Skyline Systems in Appalachia – two years hence*

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Abstract
A skyline logging company was established in the central Appalachian coal mining region four years ago. This report updates a previous report given to COFE during the Hot Springs, Arkansas meeting two years ago.

1. INTRODUCTION

I have been directly involved in skyline logging operations since 1975, as a foreman/engineer, business owner, practitioner, trainer, and consultant.

In years past our operations have been based within the Western Montana and Northern Idaho region. We have also had the opportunity to operate on the West Coast, Southeast British Columbia and the forest regions of Chile.

2. REVIEW

We established a skyline logging business in the coal country of the central Appalachians of Virginia about four years ago and planned to continue with it for five years. This report is an update to one given to this group two years ago at the COFE Hot Springs meeting.

Successes are a pleasure to relate to colleagues. However, our venture into the central Appalachians, although not all negative, was in my estimation a business failure. Reflecting and learning from such a setback is difficult, but nonetheless part of the process for molding future endeavors.

I want to share with you some of these reflections. Perhaps you can provide further insights.

3. THE DECLINE

Above all, it was a management failure. ‘The buck stops here’ quote applies. One can think of many reasons for this failure. I was the decision maker and the only one responsible for the outcome.

Realizing the risk of the venture there was a substantial and costly effort with regard to due diligence. Visiting, interviewing, reconnaissance, collecting cost information, analyzing, planning, trying to cross check information, and on. A diligent effort was made before crossing the welcome mat presented by millers in the area. With our business plan in hand, trust in the people we would work for, and a leap of faith I decided to forge ahead with the plan.

Two years later, in quotes from my report at the COFE Hot Springs meeting, there was, in a final summary, still a tone of cautious optimism.

“Everyone realized the labor market would be a real challenge, but not insurmountable.”

“…, I am confident that we can accomplish our mission as we continue to improve our strategic plans, training, having faith in our employees, and keeping our machinery in a well maintained condition.”

The wild card proved to be labor. Not being able to find the right labor formula within a reasonable timeframe proved to be the fatal flaw in the business plan.

Factors such as climate, forest resource, terrain, and infrastructure were workable. Within this ‘natural environment’ the combination of Men, Machinery, and Methods had to come together as a safe, productive, and profitable entity. Operational planning methodology was good. The machinery was properly sized and ran well. The workforce was a real challenge and finally proved insurmountable.

Figure 1 illustrates productivity per week during the last harvesting project.
Actual productivity was quite variable. It resembles a profile of the Rocky Mountain Range rather than the Cumberland Plateau. The average rate of production (solid blue horizontal line) was half of the minimum planned 8 MBF/Day, Doyle Scale (solid red horizontal line). This is strikingly less than our typical daily production achieved in prior operations in small softwoods of 12 – 20 MBF/Day, Scribner Dec. C Scale.

These large fluctuations in weekly production were primarily crew driven, which includes direct employees and contract truckers. Absenteeism due to ‘sickness’, lack of motivation, rainy weather, various personal appointments, family matters, mini-vacations, and real and feigned injury, et al. affected productivity the most. When a crew of 6 is needed and there are 3.5 for the week, production does not even approach the doable 8 MBF per day. Mixed in with normal downtime events and muddy road access, weekly productivity translated into a very poor average cash flow. The bookkeeper (my wife) struggled and juggled to try and meet debt, payroll, and other payments. It was a daunting and discouraging task. It was mentally and physically trying. It was a time to cut the losses.

4. THE END

The Coal Industry has been and continues to be the region’s dominating industry. Over the past year and a half large increases in the ton price of coal (from approximately $25 / Ton to $60-100 / Ton) made it financially attractive to expand existing and reopen previously marginal mines.

The pressure placed upon an already marginal local labor supply by coal industry expansion was our final ‘nail in the coffin’. Although we were told by mill people, employees and log haulers that we paid more than other contractors the wages and benefits offered by the coal industry were considerably more than we could offer. The last 9 months of yarder logging
was basically a 3.5 man operation, including loader operator. The last month of operation was a two man skyline yarmer operation.

Upon completion of our contractual obligations we derigged and moved the equipment to a storage area in September, 2005. Since then we have been gradually selling off equipment to pay down debt (Figure 2).

Figure 2 – Equipment sold to companies out of local area

5. LOOKING BACK

5.1 Due diligence

Although a concerted effort was made to assess the opportunity, even more time could have been invested in research. For example, discussions with insurers familiar with workmen’s compensation, general liability, and equipment loss data could have provided further insights. Going to clinics and hospitals to glean some characteristics of the labor force could have also provided some information concerning workforce mentality.

5.2 Labor Sources

**Labor Search**

- Word of mouth – from employees, truckers – typically a relative
- VEC – counselor / on list – trouble finding motivated people
- Job Corps – USFS – not tough enough, work was too hard
- DOL approval for 7 foreign workers – lengthily and cumbersome process
- Interviewing foreign labor – were established in tobacco cutting and landscape rock
- Work Release Program at County Jail – stepping stone to other endeavors
- Advertising out west – most afraid of snakes, don’t want to move
- Community College forestry program – no takers, work did not allow sleeping in pickups
- Other contractors ideas – neighborly, but not sincere
- Mill recommendations – too far from the real action
- Cable TV Ad – reaches the stay at home crowd
- Parts houses/Saw shops – some success
- Chamber of Commerce – say there is a ready supply of labor – but mainly to staff call centers
Figure 2 – Labor source options

Figure 2 illustrates most of the avenues we employed in the search for a crew. We began to hire crew through the Virginia Employment Commission. They were helpful and responsive. However, we were not successful in accumulating enough motivated employees.

Virginia employment officials told me that historically the area had a hard working labor force. But, after more than two generations of “Great Society” programs, which enabled a large number of people to live without working, many young workers now lack any kind of work ethic. This, I discovered, is also a constant challenge for other employers in the region. A police officer in a neighboring county explained to me that only 15% of the people in the county were wage earners.

Consequently we went through the hiring-firing-quitting process with many young men in the 20 to 40 year old bracket.

In comparison to previous operations we had the same core employees, with some turnover around the fringes of the core. Our longest employee worked for us for 18 years; timber fallers between 10 and 15 years; a hooktender about 15 years; loader operator 15 years; contract truckers variable, but many 10 – 15 years in service. These were young men, proud to be loggers. They principally worked on a production basis.

Twenty-five to thirty years ago I was exposed to alcohol abuse in the workplace, firsthand. Then, drug usage started creeping into the labor force. We had to contend with it, but seemed to manage. A couple of our principal employees experienced what was termed a drug/alcohol intervention. Without warning they were confronted with their problem. With the consent of their family members we had arranged to send them to a rehabilitation center for some months. They returned, renewed and motivated. Their self discipline lasted only a few years. Alcohol and drug usage would gradually start again, typically triggered by a non-supportive spouse or some other family stress. However, we were still able to function and produce with these same men with very little absenteeism.

In comparison to what I have experienced in the central Appalachian region is a more pervasive usage of drugs of various types. Is it unique to this region? In my opinion, no, it is a nationwide, even global trend. Was I experiencing a microcosm of society spiraling ever downward with the abuse of more dangerous and more addictive chemicals? I suspect so. At that time and in that setting, I do know that I experienced a much greater percentage of drug abuse in this region than in others. The fruit of this addiction is rampant absenteeism, short attention spans, less healthful physiques, lack of motivation to learn, etc.

Drug and alcohol abuse continue to take its toll upon able bodied young men and those with young families. It is a continuing scourge upon our society crying out for solutions. All fronts need to be attacked: individual responsibility and self discipline; corporate stewardship of employees; and, a society continually molding the legal framework to guide the proper use and reduce the abuse of these chemicals to non-destructive levels.
5.3 Observations

As we closed the doors the following retrospective observations could be made:

- Competing with the coal industry was not possible. Higher wages, benefits, and associated insurance costs based on gross payroll could not be absorbed with the contract logging rate.
- The cost price squeeze is alive and well. Family businesses that employ only family members can avoid the expense of workmen’s compensation insurance; paying in cash is also a known practice. This allows the timber investment companies to keep logging costs as minimal as possible under the shield of the independent contractor rules.
- A stump to dump operation would be necessary as local contract haulers were not a consistently dependable lot.
- An attempt was made to hire qualified foreign labor. Through a lengthy application process, the US Department of Labor (DoL) authorized our company seven foreign workers. This strategy was abandoned because we were still faced with a cumbersome process, additional costs, and considerable time yet to be incurred. However, with hindsight knowledge of the process and timeline considerations it could have been a viable option. We had exhausted most avenues we knew of to hire fellow citizens before applying to the DoL. Gross negligence in the enforcement of immigration laws created an uneven playing field for those going through legal channels for foreign labor.

6. SUMMARY

The experience had similarities to acclimating in a foreign culture. It takes time. As we all know logging is not for the faint hearted. It is not easy to get up early and come home late, travel long distances to the jobsite, work in all weather and terrain conditions, and pull repair and maintenance where the machinery sets.

There are other occupations that reward potential loggers greater than logging. So, the push for mechanization will continue. If the past is any indicator, neither the timber investment companies nor millers are likely to support higher wages and basic benefits to attract and keep a professional workforce.

For typical contractors, where lack of a reliable labor source is critical, motivated foreign labor would appear to be a reasonable option.

My advice to others who may be given the same opportunity is to conduct an extensive due diligence process; no question asked is an irrelevant question. Don’t block your intuitive impulses. Be aware with whom you are negotiating. Where are they in the chain of command? Additionally, a fair request would be a formal agreement that shares your significant risk with those wanting your unique services.