

Liro Conference

SMART LOGGING IN TOUGH TIMES

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RESEARCH TO LEAP AHEAD

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Precis

In the early days of radiata pine harvesting in the 1960s and 1970s, New Zealand forestry companies established their own harvesting infrastructures equipped and manned from their own resources. These were largely inefficient, costly and unionised.

The 1980s saw a switch to contracting out harvesting and transport services to a large number of smaller owner-operators who employed their own labour. Piece-rate payment systems brought about a dramatic lift in productivity and the resultant fragmentation of the workforce effectively overcame the union influence. This phase has operated, up until the recent past, reasonably well, but over time, needs and styles have changed, forcing some fundamental reviews to now be underway.

Needs

The proliferation of log grades, customer and quality demands, as well as rising log values, consequent to the removal of export constraints; created a need for a much more sophisticated system to be involved. No longer was it a production/cost mentality which led to the optimum outcome in value realisation. In fact, the reverse was becoming true — “over focus” on production was leading to huge value losses in a range of areas from order matching with stands through log making, waste recovery, and inventory management.

Styles

As succeeding generations of forestry managers moved through the system, some of the fundamental drivers of the changes from large company-owned crews and rigs to smaller contracted services, were lost sight of. This included hard lessons such as that relating to the organised labour movement. This threat is ever present, and will make a resurgence if and when the climate is right. Additionally, payment by piece rates at \$/tonne or \$/m³ gave a cost focus to management which tempted putting downward pressure on prices when times were tough. A 10¢/m³ reduction in logging costs was a visible “improvement”. However, a \$10/m³ reduction in value recovery which may have resulted was invisible and therefore ignored. Additionally, contractors were coming under increasing quality and value recovery pressure but receiving scant financial rewards for good performance in these key aspects. It was also easy to lay contractors off in times of demand downturn. These things together, led to a deterioration in relationships between forestry companies and contractors which was a source of significant lost value potential for both parties. It has brought about widespread changes to the way in which forestry companies employ contractors, and the contracting operations themselves are changing dramatically.

This brings me to the two key themes of this address

**Value Realisation, and
Relationships**

In my address I will make linkages between value recovery and the wider relationships between the players in this equation. I will show how R&D can and does play a role in bringing together

holistic solutions to this equation; and how it can and should be further utilised to get behind some of the obstacles that stand in the way.

In particular, three areas will be covered:

Timber Tech

I will explain briefly the Timber Tech system and show how it provides part of a holistic solution to the forest-to-mill link in the value chain.

I will mention other aspects of this link not covered by Timber Tech, but where technology has developed answers to some stage or another which need to be refined and built into the system.

Relationships

I will argue that shareholders' value and relationships with four or five selected groups of key financial interaction points are, in fact, one and the same thing, and

I will bring some discussion to bear in support of this hypothesis.

R&D

I will suggest areas where R&D can assist, both within and outside of its traditional fields of activity.

