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BUDGET 2004



*Ministry of
Forests*

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January 26, 2004

Honourable Michael de Jong
Minister of Forests

Dear Colleague:

Since June 2001, our government has been working to implement our *New Era* vision to revitalize the economy, restore sound fiscal management, and put patients and students first.

Our *New Era* platform contained 201 specific commitments that our government would undertake on behalf of British Columbians. These included a commitment to “establish service plans that include measurable performance standards and targets for all programs that are annually audited and published, for all taxpayers to see.”

On June 25, 2001, I sent you a letter of instruction setting out the key priorities for your Ministry, including a list of the *New Era* commitments assigned to your Ministry. These commitments were also included in the Government Strategic Plan and Ministry Service Plans that were tabled in the Legislature in February 2002, covering fiscal years 2002/03 through 2004/05.

The Service Plan you are tabling today represents the final year of the first three-year plans. And it shows that we have made significant progress toward honouring our commitments. Specifically, of the eight *New Era* commitments that involved your Ministry, the province has now completed or begun work on all of these. Accomplishments in your Ministry over the past two-and-a-half years include:

- Launched the Forestry Revitalization Plan, a comprehensive strategy for revitalizing and strengthening British Columbia’s number one industry and maintaining long-term jobs and opportunities.
- Introduced legislation to open up new forest sector opportunities for entrepreneurs, value-added, small business, communities and First Nations.
- Honoured our *New Era* commitment to implement a new, results-based *Forest and Range Practices Act* while establishing high environmental standards and enforcement.

.../2

In the coming year, the province will continue work on a number of priorities to honour the commitments that we have made. These are detailed in your Ministry Service Plan, and include:

- Complete the implementation of the Forest Revitalization Plan.
- Increase the effectiveness of tenure arrangements to improve management of the public's forest assets.
- Develop and implement new strategies to manage fire within forest ecosystems.
- Develop new strategies and approaches for managing the impacts of forest pest infestations.

It is important to note that all of the province's achievements to date, and our priorities for the year ahead, will be accomplished while balancing the budget in 2004/05, and having significantly increased funding for health care and education.

Clearly, we will do more if we can, as new resources are available, to build on the funding priorities detailed in this Service Plan – in a way that is consistent with our balanced budget commitment.

As our measures to revitalize the economy continue to create new jobs, growth and investment, this will allow us to continue strengthening public services for the benefit of British Columbians. Opportunities like the 2010 Olympic and Paralympic Winter Games will showcase British Columbia to the world and generate economic benefits all across our province. Future service plans will further demonstrate those benefits.

I know that you will continue to build on the progress your Ministry has made. Let me conclude by thanking you for your commitment to serving the best interests of all British Columbians.

Yours sincerely,

A handwritten signature in black ink, reading "Gordon Campbell". The signature is written in a cursive, flowing style with a large initial 'G' and a long, sweeping underline.

Honourable Gordon Campbell
Premier



January 26, 2004

Honourable Roger Harris
Minister of State for Forestry Operations

Dear Colleague:

Since June 2001, our government has been working to implement our *New Era* vision to revitalize the economy, restore sound fiscal management, and put patients and students first.

Our *New Era* platform contained 201 specific commitments that our government would undertake on behalf of British Columbians. These included a commitment "to establish service plans that include measurable performance standards and targets for all programs that are annually audited and published, for all taxpayers to see." The Service Plan tabled today represents the final year of the first three-year plans. And it shows that we have made significant progress toward honouring our commitments.

In the coming year, the province will continue to work on a number of priorities to honour the commitments that we have made. These are detailed in the Ministry's Service Plan, and include:

- Encourage an appropriate level of economic activity through the BC Timber Sales program.
- Develop policies to encourage growth in the value added sector.
- Ensure effective implementation of the community forest awards processes.
- Assist the Minister of Forests to assure the Forest Revitalization Plan is operationalized throughout the province in a way that reflects regional diversity.
- Oversee implementation of the forest health strategies designed to minimize the spread of mountain pine beetle, optimize utilization of beetle damaged timber, and restore forest health and productivity.

It is important to note that all of the province's achievements to date, and our priorities for the year ahead, will be accomplished while balancing the budget in 2004/05, and having significantly increased funding for health care and education.

Clearly, we will do more if we can, as new resources are available, to build on the funding priorities detailed in this Service Plan – in a way that is consistent with our balanced budget commitment.

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Let me conclude by thanking you for your commitment to serving the best interests of all British Columbians.

Yours sincerely,

A handwritten signature in black ink, reading "Gordon Campbell". The signature is written in a cursive, flowing style with a period at the end.

Honourable Gordon Campbell
Premier



Ministry of Forests



In March 2003, we introduced the Forestry Revitalization Plan, comprehensive reforms to revitalize British Columbia's forest sector. These reforms are now in place in legislation, and in coming months will be implemented to the benefit of communities across the province.

We have laid the groundwork for change. Now it is time to put our new forest policies to work.

The coming year will see:

- Market-based pricing that will ensure British Columbians receive a fair price for their forest resource
- New community-based salvage licenses and small-scale tenures such as community forests and woodlots
- *Forest and Range Practices Act* Regulations that focus on results and ensure tough environmental standards are upheld
- New opportunities for First Nations and other new entrants
- Response to the Firestorm 2003 review as part of our ongoing commitment to improve provincial fire protection efforts
- Long-term strategies to mitigate the economic impact of the Mountain Pine Beetle epidemic.

We are also acting on our *New Era* commitment to spend one per cent of direct forest revenues in marketing B.C.'s forest products to the world. With initiatives such as the "Dream Home China" project in Shanghai, we are partnering with industry to showcase B.C. wood in new markets.

Lastly, we are securing our forest industry's future through our commitment to funding education. Through secondary school forestry programs, through summer forestry camps for First Nations youth, and through post-secondary training, we can raise future foresters, silviculturists and other professionals to ensure a strong grown-in-B.C. forest economy for years to come.

We are setting in motion these and other changes to create a new foundation for a healthy and globally competitive forest sector in British Columbia.

Honourable Michael de Jong
Minister of Forests

February 4, 2004

Accountability Statement

The 2004/05 – 2006/07 Ministry of Forests Service Plan was prepared under my direction and in accordance with the *Budget Transparency and Accountability Act*. I am accountable for the basis on which the plan has been prepared. All material fiscal assumptions and policy decisions as of January 30, 2004 have been considered in preparing the plan and I am accountable for achieving the specific objectives in the plan.



Honourable Michael de Jong
Minister of Forests

February 4, 2004

Ministry Overview

The Forest Service is the main agency responsible for the stewardship of 47 million hectares of provincial forestland. In addition, the ministry provides fire protection services for 84 million hectares. Managing these provincial forests presents a unique and complex set of challenges. More than 90 per cent of British Columbia's forest lands are publicly owned, which means that the provincial government, on behalf of the public, plays a much more prominent role in the forest sector than its counterparts in other forestry jurisdictions.

The ministry pursues its goals for sustainable forest resources and benefits in a consultative manner with the public, industry and other Crown agencies, while recognizing the unique interests of aboriginal people. In this way the ministry works to earn the public's trust as our staff make day to day decisions which ensure that all British Columbians can look forward to healthy forests and a strong forest economy now and in the future.

The Ministry of Forests' organizational structure and the legislation for which the Ministry is responsible is outlined in Appendix 2.

Resource Summary

Core Businesses	2003/04 Restated Estimates ¹	2004/05 Estimates	2005/06 Plan	2006/07 Plan
Operating Expenses (\$000)				
Forest Protection.....	100,266	91,536	91,536	91,536
Stewardship of Forest Resources.....	50,882	43,197	43,197	43,197
Compliance and Enforcement.....	30,048	27,044	27,044	27,044
Forest Investment.....	110,000	85,000	100,000	126,000
Pricing and Selling the Timber.....	85,600	99,340	110,440	122,140
Executive and Support Services.....	49,891	51,665	51,665	51,665
BC Timber Sales.....	138,179	131,800	205,300	234,700
Totals.....	564,866	529,582	629,182	696,282
Full-time Equivalents (FTEs)				
Forest Protection.....	626	626	626	626
Stewardship of Forest Resources.....	442	367	367	367
Compliance and Enforcement.....	317	292	292	292
Forest Investment.....	4	4	4	4
Pricing and Selling the Timber.....	699	663	663	663
Executive and Support Services.....	540	461	461	461
BC Timber Sales.....	441	529	529	529
Totals.....	3,069	2,942	2,942	2,942
Ministry Capital Expenditures (Consolidated Revenue Fund) (\$000)				
Forest Protection.....	2,430	2,430	2,430	2,430
Stewardship of Forest Resources.....	3,178	2,498	2,498	2,498
Compliance and Enforcement.....	2,366	1,911	1,911	1,911
Forest Investment.....	0	0	0	0
Pricing and Selling the Timber.....	4,933	3,848	3,848	3,848
Executive and Support Services.....	2,103	1,383	1,383	1,383
BC Timber Sales.....	680	990	990	990
Totals.....	15,690	13,060	13,060	13,060
Other Financing Transactions (\$000)				
BC Timber Sales — Disbursements.....	34,610	72,491	22,295	9,728
Total.....	34,610	72,491	22,295	9,728

¹ Amounts have been restated, for comparative purposes only, to be consistent with Schedule A of the 2004/05 *Estimates*.

Core Business Areas

1. Forest Protection

The ministry manages wildfire to protect natural resource inventories and investments in the forest land base. Our forest fire response is primarily focused on protecting lives and government forest assets, particularly timber. Without fire protection, some 500,000 hectares of productive forest could be lost annually costing the province billions of dollars in potential direct revenue.

Forest Protection also includes the detection and management of insect pest outbreaks on areas under the responsibility of the province. Of key significance are bark beetles and gypsy moth infestations. Other defoliators, endemic pests and outbreaks of local significance are also managed.

2. Stewardship of Forest Resources

The functions in this core business area are fundamental to ensuring sound environmental stewardship of forest and range resources to ensure that they are used in a sustainable way. This in turn supports global recognition of environmental stewardship for British Columbia and British Columbia companies by ensuring that an appropriate regulatory framework is in place. This can also provide a foundation for forest certification of company operations.

Stewardship includes the regulation of forest and range practices, timber supply planning and AAC determination, range planning and management, control of invasive alien plant species, recreation management, applied research, and forest gene resource management, as well as tree improvement.

3. Compliance and Enforcement

This core business includes all activities pertaining to upholding BC's laws related to protecting the province's forest and range resources under MOF's jurisdiction. This includes:

- enforcing environmental standards for forest and range management carried out both by the government and by forest and range tenure holders under the *Forest Practices Code* until December 31, 2005 and under the new *Forest and Range Practices Act* starting January 2004;
- enforcing regulations to minimize fire, pests, and unauthorized activities that threaten the province's forest and range resources;
- enforcing rules governing the use of Forest Service recreation sites and trails;

- enforcing the revenue policies that govern removal and transportation of timber, marking, scaling, marine log salvage, etc.; and
- combating “forest crimes” (theft, arson, mischief) which are a significant drain on provincial revenue and a significant risk to other environmental, social and economic values.

4. Forest Investment

The Forest Investment sub-vote (FI) funds a forest-sector investment model established to deliver the province’s forest investments in an accountable, efficient manner. The sub-vote authorizes the Minister of Forests to provide funding to help government develop a globally recognized, sustainably managed forest sector. Distribution of FI funds is guided by the Forest Investment Council (consisting of Deputy Ministers from MSRM, MWLAP and MOF; three industry representatives; and a technology and science representative).

Administration of FI activities is in most cases provided by private-sector firms rather than by government. These administrators, according to their agreements with the Ministry of Forests, co-ordinate and administer program activities and funding, report on outputs and outcomes, audit deliverables, and provide information to support ministry objectives, strategies and measures. Table 1 lists these programs with their administrators:

Table 1. Administration, Planning and Reporting Responsibilities for FI Programs

FI Program	Administrator	Plans and Reports
Land Based Investment Program	PricewaterhouseCoopers LLP (PwC)	Activity reporting, Audit Plan and Annual Report
Tree Improvement Program	Ministry of Forests (MOF)	MOF Service Plan and Annual Service Plan Report — under Stewardship of Forest Resources Core Business
Crown Land Use Planning Enhancement Program	Ministry of Sustainable Resource Management (MSRM)	MSRM Service Plan and Annual Service Plan Report
Small Tenures Program	Federation of BC Woodlot Associations (FBCWA)	Activity reporting, Audit Plan and Annual Report
Forest Science Program	PricewaterhouseCoopers	Forest Science Board Strategy; Activity reporting, Audit Plan and Annual Report
Product Development Program	Forestry Innovation Investment Ltd. (FII)	FII Ltd. Service Plan and Annual Service Plan Report
International Marketing Program	Forestry Innovation Investment Ltd. (FII)	FII Ltd. Service Plan and Annual Service Plan Report

FI Programs that support the Ministry's Sustainable Forest Resources goal at the provincial level include the Forest Science and Crown Land Use Planning programs. At a more local level, funding is allocated to tree farm licence holders and certain tenure holders in each timber supply area under the Land Base Investment Program, and to woodlot licence holders and holders of a community forest agreement under the Small Tenures program. Activities under the latter two programs include resource inventories, stand establishment and treatment, and restoration and rehabilitation.

Under the goal of Sustainable Forest Benefits, the FI funds promote investment in product development and international marketing activities. Forestry Innovation Investment Ltd. (FII) administers both of these programs at the provincial level.

The Forest Investment Core Business of the Ministry of Forests addresses overall coordination and administration of the sub-vote and contractual agreements with third party administrators, as part of achieving the goal of being an Effective and Responsive Forest Manager.

5. Pricing and Selling Timber

The Forest Service has a major role in ensuring that the citizens of British Columbia benefit from commercial use of their forests. This relies on a strong forest economy and a competitive forest sector, which in turn depend on a fair pricing system, effective allocation and administration of timber harvesting rights, and a safe and cost effective road infrastructure to access timber.

Core business activities to achieve this goal include timber tenure administration, timber pricing, market access activities, maintaining a forest road infrastructure and First Nations consultation.

Tenures managed by the Ministry of Forests:

- 34 Tree Farm Licences
- 812 Woodlot Licences
- 11 Community Forest Pilot Agreements
- 151 replaceable and 81 non-replaceable Forest Licences
- 100 replaceable and 1620 active non-replaceable Timber Sale Licences
- 723 Timber Licences
- 10 Pulpwood Agreements

6. Executive and Support Services

This core business includes corporate governance process and service delivery activities in support of all ministry functions.

Key clients for the strategic policy and governance aspect are the Executive, Minister and Cabinet. Activities are structured within key frameworks for policy and legislation development, performance management, internal audit and evaluation, and litigation support. Executive, regional and district management, and staff in the Corporate Policy and Governance Division play a key role in delivery of these functions.

Support service activities include finance and administration, human resources, central infrastructure management, Freedom-of-Information, records management, continuous improvement and best practices initiatives, as well as application of information technology. These services are delivered at all levels of the organization — branch, region and district. While focused at supporting internal management and employees, they also serve industry and the general public.

7. BC Timber Sales

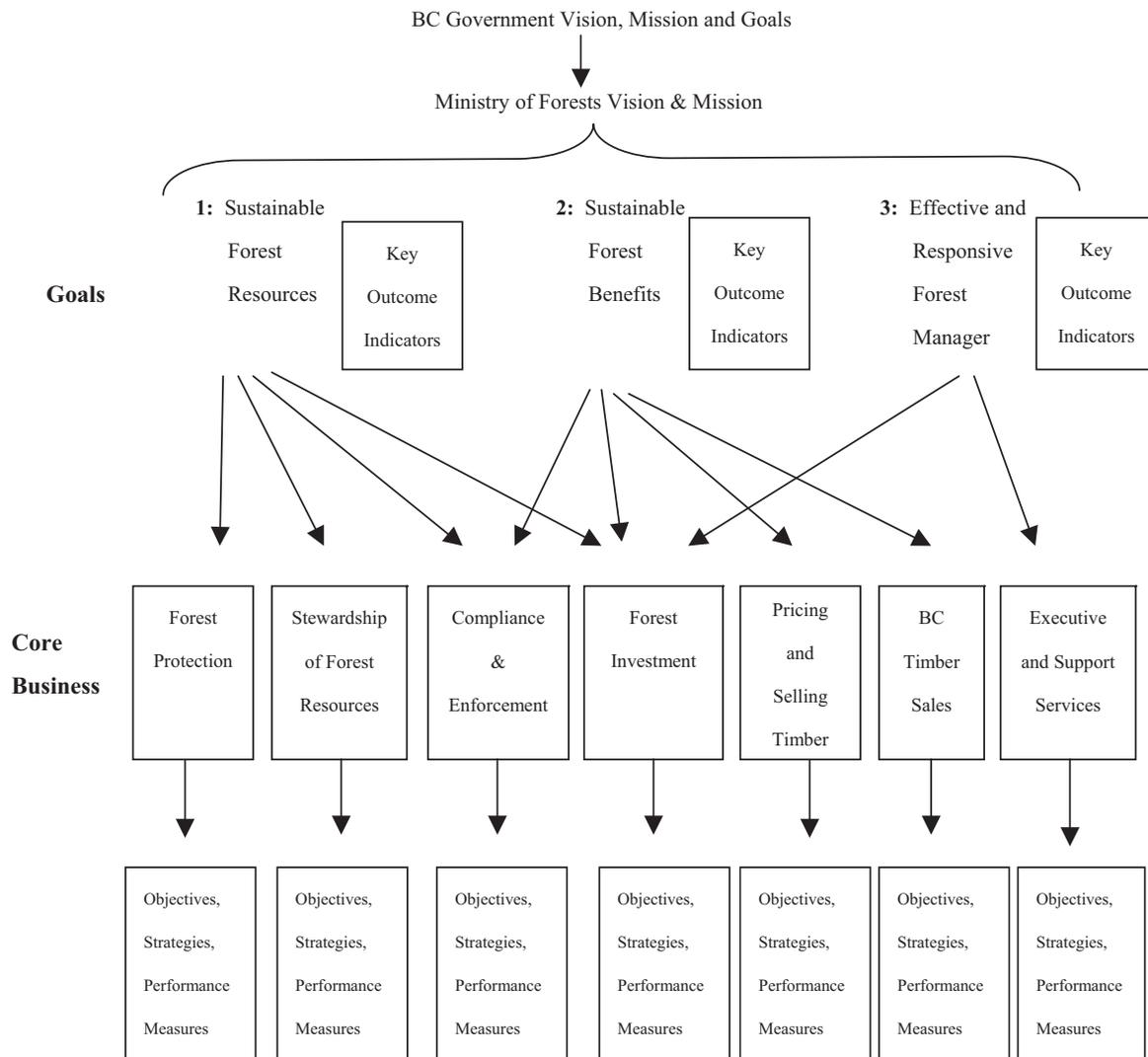
The Forest Service has a core responsibility to provide British Columbians with benefits from the commercial use of public forests. The BC Timber Sales organization is managed independently from the Field Services Division.

Business functions include developing Crown timber for auction, creating and maintaining the BC Timber Sales road and bridge infrastructure to provide access to tenure opportunities and meeting all requirements of the *Forest Practices Code*, including reforestation obligations.

Goals, Objectives, Strategies and Results

The Forest Service has three long-term goals to provide overall direction in achievement of its mission and vision. The ministry uses key outcome indicators to track progress towards the long-term goals. Because they measure societal, land base or stakeholder results or changes in conditions or behaviours, the accountability for the key outcomes and indicators cannot be solely attributed to Ministry of Forests.

There are seven core business areas to structure the objectives, strategies and performance measures of the ministry. Each of the ministry's seven core businesses is linked to at least one of the three goals. The Compliance and Enforcement core business is linked to two goals, and Forest Investment core business supports all three goals.



Goal 1: Sustainable Forest Resources.

As stewards of British Columbia's forest and range resources, the Forest Service has the responsibility to ensure that the use of the forests to generate economic benefits is balanced with the long-term health of the forest and range resources. We will ensure the use of appropriate forest and range management practices to maintain and improve the long-term sustainability and health of the province's forest, range and recreation resources. We will also ensure incremental investments in the forest resource are effective.

Key outcome indicators of sustainable forest resources were chosen to represent the extent of the forest land base, timber productivity, eco system health of the forests and rangelands, and compliance of forest operators with laws governing forest and range practices.

Key Outcome Indicator: A Sustainable Forest Land Base.

The area in provincial forest land reflects provincial land use decisions. Changes would be expected if the government removed Crown land from forest management for other uses (e.g. preservation, parks or agriculture, or crown land sales) or converted land from other uses to forest management.

Indicator	2003/04 Estimated Actual	2004/05 Projection	2005/06 Projection	2006/07 Projection
Area of provincial forest land in millions of hectares.	47.3 M	47.3 M	47.3 M	47.3 M

Provincial forest land for the purposes of this measure, is the Crown land in timber supply areas, woodlot licences and tree farm licences. Data is from the Ministry of Forests Allowable Annual Cut (AAC) database, as at January 1 each year. This measure was 47.8 M hectares at January 1, 2002. The reduction of 0.5 M hectares in the productive forest area that has been noted in the AAC database largely represents changes to land use and administration, primarily related to new protected areas and treaties over the past 5 years. Changes to inventories (e.g. what is defined as productive) have also contributed to the differences.

Key Outcome Indicators: Sustainable Timber Productivity.

The ministry uses measures of reforestation and losses from fire to represent sustainable timber productivity. These measures use data from the past 5 years.

Indicator	2003/04 Estimated Actual	2004/05 Projection	2005/06 Projection	2006/07 Projection
Ratio of area reforested to area harvested or lost to fire and pest (unsalvageable losses, based on a 5-year rolling average).	0.85	0.85	0.85	0.85

Reforested includes planting or natural regeneration and is net of plantation failures. Harvesting is by any method. Losses to fire and pests are unsalvageable.

- A ratio of 1.0 indicates that areas being reforested are in balance with those being harvested or lost to fire and pests.
- The ratio was greater than 1.0 from 1993 to 2001 reflecting a focus on backlog reforestation. The 2002/03 base for this measure was 0.93.
- A ratio of less than 1.0 reflects a trend towards increased not-satisfactorily-restocked areas (NSR) with more area being harvested or lost to fire and pests than reforested.
- Forest licensees are meeting their legal obligations to reforest harvested areas (as indicated by a Forest Practices Board report in 2002). The decline is therefore, likely reflecting reduced reforestation of areas disturbed by fire and pests that are neither a licensee nor a ministry responsibility. This indicator may decline further with the serious losses from fires in 2003.
- The ministry's policy is that licensees may choose to reforest areas lost to fire and pests according to their priorities for forest management investment under the Forest Investment sub-vote (FI). However, in 2004/05, a portion of FI funds will be directed towards reforestation of areas lost to fire and pests.
- In 2004/05 the ministry will be developing a strategy to address reforestation on areas lost to fire and pests. Given this strategy, the ministry projects that the ratio will approach 1.0 in a 5 to 10 year period.

Indicator	2003/04 Estimated Actual	2004/05 Projection	2005/06 Projection	2006/07 Projection
Total area of Crown forest lost to unwanted wildfire annually (in hectares, on a 5-year rolling average).	54,827	< 65,000	< 50,000	< 35,000

Unwanted wildfire is unplanned or accidental, with the potential to cause damage to or loss of timber, range or public resources. The total area lost to unwanted wildfire is highly dependent on weather. The five-year rolling average in 2002/03 was 20,471 hectares.

The exceptionally severe 2003 fire season, the worst since 1958, will impact the 5-year rolling average of area lost for the next 5 years. Projections of losses have been increased to reflect 2003/04 conditions and the potential for drought to continue in 2004/05.

By 2006/07 it is predicted that area lost will return to < 35,000 hectares per year, which was the previous baseline reflected in the 2003/04 Service Plan.

Key Outcome Indicators: *Healthy Forests — soil quality, water quality and ecosystem diversity.*

Healthy forest ecosystems sustain the quality and quantity of soil, water and timber, and therefore, indicate sustainable forest resources. The indicators chosen are linked to national forest criteria and indicators of global forest sustainability. Although, the indicators presented here are chosen to represent key elements of healthy ecosystems, these indicators are only meaningful at the ecosystem level, need to be considered over time, and none can be taken by themselves as a sufficient indicator of sustainability. The ministry intends to present more comprehensive information in a “State of the Forests” report published periodically.

Indicator	2003/04 Estimated Actual	2004/05 Projection	2005/06 Projection	2006/07 Projection
Per cent of annual harvest area with soil loss due to establishment of permanent access roads (based on a 5-year rolling average).	5%	< 5%	< 5%	< 5%

Indicator	2003/04 Estimated Actual	2004/05 Projection	2005/06 Projection	2006/07 Projection
Per cent of community watersheds with active logging for which watershed assessments have been completed.	100%	100%	100%	100%

Indicator	2003/04 Estimated Actual	2004/05 Projection	2005/06 Projection	2006/07 Projection
Area of forests > 140 years of age within the province in millions of hectares.	24 M	24 M	24 M	24 M

The definition of forest has been changed to align with an international definition¹ (trees are > 5 m tall at maturity and tree crown cover is > 10%). This change now classifies some alpine and non-productive forest included in the figure in the 2002/03 Service plan as “other wooded land” rather than forest. This does not represent a change in the forest itself.

Key Outcome Indicator: *Effective forest protection and management by forest operators.*

Compliance reflects management decisions and actions of forest operators, and is key to the outcome of sustainable forest resources.

Indicator	2003/04 Estimated Actual	2004/05 Projection	2005/06 Projection	2006/07 Projection
Per cent of forest operators' compliance with standards that regulate forest practices.	94%	> 94%	> 94%	> 94%

Forest operators include all major and small business licensees. Information is from the ministry's Compliance Information Management System. The rate of compliance has consistently been in excess of 90 per cent for the past eight years.

Core Business Area: *Forest Protection.*

Objective 1: *Prevent and manage unwanted wildfire, pests and invasive alien plants to ensure that forest and range resources are protected.*

¹ United Nations. 2001. Global Forest Resources Assessment 2000.

Strategies for 2004/05:

1. *Ensure fire preparedness and rapid effective initial attack.*
 - *Continue to implement the new Wildfire Act (WEA) including streamlined regulations, to address increased cost recovery for fire protection activities.*
 - *Respond to the results of the internal and external inquiries into the 2003 extreme fire season (this plan does not account for the responses or budget implications to be addressed in future years).*
2. *Forest licensees will take on greater responsibilities for protecting the health and forests under their management through the defined forest area management model.*
 - *Treatments for forest health, including bark beetle infestations on Crown forestland (other than parks and protected areas treated by MOF) are planned to be the responsibility of licensees starting in 2005/06.*
 - *In 2003/04 and 2004/05, FI funding will assist licensees with bark beetle management activities.*
3. *Early detection and treatment of insect infestations:*
 - *Monitoring will continue.*
 - *For defoliators, emphasis in 2004/05 will likely be on western spruce budworm and western hemlock looper, which are both expanding in the Interior Douglas Fir zone (in the Southern Interior), as well as gypsy moth.*

Measure	2003/04 Estimated Actual	2004/05 Target	2005/06 Target	2006/07 Target
Per cent of unwanted wildfire contained at less than four hectares.	91 %	92 %	92 %	92 %

This is a measure of the ministry's success rate of initial attack on wildfire that is unplanned or accidental, and has potential to cause damage to or loss of timber, range or public resources. If containment is kept to under 4 hectares, damage and costs for fire suppression are kept to a minimum. The base for this measure was 93 per cent in 2002/03.

Data is from the ministry's Historical Fire Statistics Database.

Measure	2003/04 Estimated Actual	2004/05 Target	2005/06 Target	2006/07 Target
Per cent of Crown forest aerial surveyed to monitor forest health.	100 %	100 %	100 %	100 %

Annual province-wide aerial surveys are used to monitor forest disturbances caused by insects, diseases, animal and abiotic factors. The wording of the measure for 2004/05 has been changed from monitoring insect infestations to monitoring forest health. This more accurately reflects the overall purpose of data collection, although it is especially critical for early detection and treatment of insect infestations.

The findings of these surveys are posted on the ministry web-site for access by licensees and ministry staff. The data is used to track damage trends, estimate impacts on forest resources, plan management activities strategically, and direct more detailed surveys.

Measure	2003/04 Estimated Actual	2004/05 Target	2005/06 Target	2006/07 Target
Per cent of high priority bark beetle infestation sites treated by MOF (largely parks and protected areas).	77 %	80 %	80 %	80 %

High priority sites present an opportunity to stop or reduce the rate of spread by treating through felling and burning, setting up pheromone trap trees, or other methods.

By agreement with WLAP and MSRM, MOF is responsible for treatments in parks and protective areas. The base for this measure was 89 per cent in 2002/03.

With the exponential expansion of beetle infestation expected to continue into 2004/05, the number of sites that present an opportunity to stop or reduce the rate of spread is dropping. Because of this, the per cent of sites that can be treated remains relatively high, despite a reduction in funding.

Measure	2003/04 Estimated Actual	2004/05 Target	2005/06 Target	2006/07 Target
Per cent of high priority areas treated to manage defoliator outbreaks.	Gypsy Moth 100 %	Gypsy Moth 100 %	Gypsy Moth 100 %	Gypsy Moth 100 %
	Other defoliators 99 %	Other defoliators 50 %	Other defoliators 50 %	Other defoliators 50 %

Other defoliators include western spruce budworm, western hemlock looper and all others. The baseline was established in 2003/04 as 100 per cent for Gypsy Moth and 99 per cent for all other defoliators.

Core Business Area: *Stewardship of Forest Resources.*

Objective 1: *Monitor the health of forests and grassland ecosystems in the province.*

Strategies for 2004/05:

1. *Regularly evaluate and publish information on the state of the forests in British Columbia.*

Measure	2003/04 Estimated Actual	2004/05 Target	2005/06 Target	2006/07 Target
Status of the “State of the Forest (SOF) Report”.	SOF Report with 6 indicators	SOF Report with 12 indicators	SOF Report with 24 indicators (full report)	Update and refine the 24 indicators

This report will provide a periodic assessment of the state of British Columbia forests, aligning with national criteria and indicators of sustainable forest management. The report will be designed for publishing on the Internet only.

Objective 2: *Ensure performance standards for managing timber, forage, bio diversity, water, soil, forest habitat, and scenic resources are established and evaluated.*

Strategies for 2004/05:

1. Complete transition to the new Forest and Range Practices Act, through approval of Stewardship plans in 2004/05.
2. Continue evaluation and ongoing improvement to forest legislation, including reducing regulation without compromising environmental standards to achieve government's one-third-reduction target by 2005.
3. Target applied research activities to support policy development and science-based support for statutory decision-makers. Genetics research will support testing of select material in support of gene resource management. Significant effort will be put into increasing research capacity through partnerships and collaboration with other research providers. Improving access to secure outside funding will remain a priority.

Measure	2003/04 Estimated Actual	2004/05 Target	2005/06 Target	2006/07 Target
Number of completed effectiveness evaluations of the legislation.	3	3	3	3

Effectiveness evaluations are field reviews of the *Forest Practices Code* of BC and *Forest and Range Practices Act*. These reviews are necessary to achieve ongoing improvement to the ministry's legislation.

Measure	2003/04 Estimated Actual	2004/05 Target	2005/06 Target	2006/07 Target
Per cent of forestry deregulation achieved.	23 %	33 %	N/A	N/A

Deregulation is cumulative from the 2001/02 baseline. The target of reducing regulation by one third over three years is part of the Government's commitment to streamlining government.

Measure	2003/04 Estimated Actual	2004/05 Target	2005/06 Target	2006/07 Target
Client satisfaction with applied research completed by the ministry.	Not measured this year	Not measured this year	> 70 %	Not measured this year

The client satisfaction rating is determined by a survey of clients. Initially intended as an annual survey, at the advice of BC Stats it will now be done every third year. Client satisfaction was 70 per cent in the survey in 2002/03. Results of this survey are published at: <http://www.for.gov.bc.ca/forsci/>. Clients are internal MOF clients, or client sponsors who assess progress and effectiveness of research within project groups linked by similar objectives. Ministry research activities are considered as a whole for this measure independent of funding source. Funding for research may be from the Ministry, the Forest Investment sub-vote, or other external sources.

Objective 3: *Ensure that forest and range resources are managed and improved on a sustainable basis.*

- Strategies:**
1. *Implement the defined forest area management model for volume-based licences.*
 2. *Continue to work co-operatively with forest companies to implement timber supply analysis within the defined forest area management model.*
 3. *Regularly review and determine AACs for forest management units.*
 4. *Ensure prompt reforestation and achievement of free growing obligations on all recently harvested lands:*
 - *By licensees and BC Timber Sales, through legislative requirements; and*
 - *By MOF, for Forest Stand Management Fund obligations.*
 5. *Develop a strategy to address reforestation on areas lost to fire and pests.*
 6. *Treat critical invasive alien plant sites through an initial attack program (jointly delivered with public and private partners) to prevent spread of small infestations and develop and apply bio-control agents on larger infestations.*
 7. *Meet Forest Genetics Council seed orchard production quality and quantity goals for improved seed production.*
 8. *Operate seed orchards on a cost recovery basis providing stewardship quality assurance, registration, testing and storage services for Crown land seed at the Tree Seed Centre.*
 9. *Register all seed lots used in Crown land reforestation.*
 10. *Ensure that forage is available to range users through range act tenures.*
 11. *Focus recreation management on viable partnerships that will maintain recreation sites and trails for public use.*

12. *Manage sites and trails without partnership agreements as user maintained so that they will remain open to the public. It is expected that sites and trails will be decommissioned and closed where there are high risks to public safety or the environment.*

Measure	2003/04 Estimated Actual	2004/05 Target	2005/06 Target	2006/07 Target
Per cent of timber supply allowable annual cut determinations achieved by their scheduled deadline.	77%	75%	75%	75%

The Allowable Annual Cut (AAC) for each TSA and TFL is reviewed and determined by the Chief Forester on a periodic basis, normally every five years. This is a measure of the ministry's rate of success at achieving AAC determination schedules. The baseline for this measure was 80 per cent in 2002/03. Future targets reflect increasing complexity in analyzing timber.

Measure	2003/04 Estimated Actual	2004/05 Target	2005/06 Target	2006/07 Target
Per cent achievement of ministry free growing obligations under the Forest Stand Management Fund.	N/A	99%	99%	99%

This is a new measure, replacing "volume gain (cubic metres per year) of timber from reforestation activities available for harvest in 65 years". The new measure more accurately represents the ministry's responsibility for enforcing legislative requirements and the licensee's responsibility to make reforestation choices affecting volume gain.

Measure	2003/04 Estimated Actual	2004/05 Target	2005/06 Target	2006/07 Target
Area restored to open forest and grassland (hectares).	3,000	3,585	3,585	3,585

This is a new measure introduced in 2004/05 to track the work of the ministry in restoring rangelands that have been degraded by invasive plants or in-growth of trees. Areas may be restored through treatments such as partial cutting, controlled burning and biological or chemical control of invasive species.

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Measure	2003/04 Estimated Actual	2004/05 Target	2005/06 Target	2006/07 Target
Volume gain (cubic metres per year) of timber available for harvest in 65 years from all ministry tree improvement activities.	1.85 M	2.08 M	2.10 M	2.30 M

This measure was tracked by the ministry in 2001/02 and is now being reintroduced. It represents tree improvement activities funded by the ministry as well as by the Forest Investment sub-vote. The baseline was 1.67 M in 2002/03.

Measure	2003/04 Estimated Actual	2004/05 Target	2005/06 Target	2006/07 Target
Per cent of seedlot registration requests to meet sustainable gene resource practices that are completed within 30 days.	95 %	95 %	95 %	95 %

This is a new measure which tracks the efficiency of MOF staff in responding to licensee requests related to use of registered seed for reforestation.

Measure	2003/04 Estimated Actual	2004/05 Target	2005/06 Target	2006/07 Target
Per cent of available Crown range forage under a form of tenure.	80 %	90 %	90 %	90 %

This is a measure of the effectiveness of the ministry's administration of range available for grazing or haycutting.

Measure	2003/04 Estimated Actual	2004/05 Target	2005/06 Target	2006/07 Target
Total number of Forest Service Recreation sites and trails available for public use (managed under partnership agreements or as user maintained).	1,354 sites 625 trails	1,189 sites 537 trails	1,107 sites 475 trails	1,031 sites 420 trails

Sites include campgrounds, day-use areas, cabins and other recreation facilities. Recreation sites and trails may be managed under partnership agreements with the ministry by First Nations, forest companies, local government, outdoor recreation groups and other parties. Most sites and trails not under partnership agreements will be available for public use as user-maintained. Any increase in funding will go towards ensuring that the recreation sites and trails available for public use are managed to a long-term sustainable standard by putting in place additional site/trail maintenance agreements and that environmental and public safety concerns associated with these sites and trails are dealt with.

The total number of recreation sites and trails is projected to decline over time. This reflects the need to decommission sites and trails where high risks to public health or safety cannot be effectively managed with the budget available. Projections of the numbers of sites and trails that may require decommissioning can only be roughly estimated.

Core Business Area: *Compliance and Enforcement.*

Objective 1: *Promote compliance and ensure statutory obligations are enforced.*

Strategies: 1. *Implement a new compliance and enforcement regime for the Forest and Range Practices Act and a new compliance and enforcement regime for pricing and revenue. In 2004/05 this will include:*

- *Staff training on FRPA and Forest Act changes and updated C&E training.*
- *Implementation of Quality Assurance principles and procedures.*
- *Approval of Special Provincial Constable (SPC) applications by the Solicitor General.*
- *Assessment of FRPA implementation and new Forest Act provisions to determine readiness for shifting resource emphasis from forest practices to revenue and forest crimes.*
- *Implementation of an independent/integrated organizational model through policy development.*

Measures	2003/04 Estimated Actual	2004/05 Target	2005/06 Target	2006/07 Target
Per cent of high and very high priority sites inspected for forest and range practices compliance.	87%	86%	86%	86%
Per cent of high and very high pricing and revenue risk sites inspected for pricing and revenue compliance.	91%	85%	85%	85%

Inspections, or site visits are targeted to very high and high priority sites where environmental, social and/or economic values have been identified as being at high risk. Data is from the Compliance Information Management System.

Measure	2003/04 Estimated Actual	2004/05 Target	2005/06 Target	2006/07 Target
Per cent of alleged enforcement contraventions successfully concluded.	77%	80%	80%	80%

Data is from enforcement actions, managed in the Enforcement Reporting Application System. A successful conclusion may be a determination that there was no contravention, the appropriate handling of a contravention with a compliance action, a determination, or a prosecution.

Measure	2003/04 Estimated Actual	2004/05 Target	2005/06 Target	2006/07 Target
Per cent of alleged compliance contraventions successfully concluded.	88%	80%	80%	80%

Data is from compliance actions, managed in the Compliance Information Management System. A successful conclusion may be a determination that there was no contravention, the appropriate handling of a contravention with a compliance action or a determination, or an investigation for an enforcement action.

Core Business Area: *Forest Investment.*

Achievement of FI objectives and associated strategies under this goal are accomplished through program activities carried out by licensees and contractors under the coordination of third party administrators (see core business description).

Assessment of actual outcomes and outputs from FI program activities is captured through reports generated by the third party administrators.

Objective 1: *Actively foster sustainable forest management.*

- Strategies:**
1. *Acquire better information about forest resources;*
 2. *Improve the modeling of forest dynamics;*
 3. *Foster comprehensive strategic land-use planning;*
 4. *Facilitate science-based utilization of the resource;*
 5. *Support the creation of sustainable forest management plans; and*
 6. *Support the feasibility of third party certification.*

Objective 2: *Improve the public forest asset base.*

- Strategies:**
1. *Support the creation and deployment of improved seedlings and other germplasm;*
 2. *Fund reforestation of areas denuded naturally, or by harvesting before 1987;*
 3. *Reclaim and enhance site productivity; and*
 4. *Restore damaged ecosystems.*

Goal 2: *Sustainable Forest Benefits.*

As stewards of British Columbia's forest and range resources, the Forest Service has the responsibility to ensure that the use of the forests to generate economic benefits is balanced with the long-term health of the forest and range resources. We will ensure the use of appropriate forest and range management practices to maintain and improve the long-term sustainability and health of the province's forest and range resources.

Key Outcome Indicators: *Revenue to the Crown.*

Indicator	2003/04 Estimated Actual	2004/05 Projection	2005/06 Projection	2006/07 Projection
Crown forest gross revenue (\$ billions).	\$ 0.982 B	\$ 0.962 B	\$ 0.970 B	\$ 0.994 B

The total amount of money charged by the ministry during the fiscal year.

Indicator	2003/04 Estimated Actual	2004/05 Projection	2005/06 Projection	2006/07 Projection
Crown net revenue from BC Timber Sales (\$ millions).	\$ 71.2 M	\$ 121.1 M	\$ 78.6 M	\$ 83.7 M

Net revenue is gross revenue net of operating costs. Net revenue decreases in 2005/06 as higher operating costs are realized. Operating costs increase as fully capitalized costs are brought forward to match volumes scaled.

Key Outcome Indicators: *Diversification of BC Export Markets.*

The provincial forest sector is highly dependent on exports. The health and diversity of export markets is a good indicator of the strength of the forest economy.

Indicator	2003/04 Estimated Actual	2004/05 Projection	2005/06 Projection	2006/07 Projection
British Columbia's share of the US softwood lumber market.	18.3 %	18 %	18 %	18 %

The US is British Columbia's largest customer for softwood lumber. British Columbia's share of the US softwood lumber market is determined from American Forest Products Association (AFPA) statistics on US consumption and the Statistics Canada data on British Columbia and Canadian exports. Projections have been adjusted to reflect current market conditions. The base in 2002/03 was 17.6 per cent. This indicator will become less significant if a quota-based interim softwood lumber agreement is reached in 2003/04.

Indicator	2003/04 Estimated Actual	2004/05 Projection	2005/06 Projection	2006/07 Projection
British Columbia's share of Japan softwood lumber imports.	39%	40%	40%	40%

Japan is British Columbia's second largest softwood lumber customer. Import volumes are published annually by the Japan Wood Products Information and Research Center. Projections have been adjusted to reflect current market conditions. The base in 2002/03 was 43 per cent.

Indicator	2003/04 Estimated Actual	2004/05 Projection	2005/06 Projection	2006/07 Projection
Increase in wood product sales to Taiwan, China and Korea.	15%	20%	20%	20%

Increasing wood product sales to Taiwan, China and Korea indicates an expansion into new markets for BC wood products. These areas are targeted by the Market Outreach Network.

Data is from Statistics Canada reports of wood exports in dollars. This does not include pulp and paper. China includes Hong Kong.

Key Outcome Indicator: *Competitive forest sector.*

Indicator	2003/04 Estimated Actual	2004/05 Projection	2005/06 Projection	2006/07 Projection
Ratio of BC forest industry capital investment to depreciation and amortization.	< 1.0	< 1.0	< 1.0	> 1.0

This indicator represents the level of investment by forest industry. A ratio less than one indicates that capital is being depreciated, while a ratio greater than one shows that ongoing new investment exceeds the level of depreciation. A healthy level of capital investment is expected in a competitive forest sector.

Key Outcome Indicator: *Globally competitive forest sector.*

Indicator	2003/04 Estimated Actual	2004/05 Projection	2005/06 Projection	2006/07 Projection
Per cent increase in forest land certified by major forest certification processes.	1 to 5% increase	> 10% increase	> 10% increase	> 10% increase

Major forest certification processes are the Canadian Standards Association (CSA), Forest Stewardship Council (FSC) and Sustainable Forest Initiative (SFI). ISO is excluded. The baseline for this measure is the 7.7 million hectares that were certified in 2001/02. In 2002/03 the number of hectares certified increased by 126 per cent to 17.4 million hectares.

Core Business Area: *Pricing and Selling Timber.*

Objective 1: *Maintain access to export markets for BC forest products.*

Strategy: *Continue to pursue free access for British Columbia forest products to markets in the United States.*

Achievement of this strategy is tracked by the Key Outcome Indicator "BC's share of the US softwood lumber market."

Objective 2: *Ensure that the public receives fair value for the use of its forest and range resources now and in the future.*

Strategies for 2004/05:

Implement a market-based pricing system to generate appropriate revenues to the Crown.

- The market-based pricing system is expected to increase the competitiveness of the forest industry and provide greater incentives for capital re-investment. It may also lead to greater variability in provincial revenues and consolidation in the logging and milling sectors.
- The plan for the implementation of the market-based timber pricing system (including all related e-business applications under development) will be dependent and linked to the outcomes and timelines of the provincial and ministry policy reforms and initiatives (i.e. Softwood Lumber Negotiations) currently underway.

Measure	2003/04 Estimated Actual	2004/05 Target	2005/06 Target	2006/07 Target
Status of implementation of the market-based pricing system.	Implemented on Coast	To be determined for Interior	Implement and/or Administer	Administer

Implementation is subject to Cabinet decisions and the softwood lumber discussions, which are ongoing.

Objective 3: *Provide opportunities to generate wealth from the forest resources.*

Strategies for 2004/05:

1. *Ensure that timber apportioned in TSAs is available to licensees through tenure.*
2. *With much of the forest policy reform legislation in place the primary focus for 2004/05 will be with its implementation. This includes:*
 - *The recovery, re-apportionment and tenuring of the 20 per cent AAC recovery from major licence holders as provided by Bill 28. This will occur over the next three years.*
 - *The conversion of Timber Sale Licences (Major) to other forms of tenures as provided for by Bill 45. In accordance with the legislation this must be complete within one year of the legislation coming into force.*
 - *Implement government approved recommendations from the MLA committee review of the small-scale salvage program.*
 - *The Small Scale Salvage Program will be refocused to generate sales volumes in excess of 210,000 m³ and revenues of at least \$2.5 million in stumpage through the sale of competitive and non-competitively awarded licences-to-cut and the piloting of a number of new salvage-based non-replaceable forest licences.*

Measure	2003/04 Estimated Actual	2004/05 Target	2005/06 Target	2006/07 Target
Per cent of Timber Supply Area AAC under a form of tenure.	96%	90%	90%	90%

This is a measure of the effectiveness of the ministry's apportionment of the AAC within a TSA to various programs, and its issuance of tenures under these programs. Tenures are issued under programs such as Forest Licence and for Community Forest Agreements. Tree Farm Licences, woodlot licences and tenures under the BCTS program are not included. Data is from the Apportionment System.

The baseline for this measure was 97 per cent in 2002/03. The targets for per cent of Timber Supply Area AAC under a form of tenure have been reduced in each of the next three years in recognition of the workload associated with the 20 per cent AAC recovery from major licence holders.

Objective 4: *Provide a reliable and safe forest road network through legislation, policy and standards.*

Strategy: *Maintain priority community-use Forest Service Roads until maintenance responsibility can be transferred.*

- Complete the rationalized road maintenance strategy in 2004/05 to prepare for further transfers in 2005/06 and following.
- MOF will maintain 10,000 kilometres to the wilderness standard. 2,500 kilometres of this will be maintained in the short-term to a higher standard by MOF with funding from the Ministry of Transportation's Roads Serving Rural Residence Program.

Measure	2003/04 Estimated Actual	2004/05 Target	2005/06 Target	2006/07 Target
Per cent reduction (-) or increase (+) to the non-industrial Forest Service road network.	0%	0%	-5%	-5%

This is a new measure for 2004/05 replacing "Kilometres of Forest Service roads maintained by the ministry to a community use standard". The measure was changed to more accurately reflect the strategy of the ministry in reducing its role in non-industrial roads. The reduction may be achieved through transfers of roads to the Ministry of Transportation, other agencies and industry or by closing and deactivating. The forest road network baseline in 2003/04 was approximately 12,500 kilometres.

Objective 5: *Increase First Nation participation in the forest sector and ensure forestry operations respect First Nation interests on the land base.*

- Strategies:**
1. Consult with First Nations in accordance with legal obligations.
 2. Negotiate agreements with First Nations:
 - Implement the First Nations Forest Strategy (FNFS) offering access to economic forest benefits to First Nations through accommodation agreements. This is a 3-year strategy with up to a third of the province's First Nations engaged each year.
 - Increase First Nations participation in the Forest Sector through direct award tenures. Timber volume will become available for award to First Nations through the timber reallocation as a result of Bill 28.

Measure	2003/04 Estimated Actual	2004/05 Target	2005/06 Target	2006/07 Target
Total number of accommodation agreements signed with First Nations (cumulative).	15 – 20	30 – 50	80 – 100	150 – 180

Accommodation agreements provide a period of stability for forest and range resource development. They include the provision of economic benefits in the form of tenure and revenue sharing as well as consultative arrangements that define an agreed upon process between the Ministry and a First Nation for consulting on and addressing aboriginal interests. In 2003/04, approximately 30 stand alone consultation arrangements were also in place in addition to accommodation agreements. In future years, these arrangements will be incorporated into accommodation agreements.

Funding for accommodation agreements is \$15 M in 2003/04, \$30 M in 2004/05, \$40 M in 2005/06 and \$50 M in 2006/07.

Measure	2003/04 Estimated Actual	2004/05 Target	2005/06 Target	2006/07 Target
Number of tenures offered to First Nations.	45	20 – 30	40 – 50	70 – 80

Under the *Forest Act*, the minister may invite, without competition, applications from First Nations for a forest tenure. The criterion measures the number of invitations from the minister. It includes tenures offered through accommodation agreements under the First Nations Forest Strategy. In 2003/04, the target also included invitations made in furtherance of an interim measure agreement, treaty related measures, or economic measures agreement between the First Nation and the province.

Core Business Area: *BC Timber Sales.*

- Objectives:**
1. *Provide a credible reference point for costs and pricing of timber harvested from public land in British Columbia.*
 2. *To optimize net revenue to the province, within the parameters dictated by our benchmarking mandate and sound forest management.*
 3. *Provide opportunities for customers to purchase timber in an open and competitive market.*

Strategies for 2004/05:

Ministry strategies associated with this core business area are designed to generate significant ongoing revenues for the province.

Program volumes:

- BCTS will grow as volume re-allocated from the major tenure holders is provided to the program to develop and auction. BCTS will expand from about 13 per cent of the provincial harvest to approximately 20 per cent of provincial AAC by April 2007, to address pricing requirements under the Forest Revitalization Initiatives.

Legislative reform:

Legislation will be brought into force to enhance the rate of harvest and revenue return to the Crown (shorter terms, increasing deposits, extension fees).

- Additional legislation will be brought into force to transform BCTS into an auction business only (repeal of bid proposals, BCTS forest licences, direct awards) which will ensure full market value is bid for all timber sold; and,
- BCTS will widen eligibility to bid in the program and will pilot a new variable rate upset to enhance bidding and ensure the most accurate price is obtained across the province.

Financial reform:

- BCTS will develop a cost database and track program costs by timber sale to allow a close matching of development costs and revenue.

Marketing reforms:

- BCTS will move further into electronic marketing with all sales on the web by August 2003 and exploration of E-commerce applications for timber sales transactions on the web in fiscal 2004/05. These moves will increase market exposure and ensure all interested parties have an opportunity to bid for timber;
- BCTS will continue with its current ISO certification and expand the implementation of the Environmental Management System (EMS) across the province by 2005/06 in step with market demands for certified forest products;

- As part of the provincial beetle strategy, BCTS will focus harvest on the recently killed stands to extract the highest possible value while meeting stewardship requirements;
- BCTS will develop and harvest timber within BCTS operating areas killed by wildfires in 2003;
- Staff will move closer to all sales being sold in a fully developed state to remove risk and uncertainty from bidders and increasing revenue return to the Crown;
- BCTS will pilot a cost-based upset and Market-based Pricing System (MPS) pricing for deciduous timber to provide a larger data set for the MPS price model. This larger set will enhance the accuracy of the model and ensure that the Crown is marketing timber at a fair value;
- The ramp up of volume required with the reallocation from major licensees will be accomplished in part, by purchasing planning and assessments from major licensees and auctioning the subsequent volumes; and
- BCTS will continue to offer a range of timber sales suitable for all operators, but will exit direct awards and restricted or proposal driven competitions (except for horse logging sales) to ensure that all bidders have a fair chance to bid openly for timber on the market.

Internal Reform:

- BCTS will continue to streamline operations through the application of continuous improvement principles and the standardization of procedures; and
- BCTS will move all operations to an integrated information management system called GENUS used by many large forest companies in the province. The experience brought by all the users of this system is expected to leverage significant cost savings in BCTS and the ministry.

Measure	2003/04 Estimated Actual	2004/05 Target	2005/06 Target	2006/07 Target
Average cost per cubic metre of volume developed.	\$12.25/m ³	\$10.54/m ³	\$13.68/m ³	\$14.66/m ³

This is a new measure in 2004/05 replacing the previous “Average cost per cubic metre of volume sold.” The change from volume sold to volume developed is to reflect that costs are incurred for development of a timber sale that may not be sold.

Measure	2003/04 Estimated Actual	2004/05 Target	2005/06 Target	2006/07 Target
Per cent of sales fully developed.	79.5 %	90 %	92 %	92 %

This is a new measure in 2004/05.

Measure	2003/04 Estimated Actual	2004/05 Target	2005/06 Target	2006/07 Target
Per cent of volume advertised for sale.	100 %	100 %	100 %	100 %

This is a measure of the volume advertised competitively to independent forest operators. A baseline of 99 per cent was established in 2002/03.

Measure	2003/04 Estimated Actual	2004/05 Target	2005/06 Target	2006/07 Target
Volume offered for sale (Million m ³).	12.21	11.8	13.2	14.7

Previously tracked internally to the ministry, this measures the volume of wood that is competitively advertised for sale.

Measure	2003/04 Estimated Actual	2004/05 Target	2005/06 Target	2006/07 Target
Volume sold (Million m ³).	10.6	11.5	12.8	14.3

This measure, previously tracked internally to the ministry, represents the volume that is sold to independent forest operators.

Measure	2003/04 Estimated Actual	2004/05 Target	2005/06 Target	2006/07 Target
Instances of significant non-compliance with the <i>Forest and Range Practices Act</i> .	10	0	0	0

The BC Timber Sales program must comply with all forest practices standards and regulations. Data is from the Compliance Information Management System and is based on the number of inspections.

Core Business: *Forest Investment.*

The Forest Investment sub-vote provides support to improve British Columbia forest sector performance in existing and new markets through international marketing initiatives and enhance sector competitiveness through the development of new products and manufacturing process improvement.

Forestry Innovation Investment Ltd. is the third party administrator responsible for overseeing the marketing and product development programs, and for developing an independent Service Plan and an Annual Service Plan Report, as required by the Crown Agency Secretariat.

Goal 3: *Effective and Responsive Forest Manager.*

The Forest Service is on track to revitalize ourselves as the stewards of the province’s forest resources. While undertaking the many challenges and opportunities involved in this endeavor, we will bear in mind that our core purpose is to ensure that sustainable forest resources deliver sustainable forest benefits for the people of British Columbia. The effectiveness of our organization is dependent upon highly trained and knowledgeable staff who will continue to be responsive and performance-focused.

Key Outcome Indicator: *Public Trust in the BC Forest Service.*

Indicator	2003/04 Estimated Actual	2004/05 Projection	2005/06 Projection	2006/07 Projection
Percentage of those surveyed who believe the forest service can be trusted to protect and manage our public forests.	Not measured this year	> 60%	Not measured this year	> 60%

Public trust is measured in a telephone survey done by BC Stats, every two years. It is attributed to values, knowledge, and experience of the forest sector and BCFS. The baseline was 60 per cent in 2002/03.

Key Outcome Indicator: *Effective Administration of the Forest Investment sub-vote (FI).*

Indicator	2003/04 Estimated Actual	2004/05 Projection	2005/06 Projection	2006/07 Projection
Third party administrator performance targets achieved.	N/A	95%	95%	95%

This is new measure in 2004/05. The percentage is based on the number of performance targets developed by FI third party administrators (PwC, FBCWA, FII), that are achieved within 85 per cent.

Core Business Area: *Executive and Support Services.*

Objective 1: *Establish ministry policy and planning frameworks to meet government's strategic plan and direction.*

Strategies:

1. *Implement policy and planning frameworks. In 2004/05 policy and planning frameworks will be established.*
2. *Provide legislative support to the other core businesses who will be implementing the Forest Revitalization Plan and the Forest and Range Practices Act; continuing the deregulation initiative; and, addressing any critical operational issues.*
3. *Review and implement an Enterprise Risk Management framework for the Ministry of Forests.*

Measure	2003/04 Estimated Actual	2004/05 Target	2005/06 Target	2006/07 Target
Delivery of the Ministry's legislation program.	7 + legislative milestones	<ul style="list-style-type: none"> • Implement <i>Forest and Range Practices Act</i> and Regulations. • Implement Forest Revitalization legislation. • Ongoing Deregulation. • Update <i>Range Act</i>. 	To be determined	To be determined

This measure has been revised from the number of legislative milestones achieved to more accurately describe the work done in the legislation program within the ministry. Ten legislative milestones were delivered in 2002/03.

The *Forest Revitalization Act* can be reviewed online at: <http://www.for.gov.bc.ca/mof/plan>. The *Forest and Range Practices Act* and Regulations are at: <http://www.for.gov.bc.ca/code>.

Objective 2: *Be a high performing organization.*

Strategies: 1. *Refine ministry business processes and practices to meet the highest standards of efficiency and effectiveness.*

- *The functions of finance, human resources and information management will continue to be consolidated both within the ministry and across government as part of the Shared Services Initiative. This change, including increased use of technology, will result in more consistency in business practices.*
2. *Implement a culture of being a continually learning organization.*
 3. *Develop a client service strategy.*
 4. *Maximize the benefits derived from the application of technology to ministry business — Implement Portal/eBC.*

Measure	2003/04 Estimated Actual	2004/05 Target	2005/06 Target	2006/07 Target
Increase in the number of major client services available electronically.	3	4	2	2

Electronic services are those provided to external clients via an internet link. The baseline in 2003/04 was a total of three client services available electronically. These were the automated transmission of appraisal data from licensees (ECAS), the automation of seed requests from the tree seed center (SPAR), and the automation of billing inputs in the Harvest Billing System (HBS).

The 4 client services to be added in 2004/05 are: The Electronic Submission Framework (ESF), RESULTS (the Reporting Silviculture Updates and Landstatus Tracking System), the Corporate Reporting System (CRS) and the Seed Planning Web Mapping System (Seedmap).

Core Business Area: *Forest Investment.*

Under Goal 3, the Forest Investment Core Business of the Ministry of Forests addresses overall administration of the Forest Investment sub-vote and agreements with Third Party Administrators. This includes:

- implementing recommendations of the Forest Investment Council;
- coordinating and monitoring service agreements with all third party administrators;
- implementing program delivery processes; maintaining and administering eligibility criteria and standards for all ministry FI activities;
- managing storage and availability of deliverables generated by FI activities; and
- evaluating efficacy of the programs to meet FI and ministry objectives.

Objective 1: *Ongoing improvement to the effectiveness and efficiency of FI delivery.*

- Strategies:**
1. *Administer and fund the Defined Forest Area Management (DFAM) forest health and timber supply review activities through a second transition year.*
 2. *Shift administration of the Research program from FII Ltd. to a new administrator.*
 3. *Effective process for the review and award of research proposals.*
 4. *Review and evaluate FI program activities to maximize the efficacy of the deliverables in meeting FI and ministry objectives.*
 5. *Improve the delivery model through ongoing consultation with proponents.*

Measure	2003/04 Estimated Actual	2004/05 Target	2005/06 Target	2006/07 Target
Regular evaluation of value gained from FI investments.	N/A	Value for money audit by OCG	N/A	Value for money audit by OCG

This audit will be carried out by the Office of the Comptroller General, Internal Audit and Advisory Services, every two years.

Measure	2003/04 Estimated Actual	2004/05 Target	2005/06 Target	2006/07 Target
Per cent of FI activity standards evaluated.	30%	60%	100%	To be determined

This is based on the evaluation of all standards administered by the Ministry of Forests, over a three-year period commencing in 2003/04.

Appendix 1. Strategic Context

Vision, Mission and Values

Vision: Healthy Productive Forests

The province of British Columbia is renowned for its rich and diverse forest and range resources, more than 90 per cent of which are publicly owned. These resources are a major source of environmental, economic and social benefits, contributing to a high standard of living for individuals and communities across British Columbia. Healthy, productive forests are the cornerstones from which all other forest benefits are possible, including continuous generation of substantial revenue to the Crown.

The Forest Service, as the agency responsible for protecting and managing these resources, will focus on ensuring that the health and productivity of the province's forest and range resources are maintained now and in the future. Healthy forests include a diversity of ecosystems that support a full range of forest products, businesses and other opportunities.

Mission: Protect and manage our public forests for the sustained benefit of all British Columbians.

Since its establishment in 1912, the Forest Service has been mandated to protect and manage the public's forest and range resources. We have recently adopted the motto "Stewards of Our Forests" to reflect this mandate. Other roles have come and gone, but the stewardship role continues to be the foundation of our organization and is reflected in our mission statement. The key responsibilities for the Forest Service in undertaking this mission in the future are:

- protecting and managing the province's forest and range resources;
- providing the basis for a globally competitive forest industry with high environmental standards; and
- maximizing net revenues to the Crown.

We will carry out this mandate in co-operation with our other public and private sector partners.

To fulfil this mission, the establishment of clear policies and scientifically-based standards to protect the province's forest and range resources are required to ensure a full range of benefits are available from these resources on a sustainable basis. The Forest Service will continue to monitor and enforce standards for the forest and range practices carried out by

licensees. At the same time, we will implement pricing and selling policies aimed at making the province's forest sector more competitive in global markets, and ensuring the Crown receives fair value for the use of its forest and range resources.

Values:

- Respect for the forest and range resources, our clients and each other.
- Service excellence in fulfilling our public trust.
- Accountability for our decisions.
- Openness and adaptiveness to new ideas and knowledge.
- A Can-do attitude for getting the job done and done right.

Ethics:

- Our Sustainable Use ethic is to manage forest development to meet the current needs of British Columbians without prejudice to the needs of future generations.
- Our Stewardship ethic is to care for the health and sustain the beauty and natural functioning of the province's ecosystems by managing forest and range lands to maintain natural diversity across the landscape.
- Our Public Service ethic is to provide a continuous flow of benefits from forest and range lands for the physical, cultural and spiritual well being of British Columbians.

Planning Context

Introduction

Uncertainty and rapid change continue to be pervasive features of the forest sector's global environment. The forest sector is undergoing fundamental change, with the movement to more market-based tenure and pricing systems leading the way. This year we also saw summer wildfires grab headlines, with catastrophic consequences for two British Columbia communities. As we plan for 2004/2005, issues will arise on how the ministry positions itself to deal with such uncertainties. Moreover, current issues will not lie dormant as forest stewardship, the impact of policy reform and access to US markets, and the First Nations growing role in the forest sector continue to dominate the forest policy agenda.

Forest Stewardship

The ministry is faced with numerous challenges in managing the large public land based forest resource. The ministry's Service Plan is intended to address the changing nature of the

resource as well as related social priorities, devolution of certain management functions to licensees, and collaboration among government agencies.

Over the past three years, the province experienced drought conditions that culminated in an extraordinary fire risk and extreme fire behaviour in 2003. The total economic impacts to the province will be measured in hundreds of millions of dollars. The response involved over 10,000 people from emergency response agencies across British Columbia with significant support from other provinces and the federal government. Fire crews and equipment responded from communities all over British Columbia to help affected areas. Forestry personnel were augmented by additional staff and the Canadian military to fight the wildfires. As well, many volunteers and community agencies worked to provide help to evacuees and to those that lost their homes and livelihood.

The province has initiated a review of its response to interface fires in 2003. This review is examining how the province worked to mitigate, plan for, and respond to this type of fire threat. It will provide government with recommendations on what went well and what the government should consider to improve its planning and response. The review will be completed by February 15, 2004 and presented to the Office of the Premier. The pertinent recommendations will be implemented in time for the 2004 fire season.

Table 1 — 2003 Wildfires in Context

	2003	10 year average
Area Burned	264,918 ha	49,103 ha
Number of Fires	2,470	1,902
People Evacuated ¹	50,000	—
Homes Lost ¹	334	37
Direct Fire Cost Estimate ²	\$ 400 million	\$ 94 million

¹ MOF estimates only. Final figures are reported by the Provincial Emergency Program.

² Firefighting is \$375 Million and Rehabilitation is approximately \$25 M.

Perhaps the most notable concern related to the forest resource itself is the damage being caused by the unprecedented epidemic of mountain pine beetle in the North-Central Interior. New data on the mountain pine beetle show they are expanding throughout the entire interior of the province. This year alone, the beetle has infested more forest than was burned during the summer's wildfires. The pine beetle epidemic has grown by 40 per cent since last year and is now threatening 160 million cubic metres of timber, 2.5 times more than the allowable annual cut (AAC).

This insect epidemic currently covers an area of about 9 million hectares stretching from Smithers to Cranbrook and is expected to continue to expand exponentially. The actual area infested is approximately 4.0 million hectares within this larger area. The outbreak is expected to continue to expand unless climatic conditions cause a collapse. The main areas of the beetle epidemic are essentially impossible to control by man-made means; a large-scale program is underway to harvest infested timber before it becomes economically worthless. Limited control work is also being conducted on the edges of the outbreak and in areas where efforts can be expected to have some success.

While mountain pine beetle is the issue for the interior, changing forest management approaches is the focus on the coast. Coastal silvicultural systems are changing to more closely mimic natural ecosystem dynamics. The shift towards variable retention logging has introduced a need to understand the impacts on timber supply, water quality, and a wide variety of flora and fauna.

Full implementation of the *Forest and Range Practices Act* will be a major objective in 2004/05. Designed to ensure that British Columbia achieves high quality forest management and environmental standards in a streamlined regulatory environment, the Act will take effect January 2004, with a transition period to December 31, 2005, when the *Forest Practices Code* and the new Act will both be in effect. As the new Act replaces previous forest practices code there will be a greater emphasis on defining acceptable results on the ground. Licensees and individual professionals will also enjoy greater autonomy in deciding how best to achieve specified results.

Revitalizing the Forest Sector

In the Spring, the Legislature passed a series of bills changing the fundamental way the forest sector is managed. The changes focused the reallocation of timber rights and the implementation of market-based policy reform. The purposes of these changes are to create the framework for a competitive, dynamic forest industry and to maximize the contribution of the forest sector to British Columbians' standard of living.

The tenure reallocation requires major licensees to return 20 per cent of the AAC held under replaceable tenures to the Crown after the first 200,000 m³. About half of this AAC will then be redistributed to open up opportunities for woodlots, community forests and First Nations. The other half will be sold at auction to increase the portion of timber going through open markets and to assist in setting up stumpage rates. Reallocating timber rights will:

- Help diversify British Columbia's forest economy over time by increasing the number of tenure holders and expanding the variety of economic uses to which British Columbia's public forest land are used;
- Ensure that more logs flow to open markets, where they can be directed to the highest value and best use within the province; and
- Create a more open pricing system for public timber, ensuring British Columbians receive fair value for the use of their forest resources.

Softwood Lumber Dispute Up-date

- In May 2002, the US International Trade Commission (ITC) determined that the US softwood lumber industry was “threatened” with material injury by reason of alleged subsidized and dumped imports of Canadian softwood lumber. This injury determination followed the US Department of Commerce’s (DOC) subsidy and dumping determinations that resulted in US countervailing and anti-dumping duties of 27 per cent. Canadian companies have paid out almost \$2 billion in duties since the ruling.
- In 2003, British Columbia continued to pursue negotiations and litigation as a means to establish a long-term solution to the dispute. In terms of negotiations, the US has worked with Canadian governments and industry to develop a policy bulletin outlining changes to provincial forest policies that would lead to the revoking of the countervailing duty (CVD). A draft of the bulletin was published in the Federal Registry. It is uncertain when a final bulletin will be published. As outlined in the bulletin, policy changes will set the stage for a changed circumstances review, which would, if successful, bring a lasting solution to the softwood lumber dispute.
- In terms of litigation, the North American Free Trade Agreement (NAFTA) panel determined in August that duties should not be calculated by comparing Canadian and US stumpage rates, and directed the DOC to change its calculations. A separate NAFTA panel found in September that the Injury Determination was based on poor analysis, and ordered the ITC to justify its decision. The US determinations are also being examined by World Trade Organization dispute settlement panels.

First Nations Accommodation and Consultation

The uncertainty associated with unresolved First Nations land claims continues to affect the provincial forest sector. Recent court decisions have reinforced the importance of consultation with and accommodation of First Nations’ interests. It will take time and experience to adequately sort out the roles and responsibilities of government, industry and First Nations in this regard.

Part of the Forestry Revitalization Plan is to set a portion of the AAC that is reallocated from existing tenures for First Nations who enter into accommodation agreements with the province. These agreements may be negotiated where there are unresolved aboriginal rights and title issues, as an interim step towards a comprehensive treaty or other form of settlement. Ultimately, about eight per cent of the total provincial AAC will be made available for such arrangements.

There has been significant progress in this regard. On October 15, 2003, an agreement between the British Columbia government and Gitga’at First Nation was struck, where the First Nations community received \$1.57 million over the next five years and the right to apply for licences to cut 290,000 cubic metres of old-growth forest in the Hartley Bay area. It is hoped that the arrangement will be an impetus for similar agreements with an alliance of eight First Nations on the British Columbia coast, an endeavor often referred to as the Turning Point Initiative.

Economic Indicators

Exports

British Columbia's forest-based industries produce an array of wood products, but are dominated by the production of lumber, pulp and paper, and panels which are subsequently sold into world markets. The ministry's market-based policy reform is focused on supporting a globally competitive forest industry while ensuring that the public receives fair value for its resource.

Chart 1 — Exports by Destination, 2002

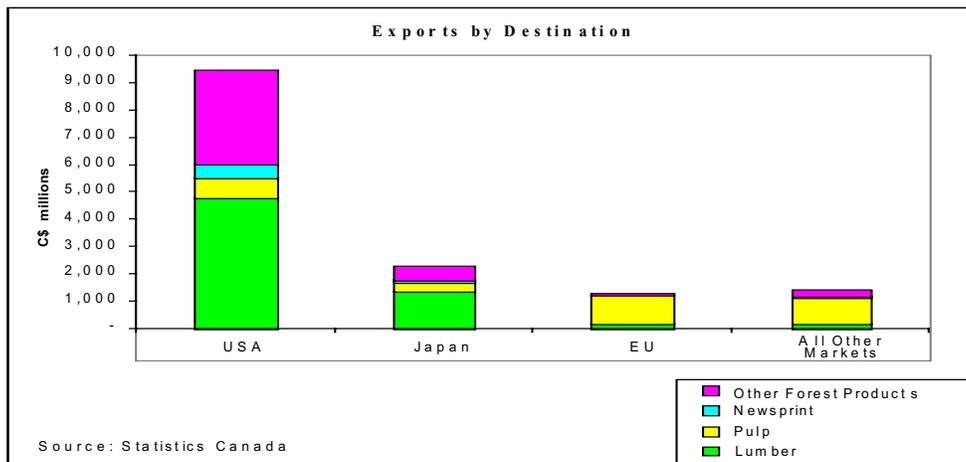
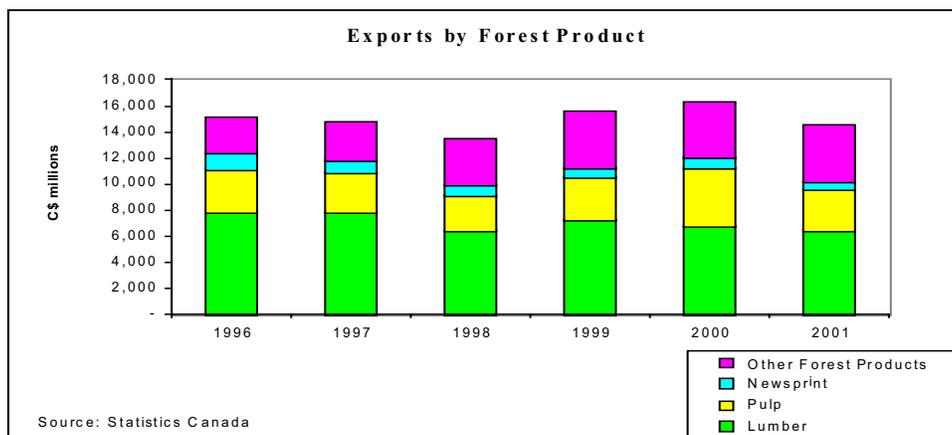


Chart 2 — Exports by Product, 2002



Total British Columbia forest exports dropped from \$16.3 billion in 2000 to \$14.6 billion in 2001, and down to \$14.4 billion in 2002. Reduced pulp shipments and softwood lumber accounted for much of the change. Forest products maintain 49.5 per cent of total provincial exports and approximately 8 per cent of world exports of forest products.

The primary market for British Columbia products is the US, which imported 64.4 per cent of British Columbia's total provincial forest product exports in 2002. Japan is the second-largest market, accounting for approximately 15.5 per cent of exports².

Prices

The forest sector's reliance on exports means that world prices are an important determinant of the health of the sector as a whole.

The price of spruce-pine-fir (SPF) softwood lumber 2x4s, the key product of the interior lumber industry, increased from an average of US\$235/thousand board feet (mfbm) in 2002 to a monthly average of US\$314/mfbm as of August 2003.

The price for hemlock baby squares, a key product for the Coastal industry, decreased from a 2002 average of US\$597/mfbm to a monthly average of US\$530/mfbm (as of August 2003), a decrease of 12.64 per cent. Japanese demand remains below 1990s levels and is likely to remain so given Japanese economic performance and shifts in product demand.

Market demand for northern bleached softwood kraft (NBSK) pulp weakened markedly in both 2001 and 2002. In 2002 NBSK pulp averaged US\$463/tonne, down by 32 per cent from the 2000 average of US\$681/tonne³. However, 2003 saw a surge in price of up to US\$513/tonne, an increase of 10.8 per cent.

Average newsprint prices for 2002 were US\$468/tonne, a drop of 20 per cent from the 2001 rate of US\$588/tonne. There was some recovery in 2003 as prices slightly rose 5.3 per cent to US\$493/tonne.

Production Costs

In addition to world prices, production costs are important to the provincial forest sector. For a cyclical, competitive, mature industry to be successful in the global marketplace, variable costs must be kept low.

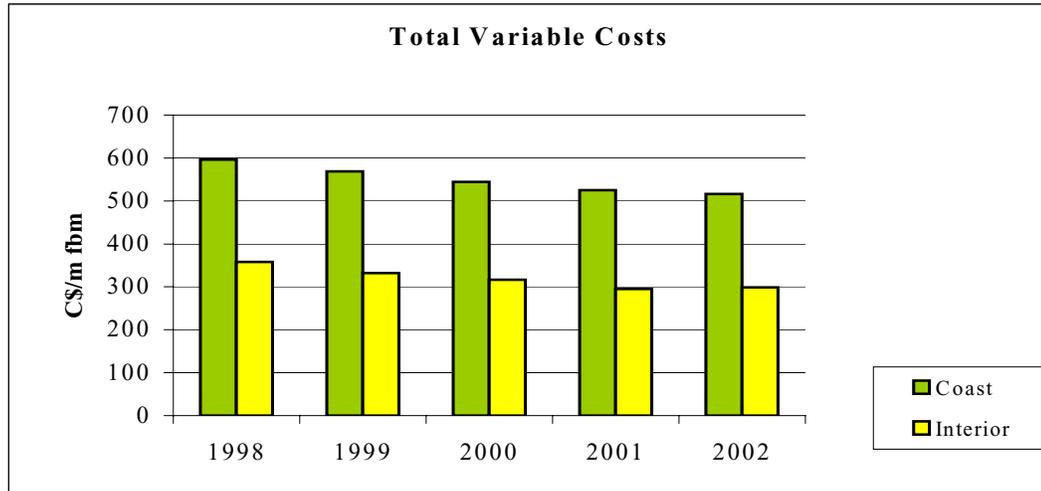
In 2002, variable costs — or costs that vary directly with output — were comparatively stable. The variable cost category includes costs of harvesting, labour and supply.

For a variety of reasons, including the diversity of wood types and terrain, the British Columbia Coast has significantly higher lumber production costs overall than the Interior. High production costs, changing markets, and environmental pressures continue to exert significant restructuring pressures on the coast.

² Source: BC Stats, Statistics Canada

³ Data from: Madison Canadian Lumber Reporter. Prepared by: Economics and Trade Branch.

Chart 3 — Total Variable Costs

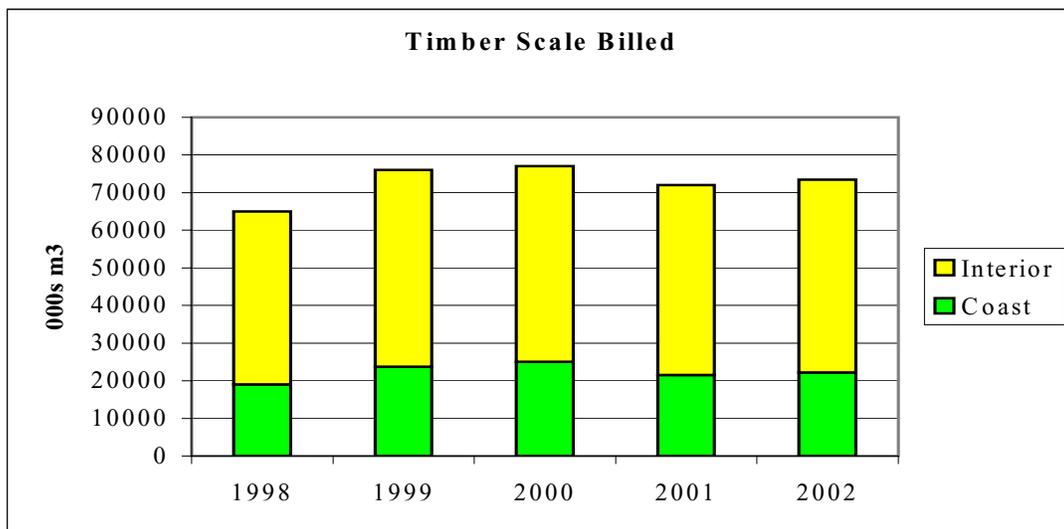


Source: Resource Information Systems, Inc. 2003

British Columbia Harvest Levels

British Columbia total harvest levels (Crown and private land), as measured by timber scale billed, rose slightly from 72 million m³ in 2002 to 73.38 million m³ in 2003. Results from the first eight months indicate that harvest levels will increase slightly again for the year as a whole.

Chart 4 — Timber Scale Billed



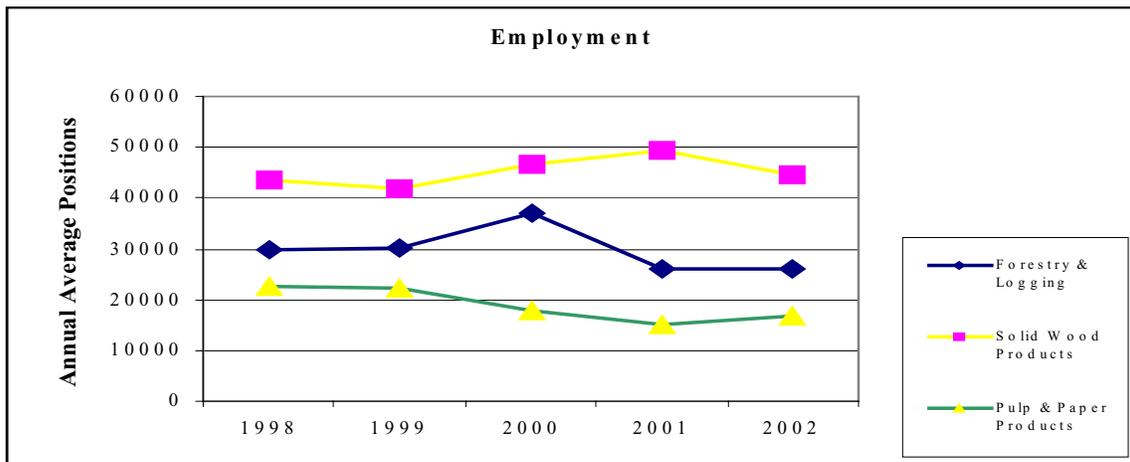
Source: Revenue Branch

Employment

Employment statistics show a general weakness in the forest sector.

The aggregate employment levels of the industry dropped to 87,300 in 2002, a decrease of 3,300 jobs from 2001. The pulp and paper product category showed an increase of 1,700 jobs. The largest fall occurred in the solid wood products category with a decrease of 4,875 jobs. There are approximately 1,900 fewer jobs in August 2003 compared to the same month in the previous year.

Chart 5 — Employment



Source: Statistics Canada

Long Term Outlook

Global Supply

While demand-side issues have been the center of attention for the past few years, any economic scan of the provincial forest sector is incomplete without an examination of timber supply.

World timber supply is not expected to be a constraint on global forest product production in the foreseeable future.

It is expected that the availability of wood fibre will improve significantly over the next 20 to 25 years, as the commercial production of timber becomes increasingly concentrated on managed forests and plantations. While timber inventories in global “native” forests are expected to decline moderately, “non-native” plantation inventories will more than compensate for the loss.

Both economic and environmental factors are responsible for reshaping the world's fibre supply. From a production prospective, non-native plantations are generally more productive than their native counterparts, and many countries have actively encouraged investment in this type of forest resource. Simultaneously, there has been increasing international pressure for the conservation of "native" forests due to concerns about deforestation and forest degradation. Indeed, globally, British Columbia's forest resource is unique. For example, British Columbia's remaining old-growth coastal rainforest represents approximately 25 per cent of the remaining coastal temperate rainforest worldwide.

By 2025, some experts predict that fibre from "non-native" plantation inventories will represent one-third of the operable growing stock and supply more than half of global wood fibre needs. In terms of wood supply, this means that Asia, Central America, South America, Australia and New Zealand will become increasingly important wood-fibre suppliers. From a British Columbia perspective, this likely implies increased competition in world forest product markets and increased pressure for the conservation of increasingly rare forest types.

But perhaps a more looming issue is that in some regions of the world, there appears to be a growing surplus of forests, and a general oversupply of timber and logs relative to demand. Temperate harvest increases in Russia and Eastern Europe, coupled with emerging plantation-pine surpluses in the southern hemisphere, may be emerging as the spoilers in world markets. In North America, up to 94 per cent of the timber increment is harvested, yet the EU average is 64 per cent, and Russia — a vastly developing timber supplier — is only harvesting 16 per cent of its net annual incremental timber growth. The implications are obvious: the potential of an oversupplied market means downward pressure on timber and wood products prices.

Sustainability

Third party certification of forest practices continues to be seen as a means of ensuring sustainable resource management and excellence in forest stewardship. It is expected that, over time, certification will become more of a prerequisite for access to global forest product markets.

Virtually every major British Columbia forest company has either achieved or is pursuing third-party certification.

Issues on the Horizon

Besides the current external forces influencing the British Columbia forest sector, other issues in the foreseeable future will surely affect the supply and demand of British Columbia wood products. Some of these issues include the following:

- Increasing popularity of wood and non-wood product substitutes: hybrid products involving plastics and concrete are competing directly with products which have traditionally been manufactured with wood, including flooring, siding and decking.

- Advances in harvesting technology in competing nations: new harvesting technology has allowed for harvesting in areas which were once deemed inaccessible.
- Second growth timber: a pressing issue particularly on the British Columbia coast where most existing facilities and machinery are not properly equipped to process second growth timber, prompting the need for capital investment.
- Genetically modified trees: although British Columbia is not producing genetically modified trees, technological advancement in this area could drastically increase supply from competing nations.
- Environmental and forest implications of resource exploration in British Columbia: as oil and natural gas exploration expands in the province, there are likely to be implications on the environment and forest sector.

The British Columbia forest sector will continue to face the challenges associated with a dynamic and ever-changing global environment. Only a sector that is outward looking, globally competitive, environmentally responsible, and locally accountable will be able to succeed. The ministry's ongoing task is to ensure that an appropriate policy, regulatory and legislative framework is in place to support these objectives.

Highlights of Strategic Shifts and Changes from the Previous Plan

The ministry is on track to achieving the key components outlined in the 2003/04 to 2005/06 Service Plan published last year. Changes from last year, now included in this Plan, are:

Strategic shifts

- The Forestry Revitalization Plan was introduced in late March 2003. The plan will open up forest sector opportunities for new entrepreneurs and value-added manufacturers, remove barriers to regional job creation, and open up new partnerships with First Nations.
- Timber Takeback. As part of the Forestry Revitalization Plan, government will reallocate 20 per cent of logging rights from major licensees, which will be added to what is already available on the open market. As a result of these and other changes, up to 45 per cent of the province's total harvest will eventually be available through the open market, making more timber available for First Nations, community forests, woodlots, the value-added sector and new entrepreneurs.
- First Nations Revenue Sharing. As part of the Forestry Revitalization Plan, the share of the province's AAC available to First Nations will be more than doubled, from about three to about eight per cent, roughly equivalent to the proportion of First Nations people in the rural population. The province will also share \$95 million in forest revenues with First Nations over the next three years.

- Market-based pricing has been initiated on the coast and a decision is pending for the interior.
- The defined forest area management (DFAM) legislation has yet to be brought into force. Until then, the ministry will be required to continue management activities in forest health and timber supply analysis at its current level. Funding has been redirected from the FI to reduce the rate of bark beetle spread until DFAM is implemented.
- Starting in 2004/05, as the result of a competitive process the FI Research Program will be managed by PricewaterhouseCoopers instead of Forestry Innovation Investment Ltd.

Summary of Changes to Key Outcome Indicators (KOIs) and Corporate Performance Measures (CPMs):

The performance measure of the “Per cent of Timber Supply Areas under Defined Forest Area Management” has been deleted from the Service Plan due to a change in the direction of the initiative, and the delay in enacting the related legislation. A new measure is expected to be introduced during 2004/05 to track DFAM implementation.

Two previous Forest Investment corporate performance measures will now be tracked by the agencies responsible for the activities, independent of the funding source. Outcomes associated with the “volume gain of timber available for harvest in 65 years from FI land-based and tree improvement activities” are now tracked by MOF under the Stewardship of Forest Resources Core Business. The outcomes associated with the “percentage increase in provincial inventory information” belong to the Ministry of Sustainable Resource Management.

Six performance measures included under the goal of being an effective and responsive forest manager have been deleted from this Service Plan beginning in 2004/05. Two of these, “per cent of corporate performance measure targets achieved” and “per cent of expenditure targets achieved,” will still be reported annually in summary format. The following four will now be tracked internally only by the ministry:

- per cent of employees satisfied with their employment with the ministry;
- per cent of critical positions with current competency profiles and succession strategies;
- the average number of training hours per year per employee; and
- per cent of business areas redesigned to align with the refocused mandate.

New Indicators and Measures for 2004/05:

- Per cent achievement of ministry free growing obligations under the Forest Stand Management Fund (CPM) (replaces volume gain at 65 years from reforestation activities funded by the FSMF);
- Area restored to open forest and grassland (CPM);

- Per cent of seedlot registration requests to meet sustainable gene resource practices that are completed within 30 days (CPM);
- Total number of Forest Service recreation sites and trails available for public use (CPM) (replaces the number of forest service sites and trail managed under partnership agreements, which is now tracked internally only);
- Per cent reduction or increase to the non-industrial Forest Service road network (replaces kilometres of Forest Service roads maintained by the ministry to a community use standard);
- BC Timber Sales average cost per cubic metre of volume developed (CPM) (replaces the average cost per cubic metre of volume sold);
- BC Timber Sales per cent of sales fully developed (CPM);
- BC Timber Sales volume advertised for sale (CPM) and BC Timber Sales volume sold (CPM) (replaces the per cent of BCTS sales refused);
- Per cent of Forest Investment sub-vote (FI) performance targets achieved by third party administrators (KOI);
- Regular evaluation of value gained from FI investments (CPM); and
- Per cent of FI activity standards evaluated (CPM).

Consistency with Government's Strategic Plan

The draft 2004/05 to 2006/07 Government Strategic Plan has been used to align the Ministry of Forests strategies, achievements and plans under the government goals, objectives and strategies.

Goal 1: A Strong and Vibrant Provincial Economy.

Objective: BC will have a prosperous economy.			
Overall Strategy: Innovation and Economic Growth.			
Provincial Strategies	Ministry of Forests Strategies	Achievement in 2003/04	2004/05 – 2006/07 Service Plan
Develop and implement a long term economic development strategy.	Implement a market —based pricing system. Develop and implement new International marketing initiatives.	<ul style="list-style-type: none"> Government decisions on direction and legislation. Establishment of international marketing initiative under Forest Investment Account. 	<ul style="list-style-type: none"> Implement market-based pricing system. Increase market share of BC wood products to Taiwan, China and Korea.
Generate significant ongoing revenues to the province from BC's natural resources.	Ensure that the public receives fair value for the use of its forest and range resources now and in the future.	The Ministry of Forests Revenue billing contributed an estimated \$0.982 Billion to the Consolidated Revenue Fund.	The Ministry of Forests Revenue billing is expected to contribute an estimated \$0.962 Billion to the Consolidated Revenue Fund in 2004/05.
Expand partnerships with the federal government to promote growth and economic development in BC.	Work with the federal government towards effective resolution of the Softwood Lumber dispute.	Ongoing.	Ongoing.
Continue to streamline government's legislation and regulation.	Continue evaluation and ongoing improvement of forest legislation.	<ul style="list-style-type: none"> Reduction by 23% in 2003/04. Three effectiveness evaluations of legislation completed. 	<ul style="list-style-type: none"> 33% reduction target achieved by April 2005. Three effectiveness evaluations of legislation to be completed.

Objective: Government will be affordable and fiscally responsible.			
Overall Strategy: Management of Government.			
Provincial Strategies	Ministry of Forests Strategies	Achievement in 2003/04	2004/05 – 2006/07 Service Plan
All ministries will meet their budget and service plan targets.	Continued integration of financial and performance management in the ministry.	<ul style="list-style-type: none"> • 79% of performance measures projected to be achieved. • Budget targets projected to be achieved. 	<ul style="list-style-type: none"> • 95% of performance measure targets to be achieved. • Budget targets to be achieved.
Establish public-private partnerships or other alternative service delivery arrangements for capital infrastructure and program delivery.	New partnerships with forest industry to invest in timber supply analysis, research, forest health and fire protection.	Legislation requirements in place for timber supply, forest health and fire protection.	Implementation of legislative requirements begins.
	Establishment of partnerships with the private sector for management of Recreation infrastructure.	104 partnerships established to manage Recreation sites or trails.	Ongoing partnerships to manage majority of recreation infrastructure.
	Nurseries to be privatized and seed orchards offered for lease.	<ul style="list-style-type: none"> • One nursery privatized in 2002/03. • Seed Orchards were offered for lease but there were no offers. 	One nursery and six seed orchards will continue to be operated by the Ministry of Forests.

Goal 3: *Safe, Healthy Communities and a Sustainable Environment.*

The Ministry of Forests is responsible for the Government Key Measures and targets for “Forest Certification” and “Reforestation” that support this goal.

Objective: BC will practice sustainable resource development.			
Overall Strategy: Sustainable Resource Development.			
Provincial Strategies	Ministry of Forests Strategies	Achievement in 2003/04	2004/05 – 2006/07 Service Plan
Expedite economic development by increasing access to Crown resources.	<ul style="list-style-type: none"> • Implement the First Nations Forestry Strategy offering First Nations access to revenue sharing and forestry tenures through negotiated agreements. • BC Timber Sales will award access on a more competitive basis. 	<ul style="list-style-type: none"> • 45 tenures offered to First Nations. • 30 consultation agreements established with First Nations. • BCTS Reform initiated. 	<ul style="list-style-type: none"> • Additional tenures to be offered to First Nations. • Additional consultation agreements established with First Nations. • BCTS Reform ongoing.
Promote resource investment opportunities within and outside of British Columbia.	Product development and new international marketing initiatives through the Forest Investment sub-vote.	Product development and new international marketing programs established.	Product development and new international marketing initiatives through the Forest Investment sub-vote.
Develop market-based pricing regimes which include fair value for the BC’s resources.	Implement a market-based pricing system.	Government decisions on direction and legislation.	Implement market-based pricing system.
Implement initiatives that improve economic development opportunities for First Nations.	Increase number of tenures offered to First Nations.	45 tenures offered to First Nations.	Additional tenures offered to First Nations.
Partnerships with industry and other stakeholders.	As above.	As above.	As above.

Overall Strategy: Environmental Protection and Safety.			
Provincial Strategies	Ministry of Forests Strategies	Achievement in 2003/04	2004/05 – 2006/07 Service Plan
Implement a streamlined, science-based, results-oriented regulatory approach to protect human health and the environment and ensure effective enforcement.	<ul style="list-style-type: none"> • Implementation of the new <i>Forest and Range Practices Act</i>. • Implement a new Compliance and Enforcement regime. 	<ul style="list-style-type: none"> • <i>Forest and Range Practices Act</i> enacted. • 94% compliance with forest and range practices legislation. 	<ul style="list-style-type: none"> • Full Transition to the new <i>Forest and Range Practices Act</i>, by April 1, 2005. • Ongoing implementation of the C&E plan.
Implement a made in BC action plan to address issues associated with greenhouse gases and climate change.	Sustainable Forest Resources.	Ongoing management of forests in a sustainable manner.	Ongoing management of forests in a sustainable manner.

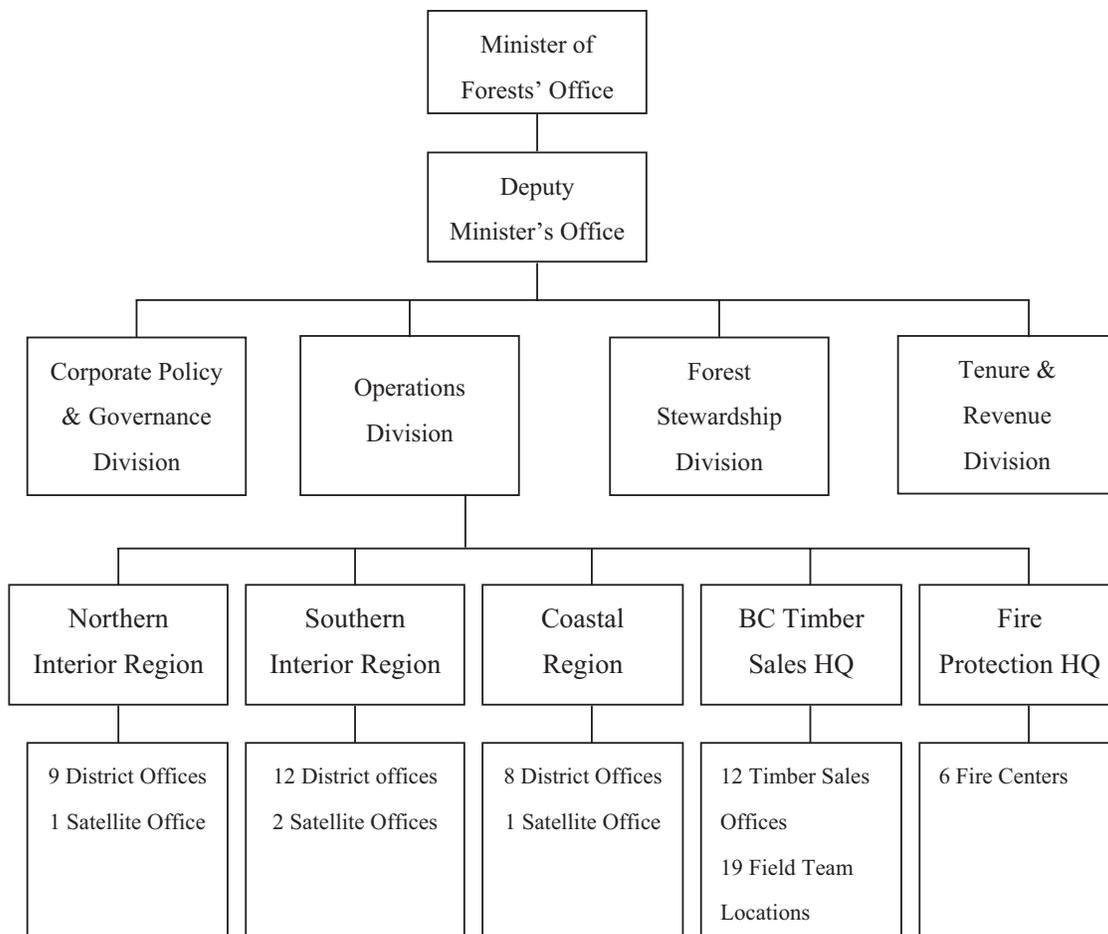
Appendix 2.

Organizational Structure

In response to its refocused mandate and resource reduction requirements, the ministry initiated a significant restructuring in 2002/03. The restructuring aligned available resources with the ministry's core business functions.

The Victoria headquarters structure consists of the following major elements: Corporate Policy and Governance Division, Operations Division (Field Services and BC Timber Sales), Forest Stewardship Division, and Tenure and Revenue Division.

The field structure of the ministry consists of the following major elements: three forest region offices with 29 forest district offices and four satellite offices; 12 BC Timber Sales offices; and six fire centres.



Legislation

The main statutes for which the Forest Service has responsibility are as follows:

Forest and Range Practices Act and Forest Practices Code of British Columbia Act

In November 2002, the *Forest and Range Practices Act* was introduced. In 2005, this act will completely replace the *Forest Practices Code of British Columbia Act*. A series of regulations will provide for the transition between the two statutes. The new act is intended to be less process oriented and more results specific.

Both acts enable the Forest Service to:

- Establish stewardship standards for forest and range practices;
- Ensure that the legislated requirements for sustainable forest practices are followed;
- Meet the requirements for higher-level plan objectives established through strategic planning; and
- Carry out compliance and enforcement activities to ensure stewardship standards are met.

Forest Act

The *Forest Act* provides the Forest Service with the authority to:

- Determine an allowable annual cut for Crown land in each timber supply area and for each tree farm licence, woodlot licence and community forest agreement area.
- Enter into and administer agreements that authorize timber harvesting, generating revenue to the government.
- Require Crown timber to be used or manufactured in the province unless exempted by order in council.
- Undertake or authorize road construction, maintenance or use.

Major changes to the *Forest Act* during 2003/04 and 2004/05 include:

- Enabling a move to defined forest area management;
- Implementing a market-based pricing system to generate appropriate revenues to the government; and
- Making the BCTS Program more effective and putting it on a commercial footing.

Ministry of Forests Act

The *Ministry of Forests Act* continues the Forest Service and provides it with a broad and general mandate to:

1. Encourage maximum resource productivity;
2. Manage resources responsibly to achieve the greatest short and long-term social benefits;
3. Practice planned, integrated resource management and use;
4. Encourage a globally competitive forest industry; and
5. Assert the financial interest of the government.

Range Act

The *Range Act* authorizes the Forest Service to allocate and administer the use of range resources by the livestock industry through grazing and hay-cutting agreements that provide revenue to the government.

Wildfire Act

In 2004 a new *Wildfire Act* is planned to replace the protection provisions currently in the *Forest Practices Code of British Columbia Act*. The new act and regulations will be more results-based while providing greater regulatory freedom for the forest industry. The new act will still ensure that government retains the authority to fight any fire that threatens forest resources and to restrict access, limit operations and requisition equipment and personnel in the event of significant fire activity.

Forestry Revitalization Act

The *Forestry Revitalization Act* is an integral part of government's forestry revitalization plan. The revitalization plan will open up opportunities for new participants in both forest management and wood processing sectors, communities, First Nations, woodlot owners and entrepreneurs, creating a more diversified and innovative forest sector that is better able to provide employment and wealth.

To create these new opportunities, government will reallocate 20 per cent of logging rights from major licensees, which will be added to what is already available on the open market. As a result of these and other changes, up to 45 per cent of the province's total harvest will eventually be available through the open market.

One-time funding of \$275 million has been set aside for the transition from the old to the new, stronger forest economy. Forest companies will be fairly compensated for the legal harvesting rights removed from their allowable annual cuts; \$200 million has been allocated for this purpose. Forest workers and contractors will have access to a \$75 million trust fund for transition assistance.

Appendix 3. Summary of Related Planning Processes

Human Resource Management Plan

To meet the goal of being effective forest stewards the Forest Service will continue to implement its Human Resources (HR) Strategy.

Although the ministry's workforce adjustment will be complete at March 31, 2004, the ministry remains in a period of transition while it continues to define its business and organizational structures. This transition also comes at a time when a significant portion of ministry staff will begin to be eligible for retirement. Managing the continued transition requires strong leadership and commitment to managing our human capital.

Creating capacity — looking at both the present and the future employee base continues to be key to our human resources sustainability. This will necessitate a strong emphasis on leadership development, employee learning and development, and performance management, as well as utilizing the diversity of our employees to maximize productivity and effective program delivery.

As the Forest Service continues to redefine its business we will focus on key core competencies and skill-sets that will be required by our employees to move the organization forward. The primary human resources focus over the next years will be to implement a strong leadership development plan within the ministry and look at succession and workforce planning issues, as well as, identify strategies to become known as a continually learning organization.

Information Resource Management Plan

During late 2003/04, more than fifty major computer applications that currently support ministry operations will be replaced with a new suite of applications that conform better to the ministry's current business needs.

The 2004/05 year will be a year of consolidation for these applications, adding further functionality to meet changing business needs. Other complementary projects will be started, subject to funding availability. Many of these new applications have electronic commerce capability, and thus have the potential to significantly reduce the cost of doing business, both for the ministry and for the forest industry. Some of these new applications will allow users access to linked map and tabular data on the same computer screen.

This has been a major goal for more than a decade, and will only be achieved with the help of the Ministry of Sustainable Resource Management, which is responsible for the provincial spatial data warehouse.

While this major development effort has been ongoing, the ministry has adopted centralized delivery of computer infrastructure and services. A number of ministry staff were previously transferred to the Common Infrastructure Technology Services (CITS) Branch of the Ministry of Management Services, and new administrative arrangements are being developed. The ministry depends heavily on CITS for vital information technology services. These new arrangements must accommodate the significant reduction in size and number of the ministry's distributed offices. Service level agreements and funding requirements will be negotiated.

As the ministry adopts new ways of doing business, principally results-based forest management practices, there will be a need to train a large number of staff and forest industry participants. This training will be delivered and tracked electronically, thus reducing costs significantly while demonstrably improving effectiveness.

A significant effort will continue to clean up backlogged records from closed and vacated offices to get them to final disposition. The ministry will implement full capability for electronic document and records management in headquarters, with planning continuing for implementation the following year in the rest of the ministry. This will be preceded and complemented by training and reinforcement of proper business practices on managing ministry information, to ensure efficient and effective business practices including the increased ability to quickly address freedom of information and litigation requests.

Implementation of the Ministry's new Performance Management application, MAX, was initiated in 2003/04. In 2004/05, as it reaches full implementation, MAX will add capacity for planning, budgeting and managing performance measures and financial expenditures corporately, with enhanced reporting.

Risk Management Plan

The Ministry of Forests will be developing a more formal risk management framework during 2004/05.

Risk management principles have been operational in the ministry for many years with forest fire prevention and detection plans, revenue functions and more recently in the Provincial Bark Beetle Management Strategy. In addition, the Ministry's Compliance and Enforcement program has used risk management inspection planning for several years to ensure that the highest risk sites and operators receive priority inspections.

Significant risks identified to achieving the objectives, strategies and performance measures in the 2004/05 – 2006/07 Service Plan include:

- Drought conditions (the worst on record) contributing to the fire situation in summer 2003 may continue in 2004/05.
- It may take longer than the 2-year transition from the *Forest Practices Code* to the *Forest and Range Practices Act* for Forest Stewardship Plans to be adequately prepared by licensees and approved by MOF staff.
- A \$25 M decrease to the FI funding and competing pressures on the land-base Investment program funding may impact work by licensees on the land base.
- The MOF has an obligation to consult with First Nations and to accommodate. Where accommodation can not be achieved, delays in forest management decisions and uncertainty for industry may result.
- The bark beetle epidemic continues to damage and kill significant amounts of timber. Capacity to harvest and manufacture beetle killed timber is largely committed while supplies of this timber continue to expand. BC Timber Sales revenue returns are expected to drop as buyers are selective in bidding.
- Capacity to have the right people with the right skills for new strategies has been limited and will be difficult to increase due to education and employment limitations.

Appendix 4. Summary of Indicators and Measures

Goal 1: *Sustainable Forest Resources.*

Key Outcome Indicators

- Area of provincial forest land in millions of hectares.
- Ratio of area reforested to area harvested or lost to fire and pest (unsalvageable losses, based on a 5-year rolling average).
- Total area of Crown forest lost to unwanted wildfire annually (in hectares, on a 5-year rolling average).
- Per cent of annual harvest area with soil loss due to establishment of permanent access roads (based on a 5-year rolling average).
- Per cent of community watersheds with active logging for which watershed assessments have been completed.
- Area of forests > 140 years of age within the province in millions of hectares.
- Per cent of forest operators' compliance with standards that regulate forest practices.

Corporate Performance Measures

- Per cent of unwanted wildfire contained at less than four hectares.
- Per cent of Crown forest aerial surveyed to monitor forest health.
- Per cent of high priority bark beetle infestation sites treated by MOF.
- Per cent of high priority areas treated to manage defoliator outbreaks.
- Status of the "State of the Forest (SOF) Report".
- Number of completed effectiveness evaluations of the legislation.
- Per cent of forestry deregulation achieved.
- Client satisfaction with applied research completed by the ministry.
- Per cent of timber supply allowable annual cut determinations achieved by their scheduled deadline.
- Per cent achievement of ministry free growing obligations under the Forest Stand Management Fund.
- Area restored to open forest and grassland (hectares).
- Volume gain (cubic metres per year) of timber available for harvest in 65 years from all ministry tree improvement activities.

- Per cent of seedlot registration requests to meet sustainable gene resource practices that are completed within 30 days.
 - Per cent of available Crown range forage under a form of tenure.
 - Total number of Forest Service Recreation sites and trails available for public use (managed under partnership agreements or as user maintain).
 - Per cent of high and very high priority sites inspected for forest and range practices compliance.
 - Per cent of high and very high pricing and revenue risk sites inspected for pricing and revenue compliance.
 - Per cent of alleged enforcement contraventions successfully concluded.
 - Per cent of alleged compliance contraventions successfully concluded.
-

Goal 2: Sustainable Forest Benefits.

Key Outcome Indicators

- Crown forest gross revenue (\$ billions).
- Crown net revenue from BC Timber Sales (\$ billions).
- British Columbia's share of the US softwood lumber market.
- British Columbia's share of Japan softwood lumber imports.
- Per cent increase in wood product sales to Taiwan, China and Korea.
- Ratio of BC forest industry capital investment to depreciation and amortization.
- Per cent increase in forest land certified by major forest certification processes.

Performance Measures

- Status of implementation of the market-based pricing system.
- Per cent of Timber Supply Area AAC under a form of tenure.
- Per cent reduction or increase to the non-industrial Forest Service road network.
- Total number of accommodation agreements signed with First Nations (cumulative).
- Number of tenures offered to First Nations.
- Average cost per cubic metre of volume developed.
- Per cent of sales fully developed.
- Per cent of volume advertised for sale.
- Volume offered for sale (Million m³).
- Volume sold (Million m³).
- Instances of significant non-compliance with the *Forest and Range Practices Act*.

Goal 3: *Effective and Responsive Forest Manager.*

Key Outcome Indicators

- Percentage of those surveyed who believe the forest service can be trusted to protect and manage our public forests.
- Third party administrator performance targets achieved.

Performance Measures

- Delivery of the Ministry's legislation program.
- Increase in the number of major client services available electronically.
- Regular evaluation of value gained from FI investments.
- Per cent of FI activity standards evaluated.

Appendix 5. Glossary

Allowable Annual Cut (AAC) — The rate of timber harvest permitted each year from a specified area of land, usually expressed as cubic metres of wood per year.

Animal Unit Months (AUMs) — The unit by which forage or grazing capability of Crown range land is measured. It represents the amount of forage, required for one month by an average cow, aged 6 months or older.

Certification — The process of identifying forest products as those produced by organizations whose forest practices or management systems meet a set of defined voluntary certification standards, based upon independent assessments. Certification is intended to assure companies and consumers around the world that the forest products they purchase come from well-managed forests.

Core Business Area — A set of key functions with a common purpose related to the goals of the ministry.

Corporate Performance Measures — Measurable factors of significant importance to the organization in achieving the strategic goals and objectives. A performance measure is a quantified, time specific measure used to indicate the degree of success the ministry has in achieving its goals, objectives and strategies.

Criteria and Indicators — A criterion is a category of conditions or processes by which sustainable forest management may be assessed. An indicator is a measure of an aspect of the criterion. Those used in Canada are generally based on the Montreal Process initiated in 1994. This was an international meeting where criteria and indicators for the conservation and sustainable management of temperate and boreal forests were developed and agreed to internationally.

Defined Forest Area Management — Changing the volume-based forest management regime prevalent throughout much of the province, to defined forest areas, managed with key attributes of area-based tenures (e.g., Tree Farm Licences).

Discretionary Silviculture Activities — Silviculture activities that are not required by legislation. These may include backlog reforestation, reforestation activities on some areas burned by wildfire, and brushing, spacing, fertilizing and pruning.

Forest and Range Assets — All the forest and range resources on Crown land, including the water, soil, bio-diversity, timber, forage, wildlife habitat, recreation, and scenic resources.

Full-time Equivalent (FTE) — The equivalent of one person working 1,827 hours in one year.

Goals — Goals are the ends that the ministry wants to achieve in fulfilling its mandate and mission. Goals are long-range outcomes that guide an organization's efforts in moving towards a desired future state.

Industrial Use Forest Service Roads — Are roads that are owned and operated by the ministry, but maintenance is delegated to an industrial user.

Key Outcome Indicators — Key outcome indicators, represent key results related to an organization's goals, but that are often not directly attributable to their business activities. Logic models are used to link outcomes to business activities.

Mission — Describes the reason for the ministry's existence. It defines what the ministry does, why it does it and for whom.

Objective — A broad time-phased accomplishment required to realize the successful completion of a strategic goal. Objectives are general statements about desired business area results.

Provincial Forest Land-base — Crown land designated by the *Forest Act* (Section 5) as under the direct jurisdiction of the Ministry of Forests. This is generally equivalent to the Crown land area in TFL's, Woodlot Licences, and TSA's (excluding vacant Crown land).

Public Use Forest Service Road Maintenance Standards — Include user safety maintenance activities such as road surface maintenance and sight line brushing as well those activities required for the protection of the environment. User safety maintenance activities will be commensurate with the types of vehicles and pattern of use.

Strategies — Describe how implementing a specific set of activities will achieve an objective.

Sustainable Forest Management (SFM) — SFM, as defined by the Canadian Council of Forest Ministers is: "To maintain and enhance the long-term health of our forest ecosystems, for the benefit of all living things both nationally and globally, while providing for environmental, economic, social and cultural opportunities for the benefit of present and future generations."

Targets — Performance targets express pre-set quantifiable performance levels to be attained at a future date.

Tenures Offered to First Nations — Measures the number of invitations made under the *Forest Act*, which was amended in 2002 to allow the Minister of Forests to invite, without competition, applications from First Nations for a forest tenure.

Timber Supply Area (TSA) — Land designated under the *Forest Act* that is managed for sustainable timber harvest, as determined by an allowable annual cut. There are currently 37 TSAs in British Columbia.

Values — An expression of the ministry's core values and fundamental beliefs that inform the ministry's management style, organizational principles and rules of personal and organizational behaviour.

Vision — A clear, concise and compelling picture of the ministry's preferred future.

Wilderness Forest Road Maintenance Standards — Include those activities required for the protection of the environment, activities do not include surface maintenance or sight line brushing. As such, only bridge repair and those maintenance projects required to mitigate environmental problems, like mass wasting or washouts, which may impact residential or worker safety, improvements, or natural resources, will be carried out. Wilderness maintenance activities will include culvert and bridge removal, water-bars, partial or full pullback of side slopes and cross ditches.