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19th February 2009

Submission To The Transport, Infrastructure and Climate Change Committee

Responding to question 11 – Forestry.

The Bill will allow modification by order of the functions of the Forestry Commissioners to enable the Forestry Commission in Scotland to play a greater role in tackling climate change. The immediate intent of the Scottish Government is to take forward proposals relating to renewable energy development on the National Forest Estate and the release of capital from the National Forest Estate for woodland creation.

What are your views on this proposal?

1. Renewable energy development

1.1. Forestry Commission Scotland (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.

1.2. 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.

1.3. 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.

1.4. 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.

1.5. 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.

2. Releasing capital for woodland expansion

2.1. 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.

2.2. 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.

2.3. 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.

2.4. 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.

2.5. 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.

2.6. 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.

2.7. 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.

2.8. 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.

2.9. A report presented to the Scottish Parliament (Mitigating against Climate Change in Scotland: Identification and Initial Assessment of Policy Options), 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.

2.10. 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.

2.11. The likely loss of income to FCS has been set out in paragraph 2.6. 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.

2.12. 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. The 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.

2.12.1. 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.

2.13. 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.

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