



AN ASSESSMENT OF FEDERAL CONTRACTING
AND CONTRACTOR CAPACITY
IN JOSEPHINE COUNTY, OREGON

ROGUE RIVER-SISKIYOU NATIONAL FOREST
& BUREAU OF LAND MANAGEMENT, MEDFORD DISTRICT
2003-2006

BILL ALMQUIST
MARCUS KAUFFMAN
RYAN OJERIO

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Rogue River-Siskiyou National Forest and
Medford District—Bureau of Land Management
2003-2006

Report Prepared By:

Bill Almquist
Marcus Kauffman
Ryan Ojerio

Resource Innovations
Institute for a Sustainable Environment
University of Oregon
5247 University of Oregon
Eugene, Oregon 97403
541-346-0661
<http://www.ri.uoregon.edu>

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JOSEPHINE COUNTY FEDERAL CONTRACTING ASSESSMENT

EXECUTIVE SUMMARY

Introduction and Purpose

In 2002, the 500,000-acre Biscuit Fire reinforced the need to manage the growing wildfire hazard across the western United States. In 2004, local agencies, organizations, and citizens collaborated to develop the Josephine County Integrated Fire Plan. The relationships forged during that process led to the formation of the Josephine County Stewardship Group. The Stewardship Group aims to use stewardship contracting to accomplish priority fuels reduction projects on federal lands, provide small diameter timber and woody biomass, and create local economic benefit.

The purpose of this study is two-fold: to understand the land management service contracting and timber sale markets on the Rogue River-Siskiyou National Forest and the Medford District—Bureau of Land Management (BLM); and to gauge the capacity and interest of Josephine County contractors to participate in federal contracting, and stewardship contracting in particular. The results of this study will help guide the development of stewardship contracts that accomplish forest health and community benefit objectives.

Methods

This assessment utilized two research methods: analyses of contract awards and timber sales and personal interviews with local contractors. The first part of the study analyzed service contracts and timber sales that the Medford District BLM and the Rogue River-Siskiyou National Forest awarded or sold to contractors from fiscal year 2003 to fiscal year 2006. The assessment used service contract data from the Federal Procurement Data System (FPDS) and contract registers, as well as timber sale records from the Rogue River-Siskiyou National Forest and the BLM Regional Office in Portland, Oregon.

The second part of the study consisted of interviews with 27 Josephine County contractors. Contractors provided background information about their business structure, information about preferred contract size, duration, and type of work, and their workforce or training needs. Contractors also talked about their interest in federal contracting, stewardship contracting, and woody biomass utilization, and provided suggestions for improving contracts.

Key Findings: Contract Capture Analysis

Land Management Service Contracting

The Medford District BLM and the Rogue River-Siskiyou National Forest awarded \$72.1 million in land management service contracts between fiscal year 2003 and fiscal year 2006. The Medford District BLM awarded \$49.3 million and the Rogue River-Siskiyou National Forest awarded \$22.8 million. Over the study period, the combined total that these agencies awarded for service contracts declined by nearly \$5.5 million or 26.8%.

We grouped service contracts into three categories based on the type of work: labor-intensive, equipment-intensive, and technical. The two agencies awarded the most contract value for labor-intensive projects (75%) followed by equipment-intensive (16%) and technical (9%). Over time, the amount the agencies awarded for labor projects declined by 18%, and the total value in equipment projects declined by 68%. Although the total contract value for technical projects remained a small percentage of the total each year, it remained more consistent over time compared to the other two categories.

Local contractors—those with addresses in Josephine County—captured 31% of the total service contract value that the Medford District BLM and Rogue River-Siskiyou National Forest awarded from fiscal year 2003 through fiscal year 2006. A single local firm captured 83% of all local contract capture and 97% of the local capture for projects in the labor category. Seventeen other local contractors captured a wide range of contract sizes from less than \$5,000 to over \$100,000.

Overall, local firms captured a small percentage of labor-intensive and equipment-intensive contracts on the Rogue River-Siskiyou National Forest and a fraction of the technical contracts on the Medford District BLM. Areas where local firms captured a small portion of the available contract value could suggest opportunities for local expansion.

Timber Sales

The total value of timber that the Medford District BLM and Rogue River-Siskiyou National Forest sold increased over the study period. Between fiscal years 2003 and 2006, timber purchasers paid \$35.7 million for the timber offered by the two agencies. Timber sale annual value increased from \$6.5 million in fiscal year 2003 to \$12.2 million in fiscal year 2006, an increase of 88%. Most of the increase in timber sales occurred on the Rogue River-Siskiyou National Forest, which also represents the majority of the total value sold over the study period.

Local purchasers, defined as those with addresses in Josephine County, won 31% of the total timber sale value sold during the study period. In our analysis of service contracts, a single local firm captured the majority of service contract value in the local market. Likewise a single timber purchaser won 70% of all timber sales bought by local purchasers. Eight other firms bought the remaining 30%.

Each year, the local purchasers' percent of the total annual value increased. In fiscal year 2003, local purchasers won approximately \$577,000 in sales, 9% of the annual total. In fiscal year 2006, local purchasers won \$5.1 million, 42% of the total sold that year.

Small Business Area (SBA) and Special Salvage Timber Sales (SSTS) accounted for 29% of the total timber sale value sold by the Medford District BLM and the Rogue River-Siskiyou National Forest over the study period. Since rural communities tend to have smaller labor pools and smaller firms, set asides sales such as these provide opportunities for rural economic benefit. Local firms purchased four SBA sales and three SSTS sales valued at a total of \$3.7 million and approximately \$256,000, respectively. Sales of this type represented 35% of the \$10.9 million won by local purchasers.

Federal Stewardship Contracting Implications

Since stewardship contracts combine aspects of both service contracts and timber sales, local participation in these markets might be a good indicator of their capacity to participate in federal stewardship contracting. Our analysis shows that local firms capture a substantial portion of both the service contract and timber sale markets. However, in both instances, the local labor force is dominated by a single firm. This finding shows that it would be inaccurate to draw general conclusions about all local contractors based on their collective participation in federal service contracting and timber sales. Instead it is more accurate to describe the local workforce as a diverse group that includes many small firms, as well as some mid- to large-size firms, all with different capacities. This is discussed in greater detail below.

Key Findings: Contractor Capacity

Firm Size, Work Experience, Location of Work

Our sample of 27 local contractors consisted of numerous small firms with a variety of work experience and abilities, and a few larger firms with significant experience and greater specialization. Most firms had experience as primary contractors and roughly half had experience as primary contractors on federal contracts. Sixteen of the 27 respondents worked primarily on private land, and six respondents worked primarily on federal lands. Respondents indicated that they travel to job sites throughout southwestern Oregon, and further to reach work sites.

Equipment and Internet Access

Josephine County contractors indicated that they use and have access to a wide variety of heavy and labor-intensive or technical equipment. Most also indicated that they have access to the Internet and e-mail, though many reported using a dial-up connection which could limit their ability to access federal contracting solicitation and other information.

Licensing and Bonding

Four contractors had both Migrant Seasonal and Worker Protection Act (MSWPA) and Oregon Farm and Forest Labor Contractor licenses that are required for labor-intensive federal contracts. Labor-intensive contract types comprised 72% of the contract value awarded on the two management units during the study period.

A few respondents stated that they are capable of obtaining bonds over \$1 million, but the majority of firms had much lower bonding levels. Some firms explained that it was getting more difficult to secure bonds.

Responding to Federal Solicitations

Twelve contractors reported being able to respond to written requests for proposals with existing staff. The remainder noted that they would need to hire out or work with other contractors on solicitations.

Preferred Project Size and Duration

The firm size and work experience of the contractors and purchasers varied greatly. They preferred project durations and sizes that varied significantly according to the size of the firm and its ability to absorb risk.

Interest in Stewardship Contracting

Respondents were relatively uninformed about federal stewardship contracting but were interested in learning more about it. Several contractors expressed caution and concerns with the potential financial risks related to stewardship contracting. Nearly all were willing to attend a training or workshop to learn more about stewardship contracting. Most also expressed a willingness to work with other contractors and engage in multiple work types that are typical of stewardship contracting.

Woody Biomass Utilization

A few contractors in our sample had processed and/or delivered woody biomass. Most were interested in providing biomass if markets and profits were available. Respondents owned or had

access to equipment necessary to process and deliver woody biomass. Many respondents expressed skepticism that woody biomass utilization would be financially viable without subsidies, particularly for transportation.

Lack of a Skilled Labor Force

Numerous respondents mentioned difficulty finding and maintaining skilled labor due to an aging workforce.

Conclusions

Our contract capture analysis and contractor interviews revealed a pool of Josephine County contractors who are successfully bidding on and implementing federal contracting. Many of the contractors in our sample have the interest, skills, and experience to participate in stewardship contracting but lack knowledge about the specific requirements of stewardship contracting.

Recommendations

General Federal Land Management Contracting:

1.1. Offer equipment-intensive and labor-intensive contracts from the Rogue River-Siskiyou National Forest sized to the capacity of local firms.

Our analysis revealed limited local capture on equipment-intensive and labor-intensive contracts on the Rogue River-Siskiyou National Forest. During our interviews, we found several small to medium local firms conducting equipment-intensive and labor-intensive work.

1.2. Offer technical contracts from Medford District-BLM sized to the capacity of local firms.

Our analysis revealed that local firms were awarded relatively few technical contracts from the Medford District-BLM. During our interviews, we found a few small local firms that specialized in technical contracts and expressed interest in more federal contract work. It may be possible to increase local economic benefit by providing more technical contracts scaled to the capacity of local firms.

1.3. Partner with local organizations (and use local resources) to build the skills of the local contracting workforce.

The Josephine County Stewardship Group and partner agencies could work with community college and other work-training resources to assist local contractors develop skills (i.e. computer skills, contract writing, and licensing) that would increase their competitiveness in bidding on federal contracts.

1.4. Simplify contracts to increase the ability of local contractors to successfully bid on contracts.

Many respondents cited the complexity of federal contracting as a key barrier to their participation. The federal agencies could explore ways to simplify contracts. At the local level, agency staff could help ensure that local contractors understand contract offerings and have access to the resources to submit a competitive offer.

Stewardship Contracting

2.1. Provide outreach and training opportunities to educate local contractors about stewardship contracting.

The Rogue River-Siskiyou National Forest, the Medford BLM, and community partners could help local contractors learn more about stewardship contracting through workshops, field tours, and informational meetings.

2.2. Engage contractors in constructive dialogue about structuring federal stewardship contracts for local economic benefit.

The federal agencies should initiate a dialogue with local contractors to identify the appropriate dollar volume, contract length, mix of work types, and bonding levels that would be most appealing to local contractors.

2.3. Provide a variety of stewardship contracts scaled to the size and capacity of the local workforce.

Josephine County has many small and medium-sized contracting firms and a few large contracting firms. The suite of stewardship contracts offered should match the capacity of the local workforce.

2.4. Evaluate “local benefit” when determining the best value to the government.

Southwestern Oregon contains a large and competitive regional contracting workforce. Stewardship contracting allows the federal land management agencies to evaluate proposals based upon their impact to the local economy and the use of local labor. The effective use of the local benefit criteria in best value contracting would help build the capacity of Josephine County firms to engage in stewardship contracting.

2.5. Limit bonding requirements to encourage interest and reduce risk to smaller local contractors

We found that although some local companies were able to secure performance bonding above \$100,000, many could not secure bonding above \$10,000. Federal agencies should take advantage of recent flexible bonding regulations to have the government share a larger portion of the risk and seek ways of packaging projects to require lower bonds.

2.6. Consider creative and integrated approaches to providing a steady stable supply of woody biomass.

Contractors expressed considerable interest in providing processed woody biomass to area manufacturers, if it becomes economically viable. Stewardship contracts could help by providing a consistent supply of biomass and by supporting some of the costs of removing biomass with the sale of restoration byproducts.

2.7. Track economic impacts of stewardship contracting.

Project-level monitoring can help to identify the socio-economic impacts of federal contracting. Given the significant time and resources being invested in developing federal stewardship projects, it is important to gauge the economic effects of those contracts on the local community.

CHAPTER ONE: INTRODUCTION

The Josephine County Stewardship Group is exploring stewardship contracting on the Medford District BLM and the Rogue River-Siskiyou National Forest as a way to accomplish priority fuels reduction efforts and promote increased economic opportunities for local contractors. Resource Innovations conducted this study to provide the Josephine County Stewardship Group with a description of the opportunities and challenges to accomplishing these objectives through stewardship contracting. Josephine County and the Illinois Valley Community Development Organization contracted with Resource Innovations at the University of Oregon's Institute for a Sustainable Environment to conduct the assessment.

Background

In summer of 2002, the Biscuit Fire burned through an area of almost 500,000 acres in Josephine County, Oregon. This dramatic event helped motivate a diverse group of local partners to develop the Josephine County Integrated Fire Plan (JCIFP). The development of the JCIFP helped strengthen relationships between local fire suppression organizations, county government, local non-profit organizations, and state and federal land management agencies. The Josephine County commissioners adopted the plan in November 2004 and implementation initially focused on reducing fuels on private land and improving fire safety education and emergency management programs.

The completed plan helped several of the Josephine County partners secure funds from the National Fire Plan to implement fuels reduction projects on private land. While the plan included a listing of high priority projects on private land, it did not include specific priority project areas for public land. The plan includes a comprehensive risk assessment that the federal agencies have been using to prioritize public land projects in high-risk areas of the wildland urban interface (WUI) adjacent to communities at risk. As National Fire Plan grant funds became less available and more competitive, JCIFP partners recognized a need to work together to seek alternative sources of funding. Recognition of this need led JCIFP partners to explore stewardship contracting as a tool to help implement the fuels reduction priorities identified in the plan.

JCIFP partners began considering stewardship contracting for several reasons. First and foremost, partners sought a tool to help implement fuel reduction activities on public forestland to help protect communities from wildfire. Also, the group wanted to develop more collaborative approaches to land management and enhance the strong working relationships they forged while crafting the JCIFP. Lastly, partners were excited about the potential to use stewardship contracting as a means to increase local economic development and pursue biomass utilization opportunities.

About the Josephine County Stewardship Group

When the JCIFP partners began the effort to develop stewardship projects on federal land, they recognized that they would need participation beyond those who helped develop the community fire plan. They reached out to the timber industry, environmental organizations, local government, contractors, and other interested stakeholders. Several key stakeholders agreed to participate and explore how to make stewardship contracting an effective tool for forest restoration and local economic development.

The Josephine County Stewardship Group is a diverse group of stakeholders that are organized to assist the Rogue River-Siskiyou National Forest and Medford District BLM develop stewardship contracts that implement the high priority projects from the Josephine County Fire Plan. The following organizations participate on the Josephine County Stewardship Group:

- Rogue River-Siskiyou NF
- Medford District BLM
- Illinois Valley Community Development Organization
- Klamath Siskiyou Wildlands Project
- Josephine County
- Illinois Valley Rural Fire Protection District
- Applegate Partnership
- Lomakatsi Restoration Group
- Summit Wood Products
- Resource Innovations
- Wolf Creek Rural Fire Protection District
- Illinois Valley Forestry Action Committee
- Siskiyou Project
- Rough and Ready Lumber Co. and Perpetua Forests
- The Job Council

The Group's goals include reducing losses from wildfire, enhancing local economic benefit, building trust, and encouraging mutual learning between stakeholders. The Group's interest in ensuring that stewardship contracts offered in Josephine County provide tangible economic benefit to local communities was a primary motivation behind this study.

About Stewardship Contracting

In 2003 Congress enacted legislation enabling the US Forest Service and Bureau of Land Management to use stewardship contracting as a means to accomplish land management projects. Specific mechanisms authorized by the legislation include:

Goods for Services – Federal agencies are usually prohibited from exchanging the value of commercial goods for service work. This authority allows the value of commercial forest products can be used to offset the cost for services to accomplish stewardship activities.

Retention of Receipts – Under this authority, receipts from contracts with a net positive value can be applied to fund stewardship activities on the project or another stewardship project.

Designation by Description/Prescription – In a service contract the agency may describe the desired end results or describe required actions. Traditional timber sale contracts identify specific trees or criteria in choosing the trees to be harvested. This authority allows agencies to write contracts that describe the desired end result in a timber sale contract.

Best Value – Stewardship contracting requires the US Forest Service and the BLM to award stewardship contracts based on a variety of criteria including past performance, technical capability and local economic benefit as well as price.

Multi-Year Contracts – Intended to give contractors more stable economic opportunities, this authority allows the US Forest Service and BLM to issue contracts up to 10 years, twice the current limit.

-From Kauffman, M. 2002. Stewardship pilots, a new way of doing business. The Stewardship Chronicle. Ecosystem Workforce Program. University of Oregon. 4(1):6

Purpose of the Assessment

Land managers on the Medford District BLM and Rogue River-Siskiyou National Forest have begun to develop and implement projects using the stewardship contracting authorities and more contracts are expected in the future. Stewardship contracting provides land managers with an effective new tool to accomplish resource management objectives on federal lands while simultaneously meeting rural community needs. The purpose of this assessment is to better understand the federal land management contract market and gauge the capacity and interest of

contractors in Josephine County to participate in federal land management contracting, especially stewardship contracting. The results of this study will help the Josephine County Stewardship Group work with agency personnel and the local workforce to achieve land management objectives and local economic development through stewardship contracting. Specifically, this study has several related objectives:

- To understand the quantity and types of work contracted by the federal land management agencies in Josephine County and how much of that work is captured by firms located in the county;
- To gauge the interest and capacity of local firms to provide the services sought by the Forest Service and the Bureau of Land Management, especially through stewardship contracting;
- To identify gaps in training and/or business capacity that may hinder the ability of local firms to compete for contracts and stewardship contracts offered by the federal land management agencies; and
- Provide recommendations about how federal land management agencies could structure contracts and stewardship contracts so they are more appealing to firms located in Josephine County.

Importance of the Study

Understanding trends in federal contracting and the capacity of the local contracting workforce are important to using federal contracting as a tool to provide local economic benefit. As well, public policy officials want to know how enabling legislation, such as the stewardship contracting authorities, affect the contracting process and the distribution of land management work within the contracting market.

Several studies of federal contracting conducted throughout the region suggest that the ability of local firms to capture federal contracts varies across the region and by the nature of the work. At a regional scale, contracting firms are more common near the urban centers along the Interstate 5 corridor, particularly in western Oregon. In fiscal years 1998 and 1999, these contractors captured 94% of the contract value issued west of the Cascades and they traveled greater distances to work on contracts outside their region than their eastern counterparts (Moseley and Shankle 2001). Moseley and Shankle (2001) also found a correlation between the distance that

contractors traveled and the type of work and size of the contract. Contractors traveled farther for higher value contracts, high-skilled work and labor-intensive contracts.

At the forest level, two previous studies suggest that local contractors typically capture less in contract value than non-local contractors. On the Fremont National Forest from 1994 to 1999, local contractors, defined as those from Lake County and the nearby town of Bly, captured 20% of the total contract value (Kauffman 2001). Similarly, a study of the Siuslaw National Forest for 2001-2005 showed that local and semi-local contractors captured only 4% and 10% of total contract value respectively. Firms from Salem, Portland and other urban centers along the Interstate 5 corridor captured the majority of contract value (Stone, Sundstrom and Moseley 2006).

In southern Oregon the proximity of the Coast Range, Siskiyou, and Cascade Mountains to urban centers along the Interstate 5 corridor presents an opportunity for contractors to tap into a large labor pool in close proximity to work opportunities on federal lands. Understanding the recent trends in federal contracting in this region will help federal land management agencies and their partners to structure stewardship contracts that help realize these opportunities.

About Josephine County

Josephine County is located in the southwestern corner of Oregon, just east of the crest of the Siskiyou Mountains. Josephine County is bordered by California to the south, Curry County to the west, Douglas County to the north and Jackson County to the east. Most of Josephine County's 1,040,000 acres are managed by public agencies. Two federal agencies - the U.S. Forest Service and the Bureau of Land Management - manage 68% of the county's lands. The Rogue River-Siskiyou National Forest manages 421,745 acres (40.6%) and the Medford District BLM manages 282,674 acres (27.2%).

In 2006, the population of Josephine County was 81,125 or 2.08% of the population of Oregon. Grants Pass is the county seat and the largest city with a population of 29,115. Cave Junction is the second largest incorporated city with a population of 1,600 (Portland State University Population Center 2006). Urban areas are clustered around the Interstate 5 and Highway 199

corridors that serve as the major transportation routes in the county. The remainder of the county's population lives in unincorporated communities and rural areas clustered along the Illinois River Valley and Interstate 5 corridor. According to 2000 Census figures, the county was predominantly White (93.9%). People of Latino or Hispanic origin comprise the second most common race with 4.26%, followed by 1.25% Native American, 0.63% Asian and 0.27% African American.

The steep, rugged mountains of the Siskiyou Range characterize the landscape of the county. The Rogue River and its major tributaries, the Applegate and Illinois Rivers are fed by a cool, wet rainy season; summers are typically dry and hot. Extensive forestland dominated by coniferous trees provides the county's most important natural resource. During the mid 1970s, 20% of the payroll employment in the county came from wood products and logging (Tauer 2006a). The decline of the timber industry throughout the Pacific Northwest had a significant impact on the economy of Josephine County. By 2005, the percentage of payroll employment in woods products and logging dropped to 4.1%. Over the past two decades Josephine County has diversified its economy, decreasing its reliance on timber. Job losses in the wood products industry have been offset by job growth in other types of manufacturing. However, in inflation adjusted real dollars, the average manufacturing wage has declined from \$40,695 in 1976 to \$31,980 in 2003 (Tauer 2006a). In 2004, the county had the third highest job growth rate in the state experiencing the most growth in retail trade, manufacturing and services (Grants Pass and Josephine County Economic Statistics 2005). In December 2006, unemployment was at 6.1% compared to the state at 5% (Oregon Labor Market Information System 2006).

Regional economist, Guy Tauer, reports that population growth through 2014 in Josephine and Jackson Counties will be fueled by in-migration of retirees attracted to the region's mild climate and availability of medical services. Tauer forecast job growth in the region at 19.5%, slightly higher than the state average. The forecast predicts rapid growth in the education and health services, professional and business services, and leisure and hospitality sectors. Over the same time period the forecasts calls for a 2.1% increase in natural resources and mining and a 3% decline in wood products manufacturing (Tauer 2006b).

Even with the decrease in the timber economy, the region remains a leading employment area in the state for logging and forestry related activities. In 2005, 29% of the state's employment in forestry and logging was in Southern Oregon Counties (Curry, Coos, Douglas, Josephine and Jackson). Most logging operations are small businesses located outside of metropolitan areas. They are particularly important to rural communities because they provide relatively high wage jobs (Rooney 2006).

Despite its growing and diversifying economy, Josephine County still lags behind the state in some key economic indicators according to the Census 2005 Community Survey. The poverty rate of Josephine County is similar to the state at 14% of individuals and 12% of families. However, the household median income was \$34,595 in 2005 compared to the state median of \$42,944. Josephine County residents are more dependent on transfer payments (defined as income for which services are not rendered). Transfer payments comprise 27% of personal income in Josephine County compared to 15% throughout the state (Bureau of Economic Analysis 2004). While urban areas stand to benefit from future job growth in the health care and professional and business services, opportunities for work on federal lands will continue to be important for the economic development of rural communities.

CHAPTER TWO: METHODS

This study is comprised of two separate analyses. First, we analyzed service contracts and timber sales that the Rogue River-Siskiyou National Forest and the Bureau of Land Management - Medford District awarded between fiscal year (FY) 2003 and FY 2006 to ascertain the number and types of contracts awarded to local contractors. Second, we conducted interviews with 27 forestry-related contractors with business addresses in Josephine County. We recruited a steering committee consisting of members of the Josephine County Stewardship Group and other interested parties that helped guide the study and conduct interviews with contractors.

Federal Land Management Service Contracting

We compiled a dataset of all federal service contracts for land management activities awarded between fiscal year 2003 and fiscal year 2006 for work completed on the Rogue River-Siskiyou National Forest and the Medford District BLM. We obtained records of these contracts from the Federal Procurement Database System (FPDS) and from contract logs compiled by the BLM State Office, Medford District BLM Office and the Rogue River-Siskiyou Forest Headquarters. The FPDS is a public database that houses federal contracting data; it is an accessible, detailed and consistent data source. However, the FPDS data does not contain a complete list of contracts because prior to 2006, the Forest Service and BLM were not required to enter contracts less than \$25,000. Contracts for less than \$25,000 are important to include because they are often awarded to small local contractors. To complete our data set, we used contract logs to obtain records of contracts not included in the FPDS data. Due to inconsistencies between the data format in the contract logs and FPDS, we compared records from both data sources by multiple variables to minimize duplications and omissions.

The data set is limited to contracts for land management work that was completed within the study area. Federal agency personnel assign a Produce Service Code (PSC) to each contract that describes the nature of the product or project. Appendix A lists the PSCs for the contracts that we included. We defined land management work using the same criteria as other authors who have conducted similar studies (Moseley and Shankle 2001), (Moseley, Toth and Cambier 2002) and (Moseley and Toth 2004). Examples of contracts that fit this definition include: forestry

management and watershed management practices such as thinning, noxious weed eradication, road construction, biological surveying, and riparian restoration. We excluded contracts for activities such as building construction, office equipment maintenance and the purchase of goods. Contracts involving fire suppression were also excluded because they are rarely included in the FPDS. Unfortunately, prescribed burning is reported in the same service code as fire suppression, and is therefore also excluded. Throughout this paper “service contracts” will be used to refer to “land management service contracts” as defined above.

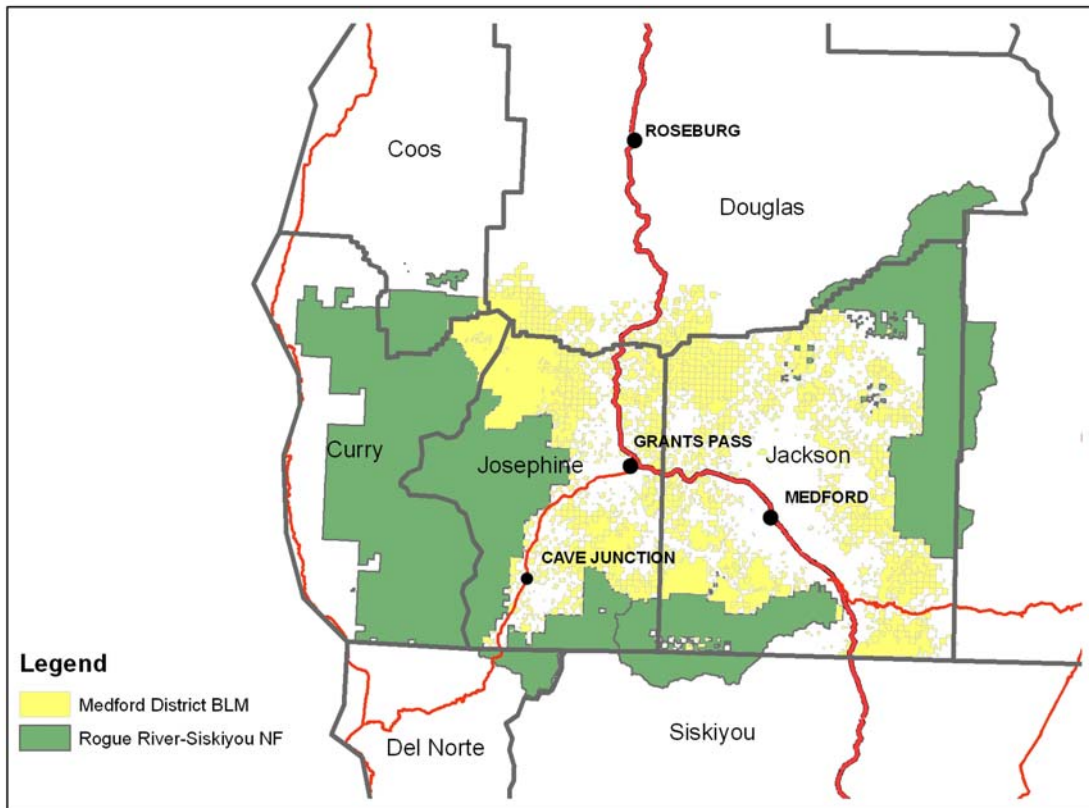
Study Area

This study analyzed federal contracting on lands managed by the Medford District BLM and the Rogue River-Siskiyou National Forest (Figure 1). One of the challenges with the FPDS data is that the contracts are not linked to specific districts or forests. Rather the work site is defined by a nearby named place, town, or city called the Principle Place of Performance. We were careful to exclude contracts from our dataset that may have been for work on adjacent BLM districts or national forests such as the Roseburg District BLM or Umpqua National Forest. To accomplish this, we limited our dataset to service contracts where the Principle Place of Performance was in a county that did not have multiple BLM districts or National Forests. For example, neither Josephine nor Jackson County contain BLM managed lands that are not part of the Medford District, so our data set includes all BLM service contracts with a Principle Place of Performance in either county. There is a small portion of the Medford District BLM in neighboring Douglas County, but the Roseburg District BLM manages a much larger portion of Douglas County. We excluded all contracts with a Principle Place of Performance in Douglas County to avoid inadvertently including contracts for Roseburg District BLM work.

To achieve the same goal for the Rogue River-Siskiyou National Forest, we included the following counties: Coos, Curry, Josephine and Jackson County. A small portion of the Rogue-River-Siskiyou National Forest lies in Klamath County, but we excluded contracts with a Principle Place of Performance in Klamath County because the Fremont-Winema National Forest manages most of the USDA Forest Service land in Klamath County. Similarly, portions of the Rogue River-Siskiyou National Forest extend into Northern California, but we excluded

contracts with a Principle Place of Performance in California because the Six Rivers and Klamath National Forests manage most of the USDA Forest Service land in Northern California.

Figure 1. Study Area Map Including Southern Oregon Counties, the Medford District-BLM and Rogue River-Siskiyou National Forest



Service Contracts - Work Types

The federal government categorizes work into a vast array of product service codes (PSC) to facilitate analysis and documentation by specific types of work. We separated the PSCs into three broad categories: technical, labor and equipment, based on the type of work that was likely to be involved. For example, we included activities such as tree planting and seed collection in the labor category; technical work included land surveys, water quality analysis, and biological surveys; and the equipment category included such work types as road construction and maintenance. These categories are not definitive as there are projects that require different types of work, but are assigned a single PSC. Also there are variations in the way PSC codes are

assigned between agencies, over time, and from person to person (Moseley 2006). The amount of error inherent in this approximation is hard to determine. But, these broad categories allow us to compare general trends with other studies that have employed the same typology.

Contractor Location

To assess the extent of contract capture by contractors in the Josephine County compared to the region and the state, we defined three categories of contractors by location; local, semi-local and non-local. We defined all contractors with addresses in Josephine County as local. The semi-local category includes contractors that are adjacent to Josephine County, including Curry County, Jackson County, and the southern half of Douglas County. The semi-local category approximates the extent of a reasonable daily commute to projects on the Rogue River-Siskiyou National Forest and the Medford District BLM. The boundaries of this area approximate the watershed of the Rogue River plus portions of Douglas County where Interstate Highway 5 provides an efficient transportation route. We designated all other contractors in the non-local category.

Federal Timber Sale Contracting

We compiled our dataset of timber sale records from individual sale records provided by the Rogue River-Siskiyou National Forest and the Medford District BLM from fiscal year 2003 to fiscal year 2006. Unlike the service contracts, we did not categorize them into more specific work types. Purchasers are categorized into the same local, semi-local and non-local groups as described in the service contracts section.

Assessment of Local Contracting Capacity

The second part of this study assesses the capacity and interest of local contractors to participate in the federal contracting market, especially stewardship contracts. Our goal was to gather a mix of simple information (e.g. equipment and work experience) as well as more nuanced and complex information (e.g. opinions about federal contracting and suggestions for improvement). We chose to use semi-structured personal interviews, conducted face-to-face or via telephone. We also recognized the potential benefits of conducting follow up interviews or future dialogues

with local contractors and chose methods that would allow us to establish stronger personal relationships with the respondents.

To gauge the interest and capacity of local firms we conducted 27 face-to-face or telephone interviews with contractors who reside or maintain an office in Josephine County. Members of the Josephine County Stewardship Group acted as a steering committee, helping to guide the project, developing the interview questionnaire, and conducting interviews with contractors.

We identified contractors from several sources including the Southwest Oregon Resource Conservation and Development Council (RC&D)'s Forest Landowner Resource Guide, USDA Forest Service and Bureau of Land Management contract award lists, and a contact list belonging to the Illinois Valley Community Development Organization. Suggestions from survey respondents resulted in the inclusion several additional contractors to our list. Developing our contact from list of from multiple sources helped ensure that the respondents were representative of the diversity of forest contractors operating in Josephine County.

We invited the contractors to participate in the interview process with an introductory letter from the Southwest Oregon RC&D. The RC&D had communicated with many contractors during the development of the Forest Landowner Resource Guide. We then contacted contractors by phone to arrange interview appointments. We contacted 47 contractors, and 27 agreed to participate in the interview process. We conducted face-to-face interviews at the contractor's home or office. We completed several telephone interviews with those respondents who were unavailable or who had limited time. Interviews generally lasted 20-30 minutes and followed a semi-structured written questionnaire that addressed a variety of issues related to contracting capacity, including:

- Firm size, work experience, and equipment assets;
- Interest in working on federal land management contracts, especially stewardship contracts;
- Suggestions to make federal land management contracts and stewardship contracts more attractive and accessible to local contractors; and
- Additional workforce and/or training needs.

Appendix B provides a detailed list of the interview questions we asked participants. We protected respondent confidentiality by assigning coded numbers to all responses and aggregating the results.

Limitations and Assumptions

This study provides a picture of the federal contracting market in Josephine County over the last four years. It is a descriptive look at what type of work was funded and who captured contracts to accomplish land management projects. Our analysis does not attempt to explain why federal contracting may have changed over time, or why particular contractors were more competitive than others. Additional data and analysis could reveal explanations for these questions, but are beyond the scope of this study. The study is also limited to information on prime contractors. It is important to note that sub-contractors are a significant part of the service and timber sale markets, but the available data sources do not provide information about sub-contractors.

One key assumption in this study is that the prime contractor market capture is a valid measure of how federal contracting is affecting the local economy. If contractors from outside of Josephine County are sub-contracting to local firms, our analysis may under represent the local economic impact. Our analysis may also under represent the number and diversity of contractors that are working on federal lands by not including sub-contractors in our data set.

Service Contracts

In addition to the general limitations described above, the service contract data sets had more specific limitations. The data available through FPDS and the contract logs were not always complete or consistent. As well, these two data sources did not contain all the information about service or construction contracts under \$2,500. Federal agency personnel in some instances are authorized to use credit cards for purchases under \$2,500 and these records were not available. We also omitted data in cases where we were unable to determine the location of the work definitively. As mentioned above, this was especially problematic in counties that contain multiple federal agencies such as Douglas, Klamath and those portions of the Rogue River-Siskiyou National Forest in California. To limit the possibility of including contracts from other agency units outside the study area, we omitted contracts from these jurisdictions. Despite these

limitations, the volume of data collected is sufficient to accurately show broad trends in the areas analyzed for this study.

One of the questions we did not investigate in our analysis of service contracts is the extent to which land management activities are being completed outside of the contractor market, such as through the use of grants or cooperative agreements. The Forest Service and BLM usually offer stewardship contracts for competitive bid. Since our objective is to develop specific recommendations for stewardship contracting, we did not collect data on cost-share agreements, inter-agency agreements and other non-competitively bid contracts. A study of these trends could explain how public lands managers are using a variety of methods and funding to accomplish stewardship objectives beyond just service contracting.

Timber Sale Contracts

Just as the service contract data was limited to fiscal year 2003 to fiscal year 2006, our analysis of timber sale data for both the Medford District BLM and the Rogue River-Siskiyou National Forest is limited to the last four years. As well, the timber sale records only identify the purchaser and do not indicate if any sub-contractors were involved in the harvesting of the timber. A more detailed study of sub-contracting in timber sales could reveal local economic impact that these sales had even when timber is purchased and sold to a firm outside of the area.

Contractor Interviews

The 27 contractors represent a sample of Josephine County contractors, not all of them. Many who declined to participate may not be interested in federal contracting or in stewardship contracting; thus the sample may be biased toward those who are more interested in federal contracting and stewardship contracting. Also, the results provide insight into the current opinions, experience, and capacities of the respondents, which are likely to change over time. In this respect, the assessment should be seen as snap shot in time but not a prediction of the future.

CHAPTER THREE: FINDINGS OF FEDERAL CONTRACTING

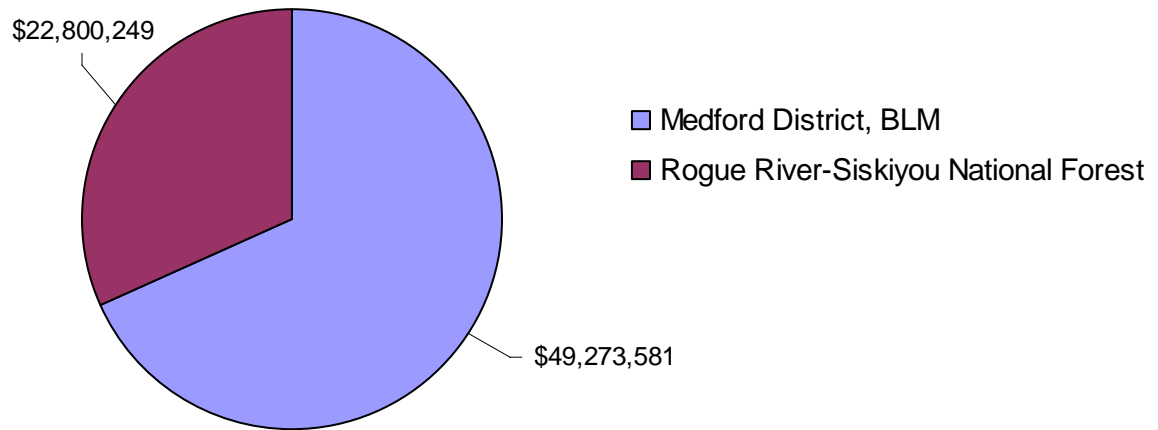
This chapter describes trends in federal contracting with respect to service contracts for land management projects and timber sales. Local workforce participation in these two markets is an indicator of their capacity and competitiveness and a measure of their ability to engage in stewardship contracting. This chapter is split into two sections. The first describes our findings from the service contract analysis, and the second describes our findings from the timber sale data.

Federal Service Contracting

Our analysis of federal contracting indicates that southern Oregon is home to a strong regional market of local and semi-local contracting firms for land management work. The combined service contract value awarded on the Rogue River-Siskiyou National Forest and Medford District BLM from fiscal year 2003 to fiscal year 2006 totaled \$72.1 million. Annually, the total service contract value declined from fiscal year 2003 to fiscal year 2006. The total annual service contract value in fiscal year 2003 for both agencies was \$20.5 million. By fiscal year 2006 that total had dropped to \$15 million, a 26.8% decline.

Over the entire study period, the Medford District BLM offered 68.4% of the total service contract value and the Rogue River-Siskiyou National Forest offered the remaining 31.6% (Figure 2).

**Figure 2. Total Service Contract Value
Medford District BLM and Rogue River-Siskiyou National Forest
FY 2003 –FY 2006**

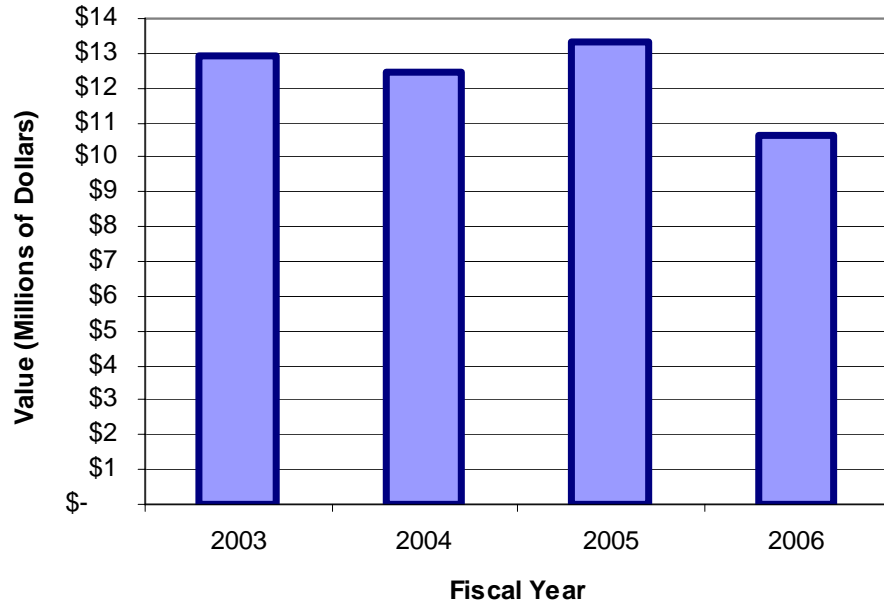


The difference in the amount of total service contract value spent cannot be explained by the size of the land that each agency manages. In fact, the Rogue River-Siskiyou National Forest covers approximately 1.8 million acres while the Medford District BLM manages 862,000 acres. Both agencies operate under separate budgets and manage different types of lands. The observed difference in service contract value is likely a reflection of those differences as well as differences in management objectives. The following sections describe the findings for each agency separately and with regard to the type of work the agencies contracted and who captured those service contracts.

Medford District – Bureau of Land Management

The total annual value of service contracts on the Medford District BLM remained fairly consistent averaging around \$12.3 million between fiscal year 2003 and fiscal year 2006 (Figure 3). The annual value of service contracts reached a high of \$13.3 million in fiscal year 2005 and a low of \$10.6 million in fiscal year 2006. The difference in total annual value between fiscal year 2003 and fiscal year 2006 represents an 18% decline.

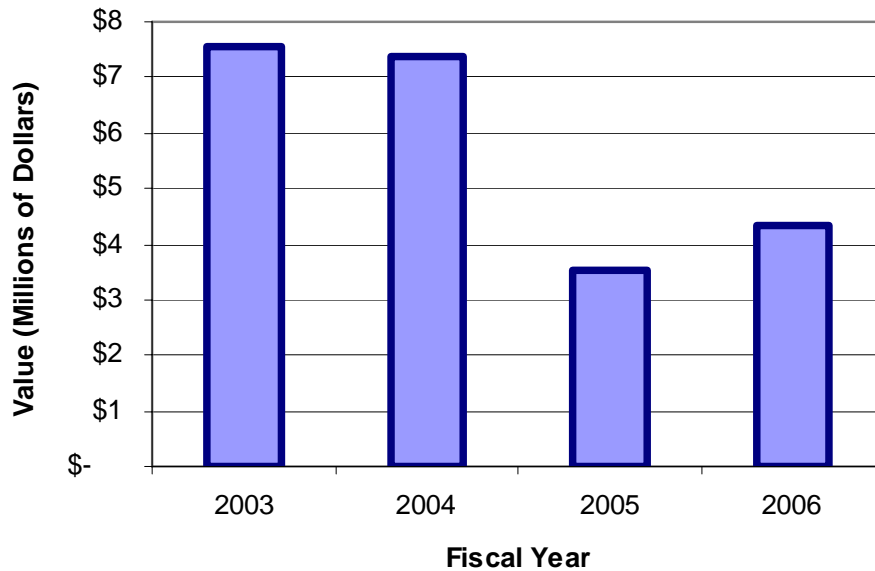
**Figure 3. Service Contract Value by Fiscal year
Medford District BLM
FY 2003 – FY 2006**



Rogue River-Siskiyou National Forest

While the total annual service contract value averaged around \$12.3 million on the Medford District BLM, the Rogue River-Siskiyou National forest spent an average of \$5.7 million per year. There was a greater degree of variability between years on the Rogue River-Siskiyou National Forest compared to the Medford District BLM. The largest single-year drop occurred in fiscal year 2005 from \$7.4 million to \$3.5 million (Figure 4). In fiscal year 2006 the Rogue River-Siskiyou National Forest awarded \$4.3 million in service contracts, a 43% drop compared to fiscal year 2003.

**Figure 4. Service Contract Value by Fiscal year
Rogue River-Siskiyou National Forest
FY 2003 – FY 2006**



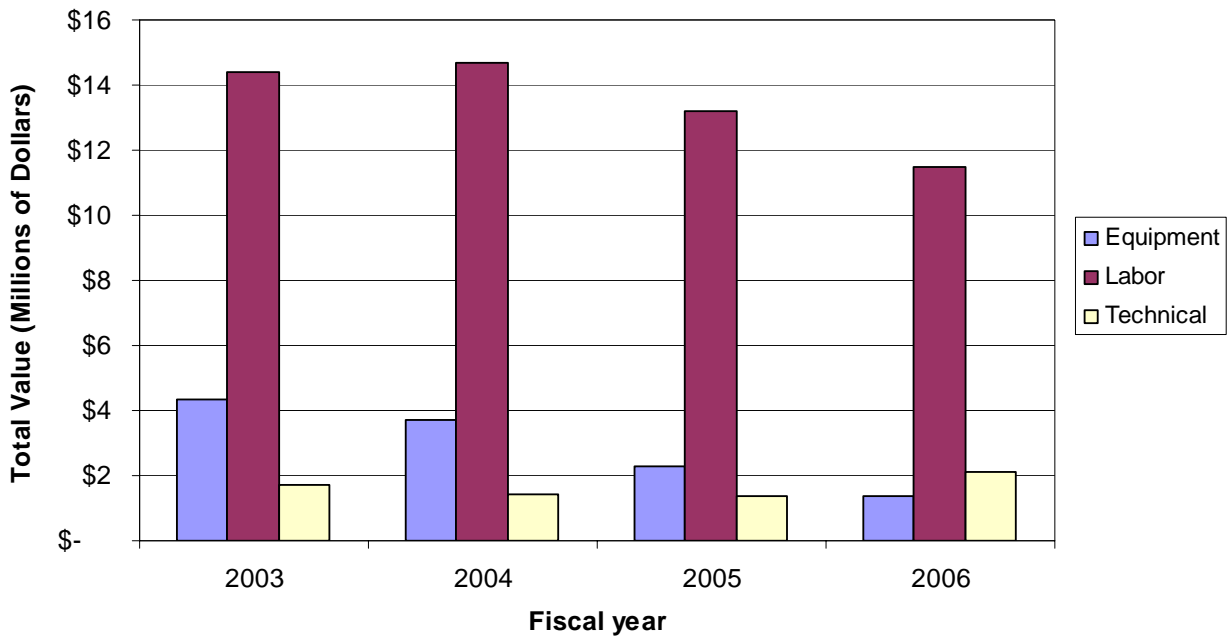
Work Types

Both the Medford District BLM and the Rogue River-Siskiyou National Forest offered service contracts to complete a variety of land management projects. For the purposes of this analysis, we aggregated contracts into categories that reflect the type of work involved in the project. Trends in contract value across these categories reflect the demand for different skills and resources from the contract market. Projects in the labor category account for 75% of the total service contract value. \$53.7 million was spent on projects that fit into the labor category. Total service contract value in the equipment category was 16% of the total at \$11.7 million. Projects in the technical category accounted for 9% of the total service contract value at \$6.6 million.

From fiscal year 2003 to fiscal year 2006 the total annual service contract value declined in both the labor and equipment categories (Figure 5). The total annual service contract value for labor projects in fiscal year 2006 was 20% less than in fiscal year 2003. Total annual service contract value in the equipment category declined each year culminating in a 68% decline overall.

Although the total annual service contract value in the technical category was the least of the three categories, it was the most consistent category over the study period.

**Figure 5. Total Service Contract Value by Work Type and Year
Medford District, BLM and Rogue River-Siskiyou National Forest
FY 2003 – FY 2006**

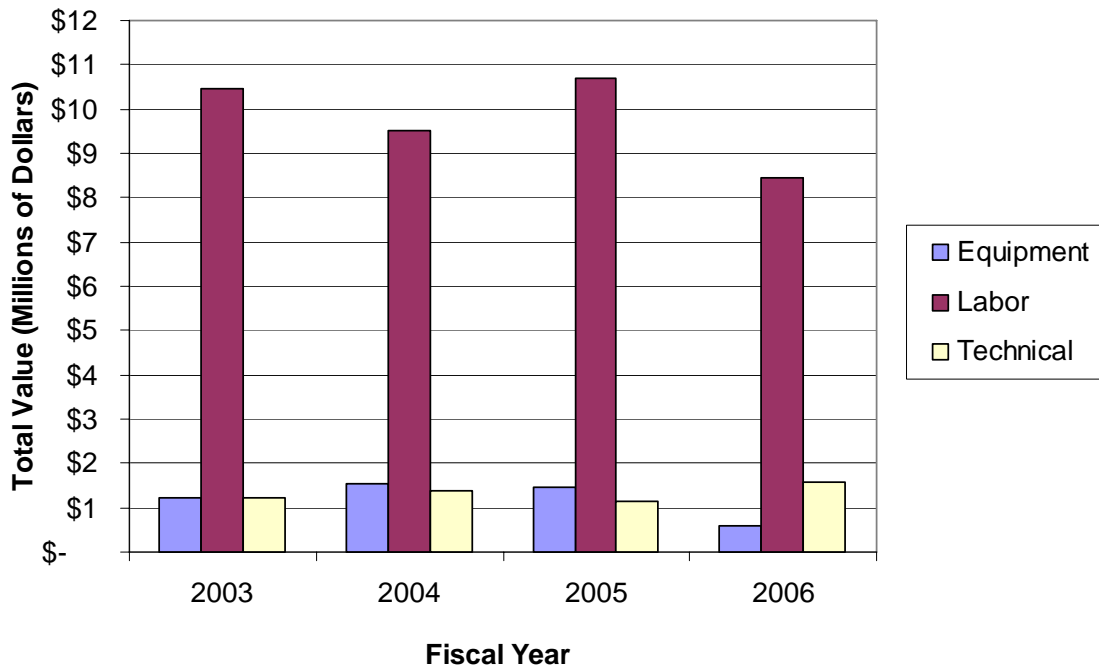


Work Type – Medford District BLM

On the Medford District BLM, the distribution of service contract value among the work categories was similar to the distribution reflected in the combined data; the majority of contract value awarded by the district was for work in the labor category. In total, the Medford District BLM signed \$49.3 million in service contracts from fiscal year 2003 to fiscal year 2006. The largest portion of that total was in the labor category at \$39.1 million (79%), followed by the technical category at \$5.3 million (11%) and the equipment category at \$4.8 million (10%).

Over the study period, the total annual service contract value in the labor category declined by 20% (Figure 6). In the technical category the annual service contract value increased by 30% from \$1.2 million in 2003 to nearly \$1.6 million in 2006. Annual service contract value in the equipment category peaked at \$1.5 million in 2004, but declined by 30% overall to a low of \$0.5 million in 2006.

**Figure 6. Total Service Contract Value by Work Type and Year
Medford District, BLM
FY 2003 – FY 2006**



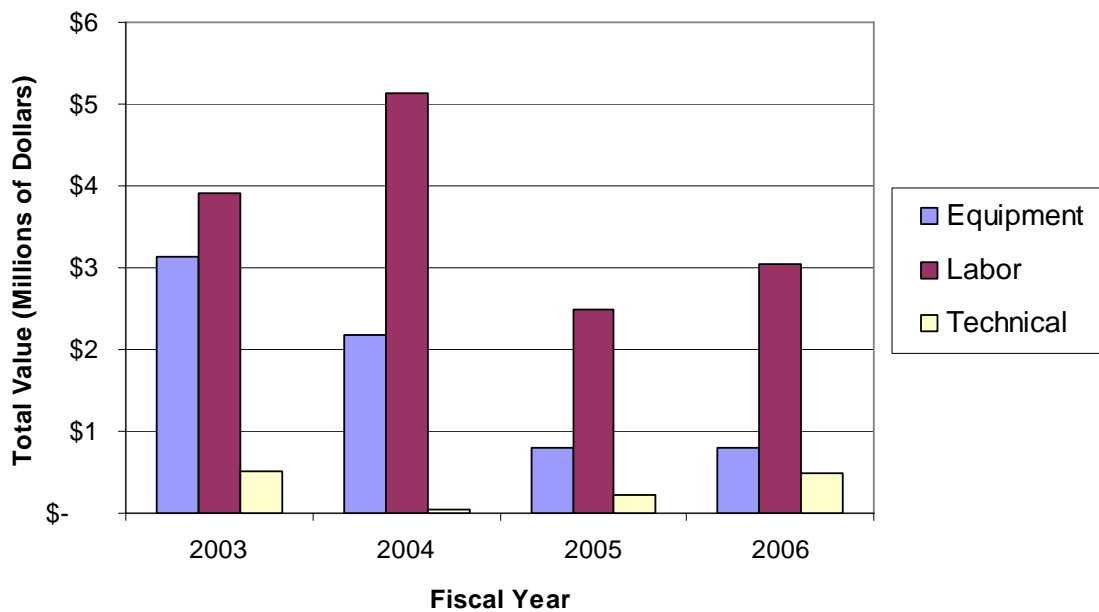
Work Type – Rogue River-Siskiyou National Forest

Similar to the Medford District BLM, the majority of service contract value was in the labor category on the Rogue River-Siskiyou National Forest. Unlike the Medford District BLM, however, the Rogue River-Siskiyou National Forest funded significantly more work in the equipment category than in the technical category. The total contract value from fiscal year 2003 to fiscal year 2006 on the Rogue River-Siskiyou National forest was \$22.8 million. Projects in the labor category comprised the majority at \$14.6, million, 64% of the total. The total value of

service contracts in the equipment category was \$6.9 million (30%) and \$1.3 million (6%) in the technical category.

Over time, the total annual service contract value in the equipment category declined the most, dropping by 74% from fiscal year 2003 to fiscal year 2006 (Figure 7). Total annual service contract value in the labor category also declined over the study period. After peaking in fiscal year 2004 at \$5.1 million, it dropped to \$3 million in fiscal year 2006. The total annual service contract value in the labor category was 22% less in fiscal year 2006 than in fiscal year 2003. Annual service contract value in the technical category remained small relative to the other two categories, and was variable ranging from a high of \$519,407 in fiscal year 2003 to a low of \$36,506 in fiscal year 2004.

**Figure 7. Total Service Contract Value by Work Type and Year
Rogue River-Siskiyou National Forest
FY 2003 - FY 2006**



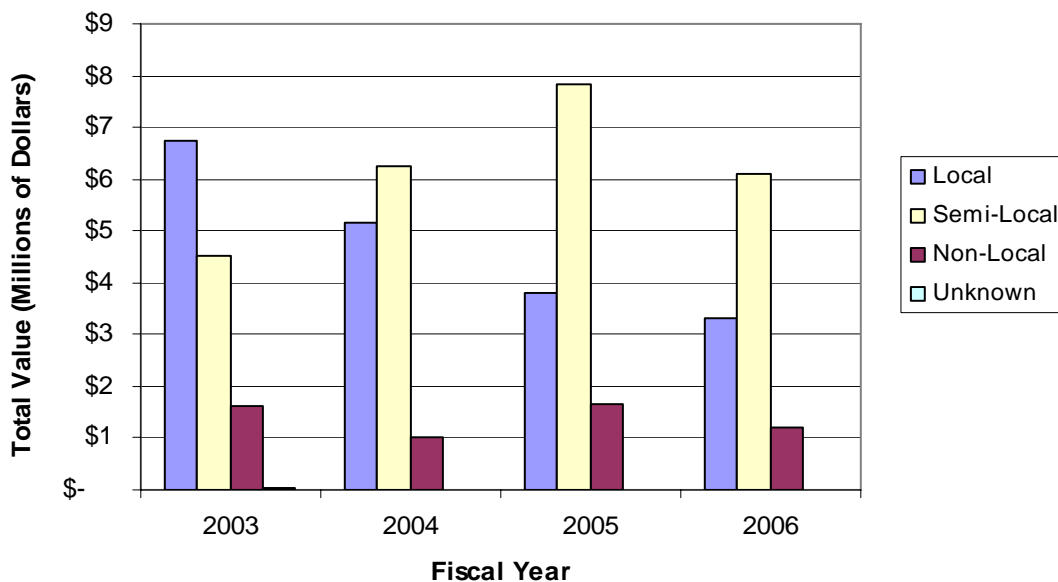
Service Contract Capture and Contractor Location

The previous section looked at the type of work that was completed on lands managed by each agency. This section describes who is capturing the work, where they are capturing it, and what

type of work they are capturing. Trends in local capture indicate where these firms are competitive. Of the \$72 million total available in service contracts, contractors in the semi-local category captured the majority at \$38.2 million or 53% of the total. Local contractors, those in Josephine County, captured \$22.3 million (31%) and non-local contractors captured \$11.1 million (15%). In a few instances we were unable to determine the contractor’s address and those contractors are listed as unknown. Comparable studies of contractor capture rates in Lake County and the Siuslaw Basin were 20% and 4% respectively (Kauffman 2001) and (Stone, Sundstrom and Moseley 2006). Our findings indicate that there is a strong semi-local and local contracting workforce available to accomplish federal land management service contract work.

It is important to note that a single firm dominates the local federal land management service contracting market. Our data set of local contractors included 18 individual firms (all prime contractors); but a single firm captured 83% of the total value of local contracts. Without any information on the extent of sub-contracting, it is unclear if sub-contractors are a significant part of the workforce. Over time, semi-local contractors consistently captured the majority of service contract value each year from fiscal year 2003 to fiscal year 2006 (Figure 8).

**Figure 8. Total Contract Value by Contractor Location and Year
Medford District, BLM and Rogue River-Siskiyou National Forest FY 2003 – FY 2006**



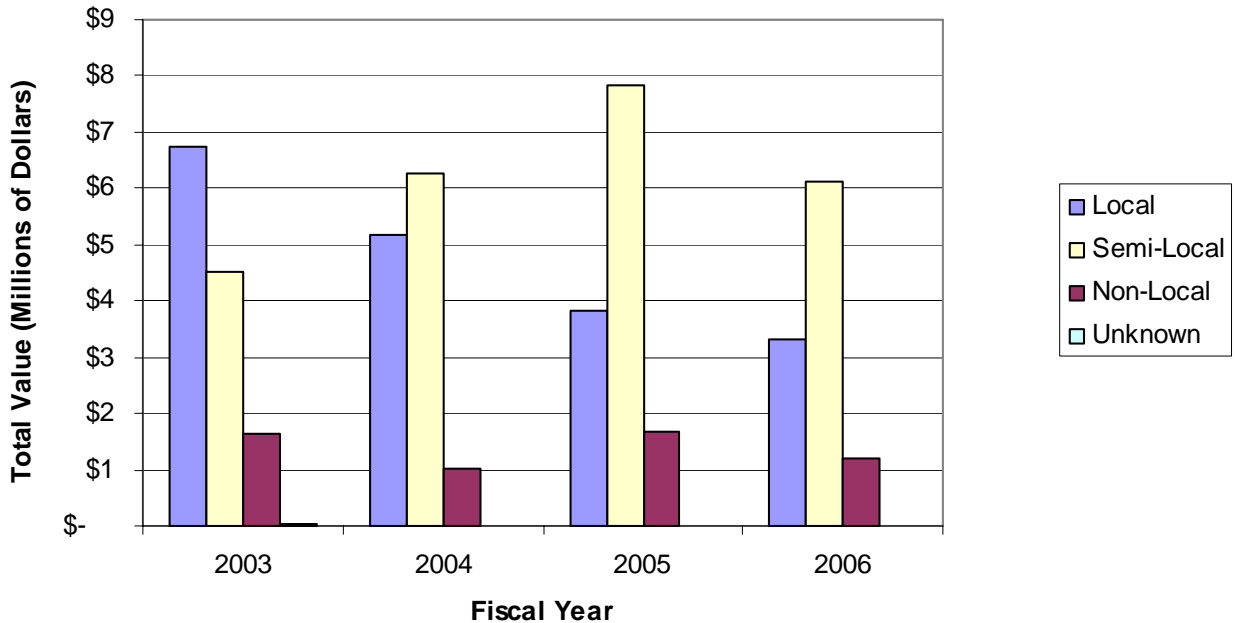
Meanwhile, the amount of local contract capture steadily declined from \$8.2 million in fiscal year 2003 to \$4.1 million in fiscal year 2006. Non-local capture also fell from a high of \$3.6 million in fiscal year 2003 to \$2.1 million in 2006. Not only did the total annual amount of contract capture decline for local contractors, but the percent of the total annual contract value also declined. In fiscal year 2003 local contractors captured 40% of the total service contract value signed that year. In fiscal year 2006 the local capture share was 27% of the annual total.

Contract Capture – Medford District, BLM

A review of the data from each agency separately reveals a significant difference in local contract capture between the two agencies. Local contractors captured more value on the Medford District than the Rogue River-Siskiyou National Forest. Overall local firms captured \$22.3 million in contract value from both agencies as described above. Service contracts on the Medford District BLM account for \$19 million of that total and \$3.3 million were for contracts on the Rogue River-Siskiyou National Forest. In total \$49.3 million in service contracts were let on the Medford District BLM during the study period. The \$19 million captured by local firms represents 39% of that total. Semi-local firms captured \$24.7 million (50%) and non-local contractors captured \$5.6 million (11%).

Over the study period, the trend in local contract capture on the Medford District BLM reflects the global trend described above: local capture declined from fiscal year 2003 to fiscal year 2006 (Figure 9). In fiscal year 2003 local firms captured \$6.7 million in service contracts and in fiscal year 2006 they captured \$3.3 million, a decline of 51%. Not only did local firms capture less value over time, they also captured a smaller share of the annual total. Local firms captured 52% of the available service contract value on the Medford District BLM in fiscal year 2003, but only 31% of the total value in fiscal year 2006. Meanwhile, semi-local firms captured a greater share of the total from 35% in fiscal year 2003 to 58% in fiscal year 2006, and non-local contractor capture varied from year to year around an average of 11%.

**Figure 9. Total Value by Contractor Location and by Year
Medford District, BLM
FY 2003 – FY 2006**



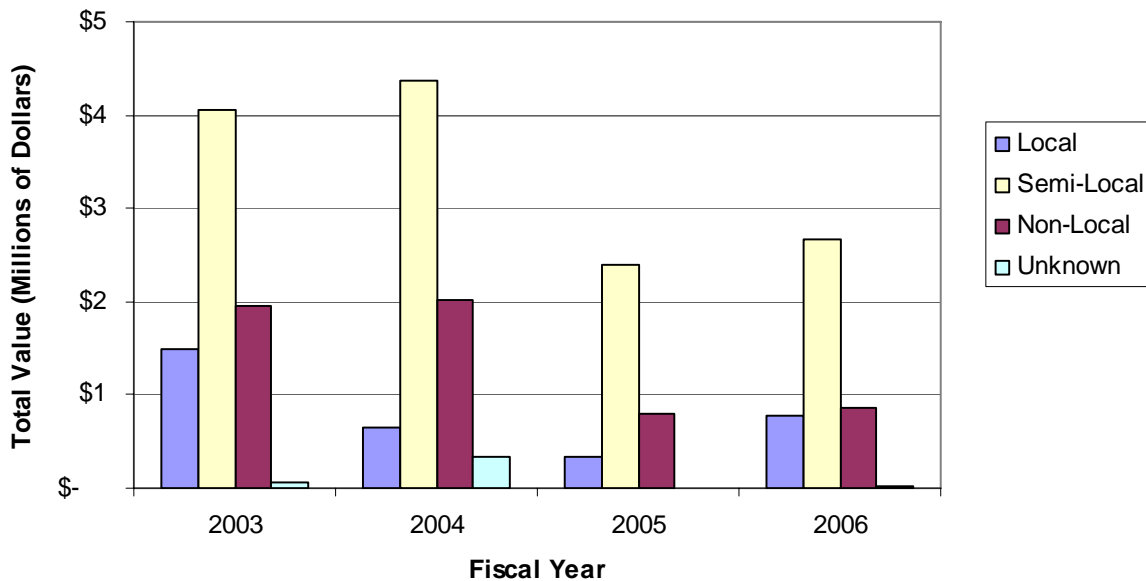
Contract Capture – Rogue River-Siskiyou National Forest

The market for service contracts on the Rogue River-Siskiyou National Forest was much smaller than on the Medford District BLM. Recall that over the entire study period \$22.8 million in service contracts were awarded on the Rogue River-Siskiyou National Forest compared to \$49.3 million on the Medford District BLM (Figure 2). Similar to the Medford District BLM, semi-local contractors captured the highest total service contract value over the study period winning \$13.5 million or 59% of the total. Unlike the Medford District BLM, however, non-local contractors won more contract value than local firms. Non-local firms captured \$5.6 million (25%) and local firms captured \$3.3 million (14%). We were unable to determine addresses for some firms in the data set and those firms account for the remaining 2%.

Over time local contract capture on the Rogue River-Siskiyou National Forest was more variable than on the Medford District BLM, but generally followed a downward trend in both total amount captured per year and the percent of the annual total. In 2003 local firms captured \$1.5

million representing 20% of the contract value offered that year. In 2006, they captured \$0.8 million representing 18% of the total (Figure 10). Non-local contractors also won less total contract value and captured a smaller share from fiscal year 2003 to fiscal year 2006. As on the Medford District BLM, the semi-local contractors captured a greater share over time, winning 53% of the total in fiscal year 2003 and 62% in fiscal year 2006.

**Figure 10. Total Service Contract Value by Contractor Location and by Year
Rogue River-Siskiyou National Forest
FY 2003 – FY 2006**

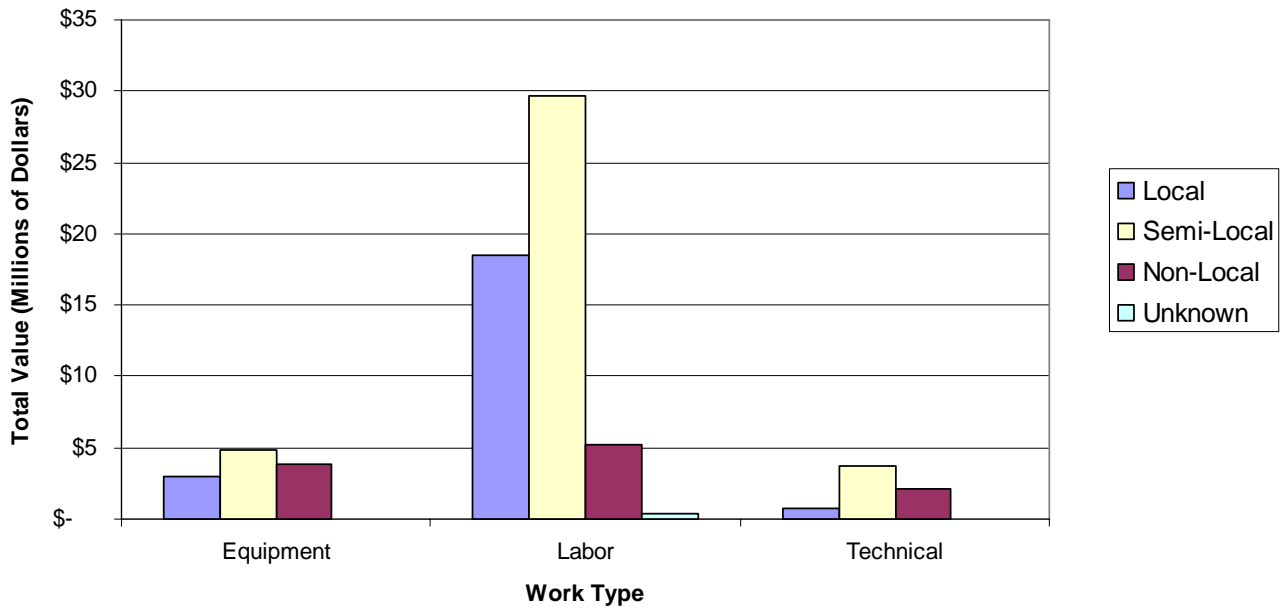


Contract Capture and Work Type

By looking at the types of projects that contractors captured we were able to determine where local contractors were most competitive (Figure 11). In total from fiscal year 2003 to fiscal year 2006, local firms captured \$22.3 million in contract value. Most of this value was for projects in the labor category; local firms captured \$18.5 million for work in the labor category. Local firms captured \$3 million in service contracts in the equipment category and \$0.8 million in the technical category. But the ability of local firms to compete with other firms is indicated by the percent of the total value that they were able to capture in each category. Local firms captured

34% of the total value in labor contracts, 25% of the value in equipment contracts and 12% of the value in technical contracts.

**Figure 11. Total Service Contract Value by Work Type and Contractor Location
Medford District, BLM and Rogue River-Siskiyou National Forest
FY 2003 – FY 2006**



Contract Capture and Work Type on the Medford District-BLM

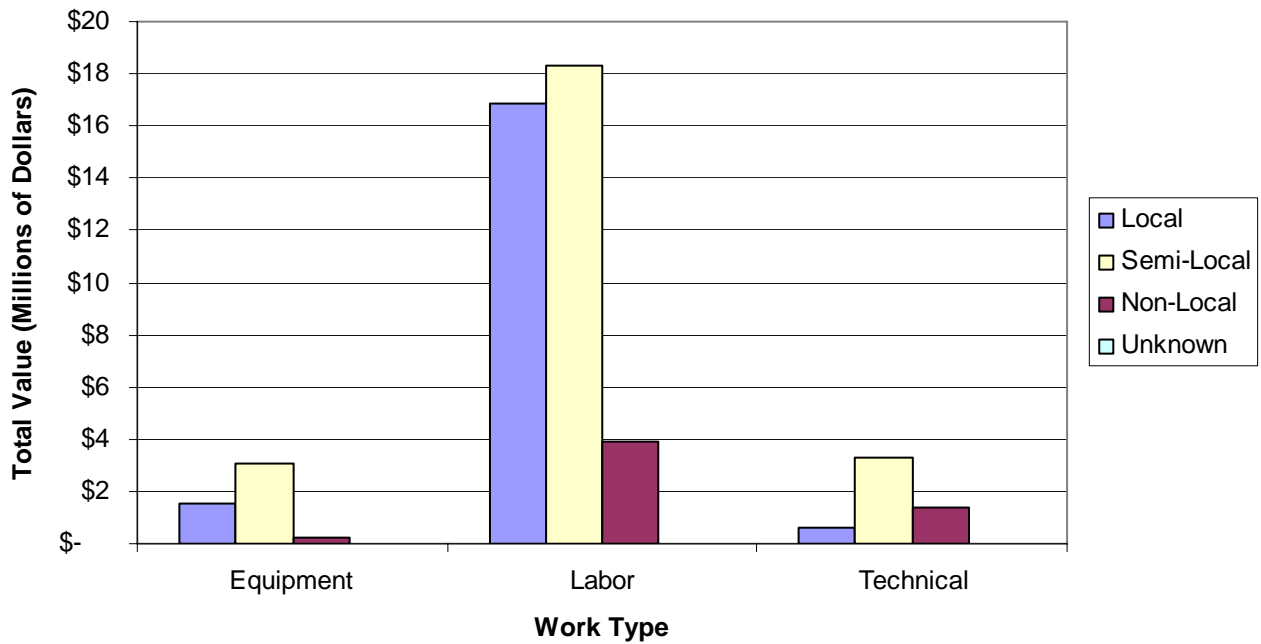
Most of the contract value won by local firms was awarded for projects on the Medford District BLM (see above). Therefore, the distribution of work types on this agency is particularly relevant to understanding the competitiveness of local firms. Over the study period on the Medford District BLM, local firms were most competitive in the labor category. Over the entire study period they captured \$16.8 million representing 43% of the total service contract value in the labor category across the Medford District BLM. Although six local firms completed projects in this category, one firm captured 99.5% of that \$16.8 million.

In the equipment category, locals captured \$1.5 million representing 31% of that category. And in the technical category, local firms captured \$0.6 million representing 12% of the contract value in technical work (Figure 12). The small percent capture by local firms in the technical

category suggests an expansion opportunity if local firms could compete more effectively with semi-local and non-local firms.

Semi-local firms were more competitive than locals and non-locals in each work type. They captured 47% of the labor contract value, 65% of the equipment contract value, and 62% of the technical contract value. These findings combined with the local capture percentages demonstrate a strong regional market for federal service contract work in southern Oregon.

**Figure 12. Contract Capture by Work Type
Medford District, BLM
FY 2003 – FY 2006**



Contract Capture and Work Type on the Rogue River-Siskiyou National Forest

Local contract capture on the Rogue River-Siskiyou National Forest had a smaller local economic impact than on the Medford District BLM for two reasons. First, the data shows from fiscal year 2003 to fiscal year 2006, the Medford District BLM consistently spent more in service contract value by a ratio of about 2 to 1 (Figure 2). Second, local firms captured only 14% of the

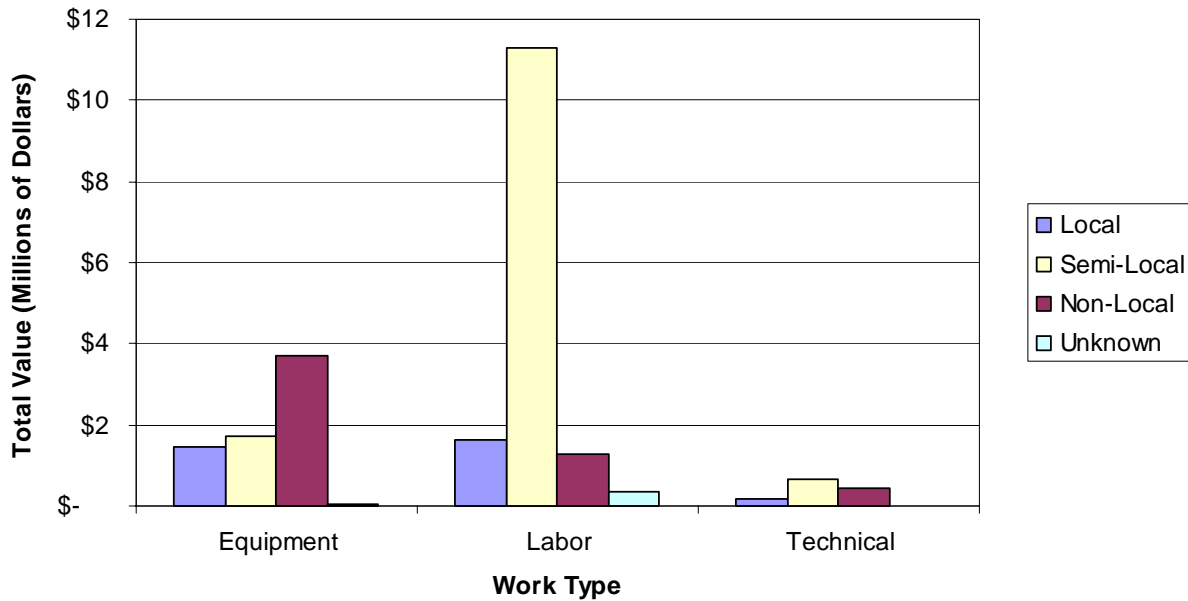
total service contract value on the Rogue River-Siskiyou National Forest compared to 39% on the Medford District BLM.

Local contracting firms captured 21% of the equipment category at \$1.4 million (Figure 13). They captured 11% of the labor category at \$1.6 million and they won 12% of the contract value in the technical category with just over \$158,000. This analysis suggests that the best opportunity for local firms to expand service contract work on the Rogue River-Siskiyou National Forest could be in the labor category. Semi-local contractors captured 78% of the total value in this category at \$11.3 million. It is possible that the local contracting firms are working at their capacity given the availability of work in this category. Or this finding could indicate that the semi-local firms have a competitive advantage for labor projects on the Rogue River-Siskiyou National Forest.

The low percentage of local capture in the technical category suggest an opportunity to expand there, but the relatively small absolute total service contract value in that category makes it a less attractive market to compete in compared to the more lucrative labor and equipment work types.

In the equipment category (mostly road maintenance or construction) non-local contractors captured 53% of the contract value at \$3.7 million. Local contractors captured 21% at \$1.5 million. If local contractors have the capacity to take on more equipment work, this is another area that could provide expansion opportunities.

**Figure 13. Contract Capture by Work Type
Rogue River-Siskiyou National Forest
FY 2003 – FY 2006**



Contract Size

We aggregated individual contracts into size classes to investigate the relationship between contractor type and contract size. Across both federal agencies over the study period, the majority of service contracts were in the size range from \$5,000 to \$24,999. Both semi-local and non-local contractors were most likely to have a contract in this size class (Figure 14). However, the most common size class for local contractors was the largest - those contracts over \$100,000. On the surface, this finding suggests that local firms either pursue larger contracts or are more competitive for these larger projects. But a closer analysis of the contracts in this size class shows that 57 of these 66 contracts were awarded to a single firm, the same firm that captured 83% of the total value of local contract capture. This finding shows that local firms capture a variety of contract sizes with the exception of one firm that won large contracts.

Figure 14. Frequency of Contracts by Size Class
Medford District, BLM and Rogue River-Siskiyou National Forest
FY 2003 – FY 2006



Federal Service Contracting Conclusions

Total Contract Value

From fiscal year 2003 to fiscal year 2006 the Medford District BLM and the Rogue River-Siskiyou National Forest awarded a combined total of \$72.1 million in service contracts for a variety of land management activities. Contractors who won these contracts completed projects ranging from road construction and maintenance to tree thinning and water quality assessments. Despite the fact that the Medford District BLM manages fewer acres than the Rogue River-Siskiyou National Forest, the Medford District BLM awarded the majority of total service contract value (\$49.3 million). The market for service contracts, measured by total annual service contract value, declined over time in both agencies. From fiscal year 2003 to fiscal year 2006 total annual service contract value on the Medford District BLM declined 18%. And, during the same time period, total annual service contracts value on the Rogue River-Siskiyou National Forest fell by 43%.

The shrinking market for service contracts across both the Medford District BLM and the Rogue River-Siskiyou National Forest may increase the level of competition in the region. While some

contractors may continue to do well, others may pursue work on private lands or look for other sources of work. Entrepreneurs seeking to get into federal contracting work may be dissuaded by the current situation. Introducing a new type of contract mechanism (i.e. stewardship contracting) to the local market may be challenging at a time when local firms may be focusing on projects that they are familiar and comfortable with. It is also possible that the opposite will occur: contractors in a tight market may vie for any available work regardless of how the contract is structured.

Trends in Work Type

Both agencies awarded the majority of their service contract value for projects in the labor category. Of the \$72.1 million awarded in service contracts, contractors won \$53.7 million to do projects such as tree thinning, tree planting, noxious weed removal and other manual labor intensive work. By comparison, contractors won \$11.7 for work that required heavy equipment such as road construction and maintenance and \$6.6 million for projects that required specific technical skills, such as botanical surveys and water quality assessments. Just as the total value of service contracts declined over time, the amount of money awarded for labor and equipment projects declined. There was a 20% decrease from fiscal year 2003 to fiscal year 2006 in the labor category and a 68% drop in the amount awarded for projects in the equipment category. Annual contract value in the technical category although relatively small, remained more consistent.

The strong market for projects that fit into the labor category suggests that this is an area where there may be less competition and greater capacity. The declining trend in projects in the equipment category will increase competition and possibly discourage contractors from seeking work on federal lands. Technical projects make up a small portion of the total. It is likely that there are relatively few contractors focused on this market.

Local Contract Capture

For the purposes of this study we defined as those with addresses in Josephine County as local contractors. In total, local firms captured \$22.3 million or 31% of the awarded service contract

value. However, 83% of these contracts were captured by one local firm. Semi-local contractors, defined as those with addresses in adjacent counties captured \$38.2 million, 53% of the total. These findings show that there is a strong regional workforce to accomplish federal land management work. The trend over time, however, shows that local firms are capturing less, both in terms of total absolute value and percent of the total. In fiscal year 2003 local firms captured \$8.2 or 40% of the total awarded; in fiscal year 2006 locals captured \$4.1 million representing just 27%.

The local workforce is most competitive in capturing projects in the labor category, particularly on the Medford District BLM. Of the 18 local firms in the data set, a single firm captured 97% of the service contract value in the labor category and 83% of the total value awarded to all local firms. This firm also captured the majority of the contracts above \$100,000 whereas the other local contractors captured a variety of contract sizes ranging from less than \$5,000 to above \$100,000. Potential areas for local firms to capture greater contract value are in the labor and equipment category on the Rogue River-Siskiyou National Forest and the technical category on the Medford District BLM.

Local contracting firms are most competitive in the labor project category. But, because a single firm captures most of that category, it would be inaccurate to generalize that local contractors are focused on labor projects. Rather, most of the local firms captured a small percentage of the service contract value completing projects that fit into one or more categories. The data does show that local contractors are capturing more projects on the Medford District BLM than the Rogue River-Siskiyou National Forest. This finding suggests that local firms may be more intent on working on the Medford District BLM or they may have a competitive advantage over other contractors.

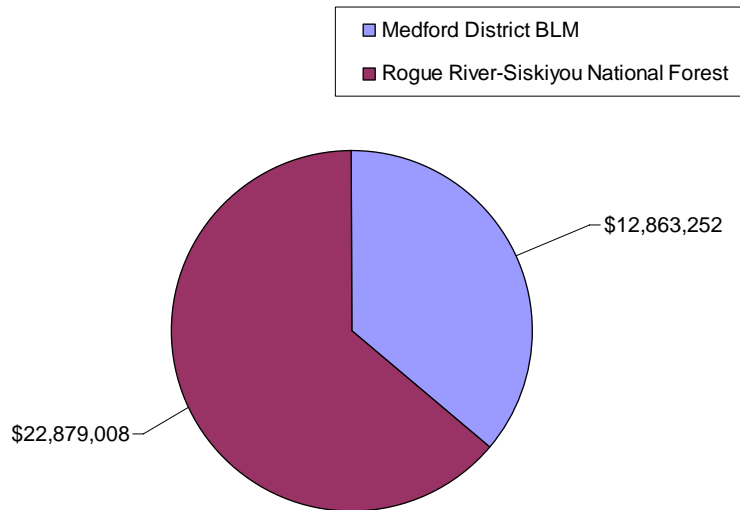
Timber Sale Contracting

Activity in the timber sale market is another indicator of local capacity to engage in stewardship contracting. The following sections describe our findings related to timber sales on both the Medford District BLM and the Rogue River-Siskiyou National Forest. Just as local firms are capturing a significant share of the service contract market, our analysis shows that local purchasers are winning timber sales for both federal agencies. We chose timber sale dollar value to measure trends in timber sales and local participation over time, and to compare activity between the Medford District BLM and the Rogue River-Siskiyou National Forest.

From fiscal year 2003 to fiscal year 2006, the Medford District BLM and the Rogue River-Siskiyou National Forest sold a total of \$35.7 Million in timber sales. In the previous section, our analysis showed that the Medford District awarded a greater amount in land management service contracts than the Rogue River-Siskiyou National Forest by a factor of 2 to 1. The opposite is true with regard to timber sales. The Rogue River-Siskiyou National Forest sold a total of 166,628 Mbf for a total value of \$22.9 Million. The Medford District BLM sold 100,529 Mbf for a total value of \$12.9 Million.

Timber sales increased over time from fiscal year 2003 to fiscal year 2006 (Figure 15). Measured in terms of total annual value, timber sales increased by 89%, from \$6.5 million in fiscal year 2003 to \$12.2 million in fiscal year 2006. The following sections describe trends in timber sales for each agency.

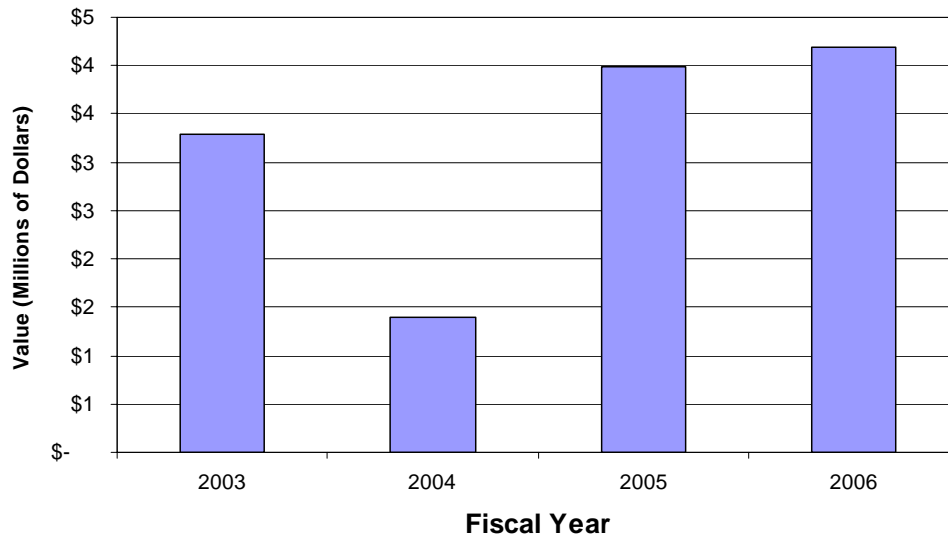
**Figure 15. Total Timber Sale Value
Medford District BLM and Rogue River-Siskiyou National Forest
FY 2003 – FY 2006**



Medford District-BLM

Timber sale activity on the Medford District BLM increased between fiscal year 2003 and fiscal year 2006, but a sharp drop in the 2004 annual total shows that it is not consistent. The average annual total value of timber sales on the Medford District BLM was \$3.2 million. In fiscal year 2004, the total value of timber sales dipped to \$1.4 million, and then increased to \$4.0 million in fiscal year 2005 and a high of \$4.2 million in fiscal year 2006 (Figure 16).

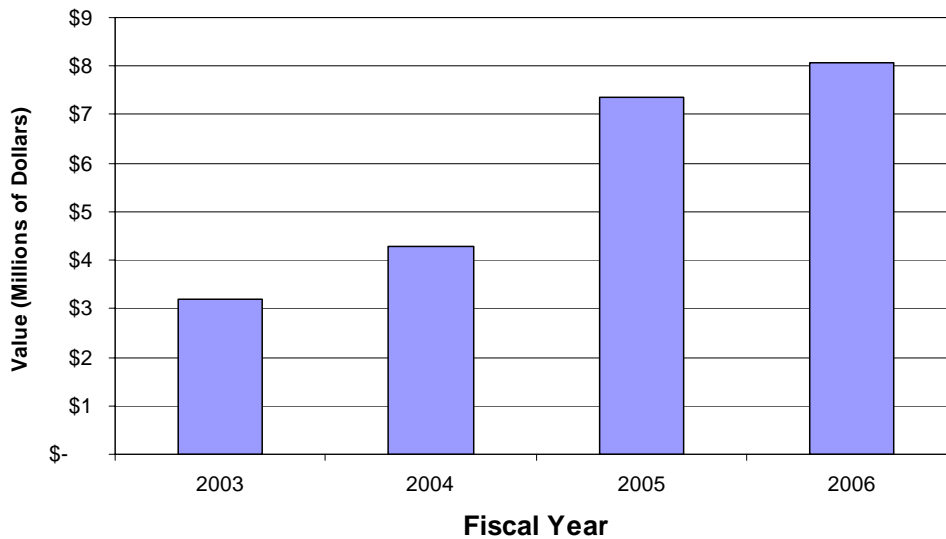
**Figure 16. Timber Sale Value by Fiscal year
Medford District BLM
FY 2003- FY 2006**



Rogue River-Siskiyou National Forest

Most of the increase in the total annual value of timber sales was due to increasing timber sale activity on the Rogue River-Siskiyou National Forest. Annually the Rogue River-Siskiyou National Forest sold \$5.7 million and they sold more each year throughout the study period (Figure 17). In fiscal year 2003, they sold a similar total annual value as the Medford District BLM at \$3.2 million, but by fiscal year 2006 the total annual value of timber sales on the forest climbed to \$8.1 million, a 153% increase.

**Figure 17. Timber Sale Value by Fiscal year
Rogue River-Siskiyou National Forest
FY 2003- FY 2006**



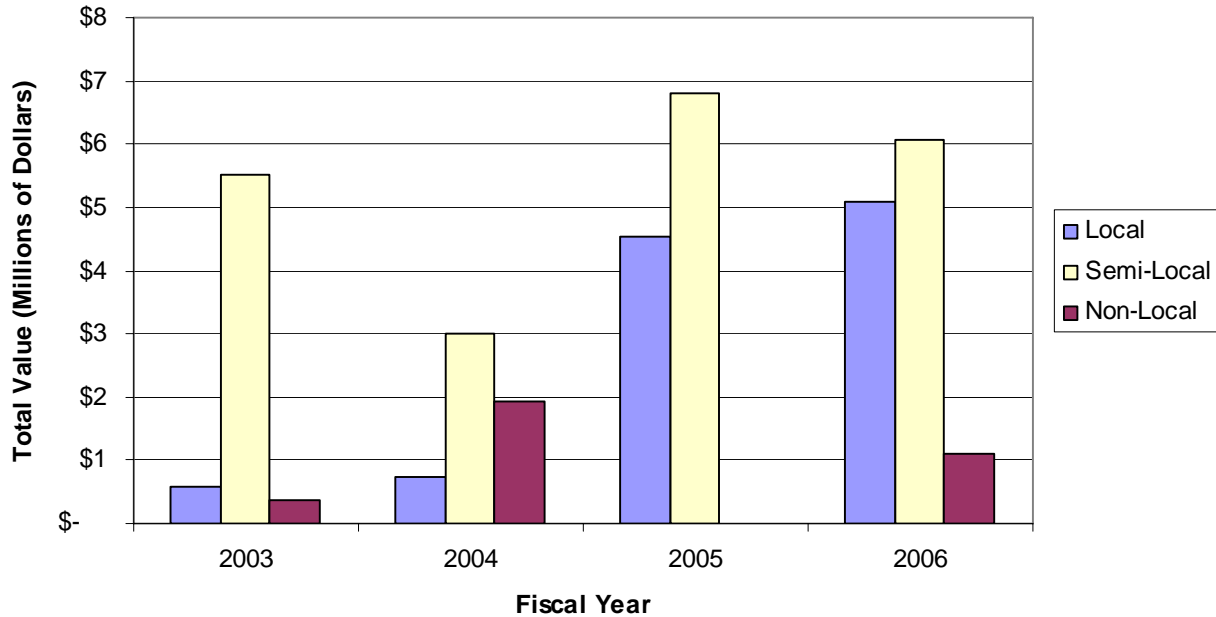
Local Capture

Local firms purchased timber sales on both the Medford District BLM and the Rogue River-Siskiyou National Forest and local purchasers purchased greater value each year. Of the \$35.7 million total sold on both agencies from fiscal year 2003 to fiscal year 2006, local purchasers won sales totaling \$10.9 million, 31% of the total (Figure 18). Semi-local firms won \$21.4 million (60%) and non-local firms won \$3.4 million in sales (10%). There were nine local firms represented in the data set. One firm purchased approximately \$7.3 million in timber sales, 70% of all local purchases.

Local purchases won more timber sales over time. Local purchasers won 31% of the value and each year their percent of the total increased, annually from 9% in fiscal year 2003 to 42% in fiscal year 2006.

The trend in local activity in the timber sale market was the opposite of the situation in land management contracting; local timber purchasers won an increasingly higher percentage of timber sales each year. Similar to the federal service contract market, a single firm dominated local capture. Our study was limited to prime contractors, and does not reveal the extent to which these dominant firms may be subcontracting to local or other firms.

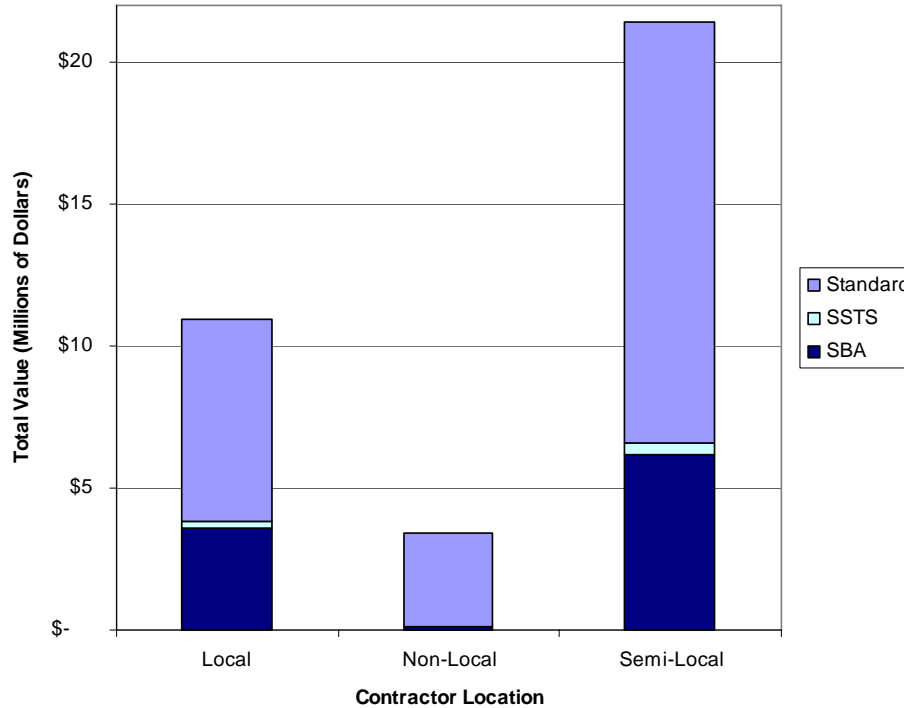
**Figure 18. Total Value by Contractor Location and Fiscal year
Medford District BLM and Rogue River-Siskiyou National Forest
FY 2003 – FY 2006**



Small Business Set Asides

Small Business Area Set Asides (SBA) and Special Salvage Timber Sales (SSTS) are special types of timber sales that federal agencies offer to small businesses. Firms with fewer than 500 employees may bid on SBA sales, but only firms with 25 or fewer employees are eligible for SSTS contracts. These types of sales are important to rural economic development because most rural businesses are smaller than those near urban centers with a more accessible labor pool. \$10.5 million in sales were either SBA or SSTS contracts representing 29% of the total of all sales on both the Medford District BLM and the Rogue River-Siskiyou National Forest (Figure 19). Special sales like these account for 35% of all local purchases. Local firms won four SBA sales totaling \$3.7 million and three SSTS sales totaling approximately \$256,000. Our findings show that small business set asides are an important component of both the local and semi-local capture.

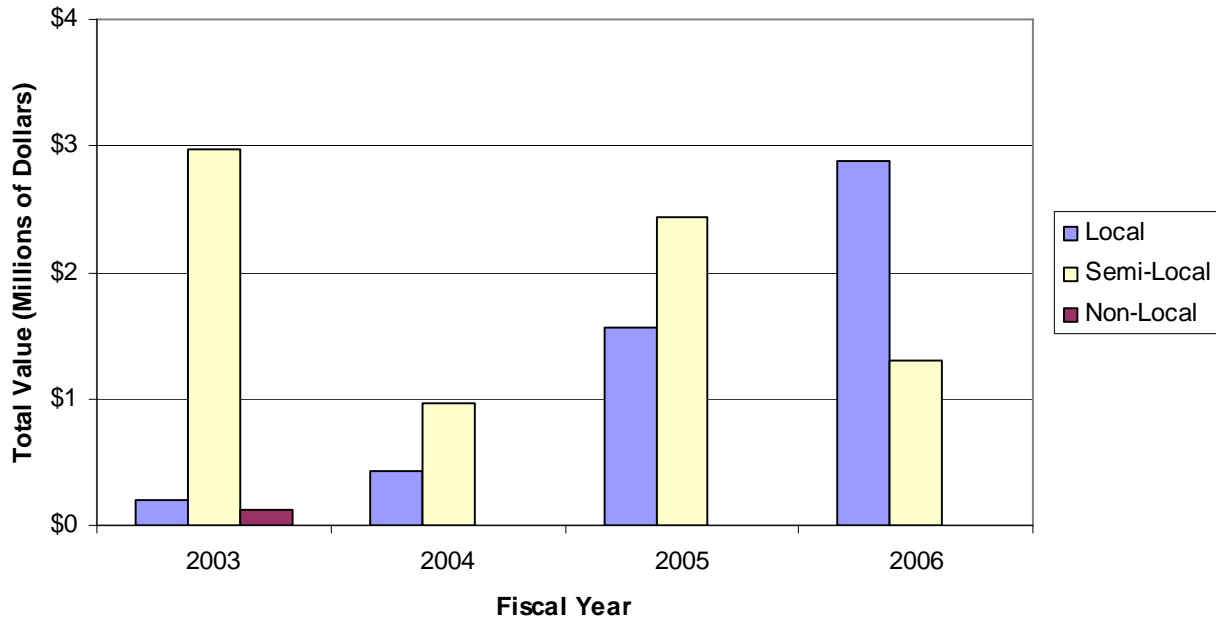
Figure 19. Sale Type by Contractor Location
Medford District BLM and Rogue River Siskiyou National Forest
FY 2003- FY 2006



Medford District BLM

Local firms purchased approximately \$5.0 million in timber sales from the Medford District BLM representing 39% of the total value sold from fiscal year 2003 to fiscal year 2006. Semi-local firms purchased \$7.7 million, 60% of the total, and non-local firms purchased approximately \$118,000, fewer than 1%. Local firms won a greater percentage of timber sale value each year from fiscal year 2003 to fiscal year 2006 (Figure 20). In fiscal year 2003 local firms purchased approximately \$200,000 in timber sales, 6% of the annual total. In fiscal year 2006, they purchased \$2.9 million, 69% of the total value that year.

Figure 20. Total Value by Contractor Location and Year
Medford District BLM
FY 2003 - FY 2006

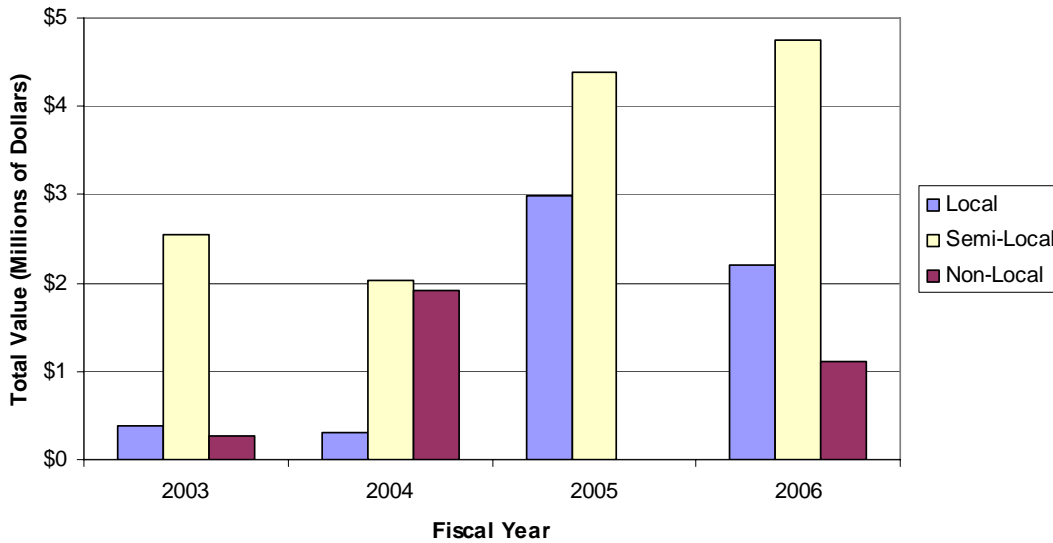


Rogue River-Siskiyou National Forest

On the Rogue River-Siskiyou National Forest local purchasers won \$5.9 million in timber sales, 26% of the total timber sale value sold on the Forest from fiscal year 2003 to fiscal year 2006. Semi-local purchasers won \$13.7 million representing 60% of the total and non-local firms won \$3.3 million, 14% of the total.

Early in the study period, local firms won relatively small percentages of the total annual timber sale value sold by the Rogue River-Siskiyou National Forest. Local purchasers won approximately \$377,000 in timber sales representing 12% of the value sold on the Forest in fiscal year 2003 (Figure 21). In fiscal year 2004 local purchases dropped to approximately \$315,000, just 7% of the annual total. In 2005 and 2006 local purchasers won more total value and a higher portion of the total annual value.

**Figure 21. Total Value by Contractor Location and Year
Rogue River-Siskiyou National Forest
FY 2003- FY 2006**



Timber Sale Summary

Our finding shows that local firms were purchasing timber from both the Medford District BLM and the Rogue River-Siskiyou National Forest. As the total annual value of timber sales increased throughout the study area, local purchasers won greater total value and a greater percentage of the available timber sale value. These findings suggest that the local workforce is capable of responding to increased supply by purchasing more sales. Most of the increase in timber sales was attributed to increases in the total value of timber sales offered by the Rogue River-Siskiyou National Forest. The Rogue River-Siskiyou National Forest sold twice as much timber value as the Medford District. Some local firms won special sales targeted towards small businesses (i.e. Small Business Area set asides and Special Salvage Timber Sales). However, they did not win a disproportionate number of these sales compared to firms from other areas. As with the local workforce engaged in land management service contracting, a single timber purchaser dominated the timber market, winning 70% of the total value sold over the study period.

CHAPTER FOUR: FINDINGS OF CONTRACTOR CAPACITY INTERVIEWS

This chapter describes the findings from 27 interviews conducted with owners and managers of local forest contracting firms and timber purchasers regarding their interests and capacity to engage in federal contracting, and stewardship contracting in particular. These findings may assist local federal land management agencies and the Josephine County Stewardship Group to develop stewardship projects that are better suited to local firms. This information may also assist agencies and their partners in providing education and training opportunities that would enhance the capacity of local contractors to successfully bid on and complete federal contracts.

We conducted interviews in person (or by phone if subjects were otherwise unavailable), following an open-ended style to elicit as candid and detailed information as possible. Questions focused on the following issues related to local contractors (See Appendix B):

- Firm size, work experience, and equipment assets;
- Interest in working on federal land management contracts, especially stewardship contracts;
- Suggestions to make federal land management contracts and stewardship contracts more attractive and accessible to local contractors; and
- Additional workforce and/or training needs.

Characteristics of the Study Population

Firm Size and Work Activities

The 27 forest contracting firms we interviewed varied considerably in size and work experience. Firms ranged from one-person operations to companies employing over one hundred people. The majority of businesses, however, were relatively small, with a median firm size of approximately five. Twenty-two of 27 firms reported having fewer than ten employees.

Collectively, participants engaged in five different work types: labor-intensive, commercial logging, equipment work, technical assessments, and sawmilling. Although some contractors reported that their firms only engaged in a single work type, many contractors indicated that they

have not limit themselves to just one type of work. Table 1 shows the number of contractors who listed experience with various forestry-related activities. The numbers in bold represent the total numbers of contractors who reported having engaged in the associated work type. Contractors

Table 1: Josephine County Contractors Experienced With Specific Work Activities

Work Type	Experienced Contractors (N=27)
Labor-Intensive Work	18
-Brushing/piling	12
-Non-commercial tree removal	12
-Lop and scatter	11
-Prescribed burning	8
-Burned area restoration	6
-Treeplanting	6
-Stream restoration	5
-Habitat restoration	4
-Trail construction/maintenance	4
-Pruning	4
-Chipping	4
-Firefighting	4
-Weed removal	2
-Tree climbing	2
Commercial Timber	12
Equipment Work	8
-Road construction/maintenance	5
-Stumpgrinding	2
Technical Work	4
-Survey/inventory	3
-Writing management plans	1
Sawmilling	3

who mostly conducted labor-intensive fuels reduction (e.g. lop and scatter, brush-piling, non-commercial timber removal, etc.) and commercial timber activities formed the bulk of our sample.

Typical Project Size and Duration

We asked contractors to describe the typical size and duration of their projects. Respondents reported that they work on projects of varying sizes: from half an acre for private land tree pruning projects to several thousand-acre fuels reduction projects. Projects between 50 and 300 acres were most commonly cited. Fourteen of the respondents reported that their projects typically exceeded 100 acres.

Likewise, typical contract durations differed significantly from contractor to contractor, but most projects were relatively short-term. Contractors reported average contract durations that ranged from one day to two years, though eighteen interviewees said that most contracts lasted no more than three months.

Location and Ownership

As discussed in Moseley and Shankle (2001), many contractors in the forest industry travel significant distances to conduct their work. Josephine County contractors in our study were no exception as they have worked throughout much of southwestern Oregon—including Jackson, Curry, Coos, Douglas, and Klamath Counties. Only four contractors reported having worked exclusively in Josephine County. Five contractors said they have worked in northern California, and two have worked as far away as Washington state.

Although 16 of the respondents stated that they worked primarily on industrial or non-industrial private lands, contractors we interviewed also had substantial experience on federal lands. Six contractors reported having conducted the majority of their work on federal lands, and nine others reported having done at least some work on federal lands. Five respondents either did not respond or claimed an even balance between private and public lands work.

Prime Contracting Experience

Experience as a prime contractor is one indicator of business capacity. This is especially true for federal contracts because of the complex administrative and financial requirements of the federal government. Overall, contractors in our sample had a significant amount of primary contracting experience. Twenty-four respondents reported having experience as a prime contractor. Of those, 15 stated that they had been prime contractors on federal lands projects. Local contractors also reported a significant amount of sub-contracting experience. Twenty-three interviewees indicated that they have been sub-contractors on either public or private lands projects.

Equipment, Computers, and the Internet

Equipment

Federal land management contracting often requires an array of equipment to complete the diversity of associated tasks. We asked contractors to describe the types of equipment they most often use in their work. As Table 2 shows, respondents used and had access to a wide variety of contracting equipment. We did not ask contractors whether they owned the equipment listed, and the equipment listed in Table 2 is not a comprehensive list of all the equipment used by contractors in Josephine County. Most contractors also indicated that any potential equipment needs could be satisfied by renting or purchasing that equipment, or by sub-contracting their work.

**Table 2: A Sample of Equipment Used Most Often
by Josephine County Contractors**

Heavy Equipment	Labor and Technical Equipment
Excavators	Handtools
Portable sawmills	Tree climbing gear
Boom trucks	Pole saws
Stumpgrinders	Drip torches
Chippers	Weed eaters
Self-loading trailers	GPS equipment
Water trucks	Chainsaws
Log trucks	Pickup trucks/ATV's
Bulldozers	Water quality instruments
Rubber-tired skidders	
CAT (320's/322's)	
Tractors	
Feller-bunchers	
Brush hogs/Slashbusters	
Helicopters	
Yarding Equipment	

Internet Access and E-mail

Internet access is an essential tool for contractors interested in federal contracting—to find project offerings, download forms, and respond to solicitations. Twenty-six of the contractors we interviewed responded that they have Internet access in their home or office. Of those, however, 14 have dial-up connections that could seriously impede contractors’ abilities to download, view, and send important documents. The remaining 12 respondents reported having high-speed cable or Dedicated Service Line (DSL) connections.

E-mail has become an increasingly important form of communication for federal agencies to announce contract opportunities directly to contractors. Twenty-five of the contractors we interviewed reported that they regularly use e-mail accounts for their business, which indicates capacity to communicate electronically.

Licensing and Bonding

Licensing

Licensing is another important component of business capacity. Although not all licenses are necessary for every contract type, contractors may be required to have specific licenses to perform particular types of work for the federal government. We asked local contractors whether they, or their employees, held any of six different licenses or registrations that may be applicable to federal contracting in the state of Oregon.. These include: a commercial driver’s license (CDL); a State of Oregon Contractor’s license; a Farm and Forest Labor Contractor License (FFL); a Migrant Seasonal Worker Protection Act (MSWPA) license; a license to apply pesticides; and registration with the Central Contractor Registry (CCR). Table 3 shows the types of licenses and the number of respondents who reported having them.

Table 3: Licensing and Registration Held by Josephine County Contractors

	CDL	State of OR	FFL	MSWPA	Pesticides	CCR
Yes	14	18	7	4	1	16
No	13	9	20	23	26	11

Despite the number of contractors who have engaged in labor-intensive work (18), only four contractors were licensed under MSWPA, which is required for all federal labor contracts. In addition, only seven were licensed as Farm and Forest Labor Contractors, which is required for all labor contractors employing more than two employees in the state of Oregon (Bureau of Oregon Labor Industries, 2007). Sixteen were registered with the Central Contracting Registry, which is required for *all* federal contracts. These findings indicate that, though some Josephine County contractors were licensed, many contractors may lack the licensing required for certain federal land management contracts.

Bonding

Federal contracts often require that contractors be bonded to a minimum level, to ensure accountability and protect the interests of the federal government. We asked contractors if they were bonded and, if so, to describe their maximum bonding level. Contractors may be required to

have different types of bonds depending on the type of work they conduct (e.g. payment bonds, performance bonds), however, we did not differentiate between the types of bonds they held.

Twenty-one out of 27 contractors interviewed said that they were bonded or able to be bonded. Their maximum bonding capacities varied significantly—from \$5000 to several million dollars. Six contractors responded that their bonding levels were less than \$10,000, while nine stated they had bonding capacities of \$100,000 or more. Those who engaged in commercial timber removal and equipment work tended to have higher bonding levels than those who engaged in service contracting.

Two interviewees reported difficulty securing bonds due to fewer companies currently offering bonds in the area. They complained that those companies have provided large bonds to only the biggest contracting firms, which has made it more difficult for small firms to successfully bid on federal contracts with large bonding requirements. These findings suggest that current bonding agency structure may favor larger firms, hindering entry to smaller firms wishing to engage in federal contracting.

Contractor Interests and Preferences

Perspectives on Federal Contracting

The market for land management services is complex and we wanted to better understand contractor opinions and interests in pursuing projects on public and private land. Overall, 21 out of 27 contractors responded that they were interested in participating in federal contracts. Despite this interest, however, only six out of 27 contractors reported having conducted the majority of their work on federal lands.

We asked contractors who were either uninterested in working on federal lands or who had done the majority of their work on other land-ownership types to explain their choices. Contractors provided a variety of answers. Several respondents offered that written federal contracts are too long and too complicated, which deters them from pursuing those contracts. Several also noted

that the size and duration of the projects themselves tend to be “too big and too long”. Other responses included:

- Federal contracting has an “unequal playing field”, where others could bid lower by paying their workers considerably less than a livable wage.
- It is hard to profit from federal work.
- There is not enough mechanical work on federal lands.
- There is more work available on private lands than on federal lands.

Many of the contractors’ suggestions for making federal contracting more appealing addressed concerns described above, such as making contracts shorter and less complicated, paying more money per acre to implement service projects, and providing more opportunities to use mechanical equipment. Other suggestions included providing more economic incentives for smaller local contractors, making environmental impact statements (EIS) “more sensible,” and providing more work in the off-season.

Capacity to Respond to Federal Contract Solicitations

The ability to locate and respond to federal contract solicitations are more indicators of a firm’s capacity to engage in federal contracting. Many federal service contracts, including stewardship contracts, are solicited through a request for proposals (RFP) and are posted on the government website (<http://www.fedbizopps.gov>). Twelve contractors also reported having used the site as a source for potential projects. Twenty contractors said they would be interested in learning more about the website and opportunities through an informational workshop in the future.

We asked contractors about their ability to respond to RFP’s. Twelve said they were able to respond to those requests “in-house”, while the remaining 15 said they would need to hire out to respond. These findings indicate that, while numerous firms were capable of locating and responding to contract solicitations, there may be some limitations associated with responding to contract solicitations.

Preferred Contract Size and Duration

As discussed above, matching contractor preferences to potential future federal contracts could draw increased interest from local contractors. We asked contractors the size and length of contracts that they preferred to work on. Contractor responses varied in regards to size and ranged from five acres up to more than a thousand acres. Five contractors said they preferred projects of less than 50 acres, and six said they preferred projects between 50 and 200 acres. Another six responded that they preferred projects of more than 200 acres. The remaining four interviewees did not indicate a preference. Contractors of smaller firms were more likely to balk at projects that would be too big or make them susceptible to financial risk. By contrast, respondents from some larger companies said that larger projects worked to their advantage by allowing them to incorporate inflation, mobilization costs, and capitalizing on the market for products.

Contractors also responded with a wide range of preferred project durations. Ten firms, mostly smaller in size, said that they favored contracts shorter than six months. In contrast, 11 contractors responded that they preferred multiple year contracts. Nine contractors responded expressly, “The longer, the better.” On average, larger firms tended to favor longer contracts.

Stewardship Contracting

Experience

We asked contractors about their experience, interests, and preferences for conducting stewardship contracts to better understand their capacity for engaging in such work. Overall, contractors were relatively unfamiliar but highly interested in stewardship contracting. Five interviewees indicated that they had been involved in stewardship contracts, however only one of the projects referenced by the respondents was confirmed as a federally-designated stewardship contract. This suggests that there is a lack of clarity among many local contractors about the differences between stewardship contracting and other stewardship-oriented projects.

None of the contractors had ever been a prime contractor on a stewardship contract, though three said that they had examined recently offered contracts in the local area. One contractor attributed

his knowledge of stewardship contracts to his past experience in writing them as a federal agency employee.

Preferences

We asked contractors to describe their ideal stewardship contract, however, many of those interviewed said they did not know enough about them to comment. Those who did attempt to describe their ideal stewardship contract gave characteristics that tended to match their preferences for federal contracts in general. Some of those more familiar with stewardship contracting expressed a desire for local, profitable projects for which they receive clear and consistent directions. Some also indicated that they wanted smaller, short-term projects so that no one “gets in over their head” financially. Others, primarily larger firms, indicated a preference for bigger, longer-term contracts.

Stewardship contracting projects often involve several different work activities in the same contract. The interest and ability to carry out multiple work types, and occasionally the need to partner with contractors conducting different types of activities, are important factors in assessing a firm’s capacity to undertake stewardship contracting. Seventeen out of 23 respondents indicated that they preferred contracts with multiple work types to contracts with a single activity. Four did not indicate a preference. Contractors with smaller crew sizes tended to favor projects with multiple activities.

Twenty-six out of 27 contractors said that they would be interested in working with other contractors on future projects. Contractors cited a number of advantages to working with others:

- Doing work that an individual contractor could not accomplish alone;
- Consolidating equipment, resources, and skills;
- Obtaining more jobs for local employees; and
- Making the work more enjoyable; and working more efficiently.

Some respondents expressed concerns about relying on the reputation of others, conflict about the quality of others’ work, and conflicts of insurance and responsibilities.

Learning Opportunities

We asked contractors about their interest in learning more about stewardship contracts. Twenty-five respondents said they would attend a one-day workshop on stewardship contracting if it was held locally. Interviewees were interested in learning about many aspects of stewardship contracting including:

- Basics of stewardship contracting
- Types and number of projects next season?
- How to get involved?
- How to make money?
- Networking
- Financing
- Bidding from the agency's perspective
- Hazards and pitfalls
- Successful examples of stewardship contracting
- Types of work involved

Overall, the respondents expressed significant interest but limited familiarity with stewardship contracting. This suggests a significant need for education and training to help contractors familiarize themselves with approach to land management contracting.

Woody Biomass Processing and Delivery

Woody biomass utilization may play a key role in reducing the cost of conducting land management activities (including wildfire hazard reduction) by generating revenue from products that previously held little or no commercial value. To determine the potential for biomass processing and removal in Josephine County, it is important to know what kind of experience, equipment, and interest contractors have in completing the work.

Thirteen contractors reported having sold woody biomass or other small-diameter wood products in the past. These products included landscaping chips, firewood, hog fuel, pulp wood, and poles. Twenty contractors said that they would be interested in providing biomass if there were markets and a profit to be made. Several of those interviewed reported owning or having access to chippers or dump trucks. Two contractors estimated that the cost to process and deliver chips

ranges from \$20 to \$40 per green ton delivered locally. Others could not estimate the cost, but suggested that it would be prohibitive under most circumstances.

Respondents also provided a variety of suggestions on how to make woody biomass more viable. These included providing subsidies for transportation, funding research for creative uses (such as making lumber out of manzanita and madrone), continued support for consortiums addressing biomass markets, building more biomass plants, subsidizing the processing and delivery costs with commercial timber, and ensuring transparency in the project development process to prevent potential appeals and litigation. Two contractors also mentioned the need for a new type of chipping equipment that can navigate narrow logging roads. Finally, one contractor mentioned the need to find common ground on forest restoration projects to ensure an adequate supply of material and to promote both investor and contractor confidence.

Additional Workforce and Training Needs

We asked contractors to list any additional significant workforce or training needs they had for the upcoming season. Many contractors noted that skilled and reliable labor was in short supply—that many experienced workers were nearing retirement age and it was difficult to find replacements. Other needs contractors mentioned included:

- Assistance using computer programs and accessing the Internet, particularly for viewing or bidding on contracts
- Assistance with responses to certain forms of contract solicitations, including RFP's
- Education about stewardship contracting processes and activities
- Information on how to access markets for small-diameter material
- Information on how to secure appropriate licenses and bonding
- Fire training for crews
- Information on how to access capital for new equipment
- Training on tree climbing safety

CHAPTER FIVE: RECOMMENDATIONS

This assessment is intended to help the Josephine County Stewardship Group make informed choices about the use of stewardship contracting for local benefit and forest restoration. Stewardship contracting draws on contractors and firms from the more general land management contracting market. Although, we studied the composition and trends of this larger market to better understand stewardship contracting, our analysis of federal land management contracting suggests several actions that could help strengthen the local forestry contracting sector. We provide recommendations that apply to general federal contracting efforts and more specific suggestions as to how federal stewardship contracting could benefit Josephine County contractors.

Federal Land Management Contracting:

1.1. Offer equipment-intensive and labor-intensive contracts from the Rogue River-Siskiyou National Forest sized to the capacity of local firms.

Our analysis revealed limited local capture on equipment-intensive and labor-intensive contracts on the Rogue River-Siskiyou National Forest. During our interviews, we found several small- to medium-sized local firms that had demonstrated capacity for equipment-intensive and labor-intensive contracts on federal land. Many of these firms expressed interest in more federal contract work. If the Forest Service offered contracts that better aligned with the work experience and capacity of small- to medium-sized local firms, it would be possible to increase local economic benefit.

1.2. Offer technical contracts from Medford BLM sized to the capacity of local firms

Our analysis revealed that local firms were awarded relatively few technical contracts from the Medford BLM. During our interviews, we found a few small local firms that specialized in technical contracts and expressed interest in more federal contract work. It may be possible to increase local economic benefit by providing more technical contracts scaled to the capacity of local firms.

1.3. Partner with local organizations (and use local resources) to build the skills of the local contracting workforce

Many of the contracting firms we interviewed expressed a need for business development services to help them grow their business. The Josephine County Stewardship Group and partner agencies could work with community college and other work-training resources to assist local contractors with skills (i.e. computer skills, contract writing, and licensing) that would increase their competitiveness in bidding on federal contracts.

1.4. Simplify contracts to increase the ability of local contractors to successfully bid

Many respondents cited the complexity of federal contracting as a key barrier to participation in federal land management contracts. The federal agencies could explore ways to simplify contracts. At the local level, agency staff could help ensure that local contractors understand contract offerings and have access to the resources to submit a competitive offer.

Stewardship Contracting

2.1. Provide outreach and training opportunities to educate local contractors about stewardship contracting

The results from our interviews revealed a significant lack of knowledge and understanding about federal stewardship contracting. If local contractors are going to submit competitive proposals for stewardship contracting, they need to understand how the authorities work and what the agencies expect in a successful offer. The Rogue River-Siskiyou National Forest, the Medford BLM, and their community partners, could help local contractors learn more about stewardship contracting through workshops, field tours, and informational meetings.

2.2. Engage contractors in constructive dialogue about structuring federal stewardship contracts for local economic benefit.

Trainings and field tours could help contractors and purchasers understand the basics of stewardship contracting but that may not be sufficient. The federal agencies should initiate a dialogue with local contractors to identify the appropriate dollar volume, contract length, mix of work types, and bonding levels that would be most appealing to local contractors. In addition, conversations with contractors should be used as an opportunity to address any

concerns they might have and to gather suggestions about improving stewardship contracting.

2.3. Provide a variety of stewardship contracts scaled to the size and capacity of the local workforce.

Josephine County has many small and medium-sized contracting firms and a few large contracting firms. The suite of stewardship contracts offered should match the capacity of the local workforce. Although it may be more efficient for the federal land management agencies to develop fewer larger contracts, it is clear that large contracts would be beyond the capacity of all but a few contractors and purchasers in Josephine County.

2.4. Evaluate “local benefit” when determining the best value to the government.

Our analysis of federal land management contracting shows southwestern Oregon contains a large and competitive regional contracting workforce; semi-local contractors were awarded 53% of the total contract value offered by the two agencies. Stewardship contracting allows the federal land management agencies to evaluate proposals based upon their impact to the local economy and the use of local labor. The effective use of the local benefit criteria in best value contracting would help build the capacity of Josephine County firms to engage in stewardship contracting as well as provide increased local economic returns.

2.5. Limit bonding requirements to encourage interest and reduce risk to smaller local contractors

We found that although some local companies were able to secure performance bonding above \$100,000, many could not secure bonding over \$10,000. Federal agencies should take advantage of recent flexible bonding regulations to have the government share a larger portion of the risk and seek ways of packaging projects to require lower bonds.

2.6. Consider creative and integrated approaches to providing a steady stable supply of woody biomass.

Respondents expressed considerable interest in providing processed woody biomass to area manufacturers, if it were economically viable. Stewardship contracts could help by providing consistent supply of biomass and by supporting some of the costs of removing biomass with the sale of restoration byproducts.

2.7. Track economic impacts of stewardship contracting

Project-level monitoring can help to identify the socio-economic impacts of federal contracting. Given the significant time and resources being invested in developing federal stewardship projects, it is important to gauge the economic benefit of those contracts to the local community.

APPENDICES

Appendix A. Product and Service Code (PSC) List by Work Type

Work Type	Service Code	Product or Service Description
Equipment	F001	AERIAL FERTILIZATION - SPRAYING
	F002	AERIAL SEEDING SERVICES
	F007	RANGE SEEDING - GROUND EQ
	Y222	CONSTRUCT/HIGHWAYS-RDS-STIS-BRDGS-RA
	Y223	CONSTRUCT/TUNNEL AND SUBSURF STRUCT
	Y291	CONSTRUCT/REC NON-BLDG STRUCTS
	Z219	MAINT-REP-ALT/OTHER CONSV STRUCTURE
	Z222	MAINT-REP-ALT/HWYS-RDS-STIS-BRDGS-RA
Labor	Z223	MAINT-REP-ALT/TUNNELS-SUBSURF STRUC
	F005	FOREST TREE PLANTING SERVICES
	F006	LAND TREATMENT PRACTICES
	F008	RECREATION SITE MAINT/NON-CONSTR
	F009	SEED COLLECTION/PRODUCTION SERVICES
	F010	SEEDLING PRODUCTION-TRANSPLANTING
	F012	SURVEY LINE CLEARING SERVICES
	F013	TREE BREEDING
	F014	TREE THINNING SERVICES
	F016	WILDHORSE/BURRO CONTROL SERVICES
	F018	OTHER RANGE-FOREST IMPROV/NON-CONST
	F019	OTHER WILDLIFE MANAGEMENT SERVICES
	F020	FISHERIES RES MGMT
	F021	SITE PREPARATION
	F022	FISH HATCHERY SERVICES
	F105	PESTICIDES SUPPORT SERVICES
	G003	RECREATIONAL SERVICES
	S207	INSECT AND RODENT CONTROL SERVICES
	S208	LANDSCAPING/GROUNDSKEEPING SERVICES
	Z300	MAINT, REP-ALT/RESTORATION
Technical	AA11	R&D-INSECT & DIS CONT-B RES
	AH92	R&D-OTHER ENVIRONMENT-A RES/EXPL DE
	AJ52	R&D-LIFE SCIENCES-A RES/EXPL DEV
	AP21	LAND (BASIC)
	AP22	LAND (APPLIED/EXPLORATORY)
	AP91	OTHER NATURAL RESOURCES (BASIC)
	AV12	R&D-SUBSURFACE MINING EQ-A RES/EXPL
	AZLL	RANDD-OTHER R AND D-B RES
	B502	AIR QUALITY ANALYSES
	B503	STUDY/ARCHEOLOGICAL-PALEONTOLOGICAL
	B504	STUDY/CHEMICAL-BIOLOGICAL
	B506	STUDY/DATA - OTHER THAN SCIENTIFIC
	B509	STUDY/ENDANGERED SPECIES-PLANT/ANIM
	B510	STUDY/ENVIRONMENTAL ASSESSMENTS
	B513	STUDY/FEASIBILITY-NONCONSTRUCT
	B516	ANIMAL AND FISHERIES STUDIES
	B517	GEOLOGICAL STUDIES
	B519	GEOTECHNICAL STUDIES
	B520	GRAZING/RANGE STUDIES
	B521	HISTORICAL STUDIES
	B525	NATURAL RESOURCE STUDIES
	B527	RECREATION STUDIES
	B529	SCIENTIFIC DATA STUDIES
	B532	SOIL STUDIES
	B533	WATER QUALITY STUDIES
	B534	WILDLIFE STUDIES
	B599	OTHER SPECIAL STUDIES AND ANALYSES
	F099	OTHER NAT RES MGMT & CONSERV
	F104	IND INVEST SURV/TCH SUP
	F999	OTHER ENVIR SVC/STUD/SUP
R404	PROF SVCS/LAND SURVEYS - CADASTRAL	

Appendix B. Contractor Interview Questionnaire

Hi, my name is _____ and I am a member of the Josephine County Stewardship Group and have volunteered to conduct this interview. The Stewardship Group formed out of the Josephine County Integrated Fire Plan (JCIFP) to address implementation of the Plan. We are interested in understanding and increasing the capacity of local firms to carry out stewardship contracting within the County. Typically, the majority of federal contracts are awarded to non-local firms. Your input will help us figure out how to help local firms capture more federal contracts.

As part of this project, we're interviewing forestry contracting businesses in the county to learn more about the kind of experience and interest that they have doing work related to stewardship contracting on public and private lands. The interview should take approximately thirty minutes.

- 1.) Please describe the type of work you have done **in the last three years**. (Use table below)
- 2.) Please describe the kinds of work you would be interested in doing **in the future**? (Use table below)
- 3.) What kinds of forest ownerships have you worked on? (Please indicate the percentage of total work you have done in the following areas):

_____ Federal lands

____ Forest Service

____ BLM

_____ Industrial Private Forest Land

_____ Non-industrial Private Forest Land (including residential and woodlot)

- 4.) Why do you do the majority of your work on _____ lands as opposed to other lands?

TYPE OF OPERATION	In the PAST 3 years I have bid as a primary contractor for this work	In the PAST 3 years I have performed this work as a subcontractor or employee	I would perform or bid on this work in the FUTURE.
Commercial Timber Sales			
Non-commercial Tree Removal			
-Fuels Reductions			
-Prescribed Burning			
-Lopping & Scattering			
-Brushing & Piling			
-Mastication			
-Chipping			
-Pruning			
Burned Area Restoration			
Tree Planting			
Seedling Protection			
Wildlife Habitat Improvement (bat habitat, woody debris, etc.)			
Stream/River Restoration (rip-rap, in-stream structures, etc.)			
Noxious Weed Removal			
-Surveying/Inventory			
-Archeological/Cultural			
-Biological (birds, amphibians, snails, etc.)			
-Botanical (stand exams, understory, etc.)			
Road Construction/Decommissioning			
Road Maintenance			
Trail Construction/Maintenance			
Other (Describe)			

5.) What geographic area (county, region, etc.) do you generally work in?

6.) Do you have experience or interest in being a *prime* contractor?

Yes_____ No_____

7.) Do you have experience or interest in being a *sub*-contractor?

Yes_____ No_____

8.) Generally speaking, how big are your projects and how long do they last?

9.) Have you ever been a primary contractor for a federal agency? (Look to #6 first)

Yes_____ No_____

10.) Do you want to continue to participate in federal contracts?

Yes_____ No_____

11.) (If answer to #10 is no), what would need to change to make you interested?

12.) What equipment do you use most often in your business?

13.) Any significant equipment needs that would enable you to get more work?

14.) Do you have access to that equipment? Please elaborate.

Yes_____ No_____

15.) Do you have a computer in your home or office with internet connection?

Yes_____ Dial-up or High-speed Cable/DSL No_____

16.) Do you have an e-mail account that you use?

Yes_____ No_____

17.) Do your employees have commercial drivers' licenses?

Yes_____ No_____ N/A_____

18.) Are you a licensed contractor with the State of Oregon?

Yes_____ No_____ N/A_____

19.) Are you or your company licensed as a Farm Labor Contractor with Forestry Endorsement?

Yes_____ No_____ N/A_____

20.) Are you or your company licensed under the Migrant and Seasonal Worker Protection Act (MSWPA)?

Yes_____ No_____ N/A_____

21.) Are you or your company licensed to operate and apply pesticides?

Yes_____ No_____ N/A_____

22.) Are you or your company registered in the Central Contractor Registration (www.CCR.gov) required for all federal contractors?

Yes_____ No_____ N/A_____

23.) Please provide an estimate of your maximum bonding capacity for securing contracts.

\$_____ Not bonded_____

24.) What duration of contract is most appealing to you (# of weeks/months/years)?

25.) What size of contracts do you prefer (i.e. \$ amount, # acres, etc.)?

26.) Do you prefer contracts that have single or multiple work types (i.e. thinning, roadwork, planting, etc.)?

27.) The size of your crew can be an important factor in determining the scale of projects that you will be willing and able to work on:

What is the average number of workers on your typical crew? _____

What is the largest crew you would feel comfortable employing on a single job? _____

28.) Do you have any experience with federal invitations for bid, requests for quotes (RFQ's), requests for proposals (RFP's), or negotiated contracts? If yes, which of these do you have experience with?

29.) How comfortable are you with responding to RFP's? Do you do it in-house or do you need to hire out to do them?

30.) Do you use the FedBizOpps website (www.fedbizopps.gov) to find contracts to bid on?

Yes_____ No_____

31.) Would you like to learn more about contracting on FedBizOpps?

Yes_____ No_____

32.) Have you ever bid on or been involved in a stewardship contract? If so, with which agency and which project? (If no, skip next question)

33.) If you have bid on a stewardship contract, or have been awarded one, would you do it again? Why or why not?

34.) Do you feel like you need to learn to more about stewardship contracting objectives and mechanisms?

Yes_____ No_____

35.) Would you be interested in attending a one-day workshop to learn more about stewardship contracting?

Yes_____ No_____

36.) Is there something specific you would like to see offered for training purposes related to stewardship contracting?

37.) Are you interested in working with other contractors on projects? Why or why not?

Yes_____ No_____

38.) Please describe your ideal stewardship contracting project (duration, type of work/equipment needed, location, price, etc.):

39.) Any other ways that stewardship contracting could be improved to better suit your business?

The Josephine County Stewardship Group defines woody biomass as: all vegetation grown in a forest or woodland that is the byproduct of management, restoration, or hazardous fuels reduction treatments. Woody biomass is material that is sub-merchantable for conventional commercial timber products.

40.) Have you ever sold, or are you currently selling any woody biomass? If so, to whom and in what form?

41.) If so, how much do you estimate that it would cost you to process and deliver woody biomass?

- 42.) Are you interested in providing woody biomass to area manufacturers/markets through cutting, chipping and hauling? Why or why not? (Interviewer: Please provide information about the types of chips that area manufacturers are willing to accept.)
- 43.) Do you have suggestions as to how local, state, or federal partners could make woody biomass utilization more viable?
- 44.) Do you have any particular training needs for the current or upcoming season, or for work you would like to do in the future?
- 45.) Do you have any other needs or challenges that your business could use help with?
- 46.) Is there anything else you would like to add?

Thank you for taking the time to help us gain insight on local contractor trends. The next step in our process to find out from various land managers about expected future work in Josephine County. After we finish all the interviews, we will be compiling the information into a summary report. If you'd like a copy of the report, we can mail or e-mail you the results. Thanks again for your time. If you have any questions or additional comments, please contact Marcus Kauffman with Resource Innovations/University of Oregon at: (541) 346-0661.

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UNIVERSITY OFFICE:

130 HENDRICKS HALL
5247 UNIVERSITY OF OREGON
EUGENE, OR 97403-5247
P: 541.346.0687
F: 541.346.2040

OFF-CAMPUS OFFICE:

PO BOX 51182
EUGENE, OR 97405
P: 541.744.7072

<http://ri.uoregon.edu>