



BCTS
BC Timber Sales

QUARTER PERFORMANCE REPORT

APRIL 1, 2021 – June 30th, 2021



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



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BC TIMBER SALES AREA MAP



INTRODUCTION

BC Timber Sales (BCTS) presents its first quarter performance report for 2021/22. 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 COVID 19 pandemic, old growth and wildlife issues, and reconciliation activities are adversely impacting operations. As a result, some key performance indicators for Q1, including Timber Volume Sold were not achieved. Annual performance will likely also be adversely impacted.



FOREST SECTOR SAFETY

The BCTS Safety Working Group (SWG) reviews SAFE Company audit findings, the results of our annual Management Review of the Safety Program and any safety incidents for trends. The SWG then develops an annual work plan. In its 21/22 plan the SWG has identified several goals to maintain and improve the BCTS Safety Program. These goals include utilizing competency assessments to improve the effectiveness of driver training, improving staff training for trailering, sharing information about trends and hazards with our clients and stakeholders, and reducing duplication.



RECONCILIATION WITH INDIGENOUS PEOPLES

BCTS works in collaboration with the rest of the Ministry on its key priority of implementation of the Declaration on the Rights of Indigenous Peoples Act and the Truth and Reconciliation Commissions Calls to Action.

As BCTS continues its journey along the path of Reconciliation with Indigenous Peoples, we acknowledge the devastating discoveries at former Residential school sites throughout British Columbia and Canada. Despite pandemic-related challenges with face-to-face delivery of Reconciliation-related learning in quarter one, approximately 88% 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 works collaboratively with the BC First Nations Forestry Council, and FLNRORD Indigenous Relations Branch, on the implementation of the Indigenous Forestry Scholarship Program. In the first quarter of this year, BCTS began work placement and mentoring opportunities for thirteen Indigenous students



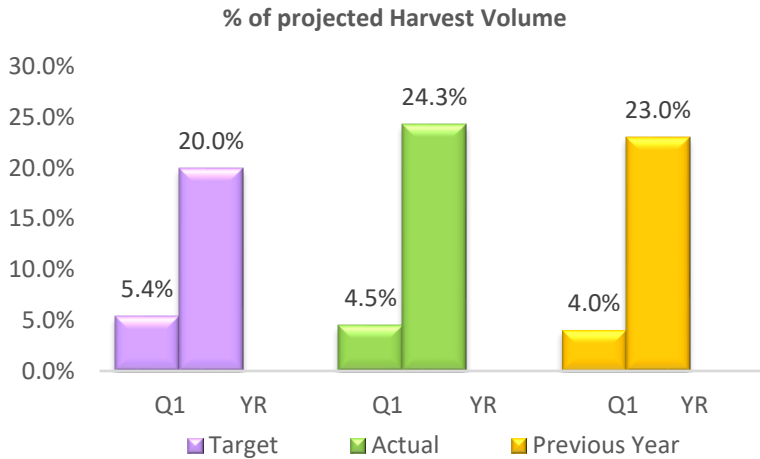
SUSTAINABLE FOREST MANAGEMENT.

BCTS manages 100% of its apportioned timber volume under the Sustainable Forestry Initiative (SFI) forest 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 the coming year BCTS will be updating its certification program to meet the new 2022 SFI Forest Management Standard.

BCTS is an active member of the Western Canada SFI Implementation Committee and participated in the SFI Standard revision process.

GOAL: PROVIDING CREDIBLE DATA FOR MPS

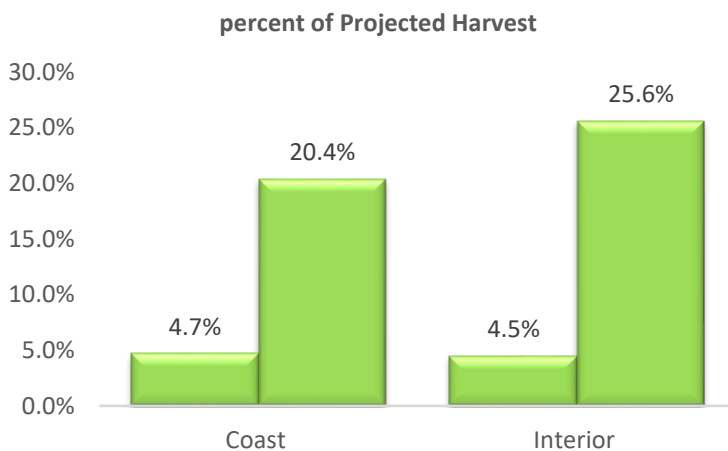
BCTS auction volume as a percent of projected provincial harvest volume



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 4.5% of the projected annual provincial harvest volume. BCTS is projecting to auction 24.3% 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

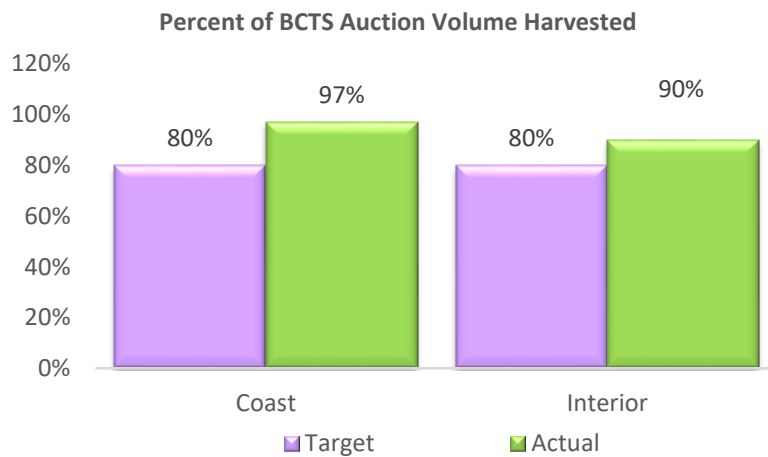


BCTS advertised 4.7% of the projected annual harvest volume on the Coast, and 4.5% in the Interior.

BCTS is projecting to auction 20.4% of the projected harvest volume on the Coast and 25.6% 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.

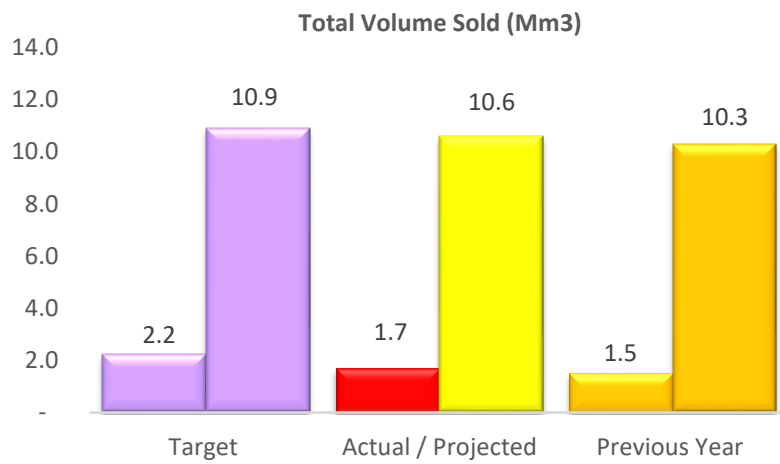
For the twelve-month period ending June 30, 2020, the BCTS auction volume harvested was within five (5) percentage points of the Major Licensee harvest volume by species and grade more than 80% of the time. This indicates good representation of harvest volume provided by BCTS.

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 first quarter was 96.7%. This is a decrease in quality from last fiscal year end 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 June 30th, BCTS sold 77% of target. Changing market conditions, reconciliation and timber inventory constraints have impacted Q1 performance.

If these challenges do not improve BCTS is projecting that it will not achieve its volume sold target for year-end.

Quarter 1 Timber Volume Sold by Business Area

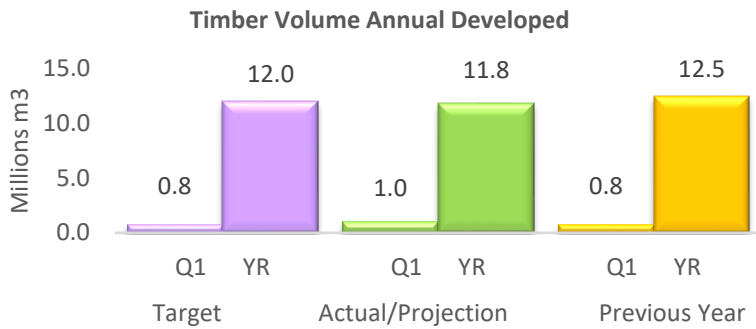
Volume Sold Coast	Target Mm ³	Achieved Mm ³	Variance Mm ³	Variance %
CHINOOK	0.08	0.09	0.01	13%
SEAWARD	0.21	0.07	-0.14	-66%
STRAIT OF GEORGIA	0.25	0.14	-0.11	-44%
Coast Total	0.54	0.30	-0.24	-44%

Volume Sold North	Target Mm ³	Achieved Mm ³	Variance Mm ³	Variance %
BABINE	0.13	0.25	0.12	92%
PEACE LIARD	0.32	0.25	-0.07	-22%
PRINCE GEORGE	0.19	0.10	-0.09	-47%
SKEENA	0.18	0.00	-0.18	-100%
STUART NECHAKO	0.20	0.34	0.14	70%
North Total	1.02	0.94	-0.08	-8%

Volume Sold South	Target Mm ³	Achieved Mm ³	Variance Mm ³	Variance %
CARIBOO CHILCOTIN	0.10	0.05	-0.05	-50%
KAMLOOPS	0.21	0.15	-0.06	-29%
KOOTENAY	0.23	0.19	-0.04	-17%
OKANAGAN	0.10	0.07	-0.03	-30%
South Total	0.64	0.46	0.18	-28%

OBJECTIVE 1: SELLING THE APPORTIONMENT

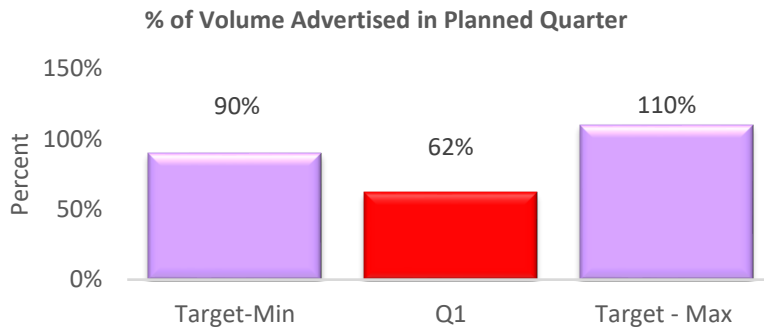
Develop sufficient timber to maximize timber volume offered and sold



BCTS develops timber to have enough inventory for future auctions. To date, BCTS has declared 1.0 Mm³ of timber ready to sell.

At this time, BCTS is projecting that it will fall short by 2% of its annual target by fiscal year-end.

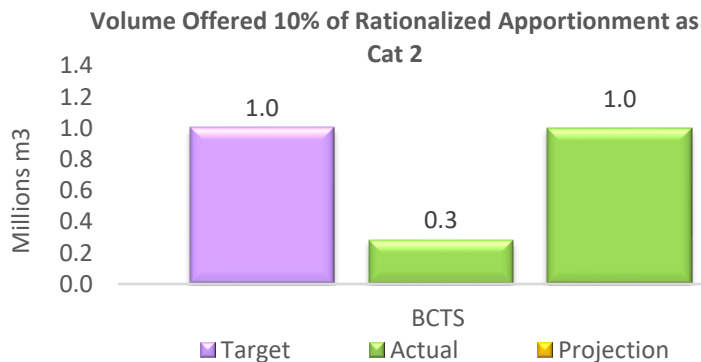
The volume of timber supplied to the market is reliable



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

In the first quarter, BCTS under achieved its target for reliability of timber supply. The COVID-19 pandemic was the main reason for the underachievement. Old growth, wildlife issues, and consultation activities with Indigenous Peoples were other contributing factors.

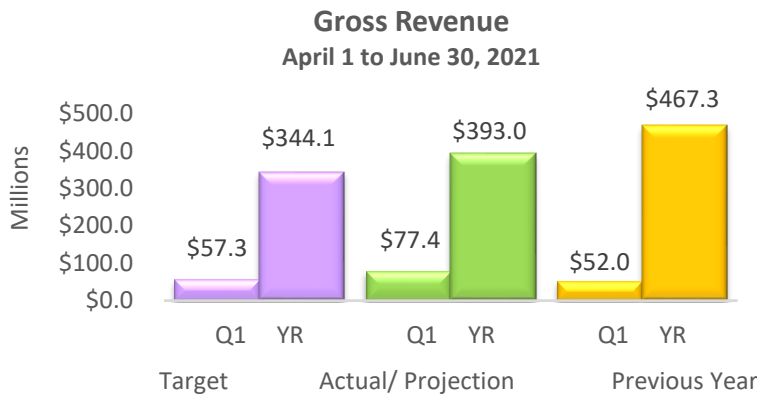
Offer 10% of Rationalized Apportionment as Category 2 Timber Sales



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 quarter BCTS offered 0.3Mm³ to Category 2 registrants. BCTS is currently projecting to achieve target by year-end.

OBJECTIVE 2: GENERATING REVENUE

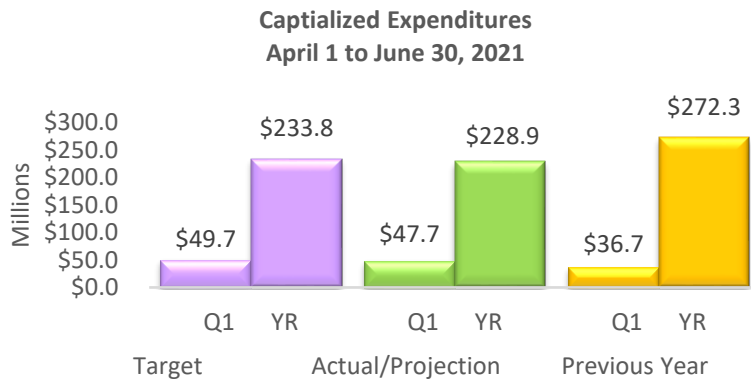
Gross Revenue



Gross revenue to date was \$77.4M - \$20.1M more than target. This was due to higher-than-expected billed rates paid for harvested timber during the period. Gross Revenue was \$25.4M higher than the previous year mainly due to higher billed rates paid.

BCTS is expecting that billed rates will remain higher than expected and it will overachieve its annual gross revenue target.

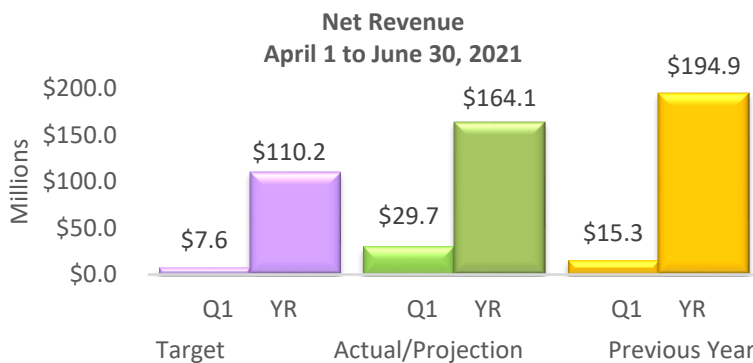
Less: Capitalized Expenditures



Capitalized expenditures for the quarter were under budget by \$2M.

At this time, BCTS is projecting that its annual expenditures for the year will under budget by \$4.8M mainly due to a reduction of costs for silviculture and the COVID-19 pandemic. This projection does not yet include any potential losses due to the fires.

Equals: Net Revenue



Net Revenue for the period was \$29.7M. It is \$53.7M, or 67% greater than target. This is attributable to higher than expected gross revenues for the period.

Currently, BCTS is projecting to overachieve its annual net revenue target.

OBJECTIVE 3: CONTINUOUS IMPROVEMENT

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

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

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

Pursue excellence in people

The Forest Technologist Entry Level Program (FTELP) is a two-year training program based in Mackenzie that provides recent forestry graduates with the experience and mentorship needed to become an Association of BC Forestry Professional designated Registered Forest Technologist (RFT) or Registered Professional Forester. The FTELP program also addresses recruitment and retention challenges in northern locations and create opportunities for BCTS staff to gain supervisory experience. In the first quarter six new technologists started their 2-year training program with the FTELP.

The Work Environment Survey (WES) measures the health of the work environments within the B.C. Public Service. The survey gathers information about the work environment, on issues employees identify as important and areas needing improvement with the goal of understanding and improving employee engagement. BCTS’ People Practices Working Group (PPWG) review the results of the survey and identify actions to address the findings within BCTS. This year the PPWG has identified the following as work plan goals: ongoing support for the Supervisor’s Community of Practice, promotion of stay & exit Interviews, and enhancing communication about resources available for stress, workload, mental health.

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 Q1 BCTS initiated a virtual Lean workshop to improve and standardize the reporting of our silviculture liability. Results of the workshop will clarify roles and responsibilities, improve the timeliness and accuracy and consistency of our silviculture liability reporting, and will ultimately result in result in less rework.

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 Q1 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 relations staff at the business area level, BCTS continues to pursue mutually beneficial effective business relationships with willing third-partner partners. In most 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) and collaborative management agreements (CMAs). In the first quarter, BCTS entered one new CMA.



APPENDIX 1 – OUTPUTS

Key Year to Date Results by Coast and Interior Areas April 1 to June 30th, 2021

	Target	Total	Coast	Northern Interior	Southern Interior
Volume Advertised /Offered CAT Any (Mm³)	2.31	1.81	0.44	0.91	0.46
Add: Volume Advertised- CAT2 (Mm ³)	0.16	0.27	0.07	0.12	0.08
Less: No Bid Sales/No Sale	0.25	0.22	0.06	0.08	0.08
Less: Timing Variance (note 1)	0.00	0.18	0.15	0.03	0.00
Plus: YE Timing Variance	0.00	0.02	0.00	0.02	0.00
Volume Sold (Mm³)	2.22	1.70	0.30	0.94	0.46
Volume Scaled (Harvested (Mm³))	1.35	1.49	0.46	0.38	0.65
Lump Sum Timber Sale Licences			Number (TSL)		Volume (Mm³)
• Advertised			27		0.48
• Less: No Bid/No Sale			(6)		(0.08)
• Total Sold			21		0.40

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

APPENDIX 2 – FINANCIAL PERFORMANCE

April 1 – June 30 th , 2021		2020/21 First Quarter (Millions) April 1- Jun 30		2021/22 First Quarter (Millions) April 1- Jun 30
Revenue from External Sources		\$52.00		\$77.41
GROSS REVENUE		\$52.00		\$77.41
Capitalized Expenses:				
Cost of Timber Inventory Harvested				
Administration / Salaries	(\$3.57)		(\$4.35)	
Planning & Sales	(\$4.67)		(\$10.11)	
Access – Amortization	(\$8.87)		(\$9.55)	
Sub-Total Cost of Timber Harvested & Amortization		(\$17.11)		(\$24.01)
Other Costs				
Silviculture Liability Expenses	(\$11.30)		(\$15.00)	
Road & Bridge Maintenance	(\$1.76)		(\$1.49)	
Non- BCTS Roads	(\$0.00)		(\$0.32)	
Harvest Conformance	(\$0.10)		(\$0.24)	
Operational & Administrative Overhead	(\$5.80)		(\$7.03)	
Land Base Investment / FFT Recoveries /Sec.108	\$0.30		\$1.39	
Sub-Total Other Costs		(\$18.66)		(\$22.69)
NET REVENUE/(LOSS) before Covid-19 Costs		\$16.20		\$30.71
Non-operating expenses: Covid-19 Costs		(\$0.90)		(\$1.02)
NET REVENUE/ (LOSS)		\$15.30		\$29.69
Note: Results are Unaudited				

APPENDIX 2

Selected Balance Sheet Items As at June 30 th , 2021		2020/21 First Quarter (Millions)		2021/22 First Quarter (Millions)
Silviculture Liability		(\$156.80)		(\$184.06)
Inventory Value of Developed Timber				
Timber Inventory – Opening Balance	\$162.77		\$141.07	
Timber Developed	<u>\$11.10</u>		<u>\$10.25</u>	
Timber Available for Sale	\$173.90		\$151.33	
Cost of Timber Inventory Harvested	<u>(\$8.20)</u>		<u>(\$14.47)</u>	
Timber Inventory – Closing Balance		\$165.70		\$136.86
Work-in-progress Inventory – Closing Balance		\$54.70		\$61.72
Roads				
Book Value	\$876.30		\$922.28	
Accumulated Amortization	<u>(\$601.80)</u>		<u>(\$637.31)</u>	
Net Book Value		\$274.50		\$284.97
Deactivation Liability		(\$10.80)		(\$15.59)
Seed Inventory		\$18.40		\$18.98
Note: Results are Unaudited				



BCTS

BC Timber Sales



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

