

## Summary of 2011 SWCC Contractor Discussions

The Southwestern Crown Collaborative (SWCC) is tasked with monitoring the effects of forest restoration treatments conducted on National Forest Service (NFS) lands in western Montana. Treatments conducted with Collaborative Forest Landscape Restoration Program (CFLRP) funds are designed to provide employment, generate saleable products from NFS lands, and generate investments in physical capital (e.g. machinery) and human capital (education/training). This monitoring project was designed to begin to address the following requirements of the Forest Landscape Restoration Act (FLRA): 1) “benefit local economies by providing local employment or training opportunities” and 2) “provide entrepreneurs with the confidence that encourages investment.” An additional goal of this project was to validate or develop more precise parameters for the Treatments for Restoration Economics Analysis Tool (TREAT). This tool will be used by the SWCC to estimate contributions to the local economy from CFLRP funded projects during the 10-year course of the program.

Discussions were held during July and August 2011 with seven contractors funded through CFLRP in fiscal year 2010. The contractors were asked to answer a set of questions developed by the University of Oregon’s Ecosystem Workforce Program and refined by the SWCC Socioeconomics monitoring working group. The list of contractors was generated by the contracting officer of the Lolo National Forest and included all contracts and partnership agreements developed for CFLRP projects in fiscal year 2010. Contractors targeted for a variety of work types were contacted to determine if they were available for a discussion. The discussions were voluntary and conducted with assurances of confidentiality of responses. Jimmie McKay, a graduate student in the University of Montana’s College of Forestry and Conservation, conducted the discussions. Jimmie worked for 30 years in the forest products industry and has considerable experience working with contractors. The numerical responses should be considered estimates as direct quantification of expense and employment records were not conducted. Economists at the Forest Service, Northern Region are currently analyzing the results. Below is a summary of the responses to questions asked during the discussions.

### General Characteristics of Your Business

#### **1. What is important to you about the National Forests, and what do you think are the economic impacts of the forest stewardship and restoration work in the Southwestern Crown of the Continent area?**

This was an open-ended question that generated several different responses:

- Sustainable natural resource jobs that are truthfully defined
- Hunting and recreational opportunities and access to public land
- Forest restoration and stewardship forestry aimed at equality in multiple use with fairness to all stakeholders
- An economy that is sustainable over the long term
- More emphasis placed on place-based collaborative management
- Need more science-based management and less litigation management. Experts need to manage not lawyers.
- Forest management needs to be more methodical

**2. Approximately what percent of your business' revenue over the last three fiscal years has been from the following customers? Please use the following table to indicate the percent of your business' revenue that is generated from the following types.**

The table below shows the number of respondents in each category and the type of contractors (see Question 3 below) are in parentheses. This question was designed to help understand how reliant each business is on various customers and helps us determine the extent to which SWCC partners support various contractors. For 5 of the 7 contractors interviewed, Forest Service contracts made up less than half of their business revenue and most contractors work with multiple landowners.

	<25%	25-50%	51-75%	>75%	Don't Know
<b>Forest Service / BLM</b>	<u>3</u> (1,4,5)	<u>2</u> (3,6)	<u>1</u> (2)	<u>1</u> (7)	—
<b>Other Federal Agencies</b>	<u>5</u> (3,4,5,6,7)	<u>2</u> (1,2)	—	—	—
<b>State Agencies</b>	<u>5</u> (2,3,5,6,7)	<u>1</u> (1)	—	<u>1</u> (4)	—
<b>Non-Industrial Private Landowners</b>	<u>6</u> (1-5,7)	<u>1</u> (6)	—	—	—
<b>Industrial Landowners</b>	<u>7</u> (1-7)	—	—	—	—
<b>Non-Profit Organizations</b>	<u>7</u> (1-7)	—	—	—	—
<b>Tribal</b>	<u>6</u> (1-4,6,7)	<u>1</u> (5)	—	—	—
<b>Other</b>	—	<u>1</u> (4)	—	—	—
(please describe):					

**3a. Please describe the type of work that your business does, by checking the types of forest stewardship and restoration work that your business commonly performs and circling the most common work type your business performs?**

**Facilities, watershed, roads and trails (including engineering and design work)**

**Abandoned mine lands**

**Ecosystem restoration, fuel and slash reduction, invasive species control, and forest health**

**Monitoring (does not include in-kind and volunteer contributions)**

**Commercial Thinning and biomass harvesting**

**Other \_\_\_\_\_**

Question 3 was designed to determine how money spent by the Forest Service, or by its partners using agreements, flows to various types of contractors and how it circulates through the economy, accounting to the best of our ability for how much is retained and re-circulated locally. These work type categories represent collections of various economic sectors that have firms with similar production profiles, or budgets. In other words, firms engaging mainly in one of these activities tend to have similar breakdowns of labor versus capital and materials, and within these categories tend to spend money in similar proportions. We are trying to assess if we are modeling these spending breakdowns properly. These results suggest that the categories currently used for modeling do not always align with the full set of activities from individual contractors. Although the TREAT tool user is tasked with splitting expenditures between activities additional categories may be advisable depending on how well TREAT sectors currently reflected activities listed in other.

3b. Results by contractor:

Contractor 1: Facilities, surveying private and public boundaries, wastewater, and highways

Contractor 2: Roads and trails, abandoned mine lands

Contractor 3: Fuel and slash reduction, commercial thinning and biomass harvesting

Contractor 4: Watershed, roads and trails, ecosystem restoration, invasive species control, monitoring

Contractor 5: Ecosystem restoration

Contractor 6: Ecosystem restoration, invasive species control, seeding

Contractor 7: Commercial thinning and biomass harvesting, roadside hazard removal

Number of contractors by work type:

Facilities (1), watershed (1), roads and trails (2)

Abandoned mine lands (1)

Ecosystem restoration (3), fuel and slash reduction (1), invasive species control (2), and forest health

Monitoring (1)

Commercial Thinning and biomass harvesting (2)

Other: surveying private/public boundaries (1), wastewater and highways (1), seeding (1), roadside hazard removal (1)

**4. Approximately what percentage of your company's gross revenue for the last three years was from all the work types identified in Question 3, on all lands?**

The first number is the number of respondents in that category and the number in parentheses are the contractor numbers identified in Question 3. This question was intended to help understand how much of each contractor's overall earnings come from restoration work. All contractors had at least 25% of their gross revenues in their main category from Question 3. In fact, the majority of contractors received between 25 and 75% of gross revenues and 3 received more than 90% of gross revenues from their selection in Question 3. On the other hand, at least 4 of the 7 contractors interviewed received some contracts for work not identified in Question 3.

<u>  </u>	<b>Less than 10%</b>	<u>  </u> (2,4)	<b>50 – 75%</b>
<u>  </u>	<b>10 – 25%</b>	<u>  </u>	<b>75 – 90%</b>
<u>  </u> (3,6)	<b>25 – 50%</b>	<u>  </u> (1,5,7)	<b>More than 90%</b>

## Employment

5. For the most common work type that your business performs (from Question 3 above), including from subcontracting, what percent of the total project cost did you spend on hired labor wages and other labor costs (e.g., payroll and non-payroll costs such as: worker's compensation or benefits), and what percent was spent on non-labor expenses? This sum should only equal 100 percent if the proprietor(s) income is included.

The contractor numbers from Question 3b are in parentheses with their response to the second part of the question (i.e. Yes or No). This question is intended to breakdown costs by labor versus non-labor. We make assumptions that contracting for some activities will lead to greater reliance on labor (e.g. pre-commercial thinning) and other activities will lead to a greater reliance on capital (e.g. road removal). It appears that labor is the primary expense for most contractors, with the exception of some work conducted on invasive species or seeding.

### % of Total Project Cost

**Labor and Benefits** 40% (6,N), 60% (7,Y), 74%\* (3,Y), 75% (1,Y), 90% (2,Y), 90% (5,Y), 100% (4,N)

**Non-Labor Expenses** 0% (4), 10% (2), 10% (5), 25% (1), 26% (3), 40% (7), 60% (6)

(\* = midpoint of range given)

Is the proprietor(s) income is included in Labor and Benefit estimate    Yes    No (see Y or N above)

**6. For the most common type of work that your business performs (from Question 3 above), use the two columns in the table below to respond to types of workers on a typical project:**

Contractor numbers from Question 3b are shown in parentheses. This question is designed to estimate labor and labor income impacts by types of workers employed. Information about where workers live allows us to better estimate whether contract money stays in the local economy. By asking about the percent spent in the four SWCC counties (i.e. the counties hosting SWCC lands), we can validate if we are modeling the correct area and estimate how much contractor spending leaves the immediate area. This result supports a decision by the TREAT modeling team to include Flathead County in the SW Crown modeling area. These results suggest that, with the exception of two contractors (4,5), most of the hired labor lives within the SWCC. Two additional counties are also included because of a wood processing connection to the SW Crown: Broadwater County and Mineral County Montana.

\*Four County SWCC Proposal Area = Lake, Lewis and Clark, Missoula, and Powell Counties, Montana

<b>Type of Worker</b>	<b>Column 1</b> % of total labor costs that go to labor for the following worker types:	<b>Column 2</b> % of the time these worker live in the four SWCC counties where work is performed:
Engineers and other designers	2.5%* (4), 75% (1), 80% (2), 100% (5)	0% (4,5), 100% (1,2)
Forestry technicians	0% (1-7)	0% (1-7)
Other Technicians	20% (2), 37%* (4), 40% (6)	2.5%* (4), 100% (2,6)
Machine & equipment operator s	2.5%* (4), 70% (7)	80% (7)
Manual laborers	2.5%* (4), 20% (7), 100% (3)	2.5%* (4), 100% (3,7)
Truck drivers	2.5%* (4), 10% (6,7)	2.5%* (4), 100% (6,7)
Others (please describe):	25%* (1), 50% (6), 62%* (4)	2.5%* (4), 100% (1,6)

(\* = midpoint of range given)

**List other counties where employees live:** Flathead (1,4,5), Silverbow (1), Lincoln (7), Out of State (3), none (2,6)

**7. Does your business' dominant type of work fluctuate seasonally? Yes 6(1,2,3,4,6,7) No 1(5)**

Contractor numbers from Question 3b are shown in parentheses. This question is designed to determine the seasonality of labor and the breakdown in part-time versus full-time employees for local restoration workers. These results suggest that most contractors have a full-time work force that is mostly employed throughout the year, but that it is supplemented by additional employees in the spring and summer.

**Approximately, how many workers do you employ during each season, broken down by part-time and full-time.**

	Part-time	Full-time
<b>Winter:</b>	<u>0 workers (1,2,4-7), 2 workers (3)</u>	<u>0 (3), 1 (4), 7 (6), 10 (7), 30 (2), 52 (1)</u>
<b>Spring:</b>	<u>0 (1,4-7), 6 (2), 35*(3)</u>	<u>0 (3), 1 (4,7), 7 (6), 10 (7), 30 (2), 52 (1)</u>
<b>Summer:</b>	<u>0 (1,5-7), 1 (4), 8(2), 35*(3)</u>	<u>0 (3), 1 (4), 7 (6), 10 (7), 30 (2), 52 (1)</u>
<b>Fall:</b>	<u>0 (1,3,5,7), 1 (4), 2 (6), 6 (2)</u>	<u>0 (3), 1 (4), 7 (6), 10 (7), 30 (2), 52 (1)</u>

(\* = midpoint of range given)

## Non-Labor Business Expenses

8. For the most common type of work that your business performs, taken from Question 3 above, use the columns in the table below to answer the following three questions about non-labor expenses for a typical project:

**Column 1:** What percentage of total non-labor expenses goes to each of the following types of expenses for a typical project? This column should add to 100%.

**Column 2:** What percentages of these non-labor expenses are purchased directly from the manufacturer or producer for a typical project?

**Column 3:** What percentages of these non-labor expenses are purchased within the 4-county SWCC area where the work will be performed for a typical project?

**Work Type (Q3)** \_\_\_\_\_

Numbers are all percentages except those in parentheses which are the contractor numbers from Question 3b. This information was designed to validate or refine the non-labor portion of the economic sectors production profile (budget). We use this information to understand how much labor income and employment are generated by firms spending to purchase inputs to accomplish work, and how much of that spending is occurring locally. It appears that a large percentage of purchases occur within the SWCC, especially when considering Flathead County.

Expense type	Column 1 Percentage of Total non-wage expenses	Column 2 Percentage of this expense purchased directly from manufacturer	Column 3 Percentage of this expense purchased w/in 4 SWCC counties
Equipment & Other Capital	10 (4), 20 (6), 35 (1,3), 40 (7), 50 (2,5)	0 (2,7), 50 (3,5), 67 (6), 75 (1), 95 (4)	2.5* (4), 25 (1), 33 (6), 50 (3,5), 100 (2,7)
Equipment maintenance and repair	5 (3,6), 10 (1,4), 20 (2,7), 25 (5)	0 (2,7), 50 (3), 60 (6), 95 (4), 100 (1,5)	0 (1,5), 2.5* (4), 40 (6), 50 (3), 100 (2,7)
Fuel products (e.g. Gas, Diesel, Oil)	5%(6), 22 (3), 25 (1,4,5), 30 (2,7)	0 (1,2,3,6), 10 (7), 25 (5), 75 (4)	12.5* (4), 75 (5), 90 (7), 100 (1,2,3,6)
Agricultural chemicals/ herbicides/pesticides	0 (1,2,5,7), 3 (3), 5 (4), 50 (6)	0 (1,2,5,7), 40 (6), 75 (4), 100 (3)	0 (1,2,3,5,7), 12.5* (4), 60 (6)
Seeds and other live plant products	0 (1-5,7), 5 (6)	0 (1-7)	0 (1-5,7), 100 (6)
Other Material & Supplies	0 (2,5), 5 (1,6), 10 (3,7), 30 (4)	0 (1,2,5,7), 50 (4), 80 (3,6)	0(2,5), 20 (3,6), 25* (4), 100 (1,7)
Overhead / Administrative	0 (2,5,7), 10 (6)	0 (1,2,5,7), 50 (6), 80 (3), 100 (4)	0 (2,4,5,7), 20 (3), 50 (6), 100 (1)
Other	0 (1-7)	0 (1-7)	0 (1-7)

(\* = midpoint of range given)

Total= 100%

**List other counties with significant spending?** Gallatin (1), Flathead (1,2,4,5), Silverbow (1), Beaverhead (2), Teton (2), Lincoln (4), Sanders (4), Yellowstone (6), Montana, Out of State (3)

**9. How does your business typically get access to the equipment that you commonly use in the course of work?**

**Use percents if possible, or check those that apply.**

This final question is designed to determine if businesses interacts with other businesses to scale operations up and down as contact work pulses. We have been asked to report how additional federal and partner investments in your area through the SWCC might lead to new investments in durable goods. These contractors clearly own most of their own equipment.

100% (1-3,5-7), 95% (4) typically own equipment  
5% (4) typically rent equipment  
\_\_\_ typically lease equipment  
\_\_\_ typically borrow equipment  
\_\_\_ typically mix of ownership, renting, leasing, borrowing  
\_\_\_ Other \_\_\_\_\_