



**BC TIMBER SALES
STRUCTURAL REVIEW
IMPLEMENTATION REPORT**

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Prepared by:

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INTRODUCTION

In May, 2006, the Minister of Forests and Range directed a review be undertaken to determine if the current organizational structure of BC Timber Sales (BCTS) most effectively addresses its mandate, and to recommend any needed changes to the BCTS structure, or delivery model. The review was to be based on the current mandate of BCTS as articulated by its Vision and Mission statements, and stated in its goals and objectives.

The review recommendations were published in a December 1, 2006 report to the Minister. That report, two discussion papers and the public comments on those papers, and a backgrounder with details on the review process, analysis, and findings were posted on the BCTS public website. This paper provides an update on the implementation of those recommendations after three months.

DECEMBER 1 RECOMMENDATIONS and associated IMPLEMENTATION ACTIONS

Recommendation 1: BCTS should remain within the Ministry of Forests and Range (MoFR), subject to recommendations 2 to 8 being acted on. If all of these supporting recommendations cannot be implemented, then the alternative of a Crown Corporation should be pursued.

The Minister of Forests and Range strongly supported this recommendation, as the most cost-effective future for BCTS lies in remaining a strong participant within the broader MoFR organization. The Minister directed that BCTS immediately start implementation of recommendations 2 through 8, as outlined below, to ensure the necessary changes were made to the operation of BCTS within the overall MoFR structure.

Recommendation 2: Immediately revisit the current BCTS strategic goals and ensure that their intent is clear and that the hierarchy of the goals is clearly identified.

The BCTS strategic goals have been clarified and their hierarchy identified, and presented in the BCTS 2007/08 to 2009/10 Service Plan. Implementation of this recommendation is strongly linked to Recommendation 3.

Recommendation 3: In conjunction with any revision to the strategic goals and their hierarchy, establish an enhanced set of performance targets and measures for BCTS, and publicly report quarterly against those measures.

The following revised goals and performance measures have been included in the approved BCTS Service Plan for 2007/08 to 2009/10. These new statements address the same key objectives as the previous 4 goals, but they have seen several significant revisions:

- The goals have been re-ordered and stated in a way that there is a clear hierarchy and order of priority between the goals. Clearly, net revenue is maximized within the overall objectives of safe and sound forest practices, of providing information for the Market Pricing System, and of supplying timber to the market.

- The key performance measures have been adjusted to reflect these goals and the clear expectations of BCTS' stakeholders.

On a quarterly basis, BCTS will post its performance against these and other Service Plan measures on the BCTS public website, and communicate performance directly to the Timber Sales Advisory Council and other interested parties.

Consistent with safe practices and sound forest management BC Timber Sales...

1. Is a high performing organization with skilled, motivated, and proud people.

Measure: High performance Index

2. Provides a credible reference point for costs and pricing of timber harvested from public land in B.C.

Measures: % of AAC Auctioned

Sufficient data variables provided for Market Pricing System

3. Provides a reliable supply of timber to the market, through open and competitive auctions - subject to meeting the requirements of cost and price referencing as stated in Goal 2.

Measure: Average Volume Sold

4. Maximizes net revenue for the province - subject to the requirements of cost and price referencing as stated in Goal 2 and supplying timber for auction as stated in Goal 3.

Measure: Average Net Revenue

Recommendation 4: If BCTS has not achieved the performance targets and measures after an additional four years of operating within the MoFR, undertake a full business case analysis of the alternative structural models. This business case analysis should be undertaken earlier if a significant and sustained shortfall in performance is reported.

BCTS, the Timber Sales Advisory Council, stakeholders, and the public will monitor the performance of BCTS over this four-year period.

Recommendation 5: Immediately clarify the linkage between BCTS and the Market Pricing System.

BCTS has performed an internal examination of the critical data flows to address the needs of the Market Pricing System (MPS), and has formed an internal working group to improve MPS data integrity. Further technical work on this topic will be conducted through the existing Coast and Interior multi-party timber-pricing groups.

Recommendation 6: Take steps required to attain the degree of separation necessary while remaining within the MoFR.

BCTS is taking actions in the following three areas. This work is designed to create separation where it makes sense, but to avoid the generation of unproductive silos:

- Visible separation between BCTS and the Operations Division of the MoFR
 - A joint Task Team involving BCTS and Operations Division has been struck to examine options and logistics for vehicles, buildings and visible identity.
- Stability of mandate and operating area
 - BCTS is working with the remainder of the MoFR to ensure policies and operations respect the BCTS mandate and operating areas, and incorporate that mandate into broader MoFR policies. Specific legislation will not be pursued at this time for this purpose.
- BCTS accountability to parties external to the MoFR
 - Through the improvement of quarterly public performance reporting, including formalized performance reporting to the Timber Sales Advisory Council, BCTS will be externally accountable to stakeholders outside of the MoFR.

Recommendation 7: Develop a detailed action plan to facilitate high-performance of BCTS within the MoFR organization and the broader government structure.

BCTS is implementing a Business Efficiencies Review this spring, enabling staff in all offices to identify strengths, areas for improvements, and opportunities for process streamlining in all areas of its business. BCTS is currently implementing the recommendations from an internal information systems review. BCTS continues to integrate continuous improvement principles into daily operations and has staffed a temporary Business Improvement Specialist to manage the formal CI program within BCTS.

Recommendation 8: Increase the level of dialogue and communication between BCTS and its customers and stakeholders.

BCTS has revised its communication strategy, which includes participation in industry trade conventions and one-on-one dialogue with local customers and stakeholders.

Other Recommendations and Issues out of the Scope of the Structural Review

Recommendation 9: Full privatization of the BCTS function, and the supporting timber assets, should not be considered as a long-run alternative at this time.

No further action is required at this time.

Recommendation 10: BCTS should stay focussed on the mandate of marketing timber to support the Market Pricing System until there is alternative policy direction from government.

No further action is required at this time.

Recommendation 11: The future of the BCTS Category 2 program should be addressed by a broader discussion that considers input received through this review, the Softwood Lumber Agreement (“first-mill” component), public policy objectives, and other options available for the value-added industry.

BCTS is working with the rest of the MoFR to ensure that this issue can be addressed in its broader context.

Recommendation 12: BCTS should concentrate primarily on selling standing timber, and only consider selling limited quantities of logs if compatible business opportunities arise during the course of attaining its primary goal of supporting the MPS.

No further action is required at this time.