As the fourth person on this panel, I'm in both a good and bad position. On the plus side, since many good points already have been made on the topic, I can refer back to these points in a brief reference sense. However, since most of the available wisdom already has been laid before you, my presentation becomes somewhat antclimatic. However, I'll do my best!

First, let me stress that while my role on the panel is to present a viewpoint from a government sector perspective, I have no special authorization to speak either for the Federal Government or specifically for the Forest Service. My comments strictly are my own and represent one "observer's" opinions. Since my background is in research, my remarks are phrased accordingly. Overall, I plan to present my thoughts on various options for "hard times" management.

There may be some who greatly enjoy making management decisions during times of cutting back on people and programs, but I suspect that there are more who do not. It surely is far more gratifying for a manager to inform associates and staff of expanded programs, increased opportunities, more monies, etc., than to have to break the bad news that accompany tight or declining budgets.

As my colleagues on this panel already have noted, cutback management involves a more rigorous setting of priorities than one may do during more prosperous

*Deputy Staff Director, Forest Resources Economics Research; Forest Service, USDA, Washington, D.C.
times. These priorities involve staffing of positions, travel, and other operating expenses. During "good times", our list of priorities on expenditures may be sufficient to fund the first eight items, while in "hard times," the list gets chopped off with the first five items, or whatever. I do not believe this hypothetical illustration reflects a bureaucratic confession of sloppy management in more prosperous times, but rather reflects the same sort of decision process that most of us go through when our personal household budgets get reduced. We look around and decide what we can do without.

Since some of these decisions involve positions and people, my illustration may sound somewhat callous. It is not intended as such. In some instances, the proposed elimination of a research program (and the transfer of scientists to new assignments) reflects not a lack of success, but rather a history of success. The decision may reflect the management group's opinion that much has been accomplished and that, as a consequence, there are greater opportunities in other "less mature" research problem areas. This point probably is of small condolence to an individual who is facing a reassignment, but it is an important consideration in looking at programs in "hard times."

The Forest Service is making every effort to reassign people whose positions have been curtailed through tight budgets. Since moving to a new location can sometimes be disruptive to family circumstances, and particularly so if it is not an optional choice, a reassignment may not be greeted with great joy. But
depending on an individual's other options, it may prove to be very satisfactory. I presume some of you also have seen instances when an individual very reluctantly accepted a new assignment at a different location and eventually found it to be far more personally and professionally rewarding than the previous position. Some clouds do have a silver lining!

Since my role on this panel is to look at coping with hard times from a government perspective, I should not fail to note that the federal government has formalized procedures for determining an individual's status in competing for another equivalent position under circumstances when his or her job is eliminated. These procedures are spelled out in the government personnel manuals, and it is sufficient to note here that there are rules, regulations and rights involved in any personnel cutback.

So far, we've talked mainly about consequences of "hard times" and how they affect people. But now what are some of the things that we can do to stretch budgets? As noted earlier, we draw tighter priorities on programs. We also establish tighter priorities on travel and other operating expenditures. While your priorities may vary somewhat from mine where travel is concerned, I would say that the top travel priority is that which is essential to doing your job. For Forest Service research this would be those trips directly associated with performing the research itself. And, of course, even within this category there may be opportunities to economize. Send one person instead of two, etc. From here, my list of priorities becomes a little
blurred. Professional meetings and meetings with colleagues from other organizations all play a part in our research program, but again probably vary in urgency and relevance.

Other ways to cope with hard times include the use of more contributed inputs from other sources. We have a formal program called "Volunteers in the National Forests" whereby individuals with a wide range of skills voluntarily contribute their time to work on a wide range of Forest Service programs. Such work is without compensation, but travel costs (where appropriate) can be paid. In addition to this type of valuable assistance, I'm sure that there are other ways to stretch our resources through more joint efforts with university and other research colleagues.

In conclusion, tough times require tough decisions. Not too long ago, a colleague mentioned that, "the degree of objectivity with which one views the current tight budgets, depends on where one sits and what one's personal circumstances are." This is a good reminder. Many of the options for coping with hard times mentioned here today involve decisions on whether people hold or lose jobs. And some of these decisions can mean extreme personal hardship or an involuntary family move. Coping with tough times can and will be done; but it often isn't very much fun!

Thank you.
HOW A WOOD DEALER IS COPING WITH HARD TIMES *

We have heard some very enlightening and interesting reports at this conference on how universities, large corporations, and large government agencies are coping with hard times. I am sure that all of you have also been wondering how we poor little wood dealers are faring during this session of Reaganomics. The answer is that we have been hurt but are doing just fine. It is the nature of our business that we must remain flexible and ready to react quickly to changing market situations. Our profits are suffering because we can only make a profit when we move a ton of wood, and the tons of wood needed by the industry have declined. But, we have simultaneously lowered our overhead, in many of the ways already mentioned, and in this way we are coping very nicely.

Some of you here are not familiar with the function of wood dealers, or the wood dealers you have known may not have gained your total admiration. Why do wood consumers use wood dealers? Some companies procure 100 percent of their raw material by the use of wood dealers, others use no wood dealers and instead procure their raw material with a variety of methods such as direct company contractors and company crews. Wood dealers are simply contractors and are used for the same reasons a company might choose to employ any other type of contractor; namely a contractor may well be able to do a job more proficiently and cheaper than could be accomplished by any other method, and a contractor may shield a large company from certain legal liability.

Just as the term "contractor" can cover every type of business from a one-day-a-week lawn mowing service to a multi-billion dollar bidder on a space project, the term "wood dealer" does not convey any idea as to the size or quality of the organization. There are wood dealers whose total operation consists of one owner-operator in a pick-up truck who on occasion is able to induce a few other independent operators to deliver a few loads of wood to a particular market. The other end of the size spectrum for wood dealers is my company, Canal Wood Corporation. We are the largest wood dealer corporation in the U.S. The geography in which we operate extends from Virginia to Alabama and we continue to grow rapidly. Our corporation is well-financed, and we employ some 200 foresters who buy standing stumpage, negotiate with independent sub-contractors to harvest this stumpage to our specifications, and deliver the logs to wood-using consumers across the South. We have millions of dollars of logging equipment financed, millions of dollars worth of stumpage purchased, and we like everyone else, have overhead in the form of salaried people, vehicles, woodyard equipment, and office buildings. We have a full-time Safety Director whose efforts and expenses must actually increase as markets decline and tensions

*Moderator's comments, H. Don Smith, Canal Wood Corporation.
among sub-contractors rise. With these unavoidable expenses and investments, how is it that we are still faring reasonably well?

Although we will always have to carry a large inventory of stumpage we today are very careful about the size of that inventory. We try to have a definite market for every tract of timber before the purchase is made. We try to maintain a good balance of timber that will be loggable during wet weather, but no more than necessary to ensure our markets of a steady flow of the wood they need. Excess inventory merely serves to eat up profits through interest. Wherever possible, we attempt to have wood delivery contracts with our markets. These contracts are beneficial to all parties concerned. A contract gives us a good idea of the minimum amount of wood we can expect to ship during a given time period. With this knowledge we can balance personnel, equipment, and stumpage inventories with maximum efficiency and, therefore, minimize our production cost. The contract is beneficial to the wood-using consumers because it gives them assurance of a minimum amount of wood they can expect to receive from us during a given time period. Those who do not like wood dealers usually have two major criticisms: 1. They sometimes feel wood dealers are not loyal and are too prone to haul their wood to the highest bidder, without regard to past business relationships. 2. Wood dealers are sometimes criticized for being undependable as to the amount of wood they are capable of producing during a time of need.

Wood dealers can quote very sad stories of large companies trying to take advantage of their market power and being reluctant to pay full market price for wood. They also can relate stories of disloyalty and uncertainty as to volumes to be shipped and prices to be received, and losses taken on stumpage purchases and equipment financing. In the absence of a firm wood delivery contract, some dealers have been forced by finances to run a conservative business that has not allowed them to respond quickly to increased orders. The point to be made here is that a contract becomes a means of improving efficiency, reducing risk to all parties and lowering costs, and is an important element in making the wood dealer a valuable, efficient, dependable and low-cost wood producer.

A second area in which we seek efficiency is in the business management of our independent sub-contractors. Let me emphasize that these are independent entrepreneurs who are free to come and go as they wish, and who are under no obligation to take our suggestions. However, because of the good rapport we maintain with our contractors, we are able to suggest to them improvements in machinery, balance, maintenance, fire protection and safety that may be valuable to them if they choose to implement these suggestions. We have found that an independent sub-contractor who is also our friend is usually pleased to receive constructive suggestions on how he can improve
efficiency and cut costs. He is not offended as long as we both realize that he is free to take or reject our advice. We have worked hard on this area in the last few years and are certain this is a major factor in our ability as a wood dealer to compete and produce during these trying times. Our sub-contractors are doing well enough that they will be able to respond quickly with higher production as soon as markets return to normal.

It may seem unusual for a wood dealer to have a full-time safety director and a vigorous safety program for independent sub-contractors who cannot be ordered to do anything. Our safety program is a significant expense to us, and it is tempting to eliminate it during an economic downturn such as we have now. Although our program functions entirely by education and persuasion, we feel it is cost effective for several reasons. Canal Wood is a member of a Self-Insurance Workmen's Compensation Fund. The cost of the Workmen's Compensation coverage is directly related to the loss experience of the fund members, and is paid by the sub-contractors. In the long run, safe working habits mean more net income for everyone. Most accidents occur because of carelessness due to poor working habits and lack of knowledge about how to accomplish tasks safely without sacrificing production. There is a multiplicative cost to accidents through lost production, medical expenses, workmen's compensation for wages, and the cost of replacement workers. This is where a good safety program can pay for itself. We are interested in seeing our contractors save money through safety because it reduces their pressure on us to increase logging prices. These people are also friends and we never like to see our friends injured or killed. Forgive me if I brag a little about the current state of our safety program. Our loss experience is so favorable that at the present time my only worry is that it cannot last. The credit for this must go to the favorable attitudes of our independent sub-contractors and to the educational program provided by our safety meetings.

The people of our company have economized in many other obvious areas such as trading hard and carefully for new vehicles, cutting back on travel, making salary increases more modest, and postponing all unnecessary purchases of capital equipment. We hold frequent and regular meetings with all field personnel to discuss production, costs, capital investments and rates of return being earned. With all of the cards on the table, it is easier for every individual in our corporation to make correct choices that will make us more efficient.

Everyone's crystal ball seems to be hazy as to when we can expect this recession to end and a vigorous forestry economy to return, but I know this: Whether this recession lasts another six months, twelve months, or twenty-four months, Canal Wood will remain
strong, viable, and efficient, and we will be in an excellent position to respond to better times when they return. Our wood markets will benefit from the efficient, prompt increases in wood deliveries we will provide when they need it. Our company is strong, and this a major asset to those who depend on us.

Times are hard, but we are not discouraged. We are using the current situation to become more efficient and to plan for the future.