Contractor Selection

Pioneer Forest Products was determined to be the best value to the government for implementation of the contract for Phase 1 of the Four Forest Restoration Initiative. Best value was described in the Request for Proposals as the proposal that is most advantageous to the Government when considering both price and the technical factors. The best value process allows the government to award to other than the lowest priced proposal. Stated another way, the best value process allows the government to accept less money for a higher technically rated proposal.

The technical factors were:

1. Technical Approach and Removal of Woody Biomass (30 points maximum): The Forest Service use the following to evaluate Technical Approach:
    a. Organization and qualifications (10 points)
    b. Types of equipment used (10 points)
    c. Ability to meet Forest Service desired conditions (10 points)
2. Past Performance (30 points maximum)
    a. Quality of work (10 points)
    b. Timeliness of performance (10 points)
    c. Business relations (10 points)
3. Benefits to the Local Community (15 points maximum)
4. Business plan (25 points maximum)

The Adjectival Ratings that were used are as follows:

Exceptional (80-100). Proposal meets contract requirements and **significantly exceeds contract requirements** to the Government's benefit. For example, the contractor implemented innovative or business process reengineering techniques, which resulted in added value to the Government. The contractual performance of the element or sub-element being assessed can be expected to be accomplished with few minor problems for which corrective actions taken by the contractor are highly effective.

Very Good (60-79). Proposal meets contractual requirements and **exceeds some of the requirements** to the Government's benefit. The contractual performance of the element or sub-element being assessed can be expected to be accomplished with some minor problems for which corrective actions taken by the contractor are effective.

Satisfactory (40-59). Proposal **meets contractual requirements**. The contractual performance of the element or sub-element can be expected to contain some minor problems for which proposed corrective actions taken by the contractor appear satisfactory, or previously completed corrective actions were satisfactory.

<u>Marginal (20-39)</u>. Proposal **does not meet some contractual requirements**. The contractual performance of the element or sub-element being assessed can be expected to reflect a serious problem for which the contractor may have submitted minimal corrective actions, if any. The contractor's proposed actions appear only marginally effective or were not fully implemented previously.

<u>Unsatisfactory (0-19)</u>. Proposal that **does not meet contractual requirements** and **recovery is not likely in a timely or cost effective manner**. The contractual performance of the element or sub-element can be expected to contain serious problem(s).

Once the technical evaluation was completed, price offered and price reasonableness was considered, the following evaluation ratings were assigned:

Company	Technical rating	Price (average price per acre)
Pioneer Forest Products	Excellent	$21.23
Arizona Forest Restoration Products	[redacted]	
Phillips and Jordan		
Southwest Forest Products		

Technical Proposal Evaluation Summary

Pioneer Forest Products provided an excellent plan for completing the work on the National Forest. The equipment they propose to use is appropriate for the work and the topography as well as protecting the environment. They will provide training to their employees to ensure they understand the desired conditions and can implement the prescriptions. Their operational schedule is very reasonable as they plan to treat about 150 acres per day for about 200 days per year.

Herman Houck, the President of Pioneer Associates (the parent company of Pioneer Forest Products), has a long, successful history in the wood products industry. He developed an integrated business that manufactures furniture with edge-glued panels that is still successful more than 30 years later. The other principal managers that will manage the contract (Marlin Johnson, Mike Cooley, and Brent Racher) all have extensive experience in restoration activities.

The mill will be located in Winslow, Arizona and Pioneer estimates they will create over 500 jobs. These would include:

- 200+ loggers
- 75 drivers, both log truck and chip van
- 380 mill operations (including office work)

- 80 biomass plant

In addition, there would be 225 construction jobs created for a period of the first 2 years of the contract during construction of the mill facilities.

Pioneer's team of staff foresters, in conjunction with the 4-FRI Collaborative Group, The Northern Arizona Wood Products Association (NAWPA) and likely a local Community College, will develop needed training programs in different areas of work to assure that the diverse fields of work are covered. For example, they will need training for machine operators to understand available techniques for removing designated trees while minimizing impacts on both the ground and on trees and vegetation selected to remain on the site. NAWPA, Northern Arizona University's Ecological Restoration Institute, and the Rocky Mountain Elk Foundation have expressed interest in supporting Pioneer in the training.

They will begin implementation 7 to 8 months after the contract award. They proposed to begin with about 5,000 acres the first year and increase the rate of treatment to 30,000 by year 3.

They will convert Ponderosa Pine timber into non-commodity lumber, laminate wood panels, molding, furniture parts, doors, door frames, cabinet doors and even furniture. They will make some of the raw logs available to other mills. Because of the technologies they will be using, the panels they produce will be 35-40% lighter than other industrial panels. This will substantially reduce their shipping costs. For the sapwood, Pioneer will add a densification process that basically turns the pine into hardwood, mimicking such thing as walnut, hickory or mahogany. This can be used in things such as flooring where softwoods such as pine cannot normally be used.

They will use a portion of the slash from the forest operations and mill waste to generate electricity needed for the plant and to fire the kiln used to dry their material. They will use the remainder to create bio-diesel fuel. They will create more bio-diesel than they need for their operations so they plan to sell the remainder at a fuel station that could be built nearby as well as to the wholesale market. The technology they propose to use for converting wood to bio-diesel is new but is being done at the production scale, including plants in the U.S. as well as India, Africa, and Europe.

Pricing Evaluation Summary

Pioneer Forest Products offered an average price of $21.23 per acre. Based on the financial risk factors associated with wood industry, Pioneer's proposed price was considered to be the most reasonable of the proposals, the most likely to succeed, and therefore, in the Government's best interests. These risk factors are described below.

Pioneer proposed to produce a diversified product line including a hardwood level product from the sapwood that can be used for flooring, other hardwood building components such as door jambs and window components, laminate wood panels for shelving, cabinets, and furniture as well as specialty components for drawers and cabinets. Diversification is an excellent mitigation to the inherent market risk in the wood products industry.

Pioneer's price offered differs depending on where the work is to be done. The Forest Service identified 3 "working circles" (Tusayan RD of the Kaibab National Forest; the Williams Ranger District of the Kaibab and the all of the Coconino National Forest with in the project area; and the Tonto and Apache-Sitgreaves National Forests). The amount and quality of the material in each of these working circles varies as does the haul distance to Winslow. The different prices offered, shows they took into account quality and quantity of material and transportation costs.

Another risk factor considered in determining price reasonableness is the transport price risk (the risk to their success based on changes in fuel prices). They propose to produce the diesel they need from the biomass and mill waste so will not be completely reliant on the commercial market.

Pioneer will start in woods operations in late 2012 so the risk of resource destruction is reduced. The risk of fire and insect attack are expected to continue at least through 2012. Delaying the start of in-woods work would increase the potential for areas planned for treatment to be destroyed before being treated. Their operational schedule limits the risk of destruction of the resource.