

FINANCE COMMITTEE CALL FOR EVIDENCE

DRAFT BUDGET FOR 2013-14

SUBMISSION FROM CONFOR: PROMOTING FORESTRY AND WOOD

Confor is a members' organisation, funded by and accountable to businesses in the forestry and wood sector. Our aim is to promote the market for wood and forest products, and to help members become more competitive and successful.

Confor's remit covers all parts of the industry supply chain, from nurseries through to woodland owners, timber growers, contractors, harvesters, hauliers, sawmills and other processors.

Aim of this paper

1. To demonstrate how the forestry and wood sector can contribute to sustainable economic growth through a targeted increase in funding to Forestry Commission Scotland (FCS) to support the private sector.

Background

2. The sector supports 40,000 jobs and contributes over £1bn to the economy – equivalent to total Scottish farming output at farm gate. It provides an excellent return / value for money from public investment. The sector has real potential for further growth, which will also deliver a reduction in carbon in the atmosphere and benefit biodiversity. Public support through SRDP is important to promote future supplies of wood raw material and to pay for the provision of environmental and recreational benefits.

3. After significant problems with the Government's grant scheme – SRDP, the sector is now developing momentum in delivering new planting and sustainable management of forests. This momentum will stall and likely reverse if modest funding is not made available in the next two-three budget years.

4. The present Spending Review plan contains a (level two) provision of £41.3m for FCS in 2013-14, of which £16.2m of Scottish money is allocated to private sector grants. The £16.2m is bolstered by EU co-funding under SRDP of £19.8m to give £36m total.

5. Successive governments have welcomed the many public benefits that sustainable forest management and new woodland creation provide, and recognizing the very long-term nature of forestry and the up-front investment required to deliver these public benefits, have borne the whole net cost of running the national forest estate and have provided grants to the private sector to aid delivery. This has been particularly important for new woodland creation by the private sector since 1988, when forestry was taken out of the income tax regime.

6. Up until this financial year, the forestry budget for private sector grants was underspent and the under spends were transferred to other priorities under Rural

Affairs and the Environment. This under spending occurred for several reasons, the principal ones being:

- the difficulty for forestry to access a rural development programme which was not 'fit for purpose' for that sector
- the vacuum caused by the early closure of the previous forestry grant scheme (Scottish Forestry Grant Schemes) in 2006;
- the time required to gear up once again to bring forward forestry schemes which undergo very thorough, costly and time-consuming consultation procedures, sometimes lasting over two years.

The present situation

7. Momentum has built up once again, and demand for grants now exceeds the budget provisions for this current year, and for 2013-14. Grant commitments for sustainable forest management and programmes like WIAT (Woods in and around Towns) have now reached about £10m per annum, and the remaining £26m in the budget is simply not enough to cover the grant demand for new woodland creation.

8. The Scottish Government target is to plant 100,000 hectares of new woodland during the next decade. The concept for this is that FCS will plant 1,000 hectares per annum on the national forest estate through its re-positioning programme, and the private sector will deliver the remainder (though on account of unpredictable land availability and different sizes of woodland schemes, this is unlikely to ever mean an equal 9,000 hectares per annum).

9. For next year, FCS had (by the middle of June) received proposals for new woodland of 8,264 hectares, which together with other commitments could potentially mean a total grant demand approaching £45m. This figure is particularly high due to the amount of native woodland in proposed schemes (native being on average about twice as expensive in grant terms as compared to commercial softwoods). But even if the balance of new woodland returns to the Scottish Forestry Strategy idea of 60% commercial / 40% native, the grant 'pot' of £36m is insufficient to enable these schemes to take place.

10. In recent years Scotland has been losing commercial softwood forest to such developments as windfarms and habitat restoration. This is undermining confidence in the wood processing sector – an indigenous low carbon industry that has been investing £50m a year. The failure to deliver new commercial planting will undermine investment and damage jobs, rather than supporting the expansion which is available to Scotland.

What is needed - now?

11. An increase in national funding of some £10m is required for next year so that the private sector can deliver on its contribution to the Scottish Forestry Strategy. It is acknowledged that increasing spending within the SRDP is complicated, and that an increase for one sector may have to be at the expense of another. However forestry's needs are time sensitive – it is vital that now the momentum within the industry has been restored, it is not allowed to falter once again. With more funds at their disposal, FCS should be able to manage their other commitments such as WIAT, the Strategic Timber Transport Fund and other Programme costs without these impinging on spend on private sector grants, and thus the drawdown of

European money to match an increased national spending on forestry elements of SRDP can be maximised.

What will this deliver?

12. Planting more forests, particularly productive conifer ones, delivers to the Scottish Government's economic strategy in an almost unique way. Not only does it protect and sustain the existing workforce, but more new forests will deliver hundreds of more rural jobs, many through SMEs employing people with low qualifications, and then subsequently training them in the industry. These new forests will grow to provide the means of moving to the low carbon economy by sustaining and increasing the available supply of timber to substitute for other less carbon friendly construction materials like concrete and steel. At the same time during their growth before harvest, these new forests will reduce CO2 emissions through sequestration. Confor has calculated that planting 9,000 hectares of productive softwoods per annum during the next decade will reduce CO2 emissions by 3.6m tonnes, and to realise the opportunity of this increased timber harvest, the sector would be likely to invest £600m in processing capacity. For more detail on this see Confor's publications:

Scottish forestry at the crossroads
http://www.confor.org.uk/Upload/Documents/37_ConforGreenFutureBookletNov2010.pdf and **Scotland's Forests: Realising the potential**
http://www.confor.org.uk/Upload/Documents/37_ScotlandsForestRealisingthePotential.pdf

13. However without the continued support from Scottish Government and appropriate investment in the forestry sector, the benefits that can be delivered will not be realised. There is an imperative for Scotland to maintain momentum in this unique sector, and leadership and public investment is urgently required in these uncertain times of economic recovery to keep our momentum going.

14. Confor believes this answers the Committee's questions in its Call for Evidence, in particular to Questions 1, 2, 3, 6, 7 and 8. We will be pleased to provide more detail if requested.