



# Climate Change and the National Forest Estate

## FCTU Response to the Scottish Government's Consultation on Forestry Provisions in the Scottish Climate Change Bill

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### Introduction

1. The Minister for Environment has demonstrated a genuine interest in the activities of Forestry Commission Scotland (FCS) and has been prominent in his support for the ongoing work to create multi-purpose forests maximising benefits to the public.
2. We welcome a fresh view of the role of the National Forest Estate (NFE) and the chance to contribute to this review. Our response is in the format of the four questions posed on page 7 of the Consultation Document.
3. The Forestry Commission Trade Unions<sup>1</sup> ('the Unions') agree fully with the priority given to the problem of Climate Change and welcome the targets set out in the draft Climate Change Bill. However, given the current energy strategy in Scotland, we share the concerns of other groups about the likelihood of these targets being achieved.

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<sup>1</sup> The Forestry Commission Trade Unions are a partnership formed by the Public and Commercial Services Union, Unite the Union, Prospect and GMB Unions and represents the interests of staff within the Forestry Commission. For further information, please contact us at: Forestry Commission Trade Unions, 231 Corstorphine Road, Edinburgh, EH12 7AT; or visit our website at [www.fctu.org.uk](http://www.fctu.org.uk).

## Summary

4. Joint Ventures The NFE should continue to play a lead role in delivering Climate Change targets and we welcome the proposals for enabling legislation for FCS to enter into Joint Ventures for development of renewable energy programmes. This is likely to provide significant income to meet Scottish Government targets five to ten years from now.
5. Leasing The Unions are absolutely opposed to the proposal to lease substantial areas of NFE land for forestry purposes and the granting of cutting rights over this forest.
6. Trusts It follows, therefore, that the Unions are also opposed to transfer of this leased land to any Trust. However, the Scottish Government and FCS would benefit from increased flexibility in financial arrangements, such as 'Trading Status' for Forest Enterprise Scotland.

The Minister's Foreword recognises that the national forests are 'the perfect location for community engagement'. The Unions, therefore, cannot see how a Trust would give the people of Scotland more of a direct stake in the long-term stewardship of NFE land. Ministers already have the power to direct the way FCS engages with people. It is unnecessary and overly bureaucratic to set up a new organisation with whatever objectives and governance to achieve this.

7. Other actions FCS is currently delivering a policy, agreed with the Unions, to reposition the NFE by sale of areas of land not fully meeting the requirements of the Scottish Forestry Strategy. The income from this is reinvested in the purchase of land with greater public value, in particular land for planting to contribute to the Government woodland expansion targets. This policy should continue: it will deliver a steady income over the next five years, which combined with the funds from Joint Ventures will provide an additional income stream for the next ten years and beyond. Leasing out of the most commercial areas of forest would reduce flexibility to manage the estate in this way for the greatest public benefit.

The Scottish Government has full control over the distribution of money within the Scottish Rural Development Programme and should prioritise these funds to provide incentives to farmers and other landowners to create new woodlands, recognising that the current level of Forestry Grants is insufficient. Increased support for woodfuel substitution and woodland creation through the afforestation of the transport network and derelict land would also have a positive impact.

FCS currently bears a charge on the capital value of the NFE, which is intended to encourage efficient use of resources. The value of woodlands does not necessarily follow the value of timber, it is based on lifestyle choices, long term investment potential and many other factors. To apply a general cost of capital charge against the NFE is a disincentive for FCS to maintain an efficient, high value, productive forest and we support current efforts to amend the current Cost of Capital accounting arrangements.

## Supporting evidence

### 8. Joint Ventures

- 8.1. FCS has developed considerable expertise in working with partners to permit developments on its land, but is currently constrained by the extent to which it can further support such ventures. Planning documentation for new developments has to be prepared by the developer, which usually limits participants to large commercial organisations.
- 8.2. The option of entering into Joint Ventures (JVs) will allow FCS to use its own expertise to ease project development. The range and scale of businesses which can enter into partnerships will be greater, as FCS will be able to provide its land as part of the venture and perhaps commission some of the planning preparation currently routine in preparing, for example, Forest Design Plans. Economies of scale and the good reputation of the organisation make this worthwhile.
- 8.3. Forest Holidays is a JV with the Caravanning and Camping Club, set up through UK Government legislation to invest in the cabin and camping venues across the UK and has proved very successful. The investment is expected to be about £20m over 10 years and is already reaping benefits, with increased bookings, additional employment opportunities and three new sites to be opened during 2009. The two parties working together has ensured maximum added value for both sides.
- 8.4. There is great potential for community renewable energy projects from JVs with FCS. Developments such as Combined Heat and Power (CHP), woodfuel and micro-hydro would be the most efficient way of substituting for oil-based fuels in rural areas away from the gas network, with significant reduction in road miles and increasing employment opportunities. Much of the expertise developed to date has been in facilitating projects, which then benefit other parties. Some of these will improve opportunities for private woodland owners who have still to begin harvesting in plantations, which are generally younger than those of FCS. The Balcas plant at Invergordon, now nearing completion, is an example of a larger scale project facilitated by FCS because of its ability to provide long-term commitments on wood supply and will transform the market in this area of the north Highlands. This 7MW CHP plant will use 300,000 Tonnes of timber to provide 4MW to the Grid and use the rest to manufacture wood pellets as a value added product, giving around 20 people sustained employment.
- 8.5. Under the current National Forest Land Scheme, communities can buy smaller areas of NFE to manage for their own benefit. This means they have to raise significant capital for the purchase, as well as the revenue to look after the land thereafter. In most circumstances, it would be better for the community to enter into a JV with FCS to allow them to manage the land without having to raise the capital. This would also provide protection to the community and develop more innovative ventures.

## 9. Leasing

- 9.1. The Trade Unions have seen no evidence to support the value of leasing or cutting rights on large areas of FCS land and show here the potential disadvantages for the Scottish Government and FCS.
- 9.2. Several governments around the world have either leased or sold significant parts of their National Forest Estate (NFE) and some have gained a significant lump sum of money from this. However, evidence accumulating over the last decade or so is showing up many problems with this method.
- 9.3. New Zealand sold its entire NFE in the 1980s and 90s. Of the woodlands sold, the Kiangaroa Forest was one of the most commercially valuable plantations in the country. The process of negotiation, between government and a single company, lasted approximately 16 years and involved lengthy and expensive litigation. A decision was finally reached and a price agreed, but the company went bankrupt after about six years due to the excessive valuation. As a result, none of the anticipated developments and job creation opportunities materialised. Management during the financial difficulties was inadequate and considerable overcutting took place and local sawmills put in jeopardy, despite the apparently strong regulatory framework of the Government Forestry Department.
- 9.4. A report prepared for the South African Government to advise on their leasing options in 1998, which drew on experience in New Zealand, Papua New Guinea, Indonesia and Nepal indicated that this had not been successful in the past. In each case where the most commercial areas were leased for maximum income, governments have had major problems in later years as they have tried to implement improved silvicultural or management practices. They did not foresee these changes at the time of drafting the lease so did not include them. Many of these leases throughout the world are now being withdrawn and replaced by Forest Management Agreements, which have more in common with joint ventures. More than five years after this report, the South African government had still suspended leasing due to their reservations about their success and the lack of subsequent methods of control.
- 9.5. In 1992, the Swedish Government sold a substantial part of its NFE to a single publicly listed company. 10 years later the private business was suffering extreme financial difficulties and was able to raise log prices due to its semi-monopoly. Since then 20-30 sawmills have gone bankrupt, or been sold to Russian or Baltic owners, reducing the capacity within Sweden and the levels of forestry employment. As concerns with the company continued the Government offered to buy a 30% shareholding in the forests and have subsequently underwritten the remaining 70% should certain conditions prevail.
- 9.6. The leased area proposed in this Consultation is for about 100,000ha of the most commercial areas with the least social and environmental value. The criteria developed by FCS for measuring the social and environmental value were designed to rank forests, not ascribe an actual value. The removal of 100,000 ha (approx.25% of the NFE's woodland cover) of the most commercial areas from

FCS management is equivalent to removing nearly 35% of the income from FCS. This income is currently used to fund multi-purpose forestry across the whole of the forest estate. There will be some expenditure foregone by entering these leases, but as they are the most commercial areas, this will be <20%. The Scottish Government has made it clear that it will not meet this self-inflicted funding gap with extra revenue, so the amount of money available for the non-commercial benefits elsewhere will reduce significantly. This will impact across all of Scotland and is in line with the experience of other lease schemes around the world.

- 9.7. Any review of Forest Policy in the UK over the last 25 years will show a massive change in emphasis. The introduction of the broadleaf policy, increasing importance of environmental benefits, recognition of the value of forests for social, health and education activities, Forest Habitat Networks, requirements for public consultation and involvement, community purchase and partnership schemes are just a few of the real developments in forest management. There is no sign of this pace of change lessening and we do not believe FCS or the Scottish Government can foresee the level of changes likely over the next 25 years, let alone the 75 years proposed for these leases. Two options arise from this; regular revision of lease conditions or removal of policy improvements on 100,000 ha of forest land in Scotland. The first would reduce the value of the lease considerably; the second would be unacceptable to the people of Scotland.
- 9.8. The Unions also believe it is disingenuous to talk of the lease life as 75 years. It is accepted that the true value of a lease to any global investment company is the capital value of the forest. It is also accepted that as the end of a lease nears, the capital value reduces. For any private company, this would increase the risk and is likely to result in renegotiation of the lease at, say, 50 years for a 75 year extension. Any lease will, in reality, remain in perpetuity. The result of this is the same as outright sale, where management practice is regulated by Government authorities. However, as it was leased, the true value of the estate will not be realised.
- 9.9. A report presented to the Scottish Parliament (see para 11.2.2 for full title) proposes an option for improved carbon sequestration from forests by lengthening the time between planting and felling (rotation length). Current figures show that the average rotation length in private forests is at least 10 years shorter than on the NFE, because different discount rates are applied according to the priorities of the forest manager. This equates to about 8% reduction in sustainable carbon sequestration.
- 9.10. The Minister has given three guarantees to FCS staff affected by the lease proposal; no compulsory redundancies, protection under TUPE regulations if transferred to the private sector or transfer to another part of FCS. These would be welcome if they were not significantly devalued by the leasing proposal.
- 9.11. The likely loss of income to FCS has been set out in para 9.6. An increase in cost base would be made worse by the cost of transferring staff to other parts of FCS.

Many staff, particularly those on the lower pay rates are secondary earners within their household, which means the option of transfer is not realistic. Refusal to move in such circumstances could mean the person being classed as resigning, which is unacceptable to staff and their Trade Union representatives.

9.12. Although the Minister has given an assurance that any staff transferred to a private employer would be covered by the TUPE regulations, experience has shown that detrimental changes to terms and conditions can materialise very soon after transfer as a result of the pressure to reduce costs and maximise profits. Staff in FCS are exceptional within the public and private sector for the dedication they show to their employer and their long and continuous service. This is often due to the rural locations of many jobs, but also a demonstration of the high value they place on the public sector ethos of the organisation. This will add to the pressure for staff to transfer to other parts of FCS.

9.12.1. In a written response to the FCTU, the Forestry Commission has confirmed that the Scottish Government's commitment of 'no compulsory redundancies' does not form part of the terms and conditions of employment for Forestry Commission staff and as such would not form part of any ongoing employment commitments should any FC staff be subject to a TUPE related transfer to another employer.

9.13. The effect of no compulsory redundancies on top of the loss of FCS income and cost of transfers will be to cripple the ability of FCS to deliver multi-purpose forestry across the remaining NFE by reducing efficiency and effectiveness. Money will not be available to fund social, environmental and economic improvements rightly demanded of us by Ministers.

## 10. Trusts

10.1. In relation to FCS

10.1.1. The need for a Trust assumes the leasing proposal is progressed. As we have already stated the leasing proposal is not one that meets the needs of the people of Scotland. What is needed to meet the climate change challenge is flexibility in terms of financing.

10.1.2. Even if the decision is to pursue the leasing option, there is no need to form a Trust to hold the funds. The Scottish Government could give Forest Enterprise 'Trading Status' and allow it to hold over such funds for the specific purpose of Climate Change. This would ensure that any funds generated from the leasing arrangement, or those arising from renewables projects on the NFE, would be spent on public land to meet a specific purpose and would avoid the creation of yet another (semi-public) organisation in Scotland.

10.1.3. Linked to further potential for repositioning (see Section 11.1), we believe this flexibility will produce everything the Scottish Government is trying to achieve and at a much lower cost. It will avoid expensive legal, financial and

other advisors and a lengthy negotiating/ tender process (see para 9.3). It has the added long term advantage of keeping control of the strategically important asset of the NFE in public hands, enabling it to meet the requirements of the future, rather than what we think is important today.

## 10.2. In relation to Community Engagement

- 10.2.1. The Minister has taken an active interest in a number of community partnerships over his period in office, hence his comment about FCS being 'the perfect location' for this. The Unions therefore find it difficult to understand why another organisation is suggested for engaging with local communities.
- 10.2.2. Concerns have been raised by many members of the public about loss of recreational opportunities on NFE land if leased and the Minister has quoted the enacted Access legislation as guaranteeing access rights. This statement misunderstands the way in which FCS actively promotes access to forests. Many of the most commercial woodlands have gone through significant restructuring to improve age and species diversity. Active involvement of local communities and interest groups has resulted in increased use of the forests. Educational, health and recreational usage are encouraged by FCS staff - ranger-led walks, 7Stanes, 'dark skies' projects, all-abilities access, Forest Schools, forest festivals, local volunteer groups, these are all examples of activities which are generally lacking in private sector forestry and would have to be paid for from public funds in any leased woodlands. The Access legislation is largely a passive process, giving permission only.
- 10.2.3. In previous reviews of the Forestry Commission, a figure was included to represent the notional value of visits to forests. In 1994 this figure was £1 per person per visit, but more recent research shows £7-9 as being more accurate with 10 million visits in 2007. It is important to recognise the work that FCS has done to increase the numbers and value of visits to forests. This includes areas where currently the economic aspect is more important than social and environmental value, but as mentioned in section 9.7, the relative importance of these changes over time and a 75 year lease would prevent this being optimised.
- 10.2.4. Any membership-led, volunteer or not-for-profit organisation will not have the democratic accountability which FCS currently has through the Minister and the Scottish Parliament. This is particularly so for local communities, where experience has shown that they have little influence over the alternative agenda of other organisations, where the membership is not local, and often not interested in local views.

## 11. Other Actions

### 11.1. Repositioning

11.1.1. For the current 3-year public expenditure period, FCS has an agreed target of raising £15m per year by selling land which contributes least to the Scottish Forestry Strategy (SFS) from all three of the elements of sustainability, namely economic, social and environmental. This is the key difference from the proposed leasing option, which removes the financial backing of the economic, leaving the more expensive environmental and social aspects.

11.1.2. Examples of the success of this policy are:

11.1.2.1. Part of Corrour Forest in Lochaber Forest District, with poor road access and little commercial potential, no recreation potential and minimal ecological interest was sold to the neighbouring estate. Some of the income from this sale was used to buy a woodland on the outskirts of Fort William on the main access to Ben Nevis. FCS purchased the woodland and Nevis Partnership match funded the construction of a new footpath leading through the wood from the main FCS car park to the Allt a' Mhuilin path that leads to the North Face of Ben Nevis. The project has opened up a previously inaccessible woodland to walkers and has provided access to beautiful views over the Great Glen and out to the hills in Ardgour. Its most important function, however, is to give unhindered access to the best winter climbing in Scotland, which in turn has increased visitor numbers to Fort William in the otherwise quiet winter months.

11.1.2.2. Sale of forest in central Sutherland delivering few public benefits is funding a 215ha acquisition of land near Halkirk, to the south of Thurso in Caithness. This is close to the community, providing improved access and diversity of habitat, along with opportunities for carbon sequestration with productive broadleaf woodland.

11.1.2.3. Other sales have allowed purchase of 1170ha of ground at the end of a 9 mile bus route from Glasgow, next to local visitor attractions, with new planting potential and large areas of valuable Priority Habitat, which will benefit from the removal of grazing. 1000ha around Lesmahagow and Coalburn in S Lanarkshire is mostly plantable, including areas for commercial broadleaf production, Ancient Woodland which can be expanded, a 200+ha Lowland Raised Bog and opencast restoration site.

11.1.3. As sites have been selected for their low contribution to the SFS, they have had minimal impact on the remaining NFE staff or efficiency. This policy should continue and can be expanded without causing major expense and disruption to staff or FCS.

11.1.4. One of the biggest limits on meeting Government planting targets is the work required to obtain permission to plant ground. Environmental Impact Assessments (EIA) can be expensive and time-consuming. Strategic direction from Government is needed to target resources better. Indicative Forest Strategies have been used for this in the past.

## 11.2. Additional funding for new planting

11.2.1. The Scottish Rural Development Programme (SRDP) was recently agreed with the European Union (EU), but the level of support for forestry was limited. Other EU countries already have much higher levels of woodland cover and do not have the same need to support woodland creation. The Scottish Government (SG) has full control over the allocation within SRDP to agricultural, environmental and forestry projects. A 'Report of the Royal Society of Edinburgh's Independent Inquiry into the Future of Scotland's Hills and Islands' was published in September 2008, which sets out very clearly the issues preventing the achievement of SG targets for woodland expansion. If the SG is serious about Climate Change targets, it must be prepared to allocate the resources to achieve this and ensure that it is endorsed by the EU as funding additional to the level currently approved.

11.2.2. A report has recently been presented to the Scottish Parliament on 'Mitigating Against Climate Change in Scotland: Identification and Initial Assessment of Policy Options'. Two of the most favoured recommendations in this report are woodland creation and woodfuel. Additionally there are several other opportunities to bring extra funds into woodland creation; we particularly highlight afforestation of the transport network and derelict land. This could be funded by Section 75 payments as mitigation for new development.

Planting in advance will develop a green network for future developments, creating an attractive setting, screening prior to building and contribute to the Integrated Habitat Networks known to be so important for the long-term environmental health of the nation. The Clyde Valley, Tweed and Spey have been the subject of reports in this connection.

11.2.3. Should the SG, in the face of all the contradictory information given here, go ahead with the lease of FCS land, no guarantees have been given in the Bill consultation that funds will be used for forestry, despite the aim being to fund new planting. This commitment must be made through the means of the Bill, by restricting the use of these funds. As it stands currently, it is likely that some of the money will be used by other Government departments, such as for insulating housing or funding wind or tidal energy projects.

11.2.4. The SG has confirmed its desire to achieve woodland expansion on a scale of 10,000 hectares per year. It is recognised that recent attempts to achieve this via private sector grants and public sector delivery have not been

successful. It is the Unions' belief that the last time this was achieved was in the late 1980's when the taxation on the development of new woodlands was very different, and we believe that there is merit in re-examining current taxation policies in order to find ways to better support an expanded planting programme.

### 11.3. Capital Charge on the NFE

- 11.3.1. The introduction of Resource Accounting and Budgeting (RAB) brought with it a charge to departments on the capital assets that they hold. It is meant to encourage departments to look closely at their assets to ensure efficient usage: for most departments these are offices and buildings, on which general asset values rise and fall in line with the general economy. However, the value of woodlands can be extremely volatile and far more about lifestyle choices and long term investment potential rather than current timber prices.
- 11.3.2. Recently, woodland prices have increased dramatically whilst timber prices have fallen even more dramatically. Unlike the private sector FCS, quite rightly, continues to deliver timber to ensure long term stability of the timber processing industry. This leaves FCS having to cope with the double impact of increased cost of capital and reduced income.
- 11.3.3. A change to the Cost of Capital accounting mechanism would greatly assist in the management of afforestation, and capital intensive joint venture projects (including those aimed at promoting renewable energy). The unions welcome the ongoing Alignment (Clear Line of Sight) Project, and support efforts to introduce a new Cost of Capital accounting mechanism at the earliest possible date.