

Minutes

Timber Sales Advisory Council Meeting

November 6, 2008

Location: Radisson Hotel, Richmond

Council Members:

Brian Brown
 Russ Cameron
 Warren Carter
 Duncan Chisholm
 Bill Markvoort
 Keith Eslinger
 Shane Garner
 Les Kiss
 Barry Simpson
 Scott Marleau (alt. COFI rep)
 Steve Kozuki (alt. COFI rep)

BCTS Staff:

Mike Falkiner (chair)
 Dave Peterson
 Jim Sutherland
 Jerry Kennah
 Tom Jackson
 Graham Archdekin
 Geoff Tindale

Secretariat:

Alison Nicholson

Guests: Minister Pat Bell

Regrets: Dennis Cook, John Hatalcik, Ken Houlden, Brian Fenkel

Meeting called to order at 10:00

Topics	Discussion/Actions/Decisions
Introductions and Opening Remarks	<ul style="list-style-type: none"> Mike Falkiner welcomed everyone, Tom Jackson gave a safety briefing for the meeting and there were introductions around the table.
Minister Bell's Comments	<p>Minister Pat Bell provided an overview of his longer term vision for BC's forest industry and BCTS.</p> <ul style="list-style-type: none"> He noted that he is extremely pleased to have the forestry portfolio. It is a great industry and a pivotal time for the sector. With the right decisions we can set a course that will stimulate the sector - value added as well as solid wood and pulp – into the future. It is a particularly interesting time with the evolution of bioenergy. BC is in a similar situation as it was in the 1960's when the pulp industry first began to develop and there was a shift in thinking to new technologies and a new way to use fibre.

Topics	Discussion/Actions/Decisions
	<ul style="list-style-type: none"> • Minister Bell described four cornerstones for his vision: <ol style="list-style-type: none"> 1. Utilize the resource more fully – It is important that we extract the full economic value from the timber we cut and BCTS can help stimulate full utilization through creative sales. 2. Increase the focus on how we grow trees – We have become very good at taking trees out of the woods – good equipment and techniques – and good at milling the wood – BC averages over 50% of Canada’s market shipments to the US. BC is competitive. However, we must now turn our minds to growing trees, i.e., to our forest management practices, especially in a carbon constrained environment. It is irrelevant what we believe about climate change. The important thing is that a climate constrained environment represents an important opportunity for the industry as the shift towards wood grows. Aesthetics will also be important for supporting the shift. The cap and trade system, which will come on line in the next five years, can also help make us economic winners through the carbon offsets if we can achieve incremental growth. 3. Expand into the Market in China - China represents a large market opportunity, particularly with the growing middle class consumer demands. Russia currently sells significant volume annually to China. However, Russia is likely to impose a new incremental log tax which would provide an opportunity for British Columbia to become more competitive in that market. 4. Expand use of wood in commercial/industrial buildings – The commercial/industrial building market is more stable than the housing market. BC needs to take advantage of the shift to green building and promote the use of wood for both structural and aesthetic purposes in commercial/industrial buildings. <p>BCTS</p> <ul style="list-style-type: none"> • The Minister stated that the BCTS model is a good one even though it can be complicated for BCTS to deliver on its conflicting mandate, i.e., to behave like the private sector yet also provide a robust data set for the market pricing system. Furthermore, there are constant reallocation pressures on BCTS volume for treaty negotiations etc. He asked TSAC to specifically consider whether BCTS’ role should be expanded to handle all Crown timber that gets put into the market? <p>Summary of round table discussion:</p> <ul style="list-style-type: none"> • The Minister’s comments stimulated a lively discussion which was focused mainly on how BCTS sales can help achieve full utilization, the China market and BCTS. The points made are summarized below. <p><u>Utilize the resource more fully:</u></p>

Topics	Discussion/Actions/Decisions
	<ul style="list-style-type: none"> ▪ Regarding lump sum sales, the TLA is in favour of lump sum sales and would like to see their use expanded from low value stands to a full range of timber sales. Lump sum sales can help solve a number of problems. It helps deter gamesmanship and ensure bona fide bidding; there is a guaranteed payment to the crown; and a reduced need for compliance and enforcement. ▪ The Minister responded that he was a lump sum sales proponent. Initially BCTS is focusing on lower end sales to see how the market responds. The biggest challenge is acquiring the necessary MPS data. It is desirable to improve the efficiency of the pricing system but it is complex discussion on how to include lump sum sales. ▪ The Minister noted that he shares that concern about speculation but also recognizes that when the marketplace is changing rapidly it can be difficult for licensees to follow through with their sale as originally planned. He does not want people to be put into bankruptcy in these situations and has therefore asked Dave Peterson to look closely at relief requests during difficult market times. ▪ The pulp sector also voiced support for lump sum sales, noting, however, that lump sum sales for low quality stands may still not be economically viable. The Minister stated that BCTS' mandate is to post sales to cover costs. BCTS would be interested to know what information clients need for a sale. It may be possible to reduce costs depending on the information provided. ▪ A member raised the issue of establishing a market price. It was suggested that stumpage be set at \$0.25 to find that market price. The Minister responded that that approach would open ourselves to charges of dumping under the softwood lumber agreement but BC could reduce costs and therefore upsets. ▪ A member asked whether all sales need to support MPS? It may make sense to move second growth to lump sum sales and/or blend low value blocks with better wood. ▪ A member noted that the cruise system is based on old data and resources to improve the accuracy of the cruise data would help reduce the risks. ▪ The Vancouver Island Association of Wood Processors raised the issue of hardwood availability on the island. Is there a way that BCTS can trade their volume to access TFL hardwoods (e.g., alder)? The Minister responded that he is open to new forms of tenure to encourage new practices. ▪ It was noted that selling alder and maple does not help with MPS. Alder however, often has a higher price than fir. A consistent source of alder is important to develop the hardwood industry however, currently all the coast hardwoods are committed to 5 licenses. It would be good if those licenses were turned in so hardwoods could be sold through BCTS. ▪ What options can BCTS provide for medium size businesses? ▪ Minister Bell noted that he is not happy with our pricing system. However, Alberta's system has drawbacks as well, i.e., they do not factor distance into the stumpage thus the easiest, cheapest fibre

Topics	Discussion/Actions/Decisions
	<p>is taken.</p> <ul style="list-style-type: none"> ▪ It was suggested that BC Hydro needs to be more responsive to proposals for bioenergy. <p><u>Expand into the market in China:</u></p> <ul style="list-style-type: none"> • Is China looking for logs or lumber? The Minister indicated that China wants lumber but will take logs if necessary. Lumber is preferred if it is the right product because: <ul style="list-style-type: none"> ▪ It is more expensive to ship logs; and ▪ China has antiquated mills. • It was suggested that funding support for the development of structural applications/building codes in China would be helpful. <p><u>BCTS:</u></p> <ul style="list-style-type: none"> • Council members thanked the Minister for taking time to attend their meeting. TSAC is considered a valuable venue for discussing issues and connecting with the BCTS and the ministry. BCTS is responsive to advice, has performed well and has committed staff.
<p>ADM's Report</p>	<p>Dave Peterson noted that the Minister has challenged TSAC to:</p> <ol style="list-style-type: none"> 1. Consider whether changes related to BCTS are desirable in the future and identify improvements that can be incorporated into next year's service plan. 2. Consider whether other volume that the Ministry puts out to market, e.g., non replaceable forest licenses (NRFLs), should be marketed by BCTS, i.e., BCTS as a one-stop-shop. <p>Summary of round table discussion:</p> <ul style="list-style-type: none"> • BCTS has the expertise to put out competitive sales so it makes sense for BCTS to market all sales. • Taking on the marketing of other sales may also provide an opportunity to use volume other than BCTS volume for the MPS. • Regarding NRFLs - they are not specific enough to a geographic area so they are costly. Sometimes they are used as part of forest and range opportunity agreements with First Nations. The Minister has indicated that he would like to see NRFLs move to area-based. This would impact BCTS operating areas down the road. • If BCTS marketed other ministry volume then it would be important to track costs. For example, if BCTS took on marketing small scale salvage it could drive overhead costs up leading to higher MPS. Sales used in MPS must have cruise data consistent with how the majors cruise. Sales not used in MPS need not have the same level of information (and therefore prep. costs). The ILRA is supportive of cut block blending. • The target of 20% volume sold for MPS should be looked at. Representativeness for credibility across volume types may not be 20%. The pricing committee has an outstanding action item to examine the data statistically required for MPS. • It was suggested that an anti-speculation objective should be in the service plan. • Suggest that the service plan recognize the need for support for entrepreneurship in the sector. BCTS is well positioned to provide

Topics	Discussion/Actions/Decisions
	<p>that support.</p> <ul style="list-style-type: none"> Market is currently distorted as there is not good log pricing data for second growth fir. Action: BCTS to check into second growth fir log prices and report back. It is not clear that there is enough volume in the interior for BCTS to sell. Perhaps the Chief Forester be lobbied to free up more volume.
<p>Action Items Report Back</p>	<p>Variable Cost Upset and Total Cost Upset Sales Locations</p> <ul style="list-style-type: none"> In September 2008, TSAC requested that BCTS provide information about the sales locations for VCUs and TCUs. Graham Archdekin reported that they have pulled the information together but there is a data flaw that BCTS is in the process of correcting and the information will be available by the next TSAC meeting. <p>10 Day Security Deposit Timeline</p> <ul style="list-style-type: none"> Graham Archdekin reported that BCTS has a draft bulletin prepared describing the 10 day security deposit timeline requirements. Interested council members can see Graham for a copy of the bulletin. <p>Waste Billing Exemptions And Extension Fee And Deposit Relief Forfeiture Requests</p> <ul style="list-style-type: none"> Graham Archdekin reported that listing of the register of Timber Sales Licenses affected by extension fee waivers, deposit forfeiture relief and waste assessment relief is posted at: http://www.for.gov.bc.ca/bcts/about/tsac.htm. There have been 14 decisions since the last meeting. <p>Waste Assessments</p> <ul style="list-style-type: none"> The list of qualified waste assessors which BCTS uses was compiled and circulated to council members in October. <p>Progress re New BCTS Regulation</p> <ul style="list-style-type: none"> A progress report on the new BCTS regulation was circulated to council members in October. It is anticipated that it will go into effect by the end of t 2008. It opens up Cat 2 registrations to new registrants under existing eligibility requirements and registration transfer provisions have been removed because with open registration they are no longer required. Action: BCTS to provide TSAC with written information on volume included under Cat 2. <p>TSAC Membership</p> <ul style="list-style-type: none"> Dave Peterson reported that he had relayed Council's concerns about expanding TSAC membership to the Minister. Nevertheless, the Minister has decided that there are important advantages to expanding membership to include the contracting sector. Brian

Topics	Discussion/Actions/Decisions
	<p>Frenkel has been invited to join but was unable to make this meeting.</p> <p>Certification</p> <ul style="list-style-type: none"> • Jim Sutherland provided a certification update (see Attachment 1). • Action: BCTS to provide TSAC with a summary of the forests that are certified across the province and the types of certification.
Safety Requirements for Licensees	<ul style="list-style-type: none"> • Tom Jackson reviewed the BCTS safety requirements for licensees. Safety information is posted at http://www.for.gov.bc.ca/bcts/safety/program.htm. • BCTS was certified as a SAFE company in August 2008. All BCTS sales after December 31, 2008 will now require SAFE company certification for companies whose employees are working on the ground in timber licenses. This new requirement will not impact licenses awarded prior to Jan 1, 2009. The BC Forest Safety Council has provisions for handling new entrants and expanding companies who are not yet certified and are committed to achieving safe company certification. • Council members raised the issue of planning for safety on roads and the importance of pushing independent truckers to become SAFE certified. BCTS noted that the Forest Safety Council will not have a program in place for independent truckers until June 2009. Creating certainty about roles and responsibilities for roads will help make roads safer. Action: BCTS to coordinate efforts to address road safety with the Forest Safety Council.
2008/2009 2nd Quarter Report	<ul style="list-style-type: none"> • Jerry Kennah presented the performance report for the period April 1st to September 30th, 2008. In summary: <ul style="list-style-type: none"> ▪ Poor log market demand across the province and declining fibre quality continue to impact on BCTS performance. ▪ Volume of timber being harvested continues to be below target. ▪ Billed rates continue to be low in the interior. ▪ Increased no bid sales. • The report will be posted shortly at: http://www.for.gov.bc.ca/bcts/about/serviceplan.htm#Performance
Coastal Sales Strategy	<ul style="list-style-type: none"> • Geoff Tindale presented the draft coastal business areas sales strategy. See Attachment 2. BCTS is interested in getting feedback from stakeholders including TSAC before the strategy is finalized. • Council members asked for clarification about BCTS' interest in partnerships with First Nations. BCTS is interested in partnerships where it would be possible to use the volume for MPS purposes. Each partnership would be looked at on a case-by-case basis. Members noted that it would be inefficient for BCTS to intrude into the private sectors' role of providing services to First Nations. • Overall council members noted that the strategy was a positive

Topics	Discussion/Actions/Decisions
	step forward and the same type of strategy should be developed for the interior.
Closing Comments	<ul style="list-style-type: none">• Next meeting the focus should be a policy discussion as the results of the Working Round Table will be available. Council Members requested that Pat Plunkett also be scheduled for a discussion about forest revenues and trust accounts.

Next Meeting Date: Thursday, February 12th, 2009

Attachment 1 – Certification Update

ISO14001 Environmental Management System (EMS) Certification

- BCTS continues to retain EMS certification in all 12 Business Areas and cycle through re-registration audits for the second - 3 year ISO14001 certification terms.
- The BCTS Certification Standards Officers and Certification Working Group have recommended that BCTS move towards a single ISO certificate. A single ISO certificate (held by BCTS for the entire organization) is expected to result in improved consistency, streamlining and cost efficiencies.
- The BCTS EDGE project which includes improving the alignment of our EMS with our safety initiative is making good progress. Strengthening EMS efficiency and eliminating unnecessary burden on Licensees while retaining an arms length relationship is a main focus.

Sustainable Forest Management (SFM) Certification

- **Current Status:** Yellow highlight indicates achievement since last TSAC Update

Business Area	Management Unit	Volume m3	Standard	Certification Date		
Babine	Morice TSA	339,410	CSA	25/01/2006		
	Lakes TSA	714,837	CSA	06/11/2006		
Cariboo-Chilcotin	Williams Lake TSA	1,048,154	SFI	13/12/2007		
	Quesnel TSA	979,029	SFI	13/12/2007		
	TFL 52	117,178	SFI	13/12/2007		
Kamloops	Kamloops TSA	774,976	CSA	04/01/2006		
	Merritt TSA	421,870	CSA	04/01/2006		
Kootenay	Arrow TSA	789,757	SFI	28/02/2007		
	TFL 03 Little Slokan					
	TFL 23 Arrow Lake					
	Boundary TSA					
	TFL 08 Boundary					
Okanagan-Columbia	Okanagan TSA	647,243	CSA	08/04/2008		
	Columbia District	215,700	SFI	08/04/2008		
Peace-Liard	Fort Saint John TSA	622,059	CSA	17/10/2003		
	Fort Nelson TSA	203,668	CSA	08/04/2005		
	TFL 48	55,350	CSA	02/11/2006		
Prince George	Prince George TSA	1,168,104	CSA	25/01/06		
	TFL 30	21,312	CSA	22/06/06		
	Mackenzie TSA	718,886	CSA	08/08/2007		
Skeena	North Coast TSA	1,014,191	SFI	25/10/07		
	TFL 41					
	Kalum TSA					
	Nass TSA					
	TFL 1					
	Kispiox TSA					
	Cranberry TSA					
Cassiar TSA						
Stuart-Nechako	PG TSA Vanderhoof	1,076,040	CSA	19/12/2006		
	PG TSA Fort S James	914,637	CSA	19/12/2006		
Subtotal & % of all SFM Vol.	CSA	8,468,149 = 72%	SFI	3,374,252 = 28%	FSC	0

Total BCTS SFM Volume	11,842,401	Total BCTS Allocation	≈16,000,000	% Allocation Under SFM	74%
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- No new SFM certifications since last TSAC update.
- In cooperation with other Coast Forest Conservation Initiative Society (CFCI) businesses, BCTS is actively working towards Forest Stewardship Council (FSC) certification within the Mid-Coast TSA (part of the Mid and North Coast Land and Resource Management Plan (LRMP) areas aka 'Great Bear Rainforest'. The CFCI is made up of International Forest Products (Interfor), Western Forest Products (WFP), BC Timber Sales (BCTS), Catalyst Paper and Canadian Forest Products (Canfor). A certification assessment is currently underway and should be concluded by November 14, 2008. The first draft report is scheduled to be received by mid-December 2008 while the final version of the assessment report is expected by the end of February, 2009. The proposed certification will result in over 700,000 m³ of FSC certified wood of which about 101,448 m³ will be BCTS.
- Other SFM Certification Plans for 2008/09: Strait of Georgia – SFI (1.5 million m³); Peace-Liard - SFI, Dawson TSA (400 k m³); and Kamloops - SFI, 100 Mile TSA (456 k m³).
- BCTS has met its Business Plan target for SFM certification in 2008/09 (target =70%) and remains on track to meet or exceed SFM targets for 2009/10 (target = 80%). Current plans going forward we expect about 54% of our SFM volume will be under CSA, 45% under SFI and 1% FSC.
- BCTS participates in the CSA User Group and the CSA Technical Committee.
- BCTS participates in the Western Canada SFI Implementation Committee.

Attachment 2 – BCTS Coastal Sales Strategy

Introduction

The Coastal Timber Sales Managers recognize the need to develop a coordinated sales strategy to meet BCTS goals. To that end, the Director of Operations, managers, Business Officers and Area Foresters participated in a Coastal Sales Strategy Workshop in May 2008. The following topics were review and discussed:

- BCTS role in MPS Process
- BCTS role in marketplace
- Where BCTS is now – Coastal Business Sales summary to present
- Where BCTS is going – A Look Forward – Market Trends, Timber Sale valuations, Sales strategies, and TOA/Cost Tracking

Input from this meeting identified key issues and outlined key issues to be considered in a draft Coastal Sales Strategy.

Purpose

- To develop a common understanding of MPS and its impacts on revenue, pricing and sales
- To develop a coordinated Coastal Business Area Sales schedule
- To develop the principles and strategies for Timber Sale development consistent with BCTS Strategic Goals.
- To develop a monitoring and coordination process to measure the success of sales strategies
- **To provide viable harvest opportunities for BCTS and their clients**

Background

BCTS Strategic Goals

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

1. Is a high performing organization with skilled, motivated and proud people.
2. Provides a credible reference point for costs and pricing of timber harvested from public land in B.C.
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 stated in Goal 2.
4. Maximizes net revenue for the Province – subject to the requirements of cost and price referencing stated in Goal 2 and supplying timber for auction stated in Goal 3.

The [BCTS Business Plan](#) has identified the objectives and key strategies for each of the goals.

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Input from this meeting identified key issues and outlined key issues to be considered in a draft Coastal Sales Strategy.

In order to move forward with the coast sales strategy an action plan to address the key issues has been developed.

Input from the Timber Sales Advisory Committee (TSAC) will be welcome as the process moves forward.

Key issues

Common Key Issues

- Security of Timber base
- Access development costs
- Access to timber
- Other forest users
- Coordinated strategy

- Reduction in client base
- Recruitment and maintaining staff
- Communication

Goal 2 Issues, Reliable Data Requirements

- Understanding of MPS and impacts of sales decisions
- Dispersed timber base
- Species distribution
- Age distribution
- Harvest type opportunities
- Location
- Data Management, cost reporting

Goal 3 Issues, Reliable Timber Supply

- Viable economic opportunities
- Access development timing
- Access requirements for sales
- Size of sales
- Sales timing
- Term of sales
- Market intelligence

Goal 4 Issue, Maximize Revenue

- No bid sales
- Available timber inventory
- Contract requirements
- Sales strategy
- Cost control
- Long range viable plans

Coast Strategy Action Plan

Action Plan for Goal 2 – Credible reference point for timber costs and pricing

MPS is a collaborative process. BCTS develops, tenders and records timber sale, auction, and costing data; Revenue Branch implements MPS and establishes rates Economics and Trade Branch formulates the model. This is all designed to support a credible timber pricing system.

Action Items

1. Improve upon BCTS and licensee understanding of strict rules surrounding data points, and the need for accurate data entry

- Competitive bids only, sealed tender
 - Impact of decked wood in sales, sales with less than 14% decked wood
 - Only include sales with complete data
 - Harvest history on sales; Speculation
2. Improve BCTS understanding of impact on timber pricing variables within the MPS equation.
 - Four legged chair; BCTS, Revenue Branch, Economics and Trade Branch, and Stakeholders
 - Training on impact to bid rates of variables in MPS equation
 - Clarify difference between cost allowances and variables in stumpage rate determination
 - MPS equation has two components; Cost and value
Improve accuracy of TOA cost tracking
Gather accurate EBM costs
 - Identify current shortfalls in MPS data set
 - Impact of tenure obligation adjustments on licensee stumpage rates
 3. Improve reporting of BCTS sales and harvest activities vs. major licensees.
 - Track historic BCTS harvest by TSA and TSB to determine reference point for valuations of future harvest
 - Track BCTS sales activity and licensee CP application to determine harvest patterns
 - Track Estimated winning big vs actual bids
 4. Inventory available timber volume
 - Determine volume available for sale
 - Determine volume available for short term and long term timber development
 - Determine losses to other forest management decisions
 - Identify appropriate replacement volume
 5. Evaluate economic viability of timber inventory for economic success of BCTS and potential licensees
 - Train staff in use of available data base, Genus to evaluate future harvest opportunities
 - Work with stakeholders to identify future market needs and adapt
 - Reduce no bid sales by properly identifying TSL viability

Action Plan for Goal 3 – Reliable Timber Supply

Action Items

1. Secure Timber Supply
 - Determine volume available for sale
 - Determine volume available for short term and long term timber development

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- Determine losses to other forest management decisions
 - Identify appropriate replacement volume
 - Proactive involvement in TSA steering committees
2. Identify and resolve forest management and access issues related to potential sales plan at the beginning of the process.
 - Dumps and foreshore access
 - Private property and I.R access
 - Early referrals to stakeholders including other government agencies that may be impacted by areas if interest
 - Declare available harvest opportunities as soon as they meet FRPA requirements
 - Identify joint development opportunities with other stakeholders
 3. Plan for annual sales volume greater than annual allocation to cover shortfalls in sales volume and revenue
 - Determine historic short falls between cruise and scale
 - Determine historic short fall between TSL stumpage rates and average billed rates
 - Plan business cycle harvest based on estimate scale
 4. Use a valuation process to develop sales schedules that provide economic opportunity for both BCTS and licensee and to avoid no-bid sales
 - Make sound access development decisions; should access to sales be done by BCTS or included is sales
 - Make sound sales development decisions
 - Manage risk to BCTS and Licensee when making economic decisions
 5. Develop a coastal sales schedule that satisfies both the local and regional needs of the forest industry
 - Provide a regional sales plan that is profitable for both licensees and BCTS
 - Provide location and viewing packages for planned sales prior to advertisement when practicable
 - Provide viewing opportunities that do not conflict with other TSOS'
 - Provide even flow of sales volumes, sell wood at the appropriate time
 - Provide more opportunity to meet annual sales targets
 - Provide additional opportunities to address MPS data requirements
 6. Clarify rationale for term of timber sales (see draft in Appendix).
 - Size of sales
 - Development required
 - Harvest season
 - Timing restrictions
 7. Monitor success of planned sales volume vs. actual sales volume
 8. Monitor harvest history on sales and report quarterly.

Action Plan for Goal 4 – Maximizing Revenues

Action Items

Revenue is income minus costs

Understand the different stumpage concerns of BCTS (revenue source) and forest industry (cost).

1. Increase income through accurate valuations of sale packages
 - Reduce no-bid sales
 - Reasonable expectation of sales value
 - Increase in available timber supply
 - Profitable plan, not blocks and sales
2. Monitor bidding patterns and interest of clients
 - Deliver wood in the appropriate market
3. Monitor income estimates monthly
4. Adjust sales plan as market conditions and income streams require
5. Increase revenue by reducing costs
 - Valuation will identify best options to spend dollars
 - Review contracting practices, value for goods received
 - Clearly identify work required and deliverables
 - Monitor expenditure and income to ensure success
 - Monitor industry costs, with cooperation of stakeholders, to ensure accurate stand evaluation
6. Establish realistic revenue goals based on available ADV (STI) and asset inventory
 - Do not set unrealistic target in planning process
7. Accurate estimates and reporting of actual costs
 - Do not talk yourself out of business

Next Steps

- Create a position to implement Coastal Sales strategy and adapt principles to an Interior strategy.
- Maximize the existing potential for planning, sales development, valuation and administration tolls available.
- Improve communication between BCTS and Stakeholders at local and regional levels.
- Improve available marketplace intelligence sharing on future market needs
- Explore opportunities for joint forest management ventures between BCTS and other stakeholders, including First Nations.
- Work with stakeholders on methods to facilitate innovation between BCTS and all stakeholders

Appendix 1

MPS Goals and Objectives

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

OBJECTIVE 2.2: Timber Sales sold through auction, in total, provide the Ministry with sufficient data to support the Market Pricing System.

Measure: There is no single measure that adequately indicates BC Timber Sales success in providing the Ministry with sufficient variables data to support the Market Pricing System.

BC Timber Sales regularly reports information in its Quarterly Performance Reports and on its website that, in total, provide a general measure of its success in achieving this objective.

Key Strategies:

- 2.2.1 Continue to monitor and review trends in collaboration with the Revenue and Economics and Trade branches of the Ministry of Forests and Range and take appropriate actions to ensure the number of timber sale transactions in each timber attribute group satisfies the needs of the Market Pricing System.
- 2.2.2 Continue to report BC Timber Sales harvest volume auctioned as a percent of Major Licensees' harvest and comparisons by species and grade for the Interior and Coast in our Quarterly Performance Reports and with detailed data on its website.
- 2.2.3 Develop and modify, as required, Business Area timber sales schedules to ensure the number of timber sale transactions in each timber attribute group for BC Timber Sales as a whole satisfies the needs of the Market Pricing System.

OBJECTIVE 2.3: Increase stakeholder understanding of BC Timber Sales as a credible reference point.

Accurate, complete, reliable and verifiable cost and pricing data alone are not sufficient for BC Timber Sales to be a credible reference point. It is also important that the BC Timber Sales' stakeholders understand BC Timber Sales role as a credible reference point.

Measure: Increased stakeholder understanding of BC Timber Sales and its role as a credible reference is a measure of BC Timber Sales' success. Stakeholder feedback will be obtained through the Timber Sales Advisory Council.

Key Strategies:

- 2.3.1 Communicate and clarify the linkage between BC Timber Sales and the Market Pricing System to stakeholders.
- 2.3.2 Continue public reporting through the publication of annual BC Timber Sales Business Plans and Annual and Quarterly Performance reports on the public BC Timber Sales website.

2.3.3 Regularly present key quarterly financial and performance information to the Timber Sales Advisory Council, including performance on significant objectives and strategies.

2.3.4 Continue to work collaboratively with the Interior Appraisals Advisory and Coast Timber Pricing Advisory committees.

Goal 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 stated in Goal 2.

OBJECTIVE 3.2: The volume of timber supplied to the market by BC Timber Sales is reliable, subject to the cost and price referencing requirements of Goal 2.

Measure: The percent of total timber volume advertised in the quarter planned. This measure indicates BC Timber Sales success in providing a reliable supply of timber to the market by advertising Timber Sales Licences consistent with its plans.

Target: 90% of total timber volume advertised in the quarter planned.

Change from Previous Plan

The measure has been changed for 2008/09 from “number of sales” to “volume of sales” based on input from the Timber Sales Advisory Council and staff indicating that the number of Timber Sales Licences advertised in the quarter planned did not provide a useful measure of performance.

Key Strategies:

3.2.1 Maintain a critical focus on provincial and local timber markets and on market needs by increasing our capacity to perform market analysis at a program and Business Area level.

3.2.2 Continue to work to ensure the stability of the BC Timber Sales mandate and operating areas.

3.2.3 Work collaboratively with the Ministry and other stakeholders to identify and address opportunities to improve processes and reduce risks to the efficient and effective development and advertising of timber as scheduled. For example, BC Timber Sales is fully participating in the Government’s 90-day regulatory review process.

3.2.4 Proactively pursue cooperative and collaborative relationships with First Nations.

Goal 4: Maximizes net revenue for the Province – subject to the requirements of cost and price referencing stated in Goal 2 and supplying timber for auction stated in Goal 3.

OBJECTIVE 4.2: Maximize stumpage revenue and pursue business opportunities to increase revenues where practical and subject to the requirements of cost and price referencing as stated in Goal 2 and supplying timber for auction as stated in Goal 3.

The dramatic rise in the Canadian dollar from \$0.85U.S. to par, low lumber prices, the collapse of the U.S. housing market, and declining fibre quality in timber harvested from beetle invested areas are combining to adversely impact gross revenues. As a result, BC Timber Sales is projecting decreased gross revenues in 2007/07 through 2008/09 with a gradual recovery beginning in 2009/10. Market factors adversely impacting gross stumpage revenues are largely outside the control of BC Timber Sales. However, through the key strategies outlined below, BC Timber Sales will continue to work to address or reverse the projected cost trends and achieve total capitalized costs per cubic metre less than its projected targets.

Measure: Three year rolling average of gross revenue earned by BC Timber Sales is a measure of its performance in maximizing revenues contributing towards maximizing net revenue (subject to the requirements of cost and price referencing as stated in Goal 2 and supplying timber for auction as stated in Goal 3).

Change from Previous Plan

Objective 4.2 Auction bids are maximized has been discontinued for a broader focused revenue maximization objective.

Key Strategies:

- 4.2.1 Pursue legislative and regulatory changes that will enable BC Timber Sales to pursue innovative business opportunities and partnerships in order to increase overall revenues.
- 4.2.2 Explore opportunities to generate new revenues through the marketing and sale of non-saw log products and services subject to forest management constraints and the requirements of cost and price referencing as stated in Goal 2, supplying timber for auction as stated in Goal 3, and maximizing net revenue as stated in Goal 4. Such services might include leveraging our people's forest management and timber development expertise or partnering with others such as First Nations and communities for mutual benefit.
- 4.2.3 Continue to explore opportunities to increase the potential number of bidders and bid prices.
- 4.2.4 Regularly perform local market and business analysis on any timber sales offered that receive no bids and integrate that information into future decisions.
- 4.2.5 Continue to develop Business Area annual sales schedules that:

- Offer timber sales timed to integrate with industry harvest operations throughout the year;
- Establish targets based upon market analyses; and endeavour to minimize potential no-bid sales - subject to forest management constraints and the requirements of cost and price referencing as stated in Goal 2 and supplying timber for auction as stated in Goal 3.

Appendix 2

Term of a Timber Sale License

The following criteria should be considered when setting the term for coastal sales. The objective is to provide a sale term that is fair to the licensee while avoiding market speculation.

Primary Factors

Primary factors are sale volume and access. A general rule for a sale up to 15 000 m³ is 12 months; for a sale of 15 000 m³ to 70 000 m³ the term is 24 months. In general no sales will exceed 36 months.

Access concerns include, but are not limited to:

- Out-of-block and in-block roads to be constructed,
- Availability of sorts and dump sites,
- Timing windows on construction and/or hauling due to fisheries, wildlife or recreation.

It is assumed that all private land and First Nations reserve crossings will be settled prior to advertising.

Secondary Factors

- Length of operating season could be impacted by winter conditions and/or fire season.
- Harvest method – helicopter logging may require time to arrange aircraft
- Economic flow of fibre. To encourage a healthy forest sector we support licensees having work scheduled into the future. For example you may want to allow a time period to finish up on an existing sale.
- Always consider other operations in the area, to avoid possible operating conflicts.
- Finish date – example: if you feel that 12 months is adequate and that would result in a sale finishing mid-September, you should set the expiration date near the end of the operating season (i.e. end of November). Likewise if the area is high elevation and subject to severe winter conditions, an expiration date in mid-winter should be avoided.

If the above factors are considered, you can still usually fit into the recommended timeframes. Note the term should be based on months, not years, to allow for flexibility.

Appendix 3

MPS protocols

Step 1, Initial Coarse Filter of Data Set

1. Delete all marks outside the identified date range based on the legal effective date(current date range is set as January 1, 1999, to June 30, 2006).
2. Include only file type B20 - single mark TSL, A20 - multi-mark TSL, A27 -TSL with CPs (i.e. section 20 competitively bid sales).
3. Delete if SB category equals 2 or 3 (sawmillers).
4. Delete all but the latest duplicate marks.
5. Delete observations, which are not sale type equals T where sale type T refers to sealed bid tender.
6. Delete observations where there is no appraisal data or cruise grades. The lack of information on grades and other appraisal information reflects decked wood or salvage sales.
7. Delete observations with status equals Harvesting Closed (HC) or Harvesting Cancelled (HX) or Logging Closed (LC) and total billed volume equals 0.
8. Delete if both the difference between the current date (where the current date is defined as the end date of the data series, in this case, June 30, 2004) and Legal Effective date is greater than 365 days and total volume billed equals 0.
9. Delete if total volume is less than 100 cubic metres.
10. Remove data points where comparative cruising is identified as the cruise methodology (and supply a list of the marks).
11. Delete if a decked wood sale. This is identified as a Specified Operations having no Tree to Truck component and includes in the comment statements "Row Loading Only", "Decked Wood", "Decked Wood/Loading", "Bucking/Loading", "Load and Buck Only", "Decked and Fireguards", etc..

Step 2, Data Review Process

1. The ministry to review all data set Step 1 observations with missing information. Where missing information is found attempt to fill in the blanks by asking districts/regions to review Forest Service records. If information cannot be found eliminate the data point. For example:

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- a. Check information where number of bidders equals 0 and the billed volume is greater than 0 and delete if number of bidders information cannot be updated.
 - b. If all harvest system data equal blank try to find missing information. If harvest system data cannot be found and there is not helicopter or horse logging, then eliminate the data point.
 - c. For the data set sales that are 100 percent horse or helicopter insert the average data set slope for horse logging and the average cable logging slope as a proxy for helicopter logging. (The slope is not in the database for these harvesting methods.)
2. Industry to review data points for information that lies outside the realm of common sense and provide a collated master list to the ministry for checking/verification. This list should be focused on significant data issues and should not devolve into a review of the majority of data points.
 3. Remove data points with missing information or obvious flaws.

Step 3, Statistical Tests

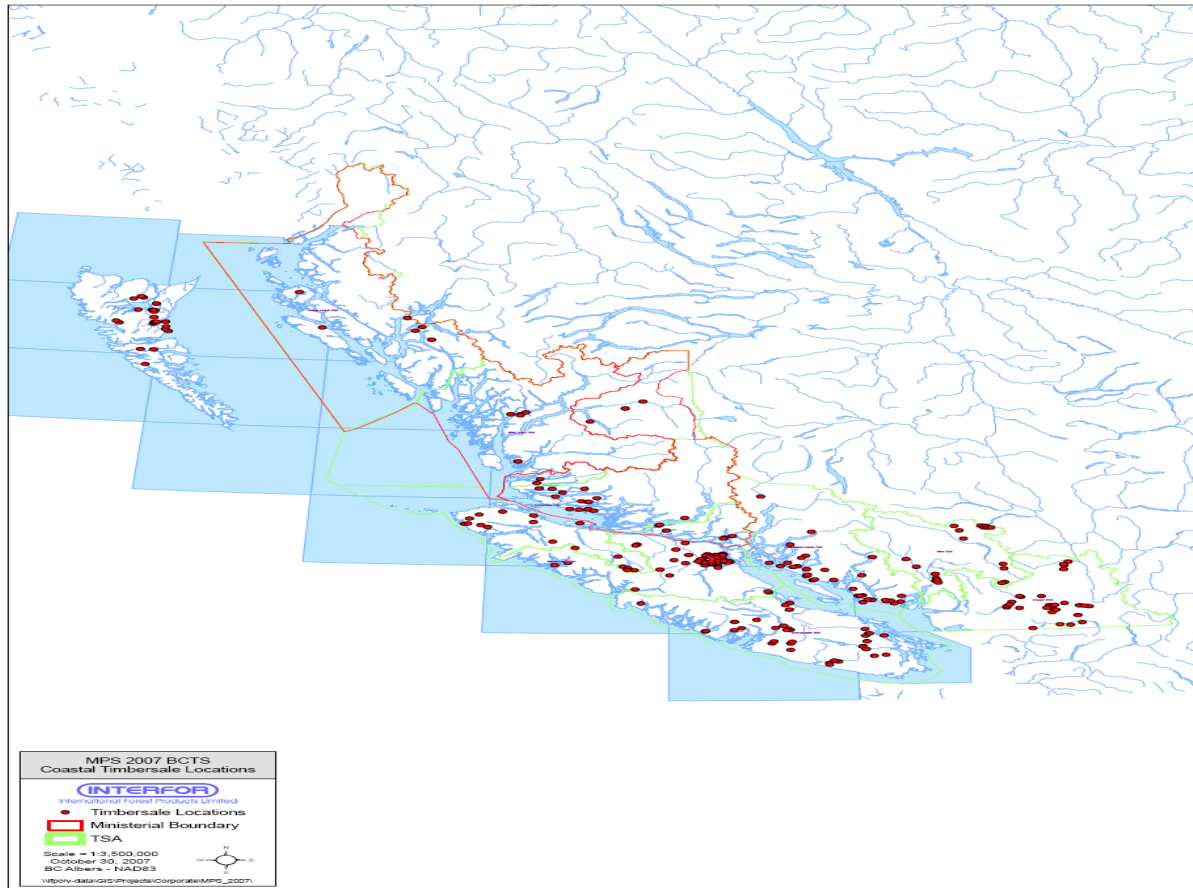
1. Test the data set for the presence of heteroskedasticity and remove those sales with volumes that are inside the bounds determined through White's test inspection.
2. Run tests for outliers and delete if mark is found to be clearly outside the experience of the data range.
3. Supply a list of marks removed and reasons for removal.

Step 4, Release the Modeling Data Set

Following stage 3 testing, the modeling data set will be released. This data set will form the basis of the modeling process.

Appendix 4

MPS data point map



MPS data point map