

CELEBRATING 20 YEARS



**BCTS**  
BC Timber Sales

2003 - 2023

# QUARTER PERFORMANCE REPORT

APRIL 1, 2023 – December 31, 2023

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



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## MINISTRY OF FORESTS, BC TIMBER SALES AREA MAP



# INTRODUCTION

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

## Our Mission

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



# QUARTERLY PERFORMANCE HIGHLIGHTS



## OVERALL PERFORMANCE: SUMMARY OF HIGHLIGHTS

BCTS implemented the government's Old Growth Strategy on November 2, 2021. This had serious impacts on performance during 2022/23 onward. Harvest volume and revenues for the period ended December 31, 2023, were lower than expected. In addition, the severe 2023 wildfires caused challenges and delays in BCTS' operations and plans. As a result, BCTS is projecting that it will not achieve its key performance targets for the year, including volume advertised, volume sold and volume developed. This underachievement will have consequences on performance outcomes in future years.

## FOREST SECTOR SAFETY

BCTS' annual Safe Companies maintenance audit was completed in November 2023. In the previous year, we achieved an overall score of 94%. A major strength reported by workers, supervisors and managers is a strong safety culture. All staff that were interviewed expressed that the organization makes safety a top priority. All workers interviewed stated they feel comfortable and safe reporting any concerns to their supervisors, and that those concerns will be taken seriously and mitigated in an appropriate timeframe. "Safety Days" at all Business Areas are an excellent method of incorporating safety training and safety communication to workers. Workers interviewed all expressed Safety Days support employee engagement and content retention. Workers also said BCTS has great emergency response and safety procedures on workers checking in and out. Many workers do work from home at least some days a week, and it was excellent to see the BCTS has adapted to accommodate staff that do not always work in a traditional office setting. There were some areas for improvement noted (in the audit report) and BCTS is working to make improvements.



## RECONCILIATION WITH INDIGENOUS PEOPLES

As part of the Ministry of Forests, BCTS continues to work toward the Province's goal of meaningful reconciliation with Indigenous Peoples and the implementation of the *Declaration Act*. This includes engaging with First Nations to build ongoing, positive and durable relationships. BCTS also continues to learn how the program can best increase participation of First Nation communities in the forest sector. BCTS' goal to become the "partner of choice" will be achieved by working collaboratively with First Nations to provide additional economic, employment and educational opportunities for First Nations in British Columbia. BCTS staff are actively engaging in ongoing education to enhance their cultural awareness, deepen their understanding of Indigenous Peoples' history and relationship to the land, and understand why meaningful reconciliation is important. This includes working directly with local First Nations. BCTS is working in collaboration with the BC First Nations Forestry Council and Ministry of Forests Indigenous Relations Branch to support the Indigenous Forestry Scholarship Program (IFSP). This includes providing IFSP funding for scholarships and placing students in summer jobs to gain experience to help them find future permanent employment. BCTS has offered 11 students positions for the summer of 2024.

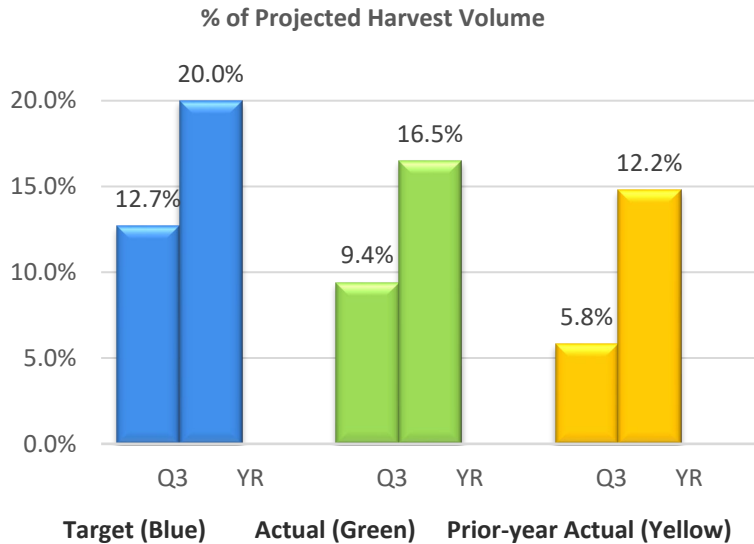


## SUSTAINABLE FOREST MANAGEMENT

BCTS manages 100% of its apportioned timber volume under the Sustainable Forestry Initiative (SFI) Forest Management certification standard. Annual internal and external audits are conducted by independent third parties to verify that BCTS meets or exceeds standards of the certification program and legal requirements. Over the course of 2022/23, BCTS made significant changes to its Environmental Management System and Sustainable Forest Management Program to meet the updated SFI Forest Management Standard. BCTS is an active member of the Western Canada SFI Implementation Committee.

# GOAL: PROVIDE CREDIBLE DATA FOR MPS

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

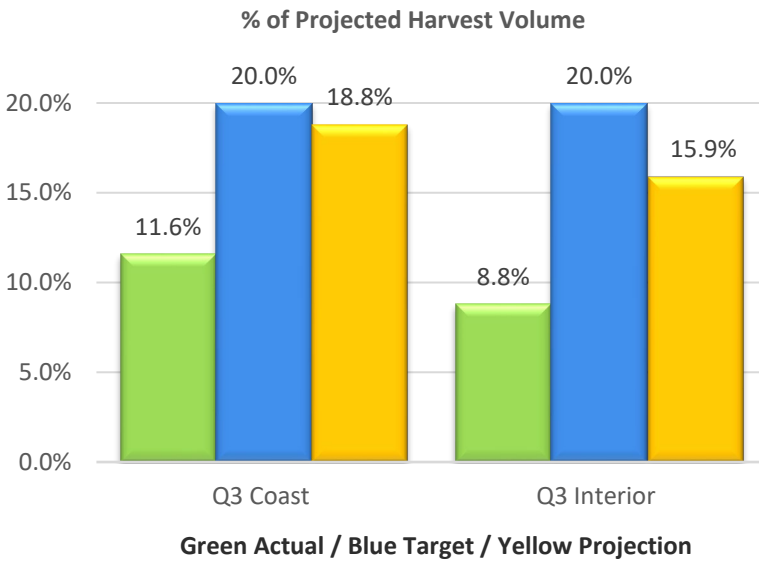


The volume of timber auctioned by BCTS must be at a level sufficient to support the Market Pricing System (MPS).

At December 31, 2023, BCTS had advertised 9.4% of the projected annual harvest volume.

BCTS is projecting to auction 16.5% of the projected provincial harvest volume by year-end. This volume is under the target level of 20%.

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

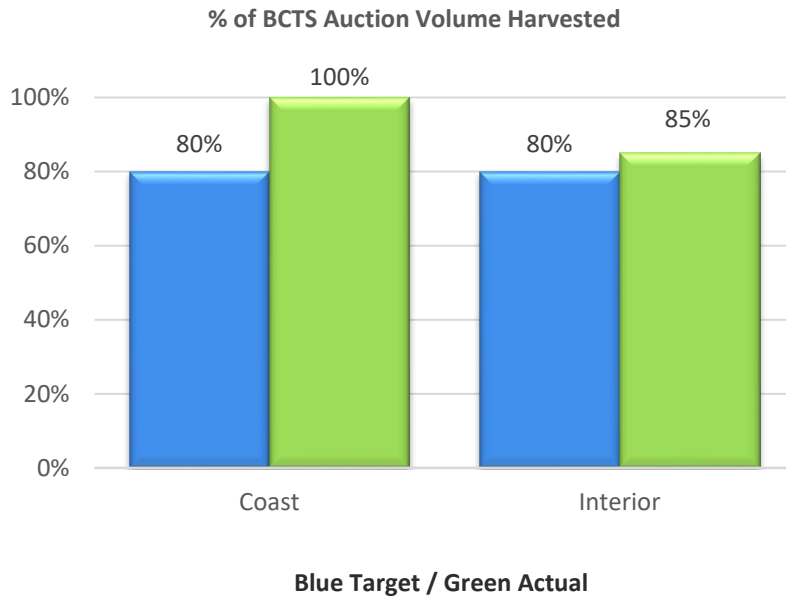


At December 31, 2023, BCTS advertised 11.6% of the projected annual harvest volume on the Coast, and 8.8% in the Interior. This volume did not meet the target requirements of the MPS.

At this time, BCTS is projecting that it will auction 18.8% for the Coast and 15.9% for the Interior. This level of auction volume is under the 20% target.

# GOAL: PROVIDE CREDIBLE DATA FOR MPS

The percent of BCTS timber volume sold is within five 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 ended December 31, 2023, the BCTS auction volume harvested was within five percentage points of the major Licensee harvest volume by species and grade more than 80% of the time. This indicates a good representation of harvest volume provided by BCTS.

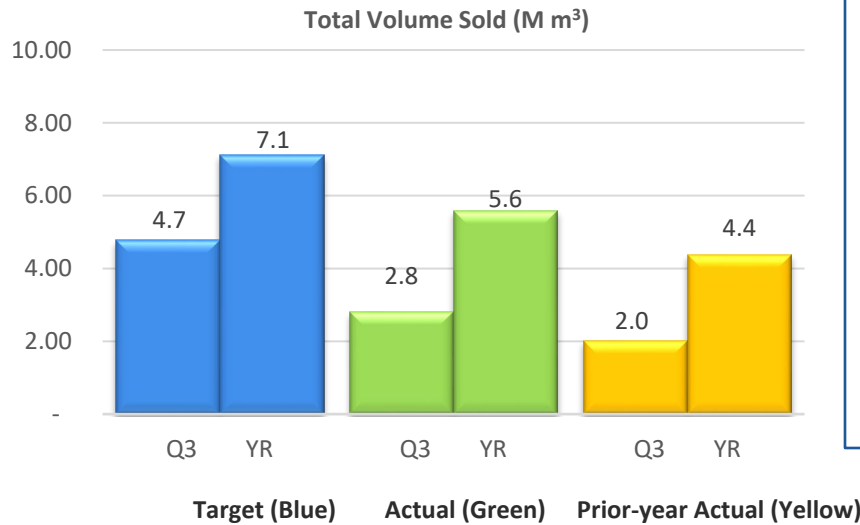
**For BCTS to ensure it provides credible data to establish market-based stumpage rates, it also must ensure its data is complete, accurate and reliable.**

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

The overall average data quality performance rating for the third quarter was 95.8% conformance.

# OBJECTIVE 1: SELL THE APPORTIONMENT

## Timber Volume Sold (M m<sup>3</sup>)



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

As of December 31, 2023, BCTS sold 2.8M m<sup>3</sup>, or 59.6% of target. The shortfall in sales was 1.9M m<sup>3</sup>.

At this time, BCTS is projecting that it will sell 5.6M m<sup>3</sup> by year-end, an under achievement of 1.5M m<sup>3</sup>.

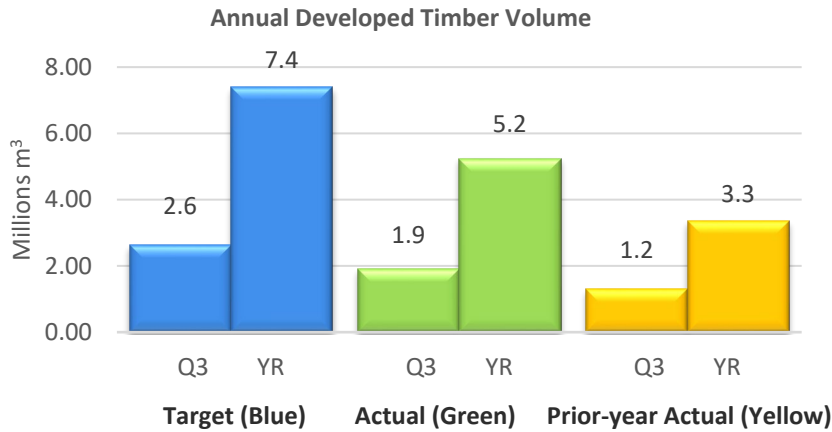
## Quarter 3 Timber Volume Sold by Business Area

Volume Sold North	Target M m <sup>3</sup>	Achieved M m <sup>3</sup>	Variance M m <sup>3</sup>	Variance %
BABINE	0.13	0.25	0.12	92%
PEACE-LIARD	0.13	0.03	-0.10	-77%
PRINCE GEORGE	0.54	0.22	-0.32	-59%
SKEENA	0.56	0.05	-0.50	-89%
STUART-NECHAKO	0.22	0.00	-0.22	-100%
<b>North Total</b>	<b>1.58</b>	<b>0.56</b>	<b>-1.02</b>	<b>-65%</b>
Volume Sold South	Target M m <sup>3</sup>	Achieved M m <sup>3</sup>	Variance M m <sup>3</sup>	Variance %
CARIBOO-CHILCOTIN	0.63	0.55	-0.08	-12%
KAMLOOPS	0.30	0.29	-0.01	-.0%
KOOTENAY	0.60	0.51	-0.09	-15%
OKANAGAN-COLUMBIA	0.48	0.19	-0.29	-60%
<b>South Total</b>	<b>2.01</b>	<b>1.54</b>	<b>-0.47</b>	<b>-23%</b>
Volume Sold Coast	Target M m <sup>3</sup>	Achieved M m <sup>3</sup>	Variance M m <sup>3</sup>	Variance %
CHINOOK	0.46	0.29	-0.16	-35%
SEAWARD-TLASTA	0.18	0.10	-0.08	-44%
STRAIT OF GEORGA	0.55	0.32	-0.24	-44%
<b>Coast Total</b>	<b>1.19</b>	<b>0.71</b>	<b>-0.48</b>	<b>-40%</b>



# OBJECTIVE 1: SELL THE APPORTIONMENT

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

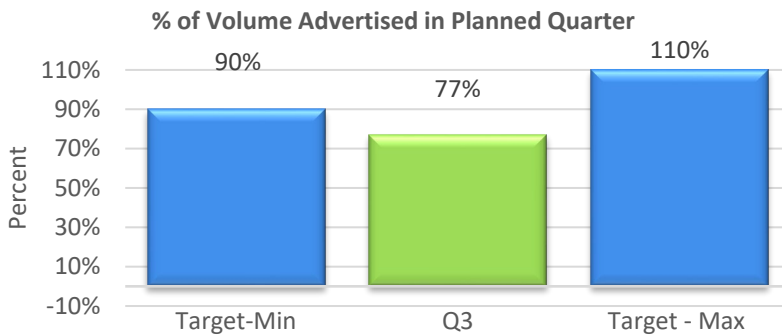


BCTS develops timber to have enough inventory for future auctions.

For the period ended December 31, 2023, BCTS declared 1.9M m<sup>3</sup> of timber ready to sell.

At this time, BCTS is projecting that it will develop 5.2M m<sup>3</sup> by year-end, a shortfall of 2.2M m<sup>3</sup>.

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

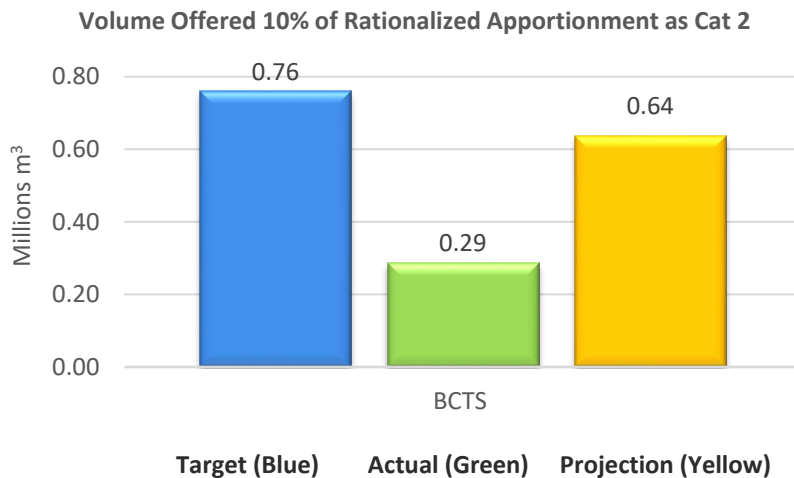


Timber volume advertised in the planned quarter is an indicator of the reliability of timber supply and the reliability of BCTS' Sales Schedules.

In the third quarter, BCTS did not achieve its threshold target for reliability of timber supply.

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

## Offer 10% of Rationalized Apportionment as Category 2 timber sales

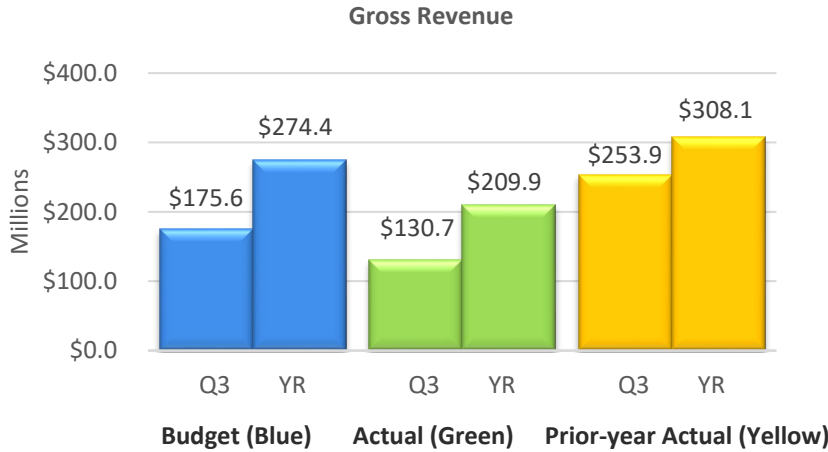


A key BCTS strategy is to provide open access to Crown timber for non-tenured or insufficiently tenured timber processing facilities. This promotes local employment and supports the value-added sector.

For the period ended December 31, 2023, BCTS offered 0.29M m<sup>3</sup> category 2 timber. BCTS is projecting that it will not achieve its annual target of 0.76M m<sup>3</sup>.

# OBJECTIVE 2: GENERATE REVENUE

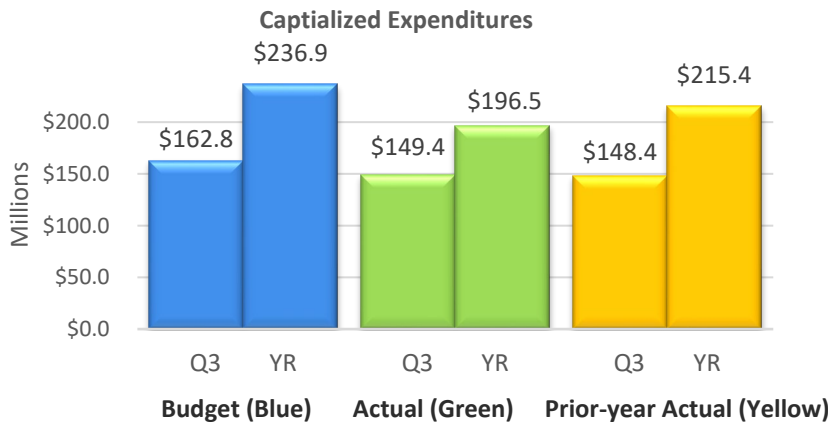
## Gross Revenue



Gross revenue for the period ended December 31, 2023, was \$130.7M. It was under budget by \$44.9M. The shortfall in revenue is mainly due to a decline in harvest volume.

At this time, BCTS is projecting that the annual gross revenue will be \$209.9M, a shortfall of \$64.5M.

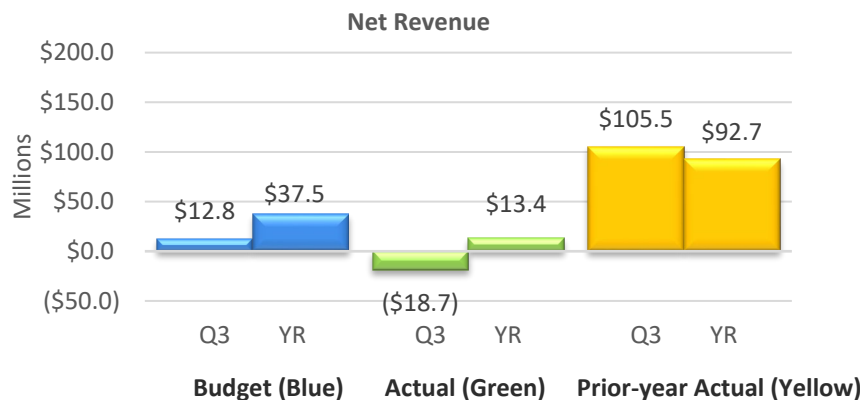
## Less: Capitalized Expenditures



Capitalized expenditures for the period were under budget by \$13.4M, mainly due to the decline in harvest volume and lower cost of goods sold expense.

BCTS is projecting that its annual expenditures will be lower than expected for the year as a result of the decline in harvest revenues.

## Equals: Net Revenue



Net Loss for the period ended December 31, 2023, was \$18.7M. The loss is mainly due to a decline in harvest volume.

BCTS is expecting that harvest revenues will improve during quarter 4, and a surplus of \$13.4M is projected for the year.

At this time, BCTS is projecting that it will not achieve 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”.*

BCTS continues to take significant steps to ensure all employees are developing the strong foundations in Lean practices required to continue to support a Lean philosophy across the organization.

## Pursue Excellence in People

Research has shown that engaged employees are more productive, less likely to resign and provide better service. The BC Public Service Work Environment Survey (WES) helps provide information on work environment challenges impacting engagement, starts conversations on what can be done differently and is used to guide actions and initiatives to improve employee engagement. The BCTS (WES) survey was sent to all BCTS staff this quarter and the results are being rolled up.

BCTS Peoples Practices working group continues to focus on the People within BCTS. The group’s objectives include continuing to:

- Improve the work environment using the WES and Timber Sales Leadership Team’s input to guide priorities and key performance indicators.
- Learn and integrate new, innovative ideas.
- Champion and communicate the results of our work in a timely manner.
- Share and celebrate the positive responses to the WES.

## Pursue Excellence in Operations, Practices and Processes

Distribution and representation of BCTS staff across task teams, working groups, steering committees and advisory teams continues to be a strength of BCTS. Approximately 165 staff from across all 12 business areas and within provincial operations are currently involved in this work. These teams ensure goals and priorities of BCTS are being addressed. A critical role of task teams within BCTS is to actively plan, initiate and deliver results from the Sustainable Forestry Initiative audit alongside the BC Forest Safe audit completed this fiscal.

The Forest Technologist Entry Level Program (FTELP) has completed its ninth cohort recruitment of participants this quarter. FTELP is a two-year, on-the-job training program for Forest Technology Diploma or Degree graduates, followed by at least two years of full-time regular employment, ideally in one of BCTS’ northern business area locations. The program continues to recruit, grow and develop the FTELP leadership team.

# OBJECTIVE 3: CONTINUOUS IMPROVEMENT

## Pursue Excellence in Relationships

BC Timber Sales has begun various initiatives to enhance BCTS, with the objective to better position the organization to deliver on the Government Objectives stated in the Intentions Paper. BCTS' four key areas of focus are to:

- Support the Market Pricing System
- Support the Value-Added Sector
- Position BCTS as a “Partner of Choice”
- Enhance BCTS; Support increased communication and public engagement opportunities

Support for the Market Pricing System continues to be our primary mandate. To continue to do this, we will work to identify ways to increase BCTS volume. Support for the Value-Added sector will require a move from high-volume to high value forestry. Positioning BCTS to be a “Partner of Choice” for forest sector business arrangements will require us to identify barriers in current BCTS policy and processes. Enhancing BCTS will mean becoming more proactive in our communication, and enhancing awareness of BCTS operations and practices. This will require development of communications that resonate with interest holders and the public by developing a multi-pronged communication approach. BCTS Indigenous Relations staff continue to support and diligently work to build relationships with First Nations, highlighting BCTS' commitment in achieving effective and meaningful reconciliation.



# APPENDIX 1 – OUTPUTS

## Key Year-to-Date Results by North, South and Coast Areas: April 1 to December 31, 2023

	Target	Total	Northern Interior	Southern Interior	Coast
Volume Advertised CAT Any (M m <sup>3</sup> )	4.30	3.27	0.86	1.51	0.90
Add: Volume Advertised - CAT2 (M m <sup>3</sup> )	0.54	0.29	0.05	0.22	0.02
Less: No Bid Sales/No Sale	(0.06)	(0.66)	(0.35)	(0.13)	(0.18)
Less: Timing Variance ( <i>*Note 1</i> )	(0.00)	(0.15)	(0.05)	(0.05)	(0.04)
Plus: Year-end Timing Variance	0.00	0.05	0.05	0.00	0.00
<b>Volume Sold (M m<sup>3</sup>)</b>	<b>4.78</b>	<b>2.81</b>	<b>0.56</b>	<b>1.54</b>	<b>0.71</b>
Volume Scaled/Harvested (M m <sup>3</sup> )	2.95	2.02	0.42	0.98	0.62
<b>Lump Sum Timber Sale Licences</b>			<b>Number (TSL)</b>		<b>Volume (M m<sup>3</sup>)</b>
• Advertised			33		0.51
• Less: No Bid/No Sale			(9)		(0.11)
• Total Sold			24		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 – December 31, 2023		2022/23 Third Quarter (Millions) April 1-Dec 31		2023/24 Third Quarter (Millions) April 1-Dec 31	% change Q3 YTD 2023/24 to Q3 YTD 2022/23
Revenue from External Sources		\$253.8		\$130.6	
<b>Gross Revenue</b>		<b>\$253.8</b>		<b>\$130.6</b>	<b>(48.5%)</b>
<b>Capitalized Expenses:</b>					
<b>Cost of Timber Inventory Harvested</b>					
Administration / Salaries	(\$20.4)		(\$13.4)		
Planning & Sales	(\$14.5)		(\$12.1)		
Access – Amortization	(\$28.5)		(\$29.7)		
<b>Sub-Total Cost of Timber Harvested &amp; Amortization</b>		<b><u>(\$63.5)</u></b>		<b><u>(\$55.3)</u></b>	<b>(12.8%)</b>
<b>Period Costs</b>					
Administrative Overhead	(\$21.4)		(\$22.6)		
Harvest Conformance	(\$0.3)		(\$0.3)		
Old Growth Verification Costs	(\$0.1)		(\$0.0)		
Road & Bridge Maintenance	(\$9.7)		(\$9.9)		
Non-BCTS Roads	(\$0.9)		(\$0.2)		
Silviculture Liability Expense	(\$56.2)		(\$39.5)		
Wildfire Liability	0.00		(\$10.0)		
Forest Investment Account	(\$12.0)		(\$12.5)		
Forest Investment Account (Recovery)	\$22.4		\$3.5		
Section 108 (Recovery)	\$1.9		\$1.6		
<b>Sub-Total Other Costs</b>		<b><u>(\$76.5)</u></b>		<b><u>(\$94.0)</u></b>	<b>22.9%</b>
<b>Net Revenue (Loss)</b>		<b>\$113.8</b>		<b>(\$18.7)</b>	<b>(116.4%)</b>

## APPENDIX 2– FINANCIAL PERFORMANCE (Continued)

Selected Balance Sheet Items As At December 31, 2023		2022/23 Third Quarter (Millions)		2023/24 Third Quarter (Millions)	% Change Q3 2023/24 YTD to Q3 2022/23 YTD
<b>Silviculture Liability</b>		<b>(\$203.7)</b>		<b>(\$206.5)</b>	<b>(1.3%)</b>
<b>Inventory Value of Developed Timber</b>					
Timber Inventory – Opening Balance	\$133.3		\$140.8		
Timber Developed	<u>\$36.7</u>		<u>\$44.0</u>		
Timber Available for Sale	<u>\$170.1</u>		<u>\$184.8</u>		
Cost of Timber Inventory Harvested	<u>(\$34.9)</u>		<u>(\$25.6)</u>		
<b>Timber Inventory – Closing Balance</b>		<b>\$135.2</b>		<b>\$159.2</b>	<b>17.7%</b>
<b>Work-in-progress Inventory – Closing Balance</b>		<b>\$77.8</b>		<b>\$72.4</b>	<b>(6.8%)</b>
<b>Roads</b>					
Book Value	\$959.9		\$977.1		
Accumulated Amortization	(\$672.6)		(\$667.5)		
<b>Roads Net Book Value</b>		<b>\$287.2</b>		<b>\$279.5</b>	<b>(2.6%)</b>
<b>Deactivation Liability</b>		<b>(\$18.8)</b>		<b>(\$26.1)</b>	<b>(38.1%)</b>
<b>Seed Inventory</b>		<b>\$19.6</b>		<b>\$19.8</b>	<b>1.0%</b>
Note: Results are Unaudited					

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