

National Assembly for Wales
Environment and Sustainability Committee
PFE 05

Inquiry into The Public Forest Estate in Wales
Response from: UK Forest Products Association

**Submission by the UK Forest Products Association to the National Assembly for Wales
Environment and Sustainability Committee inquiry into the Public Forest Estate in Wales.**

Introduction.

The United Kingdom Forest Products Association (UKFPA) represents the technical and commercial interests of the UK grown timber processing industry. Its membership is drawn from companies the United Kingdom whose principal activities encompass forest and woodland management, the harvesting, sawmilling, processing, merchanting and distribution of UK-grown timber and forest products, the manufacture of wood based sheet materials and paper and board products derived from UK-grown timber, together with suppliers of goods and services to the industry.

In addition to its governing board and specialist technical committees, the Association has a network of Regional Groups, including one that represents the interests of its Members in Wales.

The forests and woodlands of the Public Forest Estate in Wales are a unique natural asset and they provide a range of valuable economic, social and environmental benefits. The Public Forest Estate is managed in accordance with internationally recognised standards of sustainable forest management, which ensures the continued delivery of these benefits.

The Public Forest Estate in Wales is a major supplier of timber to the domestic wood processing industry, (it supplies approximately 50% of industry's needs), where it is used for the manufacture of a wide range of products, including sawn timber for the construction, packaging and fencing markets, as well as wood based panel products. The commercial timber operations on the Public Forest Estate provide substantial revenue for NRW, which helps to defray the costs of delivery of a range of non-market benefits.

The development of the domestic timber processing sector in Wales, (as in England and Scotland too), represents a significant success story; there is a good record of continued investment, high levels of employment in rural areas and the production of low carbon products. At this time, domestic producers of sawn wood products are experiencing unprecedented levels of demand for their products. The sector has steadily increased its market share, thereby displacing imported wood goods and domestically produced sawn softwood now has a market share of at least 40%, which represents a doubling of market share over 20 years.

The Forestry Commission has played a very important role in supporting the development of the forest products sector in Wales, England and Scotland, not least by ensuring continuity of wood supply, which in turn provides businesses with confidence to invest.

UKFPA provided input to the Wales Audit Office review of the operations of Forestry Commission Wales, whose report was published in 2008.

Comment.

When it was announced that a single environment body was to be created in Wales by the amalgamation of Forestry Commission Wales, Environment Agency Wales and the Countryside Council of Wales, industry carefully considered the implications and responded to the public consultation. Businesses were particularly worried that there would be a loss of focus on commercial forestry matters in the new body, given the very dissimilar roles of the three components of the new body and their future roles and responsibilities.

When official confirmation of the establishment of the new body was received, officials from NRW were keen to reassure their timber customers that the transition from FCW to NRW would be "business as usual". Businesses genuinely hoped that this would be the case, but sadly, one year on, nothing could be further from the truth, even making allowances for the almost inevitable 'teething troubles' that might be expected to be associated with a major organisational change.

UKFPA has maintained its close working relationship with the timber harvesting and marketing (H&M) team within NRW, including meetings with senior staff and regular meetings between the Wales Regional Group and NRW H&M staff. In addition, there has been on-going contact with Dr. Emyr Roberts, NRW's Chief Executive. The concerns of businesses in the sector have been regularly brought to the attention of NRW staff.

As 2013 progressed it became increasingly apparent that there was something seriously wrong with the timber harvesting and marketing function within NRW. Longstanding customers of FCW found that it was clearly not a case of 'business as usual', as had been promised, but rather a worsening picture became apparent as time progressed through 2013 into 2014. Fundamental problems associated with a lack of customer focus, poor communication, loss of experienced staff, lack of reliable data, delayed commencement of contracts etc. All of these problems come at a time when the wood processing sector in Wales is experiencing unprecedented demand for sawn timber and wood based panel products. It is hardly surprising that against this background, businesses are utterly frustrated with the poor performance of NRW.

It might be useful to provide some quotations from businesses in the forestry and forest products sector in Wales to illustrate the seriousness of the situation, since the establishment of NRW;

- "If we treated our customers like NRW do, we soon wouldn't have any customers left".
- "I cannot understand how can things go so badly, so quickly"
- "Some initial problems might have been expected when three very different bodies were put together, but as we feared, forestry seems to have become the poor relation and we as NRW customers are suffering".
- "Some initial problems might have been expected when three very different bodies were put together, but as we feared, forestry seems to have become the poor relation and we as NRW customers are suffering".
- "It is an unmitigated disaster"
- "NRW is rapidly becoming a laughing stock, but there is nothing funny about their performance".
- "When are they going to realise that we have businesses to run and begin to treat us like customers, rather than an inconvenience?"
- "We can't run our business against a background of continued uncertainty from NRW; even if we win a contract, there seems to be no guarantee when we will be able to start it – this is no way to run a business".
- "It seems as though the creation of NRW has erased all of the previous forestry knowledge and experience built up by the Forestry Commission".
- At the forest level, we are experiencing an increasing degree of bureaucracy and over-zealous application of petty regulation by staff lacking practical experience and common-sense. We are now the poor relation compared to environmental and leisure interests".

In addition to representations to NRW made by UKFPA on behalf of the sector, individual companies have expressed their concerns and frustrations to NRW staff too. But to date, there has been little or no improvement observed and businesses are increasingly frustrated as a consequence.

In terms of the four key terms of reference of this Inquiry, we would comment as follows;

Commercial operations and focus of the NRW.

In the experience of UKFPA and its Members, the performance of the forestry arm of NRW and more particularly, its timber harvesting and marking operations, has deteriorated markedly since the creation of NRW and its current standard of performance is woefully inadequate in every respect. There appears to be an almost complete lack of customer focus, including any appreciation of the needs of customers and the importance of effective communication.

Delivery of business advice and support to the forestry sector in Wales.

Given the very poor performance of NRW in forestry matters since its creation, it is frankly difficult to imagine any businesses in the wood processing sector seeking business advice from NRW at present. Even requests for information on timber availability, let alone specific contract related matters, are often met with delay and/or inaccuracy. It is suggested that confidence in NRW and its performance in forestry matters is plumbing new depths. This is simply not acceptable to businesses in the sector. The poor performance of NRW in forestry matters is likely to have a negative impact on investment plans by wood processing businesses in Wales and surrounding areas.

It must be noted that businesses beyond Wales are also dependent on the public forest estate in Wales for a proportion of their wood raw materials. These businesses are also suffering as a consequence of the continued poor performance of NRW. Wood processing businesses obtain their roundwood either from the public forest estate and/or from growers in the private sector. The poor-performance of NRW in terms of wood supply is inevitably driving businesses to purchase increasing volumes of wood from private growers, to the financial detriment of NRW. However, it must be noted that supplies of wood from the private sector are limited and many businesses have no option but purchase wood from NRW, despite the problems currently being experienced.

Management of disease outbreaks on the public forest estate.

The incidence and severity of tree pests and diseases has increased dramatically in recent years, as has their economic significance. Of particular concern to wood processors in Wales has been the very serious and widespread outbreak of *Phytophthora ramorum* disease of Larch. This devastating fungal disease, which kills infected trees, initially occurred in south-west England, but favourable climatic conditions have enabled it to spread through south Wales and then northwards into north-west England and south-west Scotland, despite biosecurity measures. Once infected, trees have to be felled to prevent them from producing spores and thereby spreading the disease further.

P. ramorum disease of Larch is having an extremely damaging effect on the forests and woodlands of Wales. An official decision has been taken to remove all Larch from the entire public forest estate in Wales; this programme will take many years. The clearance programme, whether it is scientifically justified or not, will present a huge challenge for the forestry and forest products sector; not only in ensuring a sufficient and capable harvesting resource, but also a challenge for marketing and utilisation of the material, as Larch it is not suitable for all end uses. Furthermore, the focus on removing Larch from Wales will reduce production of Sitka Spruce, which is the most economically significant timber species in Wales. Although there has been success in substituting Larch for Spruce in some markets, the ability to cope with a glut of Larch is limited and many businesses whose customers require Spruce are very seriously concerned about continuity of Spruce supply from the public forest estate in Wales, during the Larch clearance programme. These concerns have been regularly voiced to NRW, but there is a feeling that the NRW attitude is 'we have got a disease problem and we have to address it irrespective of other impacts, or, 'we've got a problem and industry has got to sort it out'. The wisdom of the total clearance programme is regularly questioned by wood processing businesses. A total clearance programme is not being pursued in England or Scotland.

Progress made by NRW to deliver the recommendations of the Wales Audit Office.

The WAO report of 2008 stated that FCW had met financial targets and the majority of performance targets, while delivering a broadening agenda, however, it needed to address a number of significant challenges.

From the perspective of its timber customers, NRW has failed to continue the generally good work of FCW, although it must be noted that not everything was entirely satisfactory in forestry matters, especially in relation to forecasting volume, marketing arrangements, restocking with commercial conifer species and related matters. It had been hoped that once 'bedded in', NRW would be able to build on the strengths of FCW. Sadly, to date this has not been the case and things have gone backwards, not forwards.

The current situation is, from a business point of view, entirely unsatisfactory. The performance of NRW has been woefully inadequate and requires urgent attention, before irreparable damage is done to the forestry and forest products sector in Wales, and beyond.

Summary.

The performance of NRW in forestry terms, especially in relation to its role as major supplier of wood to the wood processing sector in Wales and beyond, has in its first year, been lamentably poor. Even more worryingly, despite direct and frank representations to senior NRW staff, we have yet to see any evidence of meaningful improvement. Much is at stake and urgent attention is required to address what appear to be fundamental and deep rooted problems within the forestry arm of NRW.

Industry concerns about the unacceptable performance of NRW in forestry terms were presented to the Minister for Natural Resources and Food, at a forestry sector round-table meeting in Cardiff on 26 March 2014.

We welcome this Inquiry by the National Assembly for Wales' Environment and Sustainability Committee and sincerely and earnestly hope that it may result in much needed improvement in the performance of NRW's forestry arm. Failure to bring about these improvements will cause irreparable damage to businesses in the forestry and forest products sector in Wales and indeed, further afield and will reflect very badly on Wales.

David J. Sulman
Executive Director.

15 May 2014.