

# Ecosystem Workforce Program

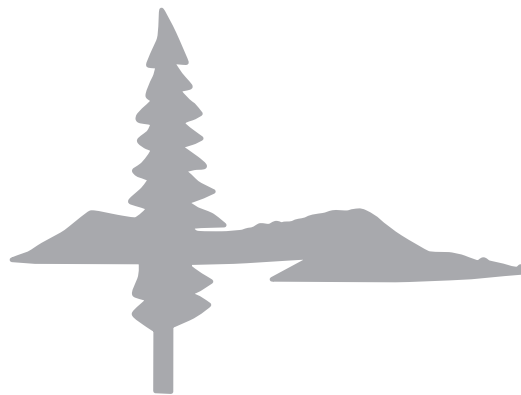
WORKING PAPERS

## Monitoring Innovative Contracting on the Malheur National Forest Did Local Communities Benefit?

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# Monitoring Innovative Contracting on the Malheur National Forest

## Did Local Communities Benefit?

### Introduction

In 2003, the Malheur National Forest experimented with innovative contracting mechanisms to carry out fuels reduction work in the Blue Mountains Demonstration Area (BMDA). The BMDA was initiated in June 1999 to test new strategies for accelerating ecosystem restoration in the Blue Mountains of Eastern Oregon to address the dire need for ecological restoration and economic and social risk in nearby communities (BMDA Business Plan, 2000). Because these contracts targeted fuels in the BMDA, the Forest Service piloted innovative contracting mechanisms to stimulate local community benefit while simultaneously restoring fire-adapted ecosystems.

The Malheur National Forest offered several multiple-award, three-year indefinite delivery, indefinite quantity (IDIQ) thinning contracts with removal rights to reduce fire hazard by reducing fuel ladders and excessive down woody fuels. These were “best value” contracts, which considered factors in addition to price when awarding the contracts. Community benefit was considered as part of the award selection criteria. Thinning operations were to be performed through a combination of hand and machine thinning, bucking, and slash treatments. The solicitations allowed contractors to pile, masticate, or remove thinning byproducts. The Forest Service intended for these contracts to provide economic opportunities for nearby businesses and residents while simultaneously reducing fire hazard.

This paper presents the results of interviews with eight contractors that were awarded thinning contracts. We intended to examine how the contracting mechanisms used in these thinning solicitations affected local communities and contractors. The contractors we interviewed conducted fuels reduction work through 15 task orders. Task orders are requests that direct contractors to carry out specific tasks. Each contractor was given a different number of task orders that corresponded to one of four contracts.

### Innovative Contract Components

The multiple-award, indefinite-delivery-indefinite quantity (IDIQ) component was one innovative element

used in these fuels reduction contracts. Traditionally, Forest Service contracts were written for a specified amount of work to be performed within a certain time period in exchange for a specific payment. Under an IDIQ contract, however, the agency solicits a minimum and maximum amount of work. After a contractor is awarded a solicitation, the government and the contractor commit to a minimum amount of work and a contract start and end date. The government then issues separate task orders to request work during that time period. Multiple-award IDIQ contracts operate in the same way as standard IDIQs except that they award the work to several different contractors based on a single solicitation (Moseley, 2002). In the case of the Malheur thinning contracts, each contract designated a minimum and maximum quantity of acres to be treated (the IDIQ component). In addition, the work outlined in one solicitation was awarded to multiple contractors (the multiple award component).

The removal rights aspect was a second innovative element of the Malheur thinning contracts. Contractors were not traditionally allowed to remove service work byproducts since any byproducts were considered government (or public) property. Recently, however, contracts have included provisions for contractors to remove restoration byproducts at no charge as long as removal does not adversely affect other contract requirements or restoration goals. Contractors on the Malheur were granted removal rights, so they were allowed to remove slash for subsequent utilization or sale.

Local community benefit was a third innovative component of these contracts. Traditional service contracts often did not meet the needs of rural communities since they were frequently inaccessible to small businesses in rural areas. In response, the Forest Service has begun to experiment with new ways to shape contracts so that they contribute to community well being. In the case of the Malheur thinning contracts, applications from local businesses that planned to hire local workers received higher evaluation ratings and were more likely to obtain the work agreement. Community benefit, in other words, was considered as part of the evaluation criteria used to award contracts.

## Monitoring Project

The purpose of this monitoring project was to assess what kind and how much benefit these innovative contracting mechanisms provided to local communities. The overall purpose of this project was to determine how these thinning contracts impacted rural community economic well-being. More specifically, the study sought to measure the extent to which the contracts (1) created and maintained quality jobs<sup>1</sup> and (2) utilized byproducts of thinning in local value added processing. Research questions included: How many jobs were created or maintained? How long did these jobs last and how much were workers paid? How much material was removed? How much value was added locally? How good a business opportunity were these contracts?

## Methods

To answer the research questions, the researchers conducted phone interviews with eight contractors from December 2003 through January 2004 with the contractors that were awarded these innovative contracts. Interviews with contractors lasted approximately 15-20 minutes and were structured according to a fixed set of survey questions. Interviewees were asked to share information about job quality, utilization opportunities, and business stability generated through these experimental contract mechanisms.

## Results

### Did the thinning contracts create and maintain quality jobs in the woods?

The first objective of this study was to measure the extent to which the thinning contracts created and maintained quality jobs in the woods. Respondents indicated that, through these contracts, a total of 30 employees were retained and temporary work opportunities were provided for 30 additional people. Therefore, the thinning contracts provided 60 people with varying amounts of work. The average job duration was 45 crew days per contractor, yet employment periods ranged from 4 crew days to 173 crew days per contractor.

The Malheur National Forest is located almost entirely within Grant County boundaries, yet most of the workers (70%) lived in Harney County. However, ninety-three percent of workers lived within 20 miles of the Malheur National Forest border. Therefore, if “local” is defined as an area within 20 miles of the Malheur National Forest border, then the thinning contracts re-

sulted in 58 temporary local employment opportunities.

To further evaluate job quality, we analyzed employee wages and benefits. According to the contractors, the median wage paid to workers was \$16.00/hr. Reported average hourly wages ranged from \$11.50/hr to \$33.00/hr. According to the Oregon Employment Department (OED), the 2004 median hourly wage in Grant County was \$12.81/hr and in Harney County was \$10.79/hr (Oregon Employment Department 2005).

At first glance, it seems that the median hourly wage paid to contract workers was \$3.19 (20%) higher than the Grant County median, and \$5.21 (33%) higher than the Harney County median. Yet, it is important to note that no workers received health insurance or other non-wage benefits. Instead of providing benefits, contractors paid workers \$2.15/hr for self-paid health insurance, which is the minimum payment required under the Service Contract Act. When we deducted \$2.15/hr from the wages reported by contractors, the worker median wage became \$13.85/hr. This wage is only \$1.04 (8 %) higher than the Grant County hourly median and \$3.06 (22 %) higher than the Harney County hourly median.

When asked for their perceptions about the contracts as a business opportunity, 67% of the contractors interviewed felt these contracts were better business opportunities than other Forest Service contracts they have received. The remaining 33% felt the contracts offered the same type of business opportunity as other Forest Service work. Although 33% of contractors felt the *business opportunity* was not necessarily better than other Forest Service contract mechanisms, 100% of respondents felt the innovative contracting mechanisms enhanced *business stability*. In particular, respondents thought these contracts provided them with more consistent work. Contractors indicated that thinning work (as opposed to contract logging) allowed them to stay employed for longer periods of time, particularly since thinning work can be carried out in the winter when logging operations are closed.

Fifty percent of the interviewees remarked that the best value component, in particular, enhanced business stability. In the words of one respondent, “...a conscientious contractor who has a good crew and does good work gets some recognition and advantage in bid evaluation.” Respondents further indicated that task order size affected business health. Some contractors suggested that small task orders were beneficial because they matched small business capacity and enabled them to out-compete larger, more distant contractors. In contrast, other respondents reported that larger task orders were better business opportunities since they provided more work--as long as the Forest Service gave them

enough time to complete the work with a small crew.

### **To what extent did the contracts utilize thinning by-products in local value-added processing?**

The second objective of this study was to evaluate the extent to which thinning by-products were utilized in local value-added processing. Contractors reported that thinning treatments had been applied to 5,342 acres, but that material had been removed from only 495 acres. In other words, at the time of the interviews, 9% of thinned material had been removed and utilized. Of the material that was removed, approximately 9.5 cords of white fir was used for firewood. One truckload of juniper was sold to a specialty/ornamental user, a second truckload of juniper was sold as chips, and an unknown amount of lodge pole pine was sold to a post and pole operation. Three out of four buyers were located in Harney County. Therefore, according to our definition of “local,” much of the removed material was sold in local markets.

Although half of the of contractors utilized some of the thinned material, all respondents said they were unable to locate adequate markets. Only one respondent felt that their ability to sell material under these “innovative” contracts was somewhat better than opportunities under previous contracts. Eighty-eight percent of respondents felt these innovative contracts provided the same kind of market opportunity as other, more traditional contract work.

Contractors were also asked whether or not a list of local businesses that was provided with work instructions helped them locate market opportunities. Only one respondent found this list somewhat useful. Eighty-eight percent of contractors found the list “not very useful” at best and completely “useless” at worst. Fifty percent of respondents said they found the list useless because they already knew all the companies on the list. Moreover, a few contractors felt that, because there were inadequate markets for utilization, it was not worth their time to contact more than the couple of businesses they already knew.

Contractors provided several other suggestions on ways similar contracting arrangements could be improved in the future. Contractors indicated that task orders should provide adequate time for businesses to complete work given small crews, seasonal constraints, and other business commitments. Contractors further suggested that more robust descriptions of desired work would be helpful. According to one respondent, “the level of difficulty specified on [our] task order was pretty good, but only addressed stems per acre, not height of

trees...[which] makes a huge difference in production rate.”

Respondents also felt that contracts should allow them to exercise maximum flexibility in applying removal techniques. For instance, one contractor indicated they would like permission to use crushing equipment to dispose of brush. Another respondent said he wished purchasing merchantable timber found in the work unit were possible. Moreover, contractors suggested that use of stewardship contracts could provide this needed flexibility. Stewardship contracts that allow contractors to design treatment techniques could give them an incentive to invest in equipment, commit to different types of work, and expand their business.

Finally, a couple of respondents expressed disinterest in attending contractor workshops. Interviewees felt that workshops were oriented toward new contractors and encouraged new marketplace entries. In addition, contractors were reluctant to discuss contracting opportunities in front of their competition, particularly in front of new competition.

### **Data Limitations**

The results of this study are accompanied by data limitations. First, the small sample size limits the generalizability of our conclusions. Although we interviewed all of the contractors awarded contracts, because there were only eight contractors to interview, this study may not be representative of what would happen if these sort of contracts were adopted systematically. Second, because the amount of material removed was reported using a variety of different measures, we were unable to use a single number to quantify how much material was utilized. Third, the self-reported nature of the data used in this study limits the reliability of our results.

### **Conclusions**

The interviews with contractors suggest that the benefits of the IDIQ contracts with removal rights largely stayed in the local community. In particular, workers were from nearby communities and most of the byproducts were sold locally. The interviews also suggested that these contracts created more benefit than traditional service contracts by providing more sustained employment and through the opportunity to remove small trees. The major challenge to providing additional benefits, however, was that contractors could not find adequate markets for the small trees that they could remove. The resources that the Forest Service provided did not help much. It would appear that a more concerted effort to

identify and/or develop markets would be required to significantly increase community benefit from small material utilization. Still, most contractors felt that these contracts were better opportunities than traditional contracts and all contractors thought that these contracts increased business stability, compared to traditional contracts. The results suggest that all three of the innovations used in this experiment—evaluating local benefit as part of best value to the government, multiple award IDIQs, and removal rights—are worth using again in the future.

## Notes

1. A quality job is one that pays high wages and offers benefits, occurs in a safe and healthy workplace, is durable, offers opportunities for advancement and a future, and creates the opportunity to work close to home (Moseley, 2004).

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