

New Zealand Forestry Contractors Business Review

March 2019

TOI-OHOMAI

Institute of Technology

In Collaboration with



**FOREST INDUSTRY
CONTRACTORS
ASSOCIATION**

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New Zealand Forestry Contractors Business Review



Key Findings

- Overall job satisfaction – High
- 12-month business outlook – Mixed
- Concerns over staff-loss risk – Increased
- Concerns over uncontrollable costs – Increased
- Specialist rather than generalist skills preferred – Harvesting contractors
- Multi-skilled operators favoured – Silviculture contractors

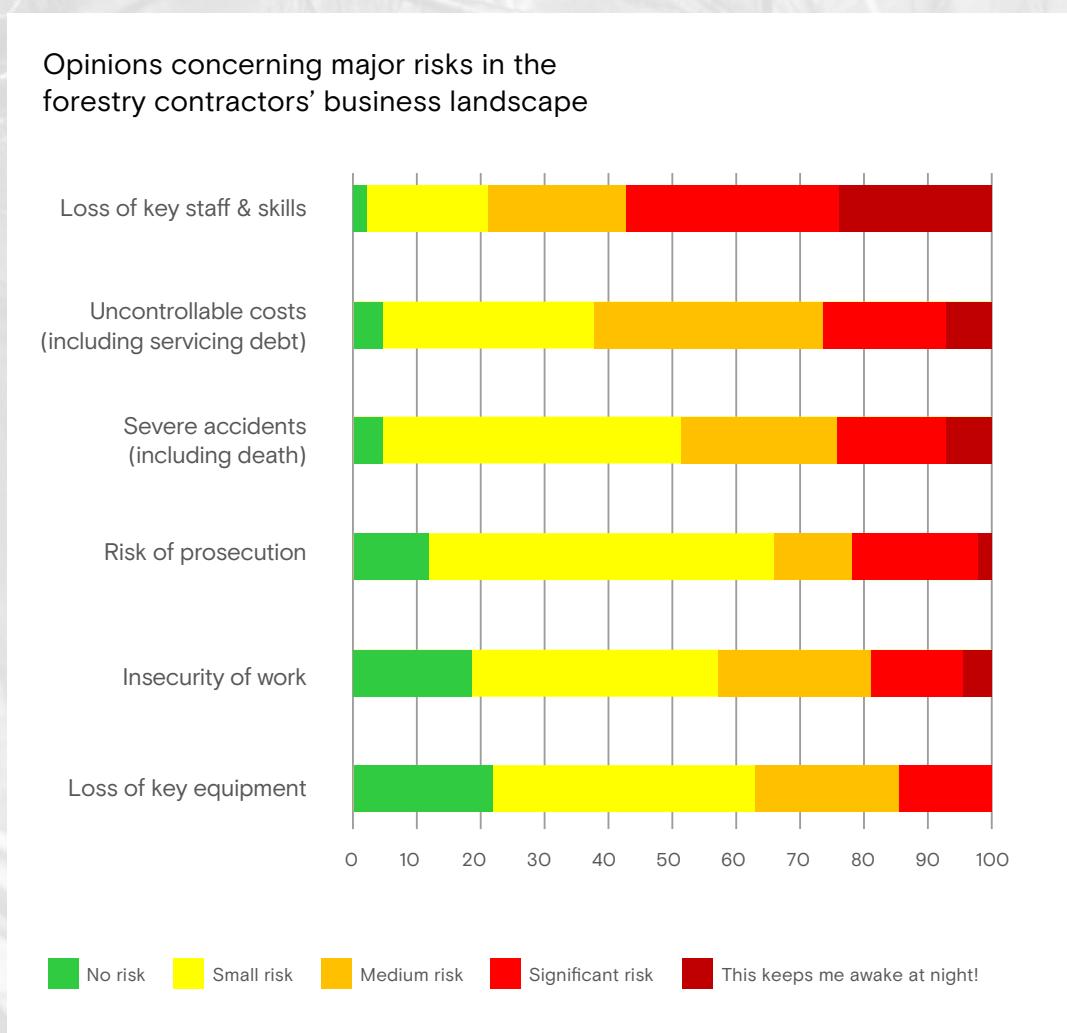
Summary

This review represents the views of more than 115 contractor crews from all regions in New Zealand. Of these, 24 per cent state the risk of losing key staff is keeping them awake at night. This is up 17 per cent, compared to six months ago. Sixty per cent of contractors leaned towards specialised skills as opposed to multi-tasking abilities in their crews. Silvicultural contractors generally favour multi-skilled operators.

The East Coast, Hawkes Bay and Lower North Island are regions that experienced the highest growth in business over the past 12 months and also foresee strong future growth. Contractors in the Bay of Plenty, Taranaki, Waikato and Otago expect a more challenging business landscape over the next 12 months. Employment growth is still slow with few new people entering the sector. This is despite the overall high level of job satisfaction among contractor crews and the incentive of good wages.

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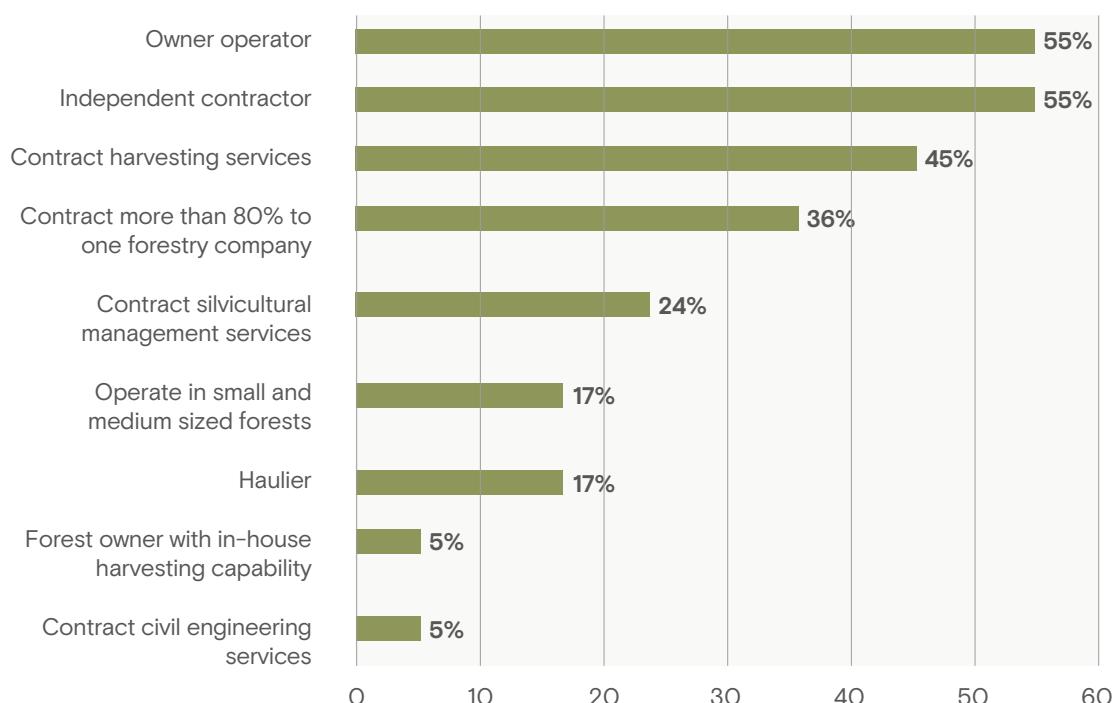
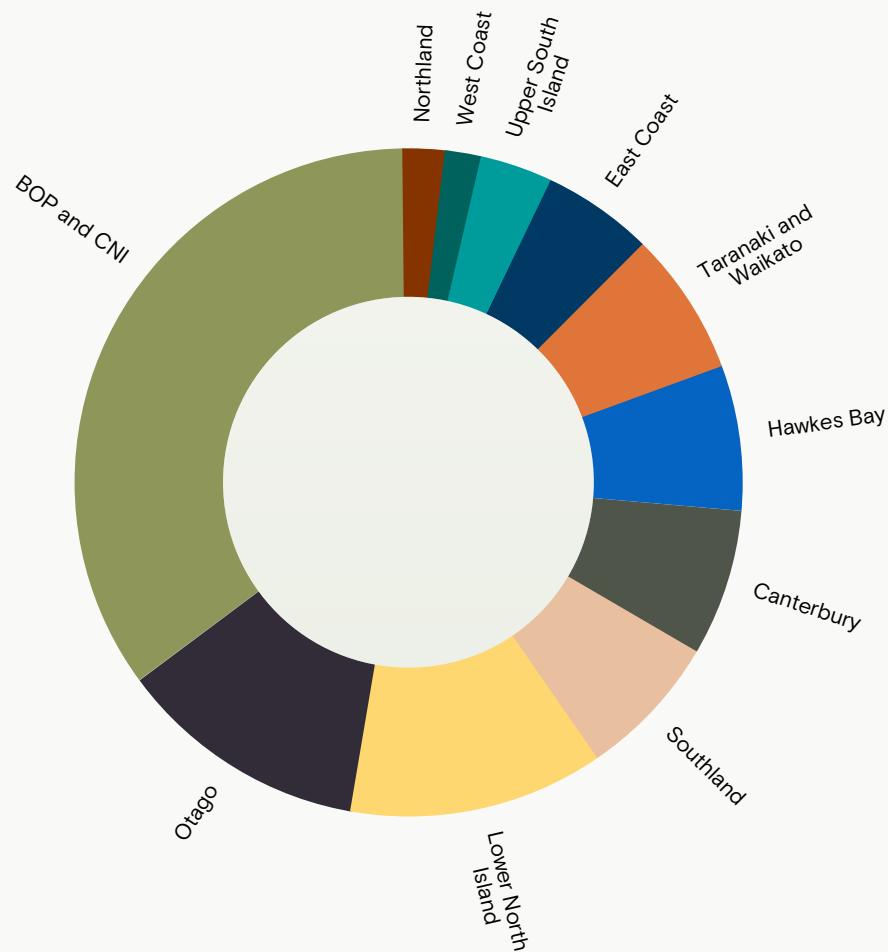
Risk Profiles



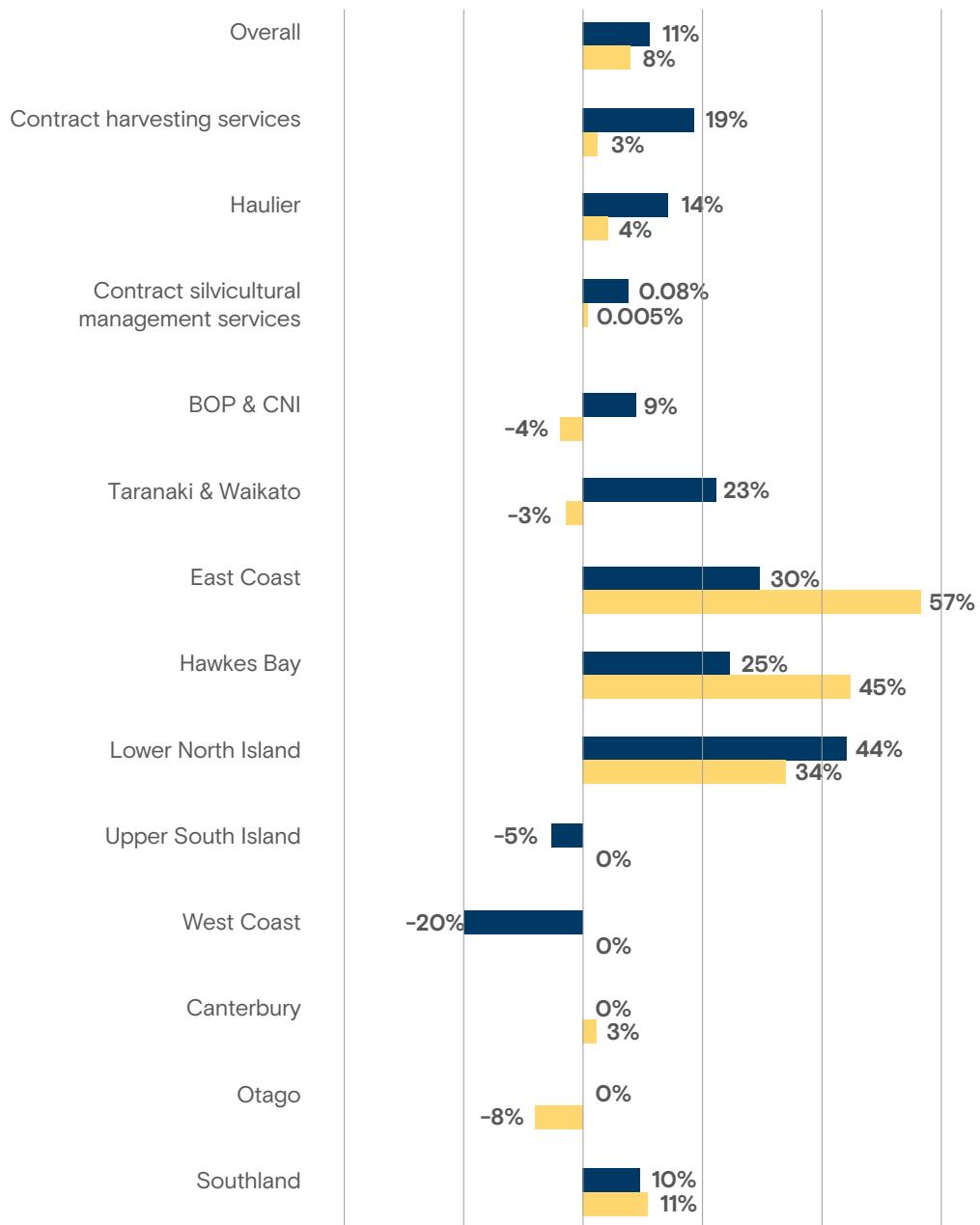
General Comments:

- Concerns around the risks associated with losing key staff have increased for contractors over the past six months. Overtaking the risk of severe accidents is concerns around the risk of uncontrollable costs, which is rising among contractors.
- The risk associated with insecurity of work has decreased since September 2018.

Profile Description of Participants



Business Landscape



 Growth in past 12 months Expected growth in next 12 months



Sector comments: What are the main factors currently driving the business?

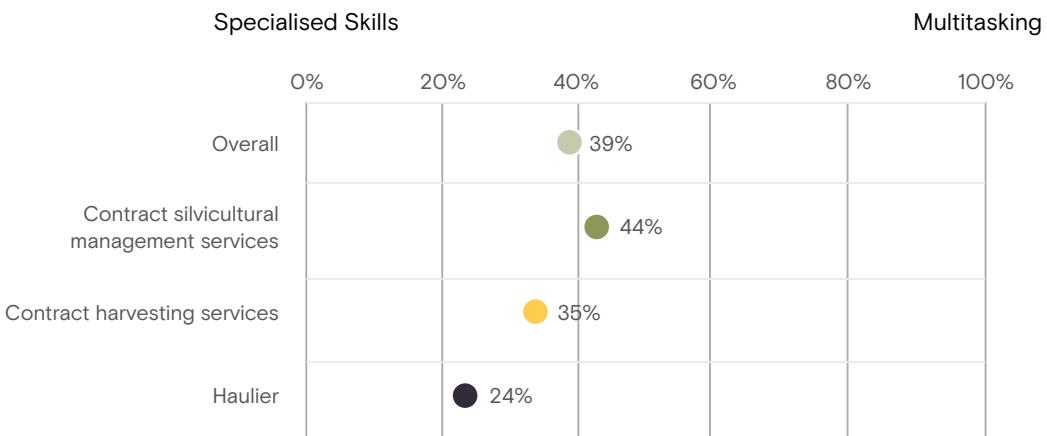
From contractors who experienced growth over the past 12 months:

- We are building workforce capability.
- We are mechanising and achieving better value recovery.
- Finance and employment are driving the business.
- Large amount of diverse work available.
- Increasing workload with decreasing skilled/motivated personnel.
- Shortage of manpower as more work opportunities are coming in.
- Lack of capable staff and public perception of the industry are keeping good people away. Buying the gear is easy; finding someone clever to make good use of it isn't. At \$125,000 a year, there should be a better level of people wanting the job.
- Staff are going out independently.
- Export markets drive the business.
- The business is driven by planting.
- Health and safety is big.
- Making money, safety and work life balance.
- I like the challenge, working with good people and managing debt.
- Labour supply is an issue.
- Employment and job satisfaction for team members are important.
- Financial risk management.
- Staff, politics of H&S and environmental issues.
- Training and up-skilling.
- Desire to be involved, employee commitments, repayment commitments, crew culture and professionalism, environmental management, health and safety and profitability.

From contractors who did not experience growth over the past 12 months:

- Balancing health and safety with production and also trying to source a service provider for training (previously we were using NorthTec).
- Demand for thinning to waste. Planting programme for the winter and having the skilled manpower to meet customers' needs on time.
- Trying to get on top of old debt.
- Costs drive this business.
- Lots of work opportunities, not enough employees.
- Need to obtain certification.
- As a relatively young harvesting business, we're trying to run with the big boys and still keep our debt levels under control.
- Availability of harvest-ready woodlots. Fighting a bidding war with other forest companies to secure woodlots, but we cannot deliver on promised revenue to woodlot owners.
- Employee satisfaction and wellbeing. Doing the most productive and safety-conscious job we can for the forest manager and land owner.
- A lot of demand for our services in silviculture, but constrained by labour shortages.
- Hanging on to staff and winning the next contract.

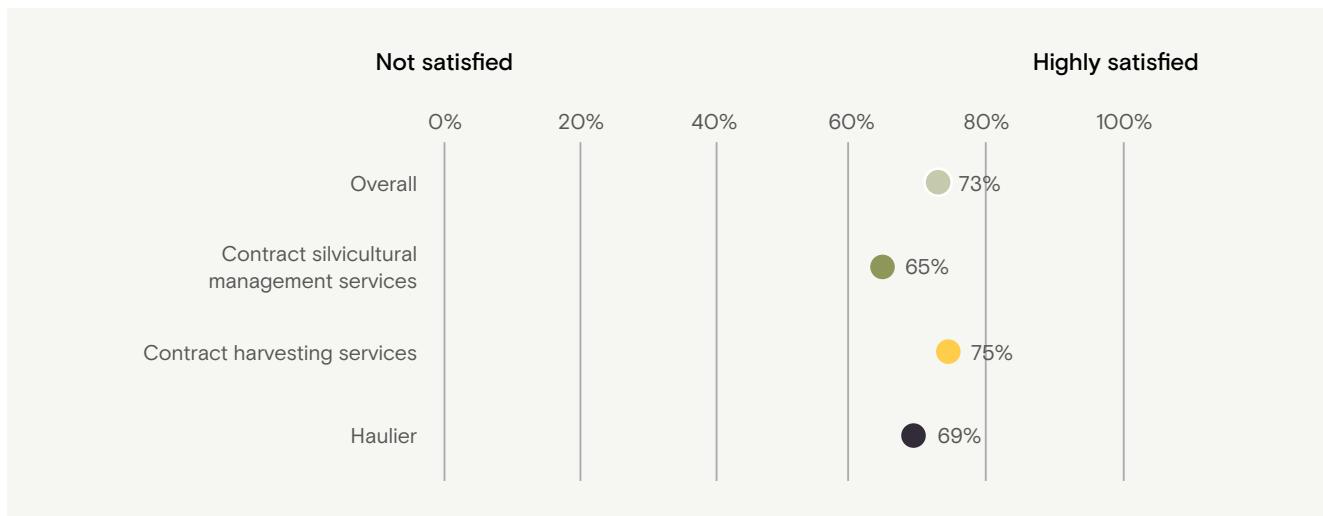
To what extent do different contractors prefer crews to be multi-skilled as opposed to specialised?



Sector comments: What new skills or resources do you see your business acquiring over the next two to five years?

- Falling-machine operator.
- More contracts to train and employ more rangatahi and local labour.
- More accountancy skills (e.g. cost/profit/overhead calculations). As business has grown, it has been harder to capture all the data required. We are using more software/computer literacy.
- Ability to hook into overseas workers to ease CRITICAL seasonal labour shortages.
- More technology to be introduced.
- None. If we can maintain current skill levels we will be doing well.
- Training new staff on site and going to tethered felling.
- Better understanding of technology and the use of data to make better business decisions.
- Mechanisation.
- Specialised contract tree-falling crews.
- Crew leaders.
- Better internal business management.
- Diversify from logging, to roading and sawmilling as well, and also a major training program for better staff.
- Nil, currently downsizing.
- Improved technology.
- Lots of things: more mechanisation; bring staff through into management roles; generally improving skill levels through the crew.
- Forest management.
- Thin to waste.
- Sanity to stay afloat. Not losing machinery or property to finance companies.
- More facility to train young unskilled workers from the ground up.
- Total mechanisation – no manual QC.
- People management.
- Extra staff around health and safety, and environment.
- Labour management, technical forestry skills.
- Machine updates and training for operators using these. Harvesting techniques currently not being utilised. Leadership training for the future, both operationally, in H&S and for succession plans.
- More mechanisation, developing new systems.
- Business management.
- Leadership / greater mechanisation skill base.
- Technology-based systems.
- Factors influencing environmental controls.
- Working directly with owners.
- Silviculture to harvesting.
- Tethered and remote skills. More staff training in Level 6 qualifications to support the operational unit standards. Swing yarder operators.
- Internet technology.

How would you rate your crews' general level of job satisfaction?



Sector comments: What is the most difficult situation that you had to manage in your crew(s) over the past 12 months?

- Staffing and low production before Christmas.
- Absenteeism.
- Losing employees due to local gang issues and, as a consequence, serious issues with the armed defenders and local police.
- Having to shut down a harvesting crew.
- Staffing levels, retention and employees threatening to leave.
- The current fires and different forest companies' approaches to NES.
- Immigration issues.
- Finding suitable people to hire.
- Employees stealing from me.
- Staff going out independently.
- Finding good staff to employ.
- Other contractors poaching our staff by offering mega bucks.
- People leaving and/or failing drug tests.
- We are not on a Secured Tonnage Contract and have had 3 months intermittently with very low revenue outcome, including compulsory New Year lay-off period.
- Lack of workers in general, but particularly in key roles, and being short-staffed for long periods of time (months).
- The training system – keeping records updated on completion of modules.
- Loss of staff and unable to replace them.
- Training new recruits.
- Getting increasingly harder to get a fair logging rate to be able to pay staff.
- Meeting current market wage increases.
- Cash flow and employing trained staff in areas outside the BOP region.
- Staff training.
- Rates and day costs.
- Forest manager incompetence creating tension within the crew.
- Millennial behaviour.
- Staff being poached, and replacing multi-skilled guys.
- Dealing with an accident.
- Working in three blocks with one forest owner where we were told the rate without the ability to negotiate and meet our daily cost. This almost cost us the business.
- Constantly short of specialised staff.



Rolling The Dice For a Better Future

Ngaraima Brown rolled the dice and now it's paying off as she looks forward to starting a career in forestry.

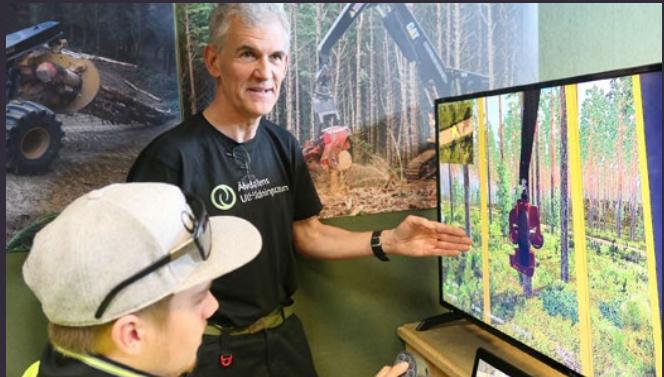
At a loose end this year, she packed up her four-year-old son, hitched her mum's caravan to her car and moved to Rotorua from Turangi so she could do the 21-week woodsman course at our Mokoia Campus.

Now, she is looking forward to kicking off a new career in the forestry industry.

"I think I'll enjoy it way more than waitressing and eventually I'm hoping to drive a processor and this course will help me do that."

If you're wondering what to do next, then [check out Ngaraima's story](#) and find out the benefits of taking a risk.

Training Courses



- New Zealand Certificate in Forest Harvesting Operations (Level 3) – Woodsman programme of study
- New Zealand Certificate in Forest Harvesting Operations (Level 4)
- New Zealand Certificate in Forestry Operations (Level 3), strands in Chemical Handling, Mensuration, Pruning and Thin to Waste
- Advanced Harvesting Operations (Level 4)
- Introductory Chainsaw Skills
- Working in Silviculture Operations (Level 3)
- Forestry Crew First Line Management (Level 4)

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The Forestry Contractors Business Review is carried out free of charge by the Faculty of Primary Industries, Science and Environment of Toi Ohomai Institute of Technology. The information reflected in this publication is based on confidential information collated from a number of operators in the New Zealand forestry industry. The data collection activity was done in collaboration with the Forest Industry Contractors Association. The next review will be carried out in September 2019.

Acknowledgements:

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