



National Assembly for Wales' Environment and Sustainability Committee inquiry into the Public Forest Estate in Wales

Submission from Confor Wales.

May 16th 2014

Confor (the Confederation of Forest Industries) represents the commercial forest sector in Wales and in the rest of the UK. This submission is based upon the management of the public forest estate in terms of sustainable wood production.

1. The commercial operations and focus of the NRW

It is difficult forming a view on the NRW's performance in managing the commercial operations relating to wood production because of the lack of transparent reporting of its activities. There is insufficient disclosure to establish whether NRW are operating sustainably on an economic basis. Taking the latest published report of FCW to 31 March 2013 the following details are recorded:-

Volume of clearfell	Cubic metres	622828
Area of clearfell	Hectares	1661
Volume of thinning	Hectares	178204
Standing sales	Cubic metres	400707
Direct production	Cubic metres	400325
Area of restocking after felling	Hectares	1012

Book value of felled timber £000's 5598

From the Forestry Commission National Statistics the following data on FCW is recorded for the year ended 31 March 2013:-

Harvest and haulage costs £ million 9.9

Timber income £ million 13.5



This was the only published data we were able to obtain from published reports on the commercial performance (economic sustainability) of the FCW (now NRW) relating to its wood production activities. To enable a proper assessment of the NRW's performance there needs to be publication of the following data:-

- Timber income split between thinning and clearfell, and then sub-divided between standing sales and direct production; likewise for harvesting and haulage costs.
- Restocking costs associated with the area of restock, with beat up costs of previous restocks reported separately.
- An allocation of overheads reflecting the "on-costs" of the restock and felling operations.
- Income from sales and costs of felling and restocking of diseased trees due to P.ramorum recorded separately

Without such data it is not feasible to form an opinion on NRW's performance; other than to conclude that if the data disclosed above is true and fair then wood production on the public forest estate has been run at a substantial loss. Appendix 1 illustrates a comparison of the net earnings per tonne (before overheads, value of stock felled, and replanting costs) between public forest estates in England (£18.11), Scotland (£13.25), and Wales (£5.43) NB: these figures are before any significant removal of diseased larch trees. It does appear from the published data reproduced in Appendix 1, that the FCW (now NRW) are generating significant deficits on timber operations on the WG forest estate (a similar picture to the previous year)- an approximate loss of £2million in 2012/13 before overheads, restocking and beat-up costs. This loss to WG may be due to a number of causes e.g. poor silvicultural practices in the past resulting in poor crops, harvesting in particularly difficult terrain, inefficient harvesting, poor supervision, and low prices. The problem is that no improvement can be made and the situation reversed without data pinpointing where the losses are being made. It is basic commercial management. We are concerned that there seems to be an over emphasis as a success criteria on increased volumes being marketed rather than on the financial return to WG.

A further concern of ours is the depletion of the productive resource on the WG forest estate. The figures above indicate a significant discrepancy between the area restocked (1012 hectares) to the area felled (1661 hectares). Whilst such a discrepancy may exist in any one year, cumulatively the figures should be similar. There is a worrying trend in the FCW's reported accounts, over the past three years 3069 hectares have been restocked out of 4341 hectares clear felled with the cumulative five year production ending in those three years being relatively static; this therefore indicates a significant loss of commercial productive woodland. The Nation's timber reserve is an important resource underpinning substantial economic activity and employment in the rural economy; if this resource is not maintained there will be economic decline with the consequent adverse effect on rural employment.

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Where there has been removal of commercial productive woodland for restoration of habitats or development, the WG woodland policy is clear that there should be compensatory woodland creation. Practically all woodland creation over the past few years has been of commercially unproductive native woodlands.

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

Our members report that the NRW provides little support and that on the contrary it acts in a heavy handed and bureaucratic way. Please see enclosed copies of correspondence (Appendix2) illustrating the NRW's response to:-

- our request for more flexibility in the handling of grants in the face of exceptional circumstances (as happens elsewhere in the UK),
- our complaint of mistreatment in the administration of felling licences, and
- our complaint of NRW's lack of transparency in the management of long-term contracts. In a balanced market no supplier would sell at a loss, but within the wood supply market in Wales there is no confidence that that is the case particularly with sales from the public estate. NRW's failure to respond by engaging with the private sector growers undermines confidence and has an adverse impact on woodland management within Wales.

Even though Confor had written to the highest level within NRW; NRW failed to appreciate the adverse effect their heavy handed and inflexible behaviour is having on the industry and to take our complaints seriously. NRW clearly failed to recognise that they have a supportive role to play or that they should facilitate as well as regulate. This we believe is a cultural problem needing strong leadership within NRW to change attitudes.

The problems are compounded by the fact that NRW acts as both a competitive operator and regulator in the forest industry. It enforces practices upon the private sector which it does not enforce upon its own management of the public estate. Given the dominant position NRW has in the wood supply industry (supplying approximately 60% of the market in Wales) we regard this as an abuse of a dominant position. NRW claim that they do not have to comply with the onerous conditions of felling licences on the public estate since they have been advised by legal advisers that they are a "Crown Body" – we would question this given that they now operate at arms-length from the Welsh Government and would suggest that the SEC examines that legal opinion. Please refer to Appendix 4 which is e-mail correspondence from NRW as regulator concerning a felling licence application, to a private sector operator with his reply. Clearly NRW are insisting on additional conditions which are not spelt out in the application form for the felling licence; and rather than amend the process the regulator is threatening obstruction and prosecution. Is this really in the public interest?



The lack of any meaningful levels of woodland creation in Wales does not seem to generate any urgency within NRW to address this serious issue. NRW seems totally detached from any sense that it should be seeking to help deliver on WG woodland and forestry policy. This seeming detachment is accentuated by the lack of clear leadership within NRW on forestry issues. As an example please see enclosed Appendix 5; a copy an e-mail below from a Confor member who had tried and failed to get grant support for a woodland creation scheme.

3. Management of disease outbreaks on the public forest estate

Unfortunately P. ramorum struck on the public estate at a time of transition (from FCW to NRW), and there seemed to be a lack of leadership in dealing with the disease. Please refer to the enclosed correspondence (Appendix3) between Confor and NRW in which Confor highlighted the lack of urgent remedial work in the infected areas on the public estate i.e. the felling of diseased trees upon which Special Plant Health Notice equivalents had been served. It was emphasised by experts that the only chance of containing the disease was by carrying out rapid containment as illustrated by the work of Tim Widmer (USDA) in Oregon. After the initial correspondence referred to, there was much better communication between NRW and the private sector and a sensible strategy has been put in place to try and slow down the spread of the disease.

We are concerned that there is a potentially valuable resource which might be left to decay in the woodlands (WFBP estimates that the WG could construct around 50,000 new homes from the larch timber that will become available as the disease progresses).

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

It is particularly pertinent to this submission of evidence that the 2008 WAO report specifically mentioned BWW as a significant challenge to be addressed:-

“The FCW has recently introduced the Better Woodlands for Wales (BWW) grant scheme. It needs to develop effective performance reporting systems that focus on securing its long-term objectives and outcomes and provide appropriate support to the high volume of applicants to overcome known barriers affecting the approval of schemes”.

The WAO follow up report supports our view that the scheme is still not being administered as effectively as it might be:-

“Where FCW has sought to learn lessons from its implementation of its Better Woodlands for Wales grant scheme, it has not done this as effectively as it might have done.”

In relation to what we believe is the NRW's over emphasis on timber volumes (as opposed to profitability) the WAO endorses this view:-



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“The FCW last reviewed its *Timber Marketing Strategy* in 2010. The strategy covers the five-year period from 2011. The FCW told us that it measures the success of this strategy through progress against two of its corporate performance measures: Gross Value Added in the forestry sector and proportion of timber harvested in Wales. However, the timber strategy has a range of objectives which are not all directly linked to these corporate measures, for example, ‘securing best value from the sale of timber’, and for which FCW has not set performance indicators.”

