



AGENCY BUSINESS PLAN

April 1, 2025, to March 31, 2028

An agency of the Province of Ontario



December 31, 2024

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Executive Summary

This business plan for the Algonquin Forestry Authority (“AFA”, or “the Authority”) is for the three-year period from April 1, 2025, to March 31, 2028, and has been prepared under the Agencies & Appointments Directive, October 2024 (AAD) and with direction provided by the Minister of Natural Resources in the October 10, 2024, Letter of Direction to the AFA Board Chair. The Authority will operate under the approved 2024-2027 Business Plan until approval of this plan.

This business plan has been prepared based on the best information available.

Established in 1975 by the Algonquin Forestry Authority Act, the Authority is a self-financing operational enterprise Ontario Crown agency responsible for sustainable forest management within Algonquin Provincial Park, and subject to the Crown Forest Sustainability Act, 1994 to supply timber to forest resources processing facilities and to provide employment within the region.

The AFA’s 2020-2030 Strategic Plan provides high-level direction to guide its operations through this decade. The Strategic Plan should be read in conjunction with this Business Plan for context of the activities described herein.

The forest industry in the region relies heavily on timber from the Algonquin Park Forest. The AFA supplies approximately 45% of the industrial wood supply from Crown land in the portion of Ontario lying south of North Bay. AFA operations are important on the provincial level for the supply of over 30% of the white pine and 27% of the sugar maple forest products harvested from Crown land in Ontario. According to a survey conducted by the AFA in February 2021, approximately 290 people are employed annually in Algonquin Park forest activities and over 4,400 people are employed in mills that receive timber from AFA operations.

The Authority’s operations and its clients’ wood products are essential to the global supply chain, but market uncertainty and increased costs have negatively affected business. The Bank of Canada engaged in a monetary easing cycle beginning in June 2024 after the rate reached 5.0%, a 23-year high. Interest rates have been reduced to 3.25% as of December 2024. Impacts of the inflationary pressures and high interest rates remain. Elimination of markets for low-end products (pulp, sawmill residues, chips, etc.) produced through the recovery of higher value products have created a crisis in the forest industry across Ontario.

Achievement of the Authority’s objectives is directly linked to timber volumes produced and sold. The lack of markets for low-end materials challenges the entire forest industry in Eastern Ontario and directly impacts AFA’s fiscal results. With few economical markets

for low-quality timber, the intermixed higher value products become economically inaccessible. Traditional markets for hardwood species remain at a 30-year low (adjusted for inflation) and are creating additional challenges in product sales.

The Authority is forecasting 2024-25 year-end sales volume at 390,000 m³ with an associated financial loss of \$340,000. This compares to the previous year's achievement of 334,000 m³, 86% of the budgeted volume and a profit of \$109,000. The forecast loss is primarily due to salary grid adjustments and retroactive payments applied after the repeal of Bill 124. Forecasted results may fluctuate due to external factors in the remaining four months of the 2024-25 fiscal year.

The Authority is forecasting minimal growth for the next three years of operations. A steady demand for forest products is predicted to remain, however, lack of markets for the byproducts (pulp, sawmill residues, etc.) will hinder fiscal results. Efforts to increase harvest capacity have been effective and AFA is positioned to take advantage if economic conditions improve. A loss is predicted for 2024-2025 while implementation of mitigative strategies returns the Authority to profitability in subsequent years.

Total revenues of \$26,365,000 are predicted for 2025-2026 (year one) associated with a budgeted harvest level of 400,000 m³. This increase over 2024-24 is based on current pricing and planned harvest level. A positive bottom line in the general account and renewal account will be achieved. The Authority envisions minor growth in volume achievement in year one which is expected to level off in years two and three. This growth is contingent on markets developing for all products and all species. A return to profitability for the agency is anticipated in year 1 with a harvest level of 400,000 m³.

An estimated annual harvest of 400,000 cubic meters from the Algonquin Park Forest contributes approximately \$340 million to Ontario's economy in terms of value added, calculated using factors from Natural Resources Canada State of Canada's Forest Report, 2015.

The strategic focus during the term of this plan will be to support the development of markets to consume low-end forest products and biomass that can be sold at competitive market prices, while meeting mandatory provincial requirements. AFA will remain committed to its strategic direction and objectives while implementing programs and providing the financial and human resources necessary to continually improve.

AGENCY BUSINESS PLAN

2025-26 to 2027-28

1.0 Agency Mandate and Objectives

The Algonquin Forestry Authority Act, R.S.O., 1990, (the “Act”), the Authority’s primary constituting instrument, entrusts the Algonquin Forestry Authority (AFA) with the responsibility to harvest Crown timber from the Algonquin Park Forest, subject to the Crown Forest Sustainability Act, R.S.O. 1994 (CFSA), to produce logs therefrom and to sort, sell, supply and deliver logs; to perform, undertake and carry out such forestry and land management and other programs and projects as the Minister may authorize and to advise the Minister on forestry and land management programs and projects of general advantage to Ontario. The Minister of Natural Resources (MNR) is responsible for the administration of the Algonquin Forestry Authority Act.

After fifty years of operations the AFA’s mandate and objectives continue to be relevant to the public interest. The Authority is well positioned in Ontario’s “Open for Business” environment. Contributions to economic growth through sustainable forest management, wood supply and jobs in the forestry sector help to achieve prosperity objectives described by Premier Ford in a letter to Ontario Public Service staff; “Ontario is blessed with the greatest people, a skilled workforce and abundant natural resources; with your support we will turn these advantages into prosperity and opportunity that every Ontarian will share.” The Authority’s objectives complement the MNR’s responsibility to protect Ontario’s biodiversity while promoting economic opportunities in the resource sector and outdoor recreation.

The October 10, 2024, Letter of Direction issued by Minister Smith to the AFA Board Chair sets out expectations and direction for AFA in 2025-2026. AFA’s governance structure, Strategic Plan and implementation tools, business planning and budgetary process, including in-year checkpoints ensures the objectives set by the Letter of Direction are kept in the forefront. The elements of the letter appear below and progress to achieving will be contained in the 2025-2026 Agency Annual Report. The Letter of Direction, previous business plans and annual reports are available on the Authority’s public-facing website at <http://www.algonquinforestry.on.ca>

Government-wide priorities

Innovative

- Simplify client/customer interactions
- Expand and optimize digital service offerings
- Improve client/customer satisfaction
- Share data with Supply Ontario, when requested, regarding procurement spending and planning, contract arrangements and vendor relations to support data-driven decision-making.

Sustainable

- Strengthen public service delivery by optimizing organizational capacity and directing existing resources to priority areas.
- Use public resources efficiently and
 - Operate within agency's financial allocations
 - Prudently and responsibly manage workforce size. Where an agency requires a material increase in workforce size, the agency must provide the Minister with an HR plan for approval that provides the rationale based on government priorities and/or agency mandate.

Accountable

- Develop and report on outcome-focused performance measures to effectively monitor and measure performance.
- Protect individual, business or organization data by actively managing data and cybersecurity and reporting Artificial Intelligence uses.
- Report all high risks including effective mitigation plans.
- Align hybrid work policies with the Ontario Public Service (OPS) and identify and assess office optimization opportunities to reduce office realty footprint and find cost reductions.
 - Collaborate with Ministry of Infrastructure (MOI) to identify office space opportunities
 - Align with the Management Board of Cabinet (MBC) Realty Directive and the OPS Modern Office Space (OMOS) Standards.
- Develop and encourage diversity and inclusion initiatives by promoting an equitable, inclusive, accessible, anti-racist and diverse workplace.
- For Revenue Generating Agencies: Increase non-government, non-fare, non-fee revenue. Note that a percentage target will be selected by the Minister in consultation with the Chair at a future date.

In addition to these government-wide priorities, the Minister expects AFA to focus on:

- Continued implementation of the recommendations as stated in the AFA Mandate Review report, March 2023, including:
 - Maintaining current governance structure, accountability mechanisms, and goals as they all support the achievement of the mandate.
 - Supporting the Ministry's efforts to achieve greater equity, inclusivity, and diversity across the board of directors when recruiting and updating AFA's succession planning with a focus on staff retention and onboarding.
 - Exploring opportunities to further engage Indigenous communities in the governance of the AFA as well as in any economic development initiatives available.
 - Implementing mitigation strategies to alleviate the agency's cashflow pressure.
 - Implementing and updating the strategic plan and ensuring alignment with the forest sector strategy.

AFA is also to continue to focus on the purposes for which the corporation was established as outlined in the Algonquin Forestry Authority Act:

- Ensure the sustainable management of the Algonquin Park Forest
- Plan all forestry operations
- Harvest and distribute wood products to mills consistent with Ministerial Commitments
- Monitor forestry operations, and
- Undertake such forest management activities as the Minister may authorize in the Algonquin Park Forest.

The Memorandum of Understanding, 2021 (MOU) between the MNR and the AFA further clarifies the roles and operating relationships between senior Ministry staff and the Authority's Board of Directors and its Officers, consistent with the Act and the Agency and Appointments Directive (AAD).

The Algonquin Park Forestry Agreement, made pursuant to the Act and the Provincial Parks and Conservation Reserves Act, subject to the Crown Forest Sustainability Act (CFSA), sets out obligations for the Authority's forest management activities. These include forest management planning, silviculture (forest renewal and tending), forest access, monitoring, and reporting.

AFA's Mission and Vision Statements are contained within its Strategic Plan (see Section 3.0) and within AFA's Sustainable Forest Management (SFM) policy.

Mission Statement: *To ensure the long-term health of Algonquin Park's forests and to produce a sustainable supply of forest products for the local economy.*

Vision Statement: *To be a leader in sustainable forest management that maintains Park values for future generations.*

AFA's SFM Policy, within the context of the CFSA, the Act and the approved Forest Management Plan, guides its overall forestry management practices in Algonquin Provincial Park. Strategies implemented through AFA's Environmental, and Sustainable Forest Management System (ESFMS) demonstrate commitment to sustainable forest management, compliance with laws, Indigenous people's rights and participation, health and safety, and continual improvement objectives.

The business planning process is led by senior AFA staff under the direction of the AFA's Board of Directors. The achievement of AFA's statutory and forest management objectives relies on the harvesting and sales of forest products from Algonquin Provincial Park, which are public resources. Principles of modern controllership and public accountability are the cornerstone of AFA's fiscal responsibilities. Governance and fiscal oversight provided by the Board of Directors ensures that these objectives are achieved in alignment with the government's desire for fiscal balance and restoring public confidence in the province's finances.

2.0 Environmental Scan: Assessment of Issues Facing the Agency

Issues and trends that may influence the Authority's achievement of objectives are described in this section.

2.1 External

Global Economy

The International Monetary Fund's (IMF) World Economic Outlook Update (October 2024) indicates "Global growth is expected to remain stable yet underwhelming... [and] five years from now, global growth should reach 3.1 percent—a mediocre performance compared with the pre-pandemic average. Persistent structural headwinds – such as population aging and weak productivity – are holding back potential growth in many economies."

The report forecasts global growth to remain stable at 3.2 percent in 2024 and 2025. The projections remain below the historical (2000-19) average of 3.8 percent. Global inflation is forecast to decline from 6.7 percent in 2023 to 5.8 percent in 2024 and to 4.3 percent by 2024, with advanced economies returning to their inflation targets sooner than emerging market and developing economies.

American and Canadian Economic Indicators

The Canadian economy is expected to stabilize with anticipation that the reduction of interest rates by the Bank of Canada continues through 2025. These rate cuts will encourage investment, reducing financing costs on Canada's elevated debt. Small growth in Gross Domestic Product (GDP) is forecasted for 2025, spurred on by an increase in household consumption as population growth slows in response to new immigration policy.

The interest rate and growth differentials between the U.S. and Canada will play a role in the growth and inflation outlook. The Federal Reserve's terminal rate is expected to be higher than the Bank of Canada's at around 3.5 percent, due to forecasted growth in the U.S economy of 2.5 percent. The bond yield spread between Canada and the U.S. is expected to widen, with Canada bonds trading lower.

Uncertainty surrounds the political transition within the United States and threats of tariffs add to an uncertain outlook. However, given the current level of integration of the Canadian economy with the U.S., the Canadian economy could benefit from strong growth in the U.S.

The importance of U.S. housing starts, especially single-family starts in our sawmill industry cannot be overstated. Sixty-five per cent of Canadian softwood lumber sales go to the U.S., largely for new home building, ten per cent is sold within Canada, and six per cent goes to Japan. Japan lumber purchases are entirely #1/Appearance Grade, or Premium wood, not the standard grade, or #2&Btr, that is used in North America.

BMO Economics reports the US housing market has weakened with existing home sales falling to the lowest level seen in 14 years and 30% below pre-pandemic levels. The new home market is showing recovery hitting a 17-month high in September 2024. However, the National Association of Home Builders (NAHB) Housing Market index is still reflecting contractions in the market.

Canada Mortgage and Housing Corporation (CMHC) indicates housing starts in 2024 are 2% higher than over the same period in 2023, however, housing starts in Ontario have decreased. Kevin Hughes, CMHC's Deputy Chief shares:

“Growth in actual year-to-date housing starts has been driven by both higher multi-unit and single-detached units in Alberta, Quebec and the Atlantic provinces. By contrast, year-to-date starts in Ontario and British Columbia have decreased across all housing types. Despite the increase in housing starts in September, we remain well below what is required to restore affordability in Canada’s urban centres.”

Although recovery is forecasted in the housing market as a whole, housing starts in Ontario are expected to remain low, with a grim outlook for residential construction.

Canadian Dollar

The Canadian dollar will likely continue its current weakness compared to the American dollar (USD) through the end of 2024. Forecasts for 2025 recovery are uncertain due to the threat of sweeping tariffs on all U.S. imports. Seventy-five percent of Canada's total exports go to the U.S.

The weaker Canadian dollar (CAD) gives Canadian producers an advantage over U.S. producers in both the U.S. and Canadian markets. Clients anticipate that the weaker Canadian dollar will also discourage large volumes of U.S. lumber from entering Ontario, as happened when the dollar was at parity.

Canada-U.S. Softwood Lumber Agreement

Since the expiry of the softwood lumber agreement (Oct 12/2016) the U.S. Department of Commerce has been conducting a countervailing duty (CVD) investigation of softwood

lumber from Canada. On April 24, 2017, the U.S. Department of Commerce issued CVD orders on softwood lumber imports from Canada of 20.23% effective December 28, 2017. Canada, Ontario and other provinces filed challenges under NAFTA and with the World Trade Organization. As a result, rates have been lowered creating a better trade environment between the two countries, however still susceptible to US trade decisions. While this is still a concern for most Ontario producers, AFA's clients have developed alternatives to US markets, thus minimizing the associated risk.

Lumber Supply and Demand

Canada's lumber supply and demand have been impacted by several factors, including the pandemic, a decline in production, and a shift in consumer demand. Canada's lumber production has decreased significantly in recent years, dropping by nearly 25% over five years. In 2022, Canadian softwood lumber shipments decreased by 9.4% from 2021 and in 2023 they decreased again by 1.1 billion board feet.

The effects of inflation should ease as monetary policy controls spending. Reduced spending may also result in a recession that can affect demand for our products, however government policies to increase housing, combined with the diversity of our products and clients, should buffer the Agency from drastic change. A fuel surcharge is being paid by receiving mills to protect contractors and AFA (their suppliers) from the volatility of fuel pricing.

Cost of Fuel

A key concern to the forestry sector continues to be the cost of fuel for harvesting and transporting wood products. Over the years, there have been significant pricing fluctuations causing uncertainty and concern with product pricing. AFA implemented a fuel surcharge program in early 2022 to pass along the risk of fuel price fluctuations to its clients. The cost of diesel as of August 31, 2021, was \$1.275 per litre. This represented the third straight month of rising fuel costs, a risk that AFA sought to remove with the fuel surcharge program. In December 2022, the price for diesel was \$2.199 per litre. In 2024 fuel pricing has begun to stabilize. As of December 9, 2024, the price for diesel was \$162.1 per litre. (Source: Ontario Ministry of Energy website – Fuel Prices, diesel, Ottawa). Contractors and clients are affected by changes in fuel costs. Fuel cost uncertainty creates risks with pricing of timber and determining fair contractor rates.

Capital Investment, Liquidity & Interest Rates

Contracted growth and unstable economies are not conducive to investing. Government stimuli including low-interest loans help. Two clients have been successful in acquiring capital through Ontario's Jobs and Prosperity Fund – Forestry Growth Fund to support sawmill upgrades, jobs, and economic prosperity. Two more clients have made major

investments to improve their facilities, including the acquisition of dry kilns, a lumber dressing facility and a lumber marketing business.

The AFA's determination to provide as much certainty as possible to support contractors has been a catalyst to their investment in equipment and human resources. Innovative approaches to incentivizing investments are continually being sought. New equipment and personnel are evident on some jobs while other contractors appear to be right-sizing or poised to get out of the business. Steady demand for sawlogs should equate to better opportunities to invest but will depend on interest rates, profitability and a market for low-end material.

Regional Supply and Demand

Demand for forest products from the Algonquin Park Forest has fluctuated, but maintained steady, since 2013. Most clients foresee growth but are still only cautiously optimistic due to global economies and fears of recession in North America. Costs for freight, equipment, and energy continue to rise and are of concern. Sawmills have had to pay more to secure reliable haulage and logging contractors. However, lack of, or shrinking markets for low-end material has created uncertainty. AFA's lumber-producing clients rely more on domestic markets, particularly in the renovation and remodeling sector that has been growing, but some have indicated developing international markets.

The regional forest industry relies heavily on timber from the Algonquin Park Forest. Algonquin Park supplies approximately 45% of the industrial wood supply from Crown land in that portion of Ontario that is south of North Bay. In addition, the Park is important on the provincial level for the supply of just over 30% of the white pine and 27% of the sugar maple (source: MNR iTrees) forest products utilized from Crown land in the province. Reliance on AFA wood supply has been constant even during economic downturns. The uncertainty of wood supply from neighbouring jurisdictions has increased the demand for supply from the park. Adjacent sustainable forest licensed (SFL) companies have expressed concern tightening supply and the ability to operate during the summer affected by Species at Risk timing constraints and results from the Algonquin Land Claim negotiations. AFA is not immune from these same pressures but has more flexibility to mitigate the restrictions due to a larger landbase. Supply from private land has been constrained by the lack of pulpwood markets but pricing has been good for the sawlog-and-better quality timber.

The white pine lumber market, which contributes the most to AFA's operating margin, has remained in demand but softening markets have led to minimal increases in pricing over the past year. Pine lumber has been relegated predominantly to the renovation and remodeling sector which has been steady and tied to demand for housing that causes a resurgence in reconstruction, renovations, and remodeling. Demand for poplar has

decreased significantly and is impacting financial viability of accessing the products in demand. Recent strong demand for red pine saw logs is expected to remain steady. Red pine demand is directly linked to the demands for pressure-treated wood for outdoor decks and fences. Red pine poles are still a highly sought commodity.

Demand for hardwood (maple, birch, oak) saw logs has taken a significant downturn with near record lows of pricing in the marketplace. Demand for sawlog-and-better quality material is maintaining, but economic concerns have some clients curtailing operations.

The critical loss of pulpwood markets across Ontario as discussed in the 2023-2027 Business Plan has resulted in the need to move low-end material further distances and at a lower price. This has impacted the ability to access in demand products. Current markets are unable to carry an increase in selling price of sawlog material to offset the increased loss on low-end products.

The closure and idling of mills that utilize pulpwood has led to an overabundance of supply in Central Ontario. This lack of competition for supply of pulpwood has driven log prices down and this limits the harvesting of pulpwood-dominated areas. The imbalance of available supply and viable markets is not anticipated to improve in the near term. Softwood and poplar utilization is particularly problematic as pulp mills with potential demand are well beyond economical haul distance. The over-supply and lack of market for low-end (pulpwood, biomass, etc.) product is a crisis for the forest industry in Central Ontario. Without new outlets for this material financial viability for forest industry in Central Ontario is at risk and could result in cessation of operations and large scale mill closures.

AFA Clients

Timber from Algonquin Provincial Park is mandated to support local mills and benefit the region with direct and indirect employment. Clients adjacent to the park are within the communities of Huntsville, South River, Whitney, Madawaska, Killaloe, Pembroke, Petawawa, Eganville and Palmer Rapids. There are, on average, 9 mills receiving most of their supply from AFA on a regular basis while another 15-20 mills receive periodic supplies in any given year. Eight mills are the beneficiaries of wood supply commitments issued by the Minister and fulfilled by the Authority.

The over-supply of low-end material is problematic for AFA and its clients. Demand for sawmill residues and pulpwood roundwood improved in 2018, but then the Fortress Specialty Cellulose Inc. mill in Thurso, Quebec closed its doors indefinitely in October 2019. This facility utilized 12% of AFA's total harvest, but more critically was a viable outlet for 30% of the pulpwood produced by AFA, most of which was poplar pulpwood. The medium-density-fibreboard plant in Pembroke is the only local purchaser of any

significance for sawmill residues and supports the AFA's marketing of timber in treelength form to sawmill clients.

The closures of Domtar mill in Espanola, Ontario in November 2023 and idling of the Cascades mill in Trenton, Ontario in May 2024 further exacerbate the crisis in the forest industry in Central Ontario. Added supply to the local market has driven prices down and limited the amount of material AFA can sell to their few remaining outlets. Temiskaming, AFA's largest consumer of pulpwood, has also idled some of their product lines and is not accepting poplar pulpwood for 2024.

Algonquin Land Claim Negotiations

The Algonquins of Ontario (AOO) communities and the governments of Ontario and Canada are negotiating a comprehensive Algonquin land claim. An Agreement-in-Principle (AIP) was approved in October 2016. Significant elements of a treaty remain to be worked out, including the intentions written in separate Forestry and Parks chapters of the AIP. Chapter 7 Forestry recognizes the importance of the forest industry and seeks to increase Algonquin participation and benefits. During the term of this business plan, AFA will work with MNR on training opportunities and provide notice of contracts and job opportunities. Chapter 9 Parks and Protected Spaces includes a provision for the Algonquins, AFA and Ontario to work together to develop Forest Management Plans that address the construction and decommissioning of forestry roads and water crossings in Algonquin Provincial Park. The 2021-2031 Forest Management Plan (FMP) for the Algonquin Park Forest has been finalized and contains provisions to discuss roads of interest during implementation.

AFA is engaged in the land claim negotiation process through the Committee of External Advisors and is also regularly invited to share information with the Algonquins of Ontario (AOO) Parks and Forestry Working Group. AFA works closely with the AOO representatives participating in the forest management planning process and meets to discuss annual operating plans and to update forest values that may be affected by AFA operations. Recent separation of the Algonquins of Pikwakanagan from the AOO has had AFA engaging separately and directly with Algonquins of Pikwakanagan although the duty to consult on FMP & Annual Work Schedules (AWSs) lies with the MNR. This has resulted in delays in review of AWS revisions that have impacted AFA operations. These delays have resulted in reduced harvesting and compromised operational efficiency.

Population Shifts and Park Usage

Higher rural populations in the area around Algonquin Provincial Park have the potential to significantly increase the amount of daily visitation, extend traditional seasons of use, and potential for conflict with forestry operations. There has been a notable shift to more

visitation during the fall and winter than in the past and the pandemic caused a shift from urban to more rural living as more people work from home and this has facilitated relocation to more rural environments. Daily visitation rates in Algonquin Provincial Park increased dramatically during the summers of 2020, 2021, dropped off in 2022 and remained steady in 2023, which can be attributed to the short-term effects of the pandemic. Ontario Parks and AFA monitor public complaints, deal with them quickly and work collaboratively to continually improve.

Green Economy

Recognition of the important contributions of sustainably managed forests to fighting climate change and Ontario's growing green economy is helping the forest industry's profile in the marketplace. Forestry associations are inspiring youth to explore career opportunities in forestry. A new era of wood design and construction is marked by more commercial projects and demand for innovative non-traditional timber and wood product building components. The tall building, mass timber movement is catching on fueled by attractive, innovative designs, relatively faster builds, and a lower environmental footprint.

Ontario's Forest Sector Strategy

On December 4th, 2019, the Hon. John Yakabuski, then Minister of Natural Resources and Forestry, announced the draft Forest Sector Strategy in the provincial legislature. A copy of the draft strategy entitled A Blueprint for Success: Ontario's Forest Sector Strategy DRAFT was posted on the Environmental Registry of Ontario in December 2019 and adopted in July 2020. Sustainable Growth: Ontario's Forest Sector Strategy emphasizes four pillars, including access to wood supply, cost competitiveness, fostering innovation and promoting sustainability. The roundtable discussions and implementation of the Strategy have had positive effects on the industry and government partnership that is working through the challenges and opportunities for the forest sector. Revisions to CFSA regulated manuals were the first step toward red tape reduction and streamlining initiatives. The Authority's Strategic Plan is consistent with and helps the AFA to achieve key objectives supported by the Forest Sector Strategy's' four pillars.

Climate Change

Climate change will continue to impose costs on infrastructure and property. The forest industry is not immune to the economic impact of extreme weather events like wildfires and floods. The more frequent, unpredictable, and extreme weather events impact operations often slowing or shutting down during extended drought periods and when risk of fires is high, as well as during winter thaws and freezing rain events which have increased in unpredictability and frequency.

The positive role that sustainable forest management and use of wood products plays in carbon management should result in more support for the forest industry. Developing domestic markets and having our resources near where we live are becoming more important. Key to this strategy is sustainably harvested timber to produce high value, low carbon products to build our communities and provide alternatives to fossil fuel-intensive products. AFA's adoption of the SFI™ Forest Management standard includes participation in requirements for Climate Smart Forestry that will help AFA to innovate and develop strategies in this area. Adaptation and mitigation strategies for climate change risks are being developed and implemented as part of this work.

Environmental Lobbying Against Logging in Algonquin Park

Over the years organized environmental groups have lobbied to eliminate the harvesting of timber from Algonquin Park. This has typically intensified during the public consultation phases of park management planning, forest management planning and third-party forest certification processes. An opportunity to elevate anti-logging campaigns to the public was created by the forest management planning public consultation process for the development of the 2021-2031 FMP. Responses to FMP comments were provided by MNR and AFA staff (the FMP Planning Team). Responses to comments and concerns received outside of the FMP process are usually handled by AFA staff, Board of Directors and MNR, but AFA's ability to respond is limited by resources and its status as a Crown agency.

Environment, Social, Governance (ESG)

Investors are increasingly applying these non-financial factors as part of their analysis process to identify material risks and growth opportunities for companies. These measures are used to assess the sustainability and ethical impact of companies. Review of the Authority's strategic direction and accountability for implementation will ensure it is heading in the right direction. Forest certification systems also recognize the importance of these values. The AFA's forest certification system auditors as well as its financial auditors will ensure appropriate attention is applied.

2.2 Internal

Human Resources

AFA has 23 regular staff positions and adds additional contract staff during the summer and fall for the peak active season. Contract staff results in up to 45 total positions at AFA during the peak of activity (see Figure 1 - AFA's organization chart). Over the past five years, the turnover of staff and subsequent recruitment efforts have been well managed without business disruption. This turnover has resulted in the Authority having more staff in

younger age classes. AFA's succession management plan is reviewed annually by AFA's Board of Directors and Officers.

AFA's success in achieving its objectives can be attributed to the recruitment and retention of qualified and motivated employees and contractors. The Authority's executive compensation framework and modernization of AFA staff salary grids have enhanced compensation and helped to achieve recruitment and retention objectives. Maintenance of the salary administration process and succession planning are key to ensuring business continuity. Salary grid adjustments post the reversal of Bill 124 were applied in 2024-25, including applying three years of salary adjustments within this fiscal. This has resulted in a significant burden related to retroactive payments owed to staff.

Productive Capacity – Harvest and Access

To provide a continuous and predictable supply of timber, the AFA requires a large sustainable workforce of qualified and experienced harvesting contractors and staff to plan, train and supervise operators. According to the February 2021 AFA survey, there are approximately 290 people employed in Algonquin woods activities and just over 4,400 people employed in area mills.

AFA's productive capacity is dependent upon harvesting contractors and their ability to produce and deliver volume for sale. Demographics and economics have caused a decrease in AFA's productive capacity in recent years. The Authority engaged 8 large producers (contractors hired to produce >3,000 m³/year) and 6 small producers, for a total of 14 logging contractors in 2019-2020. This was the best year for volume produced in recent history. Operations in 2024 include 5 large producers, 2 small producers and an anticipated 4 contractors associated with mill clients. Two new producers are active within Algonquin Park in 2024-25

The demise of pulp mills and disappearance of markets for some species and products (e.g. poplar and beech sawlogs) continues to hinder AFA's efforts to increase production.

Employment of Indigenous Contractors

The Authority continues to work with Algonquins of Ontario (AOO) communities to provide opportunities within AFA silviculture and harvesting operations. Discussions have also been started with Algonquins of Pikwakanagan. AFA's Strategic Plan ensures focus on this objective.

Forest Management Planning

During the term of this business plan, AFA will implement years five through seven of the forest management plan for 2021-2031, approved in September 2021, and focus FMP

resources on annual reporting and consultation requirements. As is the case during this stage of the planning cycle, staff will focus on streamlining data, emerging technologies, and forest inventory needs.

The approved forest management plan allows for the sustainable harvest of 730,900 cubic metres per year. Efforts to increase utilization of the available harvest area and volume are ongoing and key to improving the achievement of the Authority's objectives.

Forest Certification

AFA was successfully [certified](#) to the 2022 SFI™ Sustainable Forest Management (SFM) Standard in January 2023. Public reports from registration audits (every 5 years) and surveillance audits (annually) are available [here](#) on the SFI website. The transition to the SFI SFM Standard has been positive and is supported through AFA's membership on the [Central Canada SFI Implementation Committee](#) (CCSIC). AFA's participation in CCSIC has also broadened the scope of research, public relations and education activities that AFA supports.

Information and Information Technology

Demands are increasing for forest-based information to assist with the management of this valuable resource. Data management, technologies and security requirements are advancing quickly and becoming more complex. Automation and analysis of AFA's data and data management systems has been ongoing to provide modern controllership and efficiencies.

The AFA's IT/IM Development Plan addresses challenges with current systems and guides development and migration strategies for IT systems and infrastructure as well as monitoring cyber-security issues and best practices.

The Authority maintains a public website and a social media account as communication tools. Information on AFA's mandate, governance documents and forest management activities are posted to the website and updated as required. The Government's open data policy and data compatibilities are areas of change for the Authority.

3.0 Strategic Direction

High-level strategic direction is provided by AFA's 2020-2030 Strategic Plan. The plan was developed by the Board of Directors and Senior Management Team to guide AFA over its term. In developing it, we considered our internal and external operating environment by examining items such as our strengths, opportunities for improvement, our assets and resources, population shifts in the province, changes in technology and government regulations, and best practices that we can leverage and learn from.

The 2020-2030 Strategic Plan was developed with input from AFA staff and external stakeholders representing industry customers, government partners, and Indigenous communities through a variety of media including interviews and focus groups. A review of the Strategic Plan was conducted by the Board of Directors in 2024 and confirmed that the over-arching focus areas and mission remain relevant.

The Authority's Mission and Vision statements guide its operations (see Section 1.0) and focus on five key strategic areas that are a combination of foundational enablers that build and reinforce its core capabilities and strategic goals that will drive us towards our Vision. The five key strategic themes are:

Operational Excellence

The AFA's structure as a self-financing operational enterprise with a mandate to carry out forestry operations in Algonquin Provincial Park necessitates an ongoing focus on achieving operational excellence. We are committed to meeting the highest quality standards and operating in an efficient manner that achieves value for money.

Developing and Supporting Our People

Having a highly engaged, competent, and skilled workforce is one of the most critical components in achieving the vision and mission for the AFA. We are committed to developing and supporting our people, including our leaders, staff, and contractors, to ensure they have clarity in their roles, and the right competencies, skills, and support to do their jobs efficiently and effectively with confidence.

Advancing Innovative Practice

The need for innovation encompasses all Strategic Focus Areas in this plan. It is important for the organization to adapt to economic and environmental challenges that affect markets, operations, and sustainable management. Rising costs, labour shortages, low demand for pulp quality products, market swings, environmental pressures from climate change and other issues require creative solutions driven by innovation.

Indigenous Partnership

AFA has an important responsibility to engage Indigenous communities who have been an integral part of the rich and diverse history of the land we are on. We are committed to respecting and valuing the rights, values, and participation of Indigenous communities. While there has been progress made in engaging Indigenous communities in the past, we recognize that there is still more to do to support and promote their prosperity and achieve shared goals.

Supporting Local Industry

Our local industry includes the wood utilizing mills and logging operators, as well as the surrounding local communities that support them. Supporting our local industry to stimulate economic growth through sustainable forestry operations and forest management continues to be a key objective and area of focus for the AFA.

For more detail, please refer to the Authority's 2020-2030 Strategic Plan that can be found on the [AFA website](#).

An Implementation Plan has been developed by AFA's senior staff and Board of Directors to provide more detail on forward-looking strategies to guide the achievement of goals and objectives. Performance measures are outlined in Section 12.0.

During the term of this Business Plan, AFA will remain faithful to its strategic direction and objectives while implementing programs and providing the financial and human resources necessary to continually improve.

4.0 Overview of Current and Future Programs and Activities

4.1 Harvesting

The total volume produced for sale by AFA in 2024-2025 is estimated to be 390,000 m³ at year end. This will meet budget volume targets. Market conditions through the end of the third quarter and fourth quarter of 2024-25 will directly influence the ability to meet the estimated volume goal. This is an increase of about 18% from last year's harvest volume.

Progress toward achieving a target volume of 400,000 m³ has been slowed by the loss of major pulpwood clients and lack of market for low-end material. This is the most significant barrier to growth of harvest volumes. Higher costs, less volume and inability to secure consistent sales of sawmill residues are directly impacting sawmill clients.

Market conditions and the lack of a market for low-end material have had a substantial impact on achievement of volume targets. As such, the Authority will maintain volume production targets from harvesting activities increasing to only 400,000 m³ in the first year of this Business Plan. Volume targets in year two and three remain at 410,000 m³ as difficult market conditions are anticipated to persist over the coming years. Budgets will continue to be focused on forecasting species and product mixes and setting achievable revenues to cover costs. Much of this will be based on previous years' experience. Nimbleness will be required to react to uncertain demand and changes in productive capacity and market demand.

Advanced operational planning and staging of operations, specifically road and water crossing construction, prescription setting, and tree marking will be conducted to invest in the earliest possible contractor start-ups and contingency areas, depending on demand for forest products. This will also help to avoid issues and costs associated with last-minute changes required to adjust to changing markets and/or weather conditions. Concentration and merchandizing yards also help to smooth out haul schedules and extend the wood-flow and cash-flow season for our contractors. Operating yards is an extra cost, but cost/benefits of focused merchandizing include optimizing recovery of higher value products and client satisfaction.

The Authority has entered into an agreement with Ontario Parks, subject to funds being allocated by the Government, for the maintenance of certain public roads leading to Park facilities within Algonquin Provincial Park. The revenue received from Ontario Parks appears under General – Interest and Other with corresponding costs included under General – Public access road maintenance.

4.2 Forest Management

Forest management targets (See Table 5) are predicated on actual harvest levels and renewal success. Therefore, these targets are planned and forecasted at levels that do not necessarily correspond to annualized FMP targets. Increased harvest activity does not necessarily equate to corresponding renewal work due to the large proportion of natural regeneration achieved, especially in the tolerant hardwood forest, but generally does follow the previous few years of harvest activity.

The main emphasis of the Authority's silviculture program is the marking of trees to be cut or retained, which is done by highly trained tree markers. The level of marking in an individual year approximates the planned harvest area with some additional area in advance of subsequent year's operations. Forest management targets set for the renewal program (Table 5) also include, site preparation/scarification, tree planting, spacing, and releasing trees (tending) from competition to ensure successful regeneration and growth.

With completion and approval of the 2021-2031 FMP in September 2021, the Authority's planning resources are focussing on annual planning and reporting, and maintenance of the Environmental and Sustainable Forest Management System (ESFMS).

The operation of the ESFMS involves identifying potential environmental risks associated with the organization's activities and their impact on the environment. Environmental impacts have been identified, programs designed to mitigate significant impacts and then monitoring, reviewing, and adapting practices as required are implemented on an on-going basis. Key components of the ESFMS are the prevention of pollution, compliance with applicable laws, regulations, standards and policies, and continual improvement of the AFA's operations. Internal monitoring and third-party surveillance audits to determine conformance with the SFI FM standard will be conducted annually.

5.0 Resources Needed to Meet Goals and Objectives

The Authority is committed to pursuing opportunities for revenue generation through innovating to create savings, efficiencies, and where appropriate leverage funding by working with other partners (see Section 9.0 Initiatives Involving Other Partners). A road maintenance agreement with Ontario Parks provides funding for the maintenance of roads to access points in Algonquin Provincial Park used by park visitors when forest operations are not normally active (April through September). This provides benefit to the forest industry by providing employment and ensuring roads are not damaged before heavier use by AFA contractors.

Revenue from the Authority's operations funds all activities required to achieve its objectives with one exception. Since 2005, the provincial road construction and maintenance fund has provided funding for main roads within Crown forests that provide benefits to the people of Ontario. Ontario's Premier Ford announced continued investment in the program in 2024, with an increase to \$59.2 million to be provided by the government to industry for Crown land access that benefits the people of Ontario. We assume that this funding will continue during the term of this plan.

The Authority provides the best possible service delivery with a workforce that is both functional during peak workloads and nimble enough to adapt to changing environments. The human and financial resources forecasted in this business plan are sufficient to support delivery of AFA's mandate and current needs. For example, knowledge transfer from retiring staff to new staff will require some overlap of tenure. The AFA also needs staff to handle more contractors or expanded operations as it develops. Longer-term contract opportunities have been created within the seasonal workforce to complement the Authority's succession management strategies and increasing operations workloads. Contract positions that have been shown to require staffing over a longer timeframe have been submitted for review to add to AFA's organizational chart as permanent positions. The impact of this change has been accounted for over the term of this business plan.

Procurement of logging contractors requires continual development (training, supervision, communication) over many years to build a reliable workforce that ensures value for money and achieves agency wood supply and ESG objectives. Some contractors have been providing their services on a continual basis since the inception of AFA in 1975. Annual negotiations recognize and place significant value on past performance and cost, business plans, safety records, and productive capacity. Growing existing contractors and attracting new entrants will be on-going initiatives for the term of this plan.

A forest renewal minimum balance of \$1,500,000 established in 1994 is mandated by the Algonquin Park Forestry Agreement. Renewal rates were adjusted upward in April 2024 to respond to increasing costs. These rates have been reviewed in the context of the new forest management plan. The potential to increase rates in upcoming years due to increased costs has been communicated to clients. The MNR annual forest renewal charge review process will rationalize and facilitate any adjustments needed.

AFA employs staff to supervise and monitor all forestry operations to ensure compliance with legislation, AFA policies, plans and systems, ultimately ensuring that human resources, goods and services are sufficient to deliver programs effectively. Salaries and supporting funds are reviewed, budgeted and committed to as part of the work and business planning process and are approved by the Board on an annual basis.

There are no significant changes planned during the term of this business plan that would affect the Authority's business or organizational structure.

6.0 Risk Assessment and Management

The Authority utilizes a risk identification, assessment and mitigation of risk system and reviews risk on a continual basis. At the corporate level, risk evaluation is part of annual strategic business planning exercises involving the Board of Directors, senior managers and staff with program responsibilities.

Risk at the operational level is evaluated within AFA's ESFM system and mitigated by a suite of management system procedures and operational controls, including, but not limited to monitoring and on-site supervision by competent AFA employees and contractor supervisors. The effectiveness of AFA's ESFM system is formally evaluated annually by its implementation team, by third-party auditors and on an on-going basis by staff.

Table 1 summarizes the Authority's annual corporate risk evaluation exercise under the headings required by the Ontario government for risk reporting purposes. The AFA provides risk reporting to the MNR on a quarterly basis.

6.1 Strategic/Governance

Reduced Business Levels

Increasing the volume of harvested forest products increases the revenue to fund forest management activities and improves the agency's ability to achieve its objectives. Local factors that limit the production of forest products include available human and equipment resources (productive capacity), market demand and affordability, inclement weather, timely approval of AWS revisions and FMP amendments and timing restrictions to make way for positive recreational experiences and avoid potential negative impacts on biological features such as species at risk. The risk of not being able to generate sufficient revenues to cover costs is reviewed frequently by managers and the Board of Directors.

Mitigation is built into the business plan by setting targets and reviewing progress monthly to identify pressures, and opportunities and adjust accordingly. AFA continues to use analytics to support decision-making and engage with the broader forest industry to find solutions. Reduced production will be dictated by market demand and the ability to move low-end material. Reductions will be met with a corresponding reduction of expenditure if sales margins are not sufficient to offset.

Not remaining cost competitive within the market can be directly linked to reduced business levels. Commodity markets are very sensitive to cost structure and maintaining control of cost structures with AFA is of high priority. Cost positioning is evaluated as part of business planning and open dialogue with client mills continues to ensure AFA is well positioned moving forward.

Meeting New Requirements

Adapting to change has been continual for the agency. Examples include changes to ensure business continuity during the pandemic and responding to new forest management planning direction (e.g. spatial wood supply modeling for the next FMP). Changing government direction often requires the Authority's policies and procedures to be revised to ensure compliant delivery, relevancy and currency. Risk mitigation involves reviewing emerging requirements and current practices at Board and managerial levels, engaging with change proponents, and adjusting operations, policies and procedures to suit.

6.2 Strategic/Reputational

Indigenous Engagement

Ontario's economic development principles provide positive opportunities for AFA and Indigenous communities alike. Communication and engagement are the keys to mitigating the risk of not fulfilling our Indigenous engagement obligations, including movement toward reconciliation. Underlying strategies include improving relationships with representatives and their communities, providing capacity-building opportunities, and building upon existing business-to-business successes. AFA's strategic direction includes Indigenous partnership as a key focus area. Indigenous cultural awareness training for all staff and directors is a key first step in the process. The Board has one Indigenous director.

Recent disruption to the regular business of FMP/AWS planning within year Section 2.1 - Algonquin Land Claim Negotiations) has created some uncertainty and risk. Timely approval of these submissions is key to avoid business disruptions.

Social License

The Authority's operations within Algonquin Provincial Park are sensitive to people with a protectionist view of how provincial parks should function. Campaigns against logging in Algonquin Park may adversely affect the Authority's reputation, its clients' expectations, create economic uncertainties and negatively affect employee and contractor morale. To mitigate this risk, AFA will maintain education and outreach programs, self-market and continue to respond as effectively as possible. Certification to a recognized independent third-party forest management standard and meeting legal obligations are critical to maintaining social license in Algonquin Provincial Park. AFA will work with external organizations (i.e., forestry professional associations) and industry partners to guard against and counter inaccurate public statements and promote sustainable forestry.

6.3 Operational/Finance

Accounts Receivable

As a self-financing organization, timing of our clients' payments for delivered wood directly impacts cash flow and is a cause for concern when accounts carry large overdue accounts balances. This (accounts receivable) risk element requires frequent review and analyses by managers, communication with clients and cooperative action to mitigate. Interest is being charged on overdue accounts as a disincentive and thresholds established for accounts warranting closer review and for consideration by the Board of Directors.

6.4 Operational/Program Delivery

Pulpwood Markets

Pulpwood quality timber comprises an average of 45% of the available volume. Therefore, accessible pulpwood markets are required to pay for a good portion of the harvesting and renewal effort. Risk is mitigated by diversifying sales to as many different pulpwood clients as possible and entering into contractual commitments early in the operating year. A few clients that require saw logs recognize the challenge and have agreed to purchase timber in tree length form, thus buying pulpwood while ensuring their supply of saw logs.

As discussed in Section 2 "Regional Supply and Demand" the lack of market for low-end material is impacting the ability to increase harvest volumes within Algonquin Park. Sales of low-end material are limited and regularly conducted at a financial loss to meet utilization standards and maintain silviculture practices that are appropriate for the forest type. The continued closure of client mills that focus on low-end materials has resulted in more low-end material on the market in the region, with less options for destinations. This continues to drive down the pricing of low-end material and directly affects the financial viability of the AFA and other forest companies in the region. This is a crisis facing the forest industry in Ontario as a whole.

6.5 Operational/Human Resources

Human Resources

The risk of not having sufficient human resources to support core business is mitigated by planning for vacancies (retirements), investing in managing talent and resources (i.e., professional HR support) and being able to offer competitive salaries and benefits. An organizational review is in progress to encapsulate the human resource needs of the operation.

With current reductions in harvest volumes, AFA is currently managing vacancies within the organization chart and will continue to do so if volumes being harvested continue to be below regular business. These vacancies are generally in the mid-level positions (i.e. Operations Supervisors) and AFA is using short term contracts with seasonal staff to fill vacancies during the most active time of the year (fall/winter) to try to reduce risks associated with reductions in on the ground staff.

Staff Salaries

Skilled and experienced employees are critical to business continuity and delivery of required programs and support functions. The risk is not being able to attract and retain qualified and motivated employees, leading to performance issues, business, and service continuity risk. Mitigation is through maintaining competitive compensation rates. Constraints on salary increases prevent AFA from adjusting the salary grid to account for inflation or to compete with compensation provided for comparable positions within the public service or forest industry.

A large constraint on salary administration is that salary administration resides with the Ministry of Natural Resources. AFA is subject to wage freezes (such as the implementation of Bill 124), however processes for removing imposed restrictions are not clear. Timelines for approval of changes to salary grids for AFA are significant with over 12 months for approval post the repeal of Bill 124.

These constraints could be alleviated by moving salary administration to the Board level.

Bill 124 that limited salaries for Ontario Public Servants has been repealed as of February 23, 2024. Salary adjustments and retroactive payments have been applied and will result in AFA bearing an increased salary burden in 2024-25.

Succession Management

The Authority has experienced a significant turnover of experienced staff in key positions over the past few years. The Board and General Manager continue to work on succession management plans and implementing talent management and recruitment strategies to ensure business continuity. Budgetary support for succession strategies is built into this business plan.

6.6 Operational/Information and Information Technology

Business Disruption

The risk of business disruptions and additional cost due to computer failures or security breaches is recognized. Mitigation measures include improvement and maintenance of cyber security methods, back-up systems and replacement of unsupported software. Risk awareness is increasing, as is the availability and use of mitigation technologies. A separate IT development plan has been adopted as part of the business planning and budgetary process.

Table 1. Risk rating chart.

Risk Element	Risk Rating
A. Strategic - Governance <ul style="list-style-type: none">● Reduced Business Levels● Maintaining Social License	Medium-High Medium
B. Strategic - Reputational <ul style="list-style-type: none">● Indigenous Engagement	Medium
C. Operational - Finance <ul style="list-style-type: none">● Accounts Receivable	Medium-High
D. Operational – Program Delivery <ul style="list-style-type: none">● Pulpwood Markets	High
E. Operational – Human Resources <ul style="list-style-type: none">● Human Resources● Staff Salaries● Succession Management	Medium Medium Medium
F. Operational – Information Technology <ul style="list-style-type: none">● Business Disruption	Medium

7.0 Human Resources

The Chair and the Board of Directors are accountable to the Minister for the Authority's statutory mandate. AFA's General Manager is responsible and accountable to the Board of Directors for the day-to-day management of the Authority's operations, including its human resources. The Authority has an approved regular staff complement of 23 and hires approximately 15-20 seasonal employees on contract. Figure 2 displays the AFA's organizational chart including contracts required for the term of this business plan. Two positions, currently marked as seasonal (Silviculture Supervisor and Huntsville Operations Supervisor), are longstanding positions that make significant contribution to AFA business. These positions have been put forward for approval to add as permanent positions on the organizational chart. The impact of this change has been accounted for in the term of this business plan.

Workforce data is submitted as per the Agencies and Appointments Directive. The summary statistics through the templated reporting do not accurately reflect the AFA's structure as per full time and seasonal (contract) staff. This reporting summarizes AFA as 28 full time staff, and no full time consultants.

AFA's unique mandate requires specialized administrative functions including a forest products business-focused financial department and systems support. AFA maintains a small IT/IM department with GIS specialization to support finance, administration, forest and wood measurement data, management planning and reporting activities. New requirements for spatial wood supply modeling in the recently approved 2024 FMPM will likely require external consulting support with associated costs.

AFA managers oversee staff and programs in finance and administration, forest management planning and forest operations. Forest operations activities include operational planning, commercial logging and sales of forest products, road construction and maintenance, forest renewal and tending, monitoring, training, supervision, and reporting. Forest operations activities are planned and implemented by AFA foresters, forest technicians and contract woods workers. Operations Supervisors monitor the work of logging and road building contractors and interact on a day-to-day basis with contractor supervisors. AFA supervisors and contractor supervisors have different responsibilities, such as those required by the Occupational Health & Safety Act. All operations requiring the use of heavy equipment and skilled operators are contracted out to local companies.

AFA seasonal (contract) employees are usually hired from April to December to set up and supervise tree planting, site preparation and tending programs, deliver part of the tree marking program and conduct silvicultural effectiveness monitoring. Seasonal staff positions factor into AFA's succession management plan. AFA seasonal contract opportunities also support the local contracting work force through AFA investment of training and exposure to a variety of forestry work experiences. Competitive hiring markets have impacted AFA's ability to hire and retain seasonal staff based on length of contracts and wage competitiveness.

As of: 2024-11-07

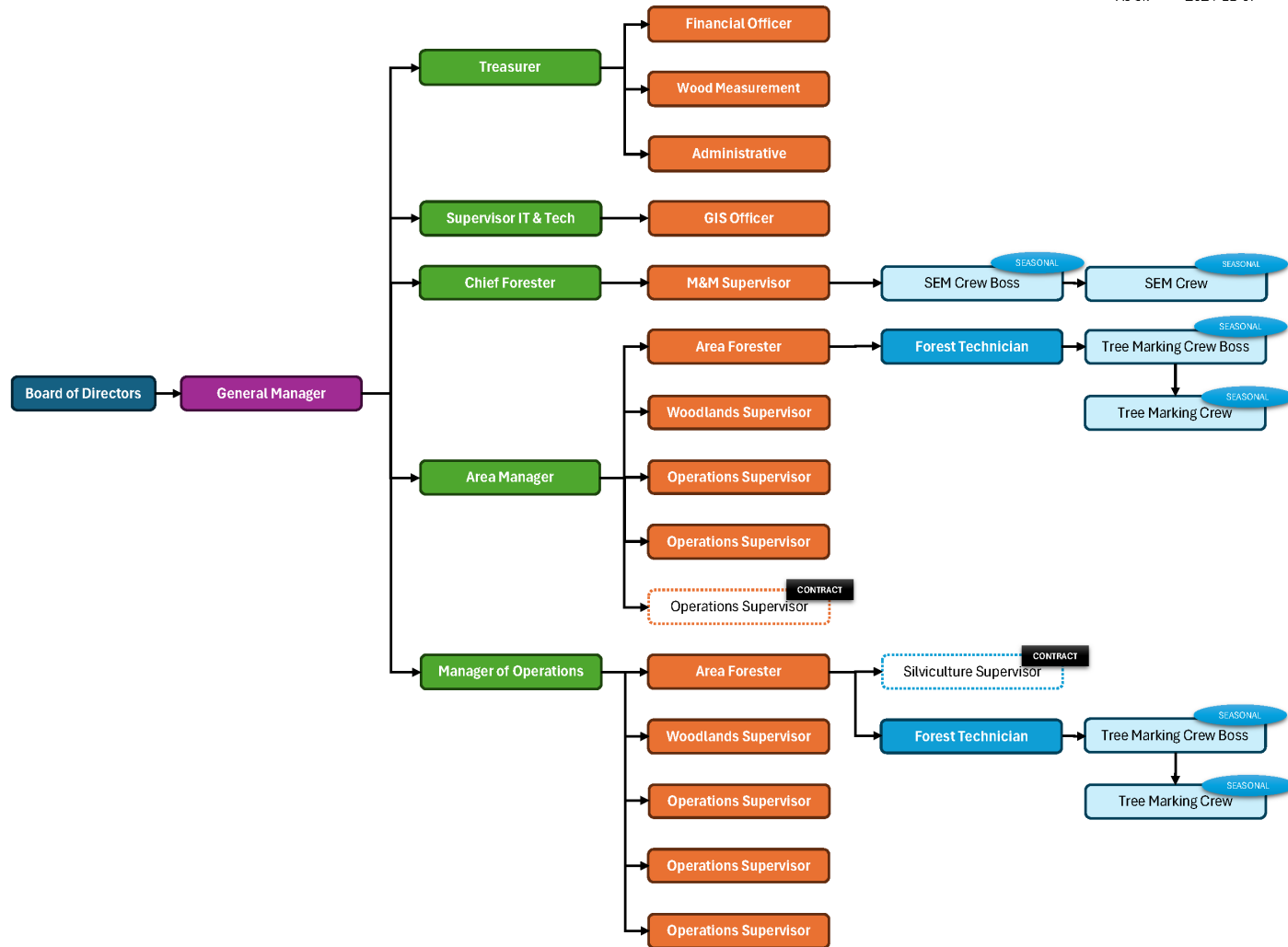


Figure 1. Algonquin Forestry Authority organizational chart as of November 2024.

8.0 Information Technology

Algonquin Forestry Authority (AFA) manages, maintains and supports a comprehensive set of Information Technology (IT) systems which assist in the delivery of forestry management planning, forestry operations, and the business and administration required to fulfill the Authority's statutory mandate.

Key performance indicators of AFA's information technology management approach include a high level of system uptime, data protection and security including cyber security and protection of personal information, systems life cycle management, risk management, and a low total cost of ownership for IT operations.

To maintain an appropriate balance between continual modernization/improvement and investments required, AFA annually reviews and refreshes an IT plan which identifies priorities for technology operations and projects.

Current industry trends indicate several opportunities and challenges for AFA which include a migration from on premises technology to cloud based technology, less control over software costs due to the proliferation of subscription-based fees, increased rigor regarding cyber security, and a widening scope of available technologies to choose from and therefore manage.

Additionally, AFA will continue to participate in Cyber Security Ontario with a goal to achieve best practices for the Authority. See <https://cybersecurityontario.ca/>.

As per requirements of the 'Responsible Use of Artificial Intelligence (AI) Directive' from the Treasury Board Secretariat, AFA is developing an AI Risk Management framework that will identify and assess risks associated with the use of AI. AI use cases will be identified to MPBSDP annually.

9.0 Initiatives Involving Third Parties

This Business Plan includes commitments of financial aid and in-kind contributions to third parties for research, bursaries, cultural activities, education and outreach programs and opportunities to self-market. These activities and organizations in turn support the achievement of AFA objectives, representing collaborative approaches to providing social, economic, and environmental benefits.

- Algonquin College: AFA staff on forestry advisory committee, speaking engagements and field tours, spring work experience.
- Algonquin Forestry Authority Education and Science Bursaries

- Whitney and area Algonquins & Algonquin Park All Nations Gathering Committee support for gathering at cultural grounds at Whitefish Lake
- Canadian Institute of Forestry: support staff membership and participation in local events, the annual conference, the Prince of Wales Forest Leadership Award with a summer work placement, Eastern Ontario Teacher's Tour, Spring Memorial Tree Plant.
- Fleming College: AFA staff on forestry advisory committee, speaking engagements and field tours, fall camp work experience.
- Forests Ontario: Envirothon, It Takes a Forest Campaign,
- FP Innovations: contractor workshops, contractor diagnostics, engineered wood bridges.
- The Friends of Algonquin Park: Logger's Day, Meet the Researcher Day, logging museum and exhibit improvements.
- Local Timber Sports, Logger's/Forestry Festivals, Community Events: local support and self-marketing.
- Ontario Parks: provision of cedar for roofing for exhibits and attendance at logging day to discuss logging history and current sustainable forest management practices
- Ontario Professional Forester's Association: AGM & Conference sponsorship and staff attendance.
- Ontario Forest Industries Association – participation on the Woodlands Committee, sponsorship of the annual convention.
- University of Toronto – Masters of Conservation: field tour, speaking engagements.
- Shaw Woods: financial and in-kind support for youth education.
- Central Canada SFI Implementation Committee – committee members and associated research, public relations and education support
- Algonquins of Pikwakanagan: identifying, securing and delivering teepee poles for pow wow
- Participation in MNR committees on forest resource inventories, changes to legislative manuals and technical specifications
- In addition to the above activities, AFA conducts tours and provides presentations to interested groups. Other initiatives that arise during the year are brought forward to the Board for discussion. For more information, please visit our website at www.algonquinforestry.on.ca.

10.0 Implementation and Communication Plan

Implementation of the guidance provided by this Business Plan is entrusted to the Board and staff through the conduct of their respective roles and responsibilities for oversight, accountability, and program delivery. An Implementation Plan was created and is maintained by the Board to schedule deliverables and track progress of strategies contained in the Strategic Plan and this Business Plan.

The AFA's legislated mandate as a self-financing operational enterprise demands constant attention to these important objectives. Policies and governance structures are in place and adequate for delivery. This business plan describes various public reporting, consultation, and communication requirements, which include but are not limited to the public posting of business plans, letter of direction, and audit results that ensures public transparency and accountability.

Target Audience

This Business Plan has been prepared for approval by the AFA Board of Directors, the Minister of Natural Resources and Management Board of Cabinet, for the benefit of the people of Ontario.

Strategic Message

Business plans are a key requirement for accountability under the Agencies and Appointments Directive, 2024. This Business Plan guides the Authority's achievement of objectives and commitment to undertake sustainable forest management practices in Algonquin Provincial Park for the three-year term covering the 2025-26 to 2027-28 fiscal years and is consistent with direction set out in the AFA's 2020-2030 Strategic Plan and Minister's Letter of Direction dated October 17, 2023.

Anticipated Reaction from Stakeholders

No negative reactions are anticipated. Clients, contractors, Local Citizen's Committee, and the Algonquins of Ontario have continued to show support for the important economic contribution made by the Authority to regional communities. These groups made important contributions to the development of AFA's 2020-2030 Strategic Plan.

Key Message

The Authority is a self-financing Ontario Crown Agency responsible for sustainable forest management in Algonquin Provincial Park. This Business Plan is prepared to ensure the organization meets its mandate as detailed in the Algonquin Forestry Authority Act, 1990, and objectives for sustainable forest management set out in the approved 2021-2031 Forest Management Plan for the Algonquin Park Forest.

Communication of Business Plan

Copies of this Business Plan are provided to the Authority's Board of Directors and the MNR. The Authority's Business Plan is also available to the public on the AFA website at www.algonquinforestry.on.ca. AFA will facilitate the review of the Business Plan by MNR staff prior to its submission to the Minister.

AFA Communication Policy and Communication Plan

AFA's communication policies guide communication activities, including protection of privacy, customer service standards and describes roles and responsibilities. AFA's communication plan is supported by Appendix 1 of the MOU with MNR and covers internal/external communication, public relations, media relations, requests for information and complaint resolution. The Board of Directors monitors AFA's communication policy and plans in today's fast-moving social media environment.

The Authority's public website includes general information, governance documents and up-to-date information on its activities. AFA will continue to self-market in the region to enhance sales opportunities, recruitment and retention of a viable workforce, as well as to enhance public opinion and Park user understanding of the benefits of sustainable forest management in Algonquin Provincial Park.

11.0 Financial Resources

Table 2 summarizes AFA's 'Statement of Operations' as it relates to the forest management activities described in Table 5. The Authority does not receive funding from the Consolidated Revenue Fund to carry out its mandate. Financial resources are derived from the sale of forest products.

Forest management (silviculture) targets are funded by revenues generated from the renewal portion of stumpage. Renewal stumpage rates are reviewed annually to ensure that the minimum balance in the Algonquin Park Forest's renewal fund is maintained at a level sufficient to fund the planned silviculture program. A surplus of funds had accrued in prior years and has been cautiously drawn down to continue funding necessary forest renewal activities. Renewal rate increases have been implemented for 2024-25 to continue funding planned silviculture activities as depicted in Table 5. Forecast financials for 2025-2028 reflect modest renewal rate increases.

Estimated harvest revenues for the current year (2024-2025) will meet the budgeted target of 390,000m³. Likewise, program costs will surpass budgeted amounts due to rising costs of logging, and road maintenance. Direct expenditures are expected to total \$26,358,000, and administrative costs are predicted at \$2,251,000. The estimated net loss of \$340,000

compares to a budgeted loss of \$63,000. A significant portion of the net loss is linked to salary grid adjustments and retroactive pay awards for staff after the repeal of Bill 124.

Total revenues of \$26,365,000 are budgeted in 2025-2026 from a planned harvest level of 400,000 m3. 2024-2025 logging operations expenditures (general account) are budgeted at \$21,300,000. A net gain in the “General” account of \$109,000 is budgeted for the fiscal year ending March 31, 2026. In 2024-2025 the Algonquin Park Forest will produce approximately \$4,036,000 in Crown stumpage of which \$1,432,000 is directed to the province’s Consolidated Revenue account and the Forestry Futures Trust Fund. Note that financial forecasts for 2025-26 and 2026-27 show a slow recovery in revenues as logging capacity increases. Growth in capacity is expected to level off in 2027-28. Challenging markets, increasing direct costs and continued investment required to further objectives are forecasted to offset the growth in revenue. Table 2. Forecast Financials - Statement of Operations for current year estimates and forecasts for the term of this Business Plan.

Silviculture expenditures are budgeted at \$2,490,000 for 2025-2026 with estimated revenues of \$3,265,000. Silviculture revenues have been forecast with a modest increase in renewal rates. The process for modeling silviculture costs and associated rates occurs between MNR and AFA in January. A net gain of \$115,000 is the result of estimated revenue and forest renewal expenditures in the “Renewal” account. The minimum balance required by the AFA Forestry Agreement is projected to be met for all periods of this Business Plan. These funds are dedicated to renewal of the forest and are not considered part of the province’s contingent liability and are not included in provincial financial forecasts.

Capital expenditures included within the operating expenditures line item in Table 2 are separated out for presentation in Table 3. Capital expenditures include the purchase of vehicles, (trucks, ATVs, snowmobiles), trailers, computer equipment and bridges, over the 3-year term of this Business Plan.

Table 2. Forecast Financials - Statement of Operations

	2023/24 Audited General \$ (000s)	2023/24 Audited Renewal \$ (000s)	2023/24 Audited Total \$ (000s)	2024/25 Budget General \$ (000s)	2024/25 Budget Renewal \$ (000s)	2024/25 Budget Total \$ (000s)	2024/25 Estimated General \$ (000s)	2024/25 Estimated Renewal \$ (000s)	2024/25 Estimated Total \$ (000s)
Revenue	19,928	2,265	22,193	20,402	2,685	23,087	25,304	3,305	28,609
Expense	17,893	2,115	20,008	18,792	2,125	20,917	23,853	2,505	26,358
Operating Income	2,035	150	2,185	1,610	560	2,170	1,451	800	2,251
Administrative & Other	1,709	368	2,077	1,597	636	2,233	1,996	595	2,591
Net Income <Loss>	326	(218)	108	13	(76)	(63)	(545)	205	(340)
	2025/26 General \$ (000s)	2025/26 Renewal \$ (000s)	2025/26 Total \$ (000s)	2026/27 General \$ (000s)	2026/27 Renewal \$ (000s)	2026/27 Total \$ (000s)	2027/28 General \$ (000s)	2027/28 Renewal \$ (000s)	2027/28 Total \$ (000s)
Revenue	23,100	3,265	26,365	23,640	3,501	27,141	23,719	3,529	27,239
Expense	21,300	2,490	23,790	21,778	2,700	24,478	21,778	2,700	24,478
Operating Income	1,800	775	2,575	1,862	801	2,663	1,932	829	2,761
Administrative & Other	1,691	660	2,351	1,753	686	2,439	1,823	714	2,537
Net Income <Loss>	109	115	224	109	115	224	109	115	224

Notes to the above:

- 1) The “General” column in Table 2 refers to costs/revenues associated with harvesting operations. The “Renewal” column details costs/revenues associated with eligible silvicultural expenses, as determined from the Algonquin Park Forestry Agreement.
- 2) The 2024/25 estimated year-end above is from the 6+6 forecast (October 2024). Final outcome is dependent on fluctuating external circumstances, including weather and market conditions
- 3) Forecasts for all three years are based on current demand from client mills and current market conditions. Change in either factor can significantly impact achievement of forecasts identified.

Table 3. Capital Expenditures

Capital Item	\$ (000s)					
	2023/24 Audited	2024/25 Budget	2024/25 Estimated	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast
Roads & Bridges	0	120	0	120	120	120
Office Equipment	11	-	-	-	-	-
Computer Equipment	42	50	50	80	10	10
Vehicles/Equipment	91	100	110	110	110	110
TOTAL	144	270	160	310	240	240

Note: The capital expenditures outlined above are for capital acquisitions. There are no capital projects planned during this term.

12.0 Performance Measures

AFA's Strategic Plan identifies five strategic focus areas as discussed in Section 3.0 Strategic Direction. The Strategic Plan outlines specific success factors and key measures as outlined in Table 4.

Table 4. Success factors and key measures as outlined in the Algonquin Forestry Authority's Strategic Plan.

Success Factor	Key Measures
Operational Excellence	<ul style="list-style-type: none"> ▪ Annual forest management treatment area or quantities (as defined in the Forest Management Plan) ▪ Financial results show the Agency is financially self-sufficient ▪ Environmental and Sustainable Forest Management System performance ▪ Results of third party independent and internal audits
Advancing Innovative Practice	<ul style="list-style-type: none"> ▪ Cost savings and/or value gained from research and innovation investments ▪ Partnerships established to support research and innovation ▪ Research and development projects initiated
Developing and Supporting Our People	<ul style="list-style-type: none"> ▪ Worker engagement, i.e., satisfaction surveys ▪ Worker attraction and retention (turnover and tenure) ▪ Job security and competitive remuneration ▪ Participation in training and recognition
Indigenous Partnership	<ul style="list-style-type: none"> ▪ Indigenous community engagement ▪ Indigenous people attending training facilitated by AFA ▪ Staff and Board members receiving Indigenous cultural awareness training ▪ Projects involving Indigenous communities in the local forestry sector
Supporting Local Industry	<ul style="list-style-type: none"> ▪ Wood using mills, logging operators, silviculture and other contractors engaged ▪ Annual utilization of prescribed sustainable annual harvest level ▪ New jobs in wood mills and logging operators due to business with the AFA

Table 5. Harvest and Forest Management Targets displays performance measures for the term of this Business Plan and compares achievements from the previous two years. The harvest target represents total volume in cubic metres of forest products sold in the term, while performance measures for forest management programs are hectares of treatment or quantities (i.e., thousands of tree seedlings, hectoliters of seed).

Table 5. Harvest and Forest Management Targets

Program	Annual Targets					
	2023/24 Audited	2024/25 Budget	2024/25 Estimated Final	2025/26 Forecast	2026/27 Forecast	2027/28 Forecast
Harvest (m³)	329,000	390,000	390,000	400,000	410,000	410,000
Renewal Activities						
Silvicultural Surveys* (ha)	2,352	2,400	1,705	2,800	2,000	2,000
Scarification (ha)	0	50	0	70	100	100
Site preparation (ha)	812	850	640	610	570	570
Stand Improvement (ha)	1,245	2,000	2,200	3,050	3,050	3,050
Tending (ha)	1,048	600	820	800	900	1,050
Tree marking (ha)	4,861	5,500	4,750	5,500	6,000	6,000
Tree planting (# trees '000s)	769	800	1,064	835	817	765
Tree planting stock (# trees '000s)	1,045	800	1,064	830	752	765

Financial targets (\$CDN) are displayed in the “General” (harvest) and “Renewal” (forest management) columns in Table 2. Forecast Financials - Statement of Operations. Projected revenues and expenditures are displayed for the term of this Plan. These are AFA’s financial performance measures. This business plan establishes targets for forest management programs based on a harvest level planned for each year of the three-year term. Variance from the targets is anticipated and tolerated with careful consideration of impacts.

Forest management treatment targets are established initially during the FMP process and correspond to planned harvest areas and theoretical renewal and tending treatment needs. Targets are modified annually to match post-harvest project areas. AFA’s silviculture effectiveness monitoring program collects information on treatment success to be used in the FMP process, as well as to determine renewal and tending treatment needs. Achievement of targets can also be limited by weather, but targets are often adjusted as treatments are determined by on-the-ground reconnaissance.

Performance measurement of forest management activities is described in the forest operations compliance planning, monitoring and reporting routines in the approved FMP and annual work schedules. The Authority reports results of its forest operations monitoring program to the MNR, and to the public, through third-party certification reports. The Ministry's Pembroke District staff has an audit function on the Authority's legislatively controlled activities. The Independent Forest Audit (IFA) required by the CFSA and Algonquin Park Forestry Agreement was recently conducted in 2024 and provided a comprehensive third-party assessment of the Authority's and MNR's performance relative to CFSA and FMP objectives. An action plan outlining the AFA and MNR's responses to findings will be developed. Status reports to track progress will be included in annual reports for the Algonquin Park Forest.

Reporting

The AFA's annual reports will provide information and commentary on progress toward achieving performance measures described in section 12.0 Performance Measures for strategic initiatives in addition to the measures outlined in Table 4.

Financial results and forecasts are provided quarterly for roll-up into the provincial budget reporting and forecasting process. Additionally, interim in-year progress is reported to MNR in November of each year (six-month progress and forecasting for the remainder of the year). Annual results of business-planned target achievement are available to the public and summarized in the Agency Annual Report tabled each year in the Ontario Legislature. AFA also provides an annual public report of achievements toward its forest certification commitments as well as the CFSA's required Annual Report (AR) to MNR of forest management objectives which is also posted on the AFA's public website. www.algonquinforestry.on.ca. The FMP and AWS are also posted on MNR's eFMP site with links on AFA's public website. The results of the IFA are made public in the same manner, but not until tabled by the Minister in the Legislature.

13.0 Corporate Sign-Off

Prepared by: Tracey Bradley General Manager December 20, 2024
Name Position Date

(original available at AFA offices)

Signature

Approved by: Gord Clark Chair, Board of Directors _____
Name Position Date

(original available at AFA offices)

Signature