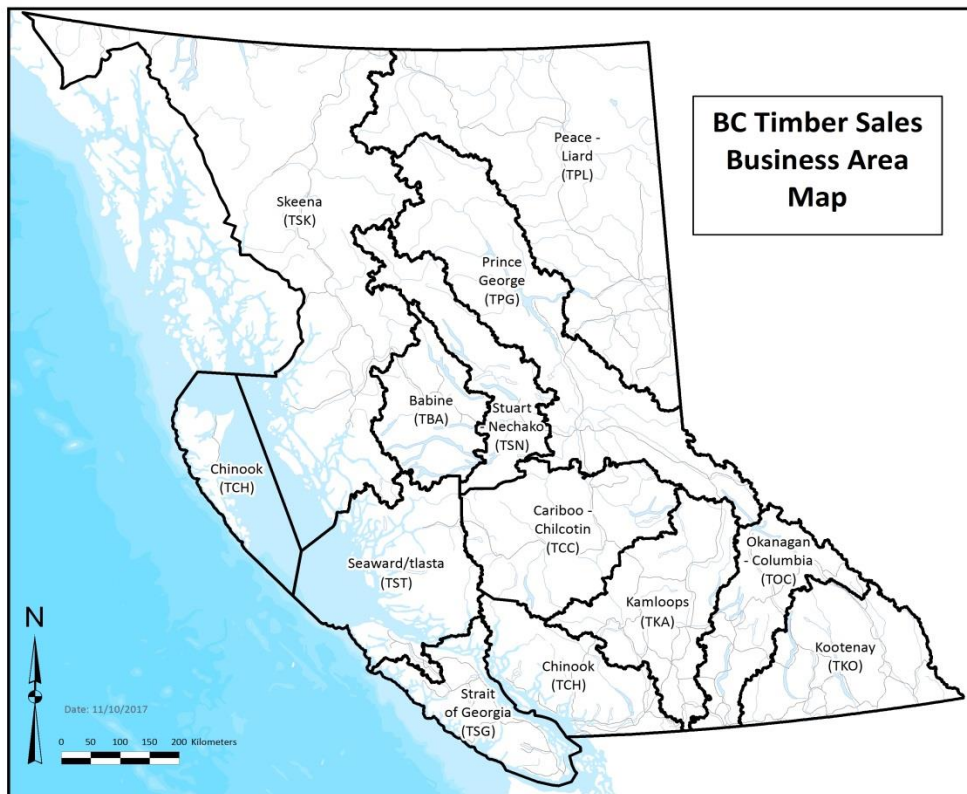
354.5'5

C2004-960204-X

# TABLE OF CONTENTS

<b>Introduction .....</b>	<b>4</b>
<b>Performance Highlights .....</b>	<b>5</b>
➤ <b>Overview</b>	
➤ <b>Principle 1: Forest sector safety</b>	
➤ <b>Principle 2: Reconciliation with Indigenous peoples</b>	
➤ <b>Principle 3: Sustainable resources</b>	
<b>GOAL: Providing credible representative price and cost benchmark data.....</b>	<b>6</b>
• <b>Objective 1: Selling the full BC Timber Sales' apportionment .....</b>	<b>8</b>
• <b>Objective 2: Generate direct net revenue and indirect revenue. ..</b>	<b>10</b>
• <b>Objective 3: Continuous business improvement .....</b>	<b>11</b>
<b>Appendix 1—Outputs.....</b>	<b>13</b>
<b>Appendix 2—Financial Performance .....</b>	<b>14</b>

## BC TIMBER SALES AREA MAP



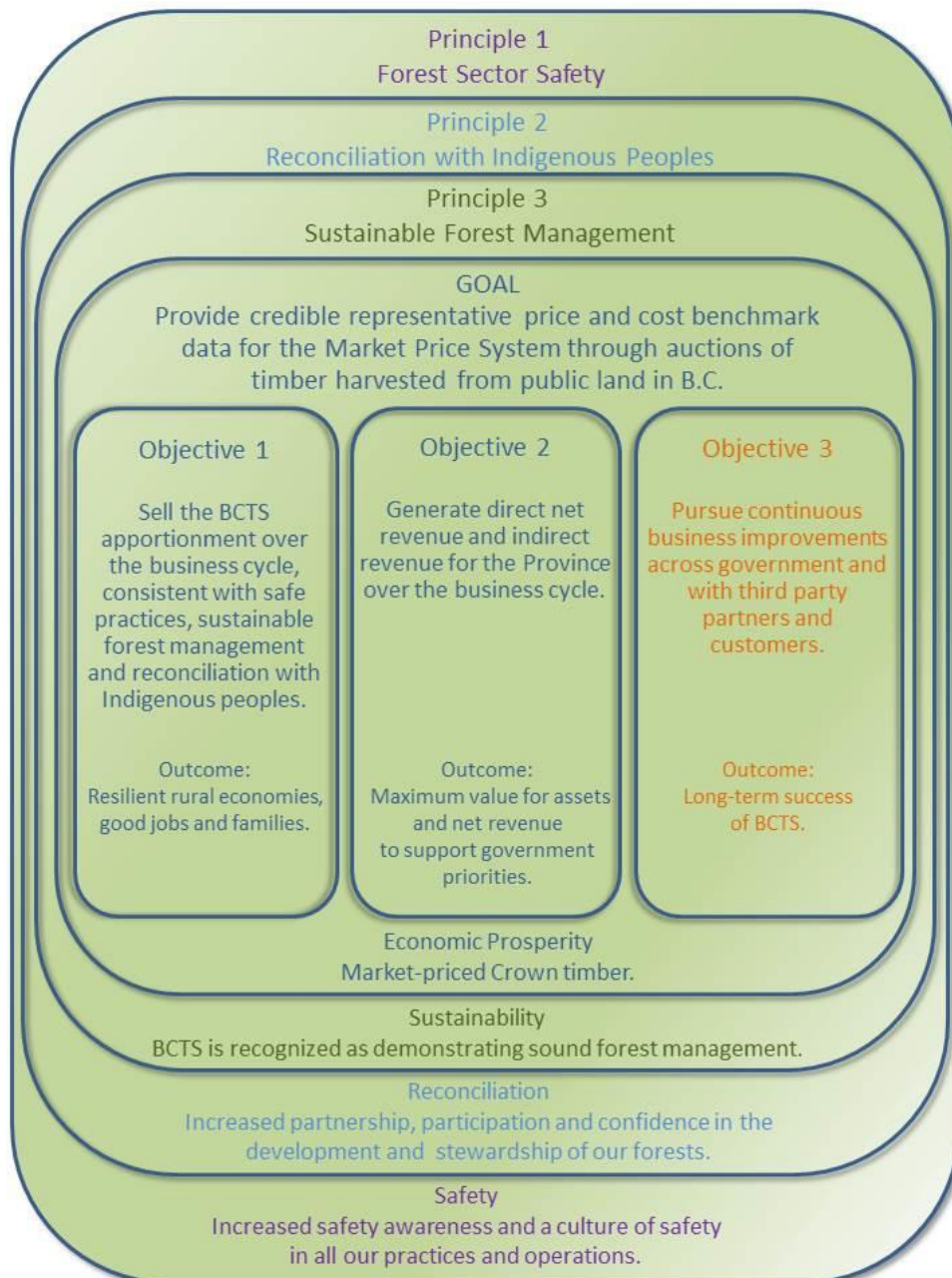


# INTRODUCTION

BC Timber Sales (BCTS) presents its second quarter performance report for 2020/21. Quarterly performance reports are a key part of the BCTS Performance Management and Accountability Framework.

## Our Mission

Committed to pursuing **excellence** in all aspects of our business, maintaining **effective relations** and focusing on **results**, BC Timber Sales generates **economic prosperity** for all British Columbians through the **safe, sustainable, and reliable** development and auction of Crown timber and by playing a pivotal role in the ministry's reforestation strategies.



# QUARTERLY PERFORMANCE HIGHLIGHTS



## Overall Performance: Summary of Highlights

The downturn in the forest sector continues to impact performance. As well, wildlife issues, reconciliation activities, and the COVID-19 pandemic have adversely impacted operations.

As a result, some key performance indicators, including Timber Volume Sold were not achieved during the quarter. Annual performance will also be adversely impacted.



## Forest Sector Safety

The Goal and Objectives for the BCTS Safety Program are reviewed each year and are used to set strategies or direction for improvement. The associated Key Performance Indicators and targets are used to measure our success. In 2020/21, BCTS introduced a new objective: 'Mission Zero'. This is an ambitious objective that sets a target of zero workplace incidents that require medical attention. This is not 'Pass/Fail', but an objective that we are striving to achieve. A strong safety culture that encourages the reporting of issues and an effective investigation process has allowed us to pursue this objective.



## Reconciliation with Indigenous Peoples

BCTS is advancing its journey along the path of Reconciliation with Indigenous Peoples through implementation of the Ministry's evolving Learning for Reconciliation strategy. Despite some challenges in the second quarter with face to face delivery of some content due to the COVID-19 pandemic, approximately 90% of BCTS staff have either completed, or are in the process of taking, reconciliation training. This training is focused on improving cultural awareness and understanding of Indigenous people's history, culture and legal framework.

BCTS also continues to work collaboratively with the BC First Nations Forestry Council and FLNRORD Indigenous Relations Branch on the implementation of the Indigenous Forestry Scholarship Program. In the second quarter of this year, BCTS was able to provide work placement and mentoring opportunities for thirteen Indigenous students, many of whom returned to their studies in September.



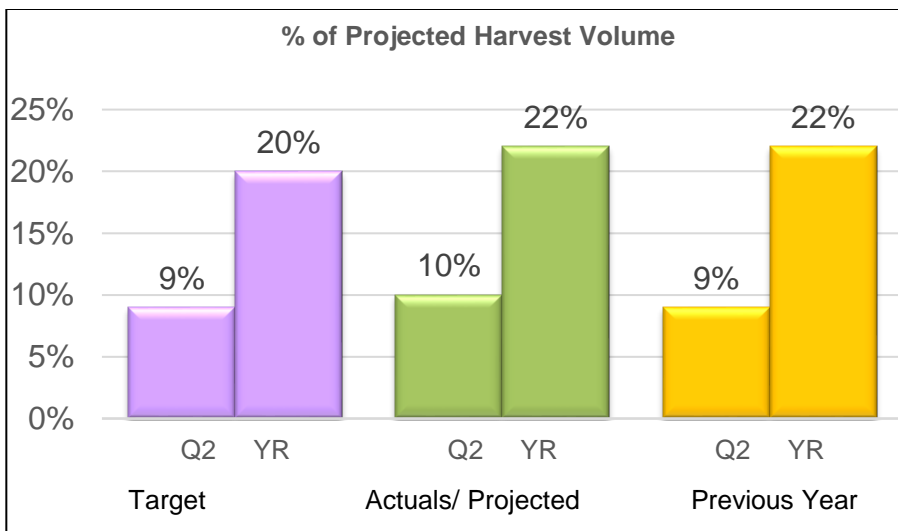
## Sustainable Forest Management

BC Timber Sales manages 100% of its apportioned timber volume under the Sustainable Forestry Initiative forestry certification standard. Annual internal and external audits are conducted by independent third parties to verify that BCTS meets or exceeds standards of the certification program and legal requirements. In early 2021 BCTS will be advertising for an internal audit contractor.

BCTS remains an active member of the Western Canada SFI Implementation Committee and is participating in the SFI standard revision process.

# GOAL: PROVIDING CREDIBLE DATA FOR MPS

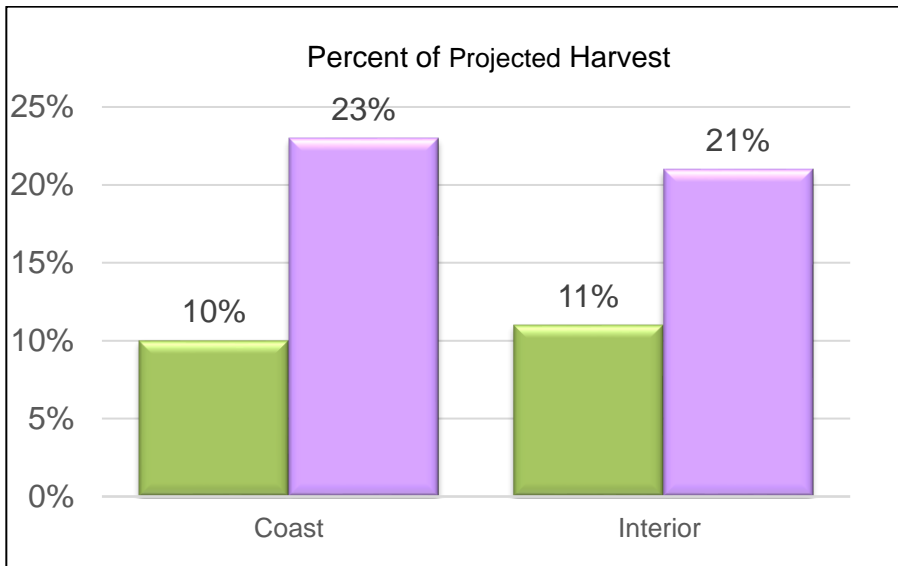
## BCTS auction volume as a percent of projected provincial harvest volume



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

At the end of the quarter, BCTS had advertised 10% of the projected annual provincial harvest volume. BCTS is projecting to auction 22% of the projected provincial harvest volume by year end. This volume is enough to support the Market Pricing System.

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

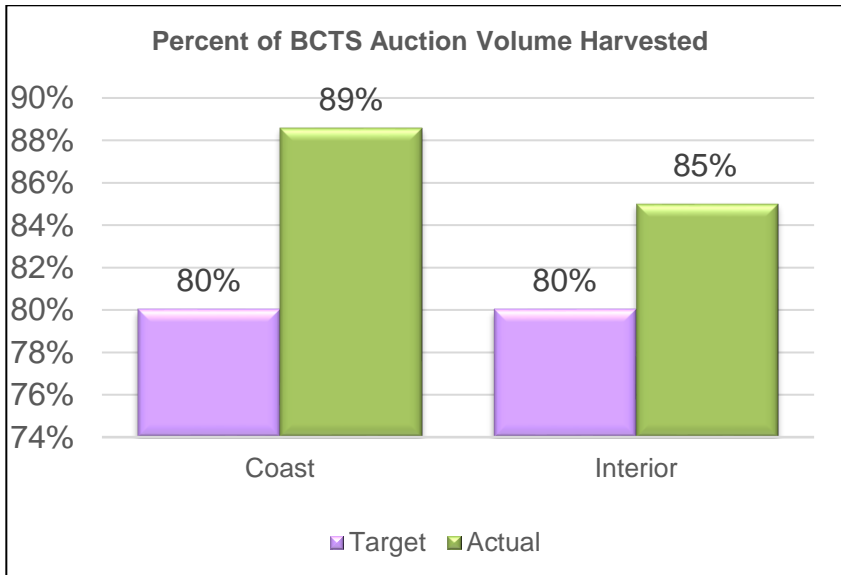


BCTS advertised 10% of the projected annual harvest volume on the Coast, and 11% in the Interior.

BCTS is projecting to auction 23% of the projected harvest volume on the Coast and 21% in the Interior by year end. This level of auction volume will be enough to support the Market Pricing System.

# GOAL: PROVIDING CREDIBLE DATA FOR MPS

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



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

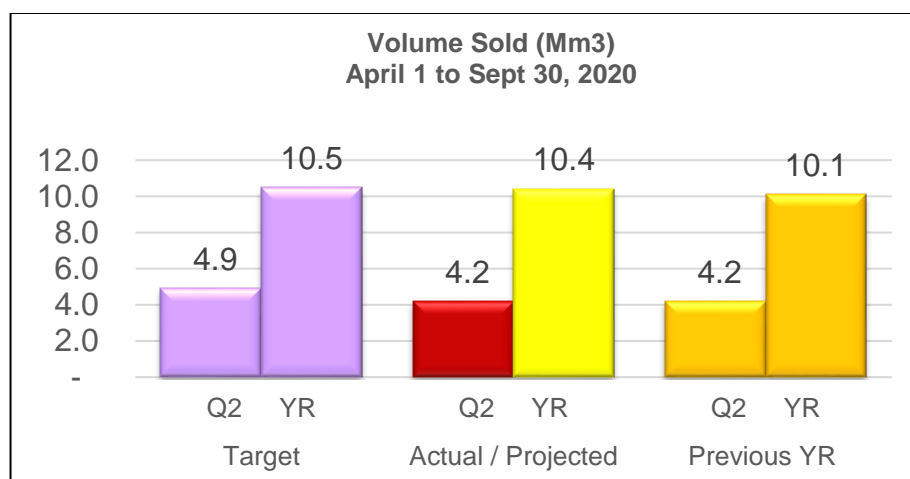
For the twelve-month period ending September 30, 2020, the BCTS auction volume harvested was within five (5) percentage points of the Major Licensee harvest volume by species and grade more than 80% of the time. This indicates good representation of harvest volume provided by BCTS.

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

- During the last fiscal year, BCTS began implementation of a data quality management system that is consistent with the International Standards Organization (ISO) 9001:2015 standard. Quarterly quality assurance reviews of key BCTS data sets are a part of the implementation. Target data quality standard is 98% conformance.
- The overall average performance rating for the second quarter was 93%. This was a small improvement over the first quarter results. BCTS is working to address those areas of the business where the quality performance indicator is below the required standard.

# OBJECTIVE 1: SELLING THE APPORTIONMENT

## Timber Volume Sold (Mm3)



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

As of September 30<sup>th</sup> BCTS sold 86% of target. Changing market conditions and delays in preparing inventory for sale has impacted overall performance.

Despite these challenges BCTS is projecting that it will substantially achieve its volume sold target by year-end.

## Quarter 2 Timber Volume Sold by Business Area

Volume Sold Coast	Target Mm <sup>3</sup>	Achieved Mm <sup>3</sup>	Variance Mm <sup>3</sup>	Variance %
CHINOOK	0.21	0.34	0.13	62%
SEAWARD	0.29	0.20	-0.09	-31%
STRAIT OF GEORGIA	0.46	0.37	-0.09	-20%
<b>Coast Total</b>	<b>0.96</b>	<b>0.91</b>	<b>-0.05</b>	<b>-5%</b>

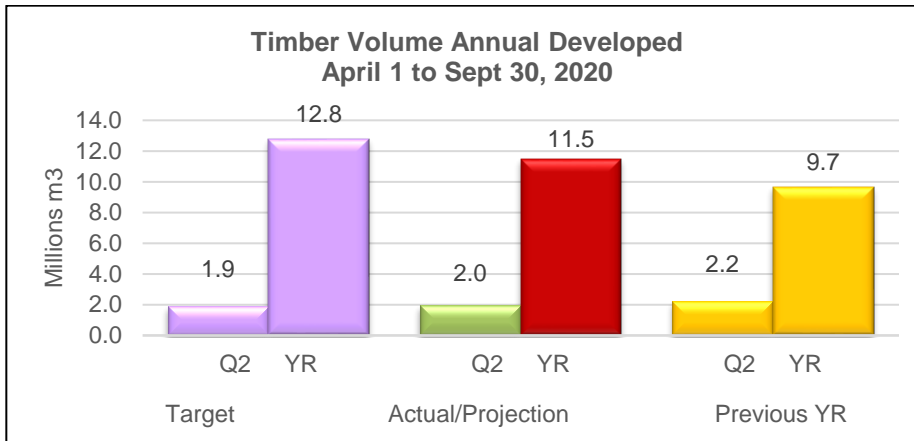
Volume Sold North	Target Mm <sup>3</sup>	Achieved Mm <sup>3</sup>	Variance Mm <sup>3</sup>	Variance %
BABINE	0.43	0.28	-0.15	-35%
PEACE LIARD	0.43	0.26	-0.17	-40%
PRINCE GEORGE	0.40	0.22	-0.18	-45%
SKEENA	0.45	0.23	-0.22	-49%
STUART NECHAKO	0.45	0.34	-0.11	-24%
<b>TOTAL NORTH</b>	<b>2.16</b>	<b>1.34</b>	<b>-0.82</b>	<b>-38%</b>

Volume Sold South	Target Mm <sup>3</sup>	Achieved Mm <sup>3</sup>	Variance Mm <sup>3</sup>	Variance %
CARIBOO CHILCOTIN	0.32	0.52	0.20	63%
KAMLOOPS	0.25	0.38	0.13	52%
KOOTENAY	0.74	0.63	-0.11	-15%
OKANAGAN	0.47	0.45	-0.02	-4%
<b>South Total</b>	<b>1.78</b>	<b>1.98</b>	<b>0.20</b>	<b>11%</b>



# OBJECTIVE 1: SELLING THE APPORTIONMENT

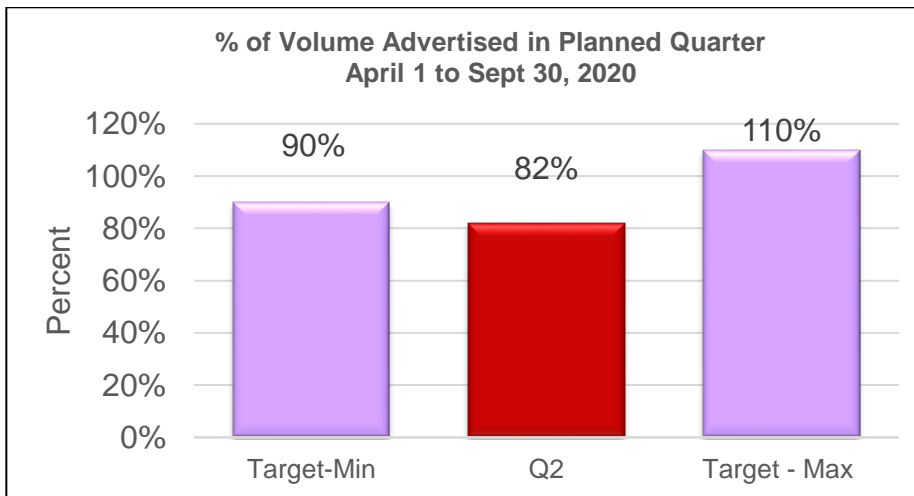
## Develop sufficient timber to maximise timber volume offered and sold



BCTS develops timber in order to have enough inventory for future auctions. During the period BCTS declared 2.0Mm<sup>3</sup> of ready to sell timber.

At this time, BCTS is projecting that it will fall short by 1.3Mm<sup>3</sup> of its annual target by fiscal year end.

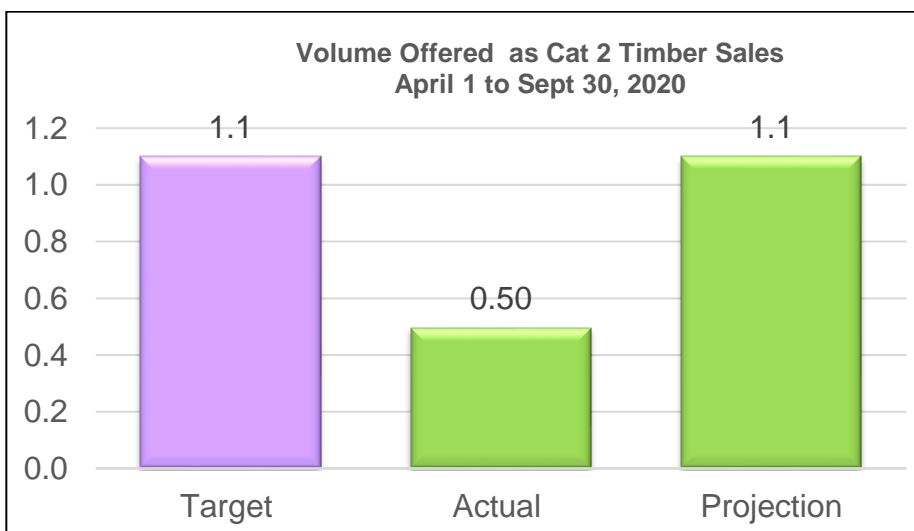
## The volume of timber supplied to the market is reliable



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

In the second quarter, several (10) business areas did not achieve target. The impacts of COVID-19 on consultation activities with Indigenous Peoples was a contributing factor.

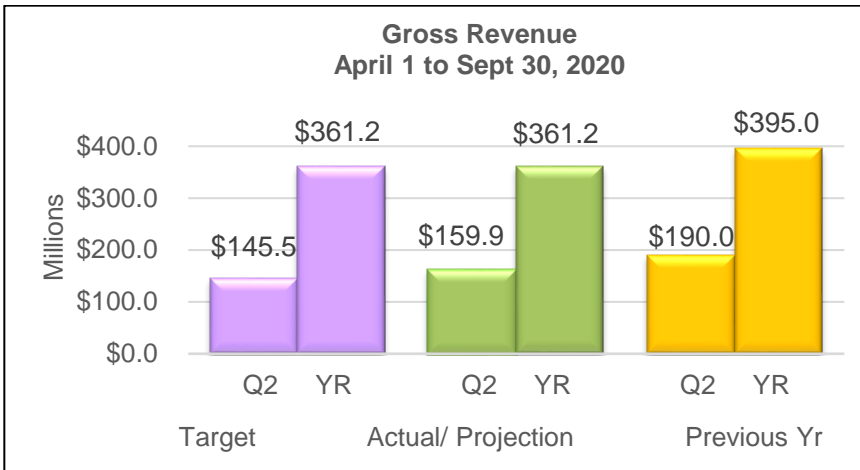
## Offer 10% of Rationalized Apportionment as Category 2 Timber Sales



A key BCTS strategy is to provide open access to Crown timber for non-tenured or insufficiently tenured timber processing facilities. This promotes local employment and supports the value-added sector. In the first six months BCTS offered 0.50Mm<sup>3</sup> to Category 2 registrants. BCTS is currently projecting to achieve target by year end.

# OBJECTIVE 2: REVENUE

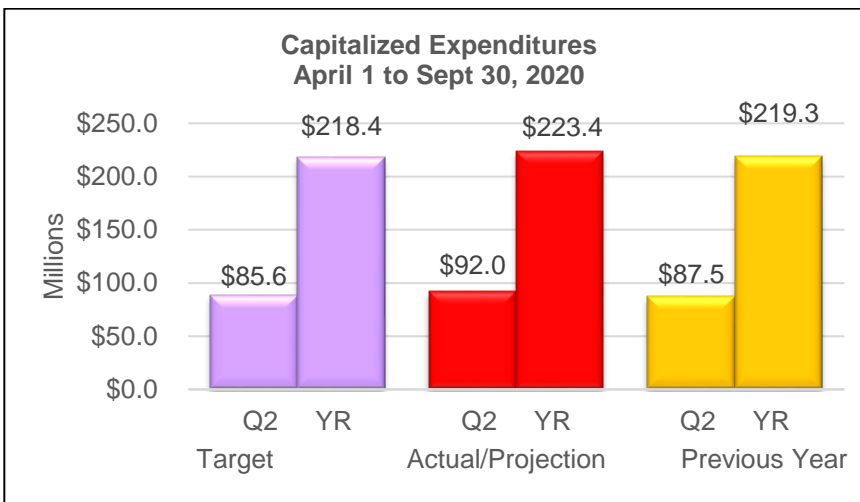
## Gross Revenue



Gross revenue to date was \$159.9M, \$14.4M more than target. This was due to higher than expected billed rates paid for harvested timber during the period. Gross Revenue was \$30.1M lower than the previous period mainly due a decline in billed rates paid and lower harvest volumes.

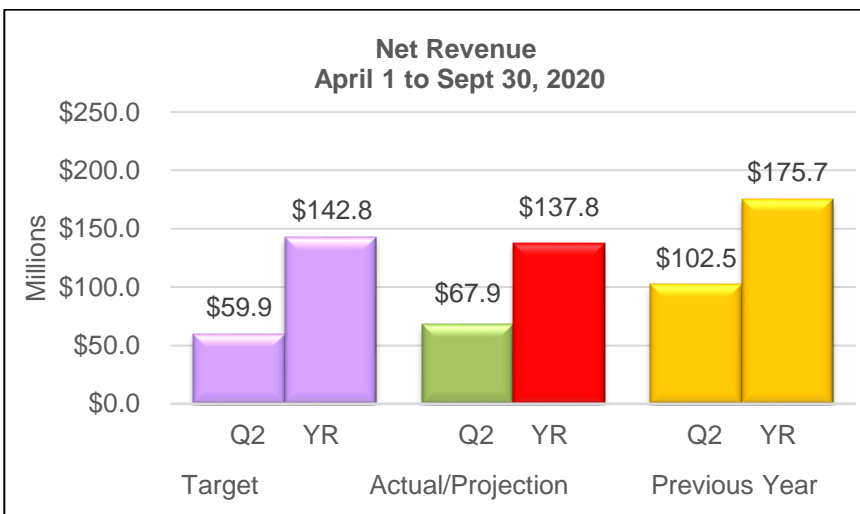
BCTS is expecting that, it will meet its annual gross revenue target.

## Less: Capitalized Expenditures



Capitalized expenditures exceeded target by \$4M primarily due to additional costs caused by the COVID-19 pandemic.

## Equals: Net Revenue



Net Revenue for the period was \$67.9M. It is \$8M, or 13% greater than target and is attributable to the higher then expected gross revenues.

Currently, BCTS is projecting to underachieve its annual net revenue target by \$5M. The shortfall is due to unplanned expenses relating to the COVID-19 pandemic.

# OBJECTIVE 3: CONTINUOUS IMPROVEMENT

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

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

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

## Pursue excellence in people

Every two years the Work Environment Survey (WES) is completed. The BCTS People Practices Working Group reviews the survey and identifies opportunities for improvement. The results of the 2020 WES survey have recently been released and are being reviewed and analyzed in order to identify improvement opportunities.

One of the initial opportunities that is being pursued is an update to the BCTS Professional Development Framework. The Professional Development Framework describes BCTS’ continuing commitment to the professional development of our staff.

## Pursue excellence in operations, practices and processes

BCTS is continually looking for new ways to reduce waste and improve efficiency. BCTS applies the Lean philosophy to reduce waste in our business processes.

In the second quarter BCTS undertook a virtual Lean workshop to improve the write-off process for cut blocks. Once implemented the new process will reduce reworks and increase the effectiveness of this process.

# OBJECTIVE 3: CONTINUOUS IMPROVEMENT

## Pursue Effective Relationships

BCTS is updating our external communications strategy. The updated strategy will reflect the unique challenges of staying connected during the pandemic and will explore opportunities to become more proactive in our communications. We continue to engage with forestry sector, industry, educational and community partners even during these challenging times.

In the second quarter we have continued to engage with communities, industry partners, First Nations and stakeholders using virtual meetings to ensure that natural resource decisions support community needs and provincial priorities.

Through dedicated staff at the business area level, BCTS continues to pursue mutually beneficial effective business relationships with willing third-party partners. In many cases, these partners have an Indigenous affiliation (i.e. companies owned in part or wholly by an Indigenous community).

Many of these business relationships are developed through the utilization of contracting services provided to BCTS, other examples include the co-development of memoranda of understanding (MOUs).

BCTS Disposition Agreements have also proven to be an effective means to enhance business relationships with (non-BCTS) forest tenure holders, whereby BCTS auctions our partners volume in return for negotiated financial and other benefits.

To date in 2020/21, BCTS has signed two new BCTS disposition agreements for approximately 78 000m<sup>3</sup>, creating two new partnerships.





# APPENDIX 1 – OUTPUTS

## Key Year to Date Results by Coast and Interior Areas April 1 to September 30, 2020

	Target	Total	Coast	Northern Interior	Southern Interior
<b>Volume Advertised /Offered (Mm<sup>3</sup>)</b>	4.7	5.43	1.07	2.15	2.21
Volume Advertised- CAT2 (Mm <sup>3</sup> )	0.3	0.53	0.11	0.15	0.27
Less: No Bid Sales/No Sale	0.1	1.4	0.24	0.70	0.46
Less: Timing Variance (note 1)	0.0	0.35	0.05	0.26	0.04
Plus: YE Timing Variance	0.0	0.06	0.06	0.00	0.00
<b>Volume Sold (Mm<sup>3</sup>)</b>	4.9	4.27	0.95	1.34	1.98
<b>Volume Scaled (Harvested (Mm<sup>3</sup>))</b>	3.2	3.85	1.04	1.24	1.57
<b>Lump Sum Timber Sale Licences</b>			<b>Number (TSL)</b>		<b>Volume (Mm<sup>3</sup>)</b>
• Advertised			47		1.331
• Less: No Bid/No Sale			(21)		(0.422)
• Total Sold			26		0.909

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

## APPENDIX 2 – FINANCIAL PERFORMANCE

Results of Operations – Presented by Quarter		2020/21		2020/21
		First Quarter (Millions) April 1- June 30		Second Quarter (Millions) July1- Sep 30
Revenue from External Sources		\$ 52.0		\$ 107.90
<b>GROSS REVENUE</b>		<b>\$52.0</b>		<b>\$107.90</b>
<b>Capitalized Expenses:</b>				
Cost of Timber Inventory Harvested				
Administration / Salaries	(\$3.5)			(\$8.7)
Planning & Sales	(\$4.7)			(\$13.2)
Access – Amortization	<u>(\$8.9)</u>			<u>(\$8.9)</u>
<b>Sub-Total Cost of Timber Harvested &amp; Amortization</b>		<b><u>(\$17.1)</u></b>		<b><u>(\$30.8)</u></b>
<b>Other Costs</b>				
Silviculture Liability Expenses	(\$11.3)			(\$13.2)
Road & Bridge Maintenance	(\$1.8)			(\$5.3)
Non- BCTS Roads	(\$0.0)			(\$0.2)
Harvest Conformance	(\$0.1)			(\$0.0)
Operational & Administrative Overhead	(\$5.8)			(\$4.0)
Land Base Investment / FFT Recoveries	\$0.3			\$1.0
<b>Sub-Total Other Costs</b>		<b><u>(\$18.7)</u></b>		<b><u>(\$21.7)</u></b>
<b>NET REVENUE/(LOSS) before Covid-19 Costs</b>		<b><u>\$ 16.2</u></b>		<b><u>\$ 55.4</u></b>
<b>Non-operating expenses: Covid-19 Costs</b>		<b><u>(\$ 0.9)</u></b>		<b><u>(\$ 2.8)</u></b>
<b>NET REVENUE/ (LOSS)</b>		<b><u>\$ 15.3</u></b>		<b><u>\$ 52.6</u></b>
<b>Notes:</b> Results are Unaudited				

## APPENDIX 2 – FINANCIAL PERFORMANCE

<b>Selected Balance Sheet Items As at September 30, 2020</b>		<b>2020/21 First Quarter (Millions)</b>		<b>2020/21 Second Quarter (Millions)</b>
<b>Silviculture Liability</b>		<b>\$156.8</b>		<b>\$144.6</b>
<b>Inventory Value of Developed Timber</b>				
Timber Inventory – Opening Balance	\$162.8		\$165.7	
Timber Developed	<u>\$11.1</u>		<u>\$15.1</u>	
Timber Available for Sale	\$173.9		\$180.8	
Cost of Timber Inventory Harvested	<u>(\$8.2)</u>		<u>(\$21.9)</u>	
<b>Timber Inventory – Closing Balance</b>		<b>\$165.7</b>		<b>\$158.9</b>
<b>Development-in-progress Inventory – Closing Balance</b>		<b>\$54.7</b>		<b>\$61.9</b>
<b>Roads</b>				
Book Value	\$876.3		\$888.5	
Accumulated Amortization	<u>(\$601.8)</u>		<u>(\$610.7)</u>	
<b>Net Book Value</b>		<b>\$274.5</b>		<b>\$277.8</b>
<b>Deactivation Liability</b>		<b>(\$10.8)</b>		<b>(\$10.9)</b>
<b>Seed Inventory</b>		<b>\$18.4</b>		<b>\$18.8</b>
<b>Note:</b> Results are Unaudited				



# **BCTS**

**BC Timber Sales**



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