

Written evidence from Confor

Confor welcomes the opportunity on behalf of its membership to respond to the Scottish Parliament's Rural Affairs, Climate Change and Environment Committee (RACCE) invitation to submit its initial reaction to the final report of the Land Reform Review Group.

Confor is a members' organisation, funded by and accountable to businesses in the forest industries. Our aim is to promote the market for wood, forest products and forest services, and to help improve the industry's competitiveness.

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.

General comments

The major issue facing Scotland's forest industries is securing the availability of supplies of wood in the future at a level that is at least the same as it is in 2014. If this is not achieved, then a previously successful and important Scottish industry will contract, damaging rural employment and undermining achievement of Scotland's world leading carbon reduction targets. Further information on this important issue is available on the [Confor website \(www.confor.org.uk\)](http://www.confor.org.uk).

It is in that context that we provide our response.

Confor is concerned that this report, and further deliberations on this issue, will undermine long-term confidence in part of Scotland's forest owning community. Scottish forestry faces some real challenges – getting more woodland created, pests and diseases, and an SRDP based support scheme that is still not fit for purpose for forestry. We would urge the Scottish Government to focus its energies on these issues.

Comment on the specific recommendations

Ownership of land – many of the largest owners of land have been the most committed to developing and maintaining the softwood resource which has underpinned the creation of a world-class wood processing industry in Scotland. These businesses compete against mills in other countries that have access to areas of large productive softwood forest – scale is important. In Scotland, most large softwood forests, outside of the Forestry Commission, are held by large land-owners.

At this crucial time for the industry, it is vital that this part of the forestry owning sector continues to manage forests and to expand them to help secure future wood supply.

Confor supports the concept of mapping land ownership, and transparency of who owns what, but we realise that this will be a major undertaking which will take considerable time and require a considerable budget.

Succession law – The proposal to end the distinction between immovable and moveable property in Scotland's laws of succession is of real concern. It could end

the planting of productive conifers by many woodland owners, unless commensurate tax reliefs were retained to ensure the woodland *and the growing timber* could be passed on by the owner to the next generation. The distinction between immoveable and moveable property is an important one for many estate owners planning succession to the next generation, as evidenced to RACCE by Scottish Land & Estates. While there may be those who baulk at the idea of tax relief for forestry, it must be noted that forestry is competing for support against CAP subsidised agriculture. While there is an uneven playing field, forestry will require support to balance the pitch.

Compulsory purchase – Given that one of the prime reasons for private individuals to invest in forestry in Scotland is to be able to pass on that maturing investment to their next generation, the concept of creating a statutory right of pre-emption for government and local authorities, would undoubtedly put many investors off from starting a 40-year plus investment in woodland planting.

National Forest Estate – Confor disagrees with the group's interpretation of what is happening down south. The sector campaigned against the merger of Forestry Commission in Wales, and experience so far has seen those fears realised with support for forestry in decline and concerns about bureaucracy and poor regulation increasing. Forestry and wood processing can be a major success story, but it is in danger of further decline in the south as institutions become weaker.

Confor disagrees strongly with the idea of integrating FC Scotland fully into Scottish Government. The industry suffered significantly with the loss of paying agency status for FCS, and the problems caused by the lack of forestry knowledge in RPID continue on a daily basis. There would be a real danger of losing the special skills required in the forestry world should FCS lose its independence.

We believe the current repositioning programme has some merits and are in favour of this continuing, but only on a self-funding basis. We disagree with an expansion of the programme, and would be very concerned at the apparent suggestion to morph FCS into a land purchasing and management organisation with its focus on forestry removed.

It should not be assumed that the National Forest Estate is intrinsically better than a forest owned/managed privately. The NFE has access to considerable public funds that are denied to the private sector. In privately owned forests, delivery of public benefits through an ecosystem services basis are guaranteed via compliance with the UK Forest Standard, and without any provision of on-going public support.

Pattern of rural land ownership – As noted before, a modern forest-based industry requires scale to be competitive. In Scandinavia there is an historic culture of managing forests commercially and in formal collaboration with other owners. This culture is almost entirely absent in Scotland. Predecessors to Confor have sought to facilitate group marketing of timber, but with little success. In that context we are very concerned about the Group's assertion "that woodlands and forests are often particularly suitable for smaller scale and community land ownership" and "that there should be an upper limit on the total amount of land in Scotland that can be held by a private land owner or single beneficial interest". Scotland's forest and processing industry is rated 7th in the world, despite its comparatively small size, and that is

founded on the present pattern of woodland ownership, *where scale matters* for economically efficient management. It is vital that actions are based on a full-understanding of the evidence. There are the beginnings of examples of community-ownership of forest on a productive basis, and these should be critically examined further to understand their impact both within the community and in the local area.

Land taxation, payments and markets –

Business rates – The Group suggests “the phased introduction of non-domestic rates” for ‘forestry’ (presumably they mean for forest owners?) and other land based businesses. Confor members will have no problem in paying their dues in tax. However, they have already agreed to give up significant income-earning potential in forests to protect wildlife and promote forests in the landscape and to people. Adjustments to the tax system for forest owners must recognize the long-term nature of the business, and the impact on provision of public benefits that are subsidised on an on-going basis in the public sector. An annual tax levy for a business which only provides income once in a 40 to 70 year cycle, would be critical to an owner, and the first thing to suffer would be the public benefits provided by diligent management during the non-productive years of the cycle.

Sporting rates – Deer control within woodlands is an absolute necessity, and is invariably carried out at a significant cost, even where there is an element of “sporting” rent paid for trophy animals. Rates levied on managed woodlands would likely be at nil value.

Fiscal Measures and Land Ownership

National taxation – Scottish Government has clear targets for new woodland creation – 100,000 hectares during the decade to 2022, at least 60% of which should be productive conifer. The private sector is expected to deliver 95% of this new planting. Scottish Government supports the private sector by way of grants towards the cost of establishing these woodlands because amongst other benefits delivered by these new woodlands, they are a major element by which government’s climate change targets can be met and forestry needs to operate alongside the subsidised agriculture sector. Without this upfront support, and the guarantee that the current tax reliefs for IHT and CGT will also be available, new woodland creation will not occur. It is vital that there be no threat to this situation that would undermine investors’ confidence for such a long term venture as new woodland creation. In this respect the Group’s comments are not helpful.

Wild deer – Confor agrees with the submission sent to RACCE by the Association of Deer Management Groups, specifically that there should be no further changes to how deer management is carried out until after the SNH review in 2016 or later.