

Appendix 15. Simplified presentation of the present issue

When on a question “What are you doing?” from friends and acquaintances you answer, that you are working in a logging branch, they look at you with respect and sometimes even with envy. It is a settled public opinion, that logging is very profitable. The initial stage of our work was to find out whether it was so.

Let's discuss results in brief.

Let's begin from the very outset – from forest. There are a lot of forests in our country. There are not just many forests, there are more forests than no matter where (even more, than on Amazon). Wood, as a raw material, is really unique – it recommences by itself in quite foreseeable terms (100 years on average in Russia in the most wood regions). But what are these forests? Now after the long period of barbarous fellings, forests is either open territory of former fellings along roads (not completely renewed forestlands) with already completely not those sorts of trees, with young forest, or overmature wood, which it is not always possible to reach not only by cars, but also on foot. It is huge forestries, roads to which do not exist.

The second question asked by any logger is how a system of forest exploitation, provided by the current legislation, was actually arranged. Speaking easier – how to obtain admittance to forest and how to exploit it without transgressions (and, hence, without penalties). There are two possible ways of doing it. The first way applied for small private enterprises is a forest auction. The advantage is possibility to change location mobile, to choose the best allotments and, thus, to pay for the volume of wood, which was really felled. The largest defect is that you never know whether you will receive an allotment next time, or it will be given back to your competitor. The second way of obtaining admittance to forest is a long-term rent. The advantage is stability of a source of raw material (wood fund), opportunity to create the reasonable plan of fellings and to vary to some extent choice of allotments depending on production and conjuncture of the market. The shortcoming is necessity of payment of all volume of annual cutting area always, regardless of volumes of felling. And above all it is necessary to buy all engineering and to generate an enterprise beforehand to receive the long-term rent. Only under these conditions a respected commission recognizes, that you can cut down wood, to which you pretend. And what if you would not be recognizes? What will you do with engineering?

Now it is planned to accept new Wood Code of Russian Federation in 2006. Opinions concerning the given document differ from absolutely positive to categorically negative. The main sticking point is private property on forests. To all appearances just this question postpones acceptance of the Code most of all and holds large corporations from starting large-scale investing strongly; eventually it will be isolated from the given document. Though problems with investment into the wood branch would not be removed by such step. Everyone, who is interested in big investments into this huge raw branch, will wait while the State will decide whether or not to enter private property on wood. Besides the new Wood Code assumes serious changes in structure of management of forestries and in structure of forest exploitation control. On the first sight the offered changes logically separate functions of management and functions of control. But thus it seems, that officials really interested in correct forest exploitation there will vanish.

The working system of forest exploitation is quite applicable and meets the requirements of forest plantation preservation. At the same time this system does not conflict with loggers' interests strongly. At sufficient volumes of manufacture and stable all-the-year-round work observing the rules of the forest exploitation system does not bring economic harm to an enterprise. The system is based on rotation of allotments on terms of contiguity. That is, by cutting down wood on an allotment (with size less than 50 hectares) it is possible to return to that place not earlier than in 99 years. It is possible to cut wood on the adjoining areas only in 5 years after the first cut down allotment had been sown.

Concerning technological and technical characteristics of the branch it is possible to say, that now unfortunately practically every existing lespromchoz does not fit to a world level nei-

ther on a collection of engineering, nor on qualification of manpower, neither on structure of management and account, nor on technology of process, and also in connection with absence of a service base for special engineering. Absence of technology, even at complete updating of means of production (to the present moment on average in Russia the out-of-date equipment makes 87%), will not assure complete payback of expenses for a product manufacture. Concerning technology a serious shift is observed in direction of mechanization and automation of logging. Pulp and paper factories having in property a plenty of lespromchozes try to carry out updating of technology and machinery by purchasing logging machines of a harvester type and setting them in operation. At the same time choosing a technology they are guided by typical approaches existing in Finland or Canada; and choosing engineering – by its certificate characteristics. Sometimes the choice of technology disagrees with the choice of engineering. Besides nobody thinks, that the technology developed for estate logging (Finland) will hardly do for Russian overmature, boreal forests. The productivity of the harvester according to the certificate is also designed taking into account work of an experienced operator and on clean estate forest. Those who love to go mushrooming to a forest, even near Moscow, know not by hearsay what windfall is. And it is only one of nuances of simpliciter application of existing technologies and not very thought-out choosing of machinery. We can speak long about specificity of work and productivity of harvesters in Russia. It's no doubt, that the competent approach to this question will provide a benefit.

Concerning technology and machinery there is one more factor, known by all real loggers, but even they not always realize, how this factor strongly undermines a business economics. This factor is seasonality of works, which is present in either this or that kind in all forest regions of the country. What does entail seasonality? First of all it is entailed by not regular inflow of gain from realization of production. It leads to imbalance of money flows and impossibility of real planning of activity. Secondly, necessity to pay idle times of the enterprise, which period in North of European part of Russia, for example, makes five months minimum. Thirdly, it is entailed by instability of productivity of the personnel. And who can get into gear at once after a semi-annual break? In view of necessity to pay wages, petroleum products for the beginning of the following season bought in store on last earnings, and spare parts and still many other extremely necessary things, the idle time becomes very expensive. We should not forget also about the taxes, including on wages. Seasonality of work is caused by opportunities of used engineering. In most cases, if logging of business wood is possible practically all-the-year-round then transportation of it to railway impasses – only during presence of winter roads. Any machinery available at logging enterprises can't go on marshy summer loamy soils and peatbogs long, dragging on itself 20-30 tons of trunks. So in what the root of all evil is? As it is usual in Russia it is in absence of roads. There are different opinions how to overcome a problem of reach of woodlands. One of ideas is to lift wood tax, paid by lespromchozes for forest exploitation, on 70-80% and to construct roads on this money. Name this figure to any director of a lespromchoz, and he will write the resignation. Nobody will survive, with the exception of logging enterprises belonging to pulp plants. The raw material is necessary for industrial complexes all the same. Now they already buy it from their lespromchozes almost twice more expensive than from exterior ones (paying the real cost price of manufacture). Besides it is possible to imagine, that in taiga in Republic of Komi (which area makes 29,2 million hectares) roads with a firm covering are laid per each ten kilometers by equal squares (it is a minimal density of roads to ensure work even on the Finnish technology). Interestingly, how much time it is needed for such grand "Komsomol" construction? And what will become with the taiga? The second opinion is to let lespromchozes built roads by themselves when it is required. A very simple account given in the basic part of our Report shows, that charges on construction of these roads will come back only in 10 years, on condition that all gains will be spent on it. But in a question of transportation of wood to railway impasses there is also another side, besides roads. We talk about the machinery, which carries wood. If to enter in operation a machine, which can go on grounds of any category, go on stumps, load not 10 tons, as a standard forwarder, but 40-60 tons, develop speed on main roads

roads up to 40 km/h (having average speed equal to 20 km/h), and float being half loaded, then probably the necessity of construction of roads will disappear by itself, and the problem with seasonality of works will be solved.

Our group offers to introduce exactly the machine with such parameters. Experts of leading firms that manufacture specialized wood machinery have confirmed the technical opportunity of its creation.

Except for technological and technical problems in the wood branch there is a problem of administrative organization of production. All production workers know that the basic logging unit is a brigade. Thus the majority does not realize, that besides brigades there is a huge quantity of so-called support personnel or attendants at all enterprises. This contingent gets over various divisions; everywhere does practically nothing, is charged with nothing, but nevertheless receives salary given due to certain general reasons. No matter how sacrilegious it will sound it is possible to relate mechanics, car mechanics, battery attendant and other “technical experts” to this category. The real experts in engineering repair at the real lespromchozes have almost vanished. If to look at a structure of service and supply shops of the enterprises, it contains people who do not have any professional training. Thus the majority of drivers or tractor operators are in condition to make current repairs by themselves. If to enter repairs into the piece-rate of the brigade, nobody will allow machinery stand idle, because earnings are from output. And if to enter the premium for saved petroleum products into the piece-rate, at attempt of the tractor operator to gas strongly with risk to break the tractor, he will deal with the whole brigade, which will explain to him how he was wrong. The technical experts are necessary, but it should not be too much of them. They should supervise over difficult repairs and to work by the order: do well and quickly – receive much and soon. As a whole the final product has great meaning for the enterprise. Therefore it is necessary to pay for the final product on each stage of logging. If at the stump (in the forest) the final product is wood prepared for transportation to the yard (to a railway impasse), then piece-rate of the brigade at the stump should not include tree trimming (either manual or by engineering), because in most cases trunks without branches are carried. Experience of introduction of such organization of the enterprise we have on base of the logging enterprise, where we has been understanding science of logging for five years.

At last we will mention one more problem of the logging branch. On the question “How many does one cubic meter of wood cost?” the majority will answer: “30 roubles”. In general they will not lie, if not to take into account holiday payment (45 days), three-year holiday (30 days per three years) payment, cost of allotments cleaning, grubbing, transport of people and necessary materials, and also idle times. For northern territories we should not forget about a northern factor (up to 0,5 from the rate). And for some places there is still a regional factor (up to 0,3 from the rate). And certainly taxes equal to 35,6 % from all sum play not the last role. Thus thirty roubles increase to 68-70 roubles for a cubic meter. Do you feel the difference? On the majority of logging enterprises management is not able to count real expenses and real financial result. For this reason bookkeeping is so difficult at the logging enterprises. The question of the real operative account has risen before us too. To the present moment we have solved it by applying the advanced software. Unfortunately without them you will never find out what actually occurs at the enterprise, from which you are in 1,5 thousand kilometers.

Probably, even from the detailed text of our Report everything appears not all so clear, how it seems to us. But the conclusions, which we have made for ourselves, are as follows:

1. The existing technology in modern conditions is not profitable, and achievement of positive financial result is possible only by changing the technology.
2. It is necessary to change the technology in the direction of development of real ways of overcoming of our specific problems peculiar to forest areas of the country.
3. It is necessary to build a civilized, ordered, instead of spontaneously formed structure of production and management inside each enterprise.

4. Before starting large-scale investing based on introduction of the new technology, it is necessary to achieve the positive result on the basis of this new technology at least at one lespromchoz. At first it is necessary to learn to earn money by the small example.
5. As the first and the simplest step it is possibility to improve parameters of many logging enterprises by introducing technology of intermediate tree hauling by a load-lifting and high-speed machine with a high level of flotation for overcoming the global factor of seasonality.

To realize these conclusions we have developed a control system of the enterprise – special computer programs which had been working on our lespromchoz for four years. We have created the concept of the machine for intermediate hauling mentioned above and came to an agreement with firms-manufacturers about its technical parameters and cost.

In the present text less than a quarter of the facts and knowledge, which we have collected, is stated. There are some more worked out ideas ready to introduction. If it seems to you, that we are wrong in something – we are ready to discussion. All of those who wish are invited.