

21ST January, 2009.

Liz Kirk,
Forestry Commission Scotland,
Silvan House,
231, Corstorphine Road,
Edinburgh. EH12 7AT.

Dear Ms Kirk,

FORESTRY CONSULTATIVE PAPER:

I am responding to the Consultative Paper on forestry leasing which forms part of the Scottish Climatic Change Bill. My comments refer to the four Questions posed on page 7 of the Paper.

Question 1:

I agree that the Forestry Commission, (FC), should be encouraged to enter into joint ventures to facilitate energy generating projects on FC land where appropriate. I understand that the FC can already do this provided that they are satisfied that any development is compatible with its stewardship of the National Forest Estate, (NFE). Any revenues so generated should be credited to the FC for use in pursuit of its agreed objectives, including increased afforestation programmes directly by the FC or via grant support to the Private Sector.

Question 2:

I have serious concerns about the “Big Lease” idea. A Lease on such a large scale for as long as 75 years is fraught with uncertainties and risks affecting the future integrity of the NFE and the long-term real benefits to the taxpayer. Such a move would also undermine the well established concept of the NFE secured by law for management in perpetuity in the public interest.

In the present economic down-turn when finance is in short supply it is very tempting and politically appealing to pursue schemes that might generate cash today by disposal of publicly owned capital assets. However, the likely long-term costs and benefits to the taxpayer need to be calculated with great care. Scotland`s expanding timber production is and will continue to be attractive to

the wood processing industry so that the prospect of continuing sales of roundwood is good.

I can only speculate about the potential Lessee for a Lease on the scale proposed but by far the most likely will be a large overseas forest products group looking to establish a strategic reserve of standing timber to be drawn upon when wood prices are favourable. Economic objectives would be the main drivers for management of the leased land and while it would be possible to safeguard environment, conservation, public access and other benefits by inserting conditions in the Lease, such constraints would certainly reduce the cash value of the Lease.

It is my opinion that the assumptions being made about the likely value of a Big Lease when the constraints are applied are very optimistic. If the figure is then set against the current value of the cash streams from normal timber sales by the FC on the area the result is likely to be a net loss to the taxpayer.

Whatever the pros and cons of the big lease idea, one thing is certain, - with the weakness of sterling and a deepening recession. now is not time for a deal, especially with an overseas Group. To proceed would amount to desperation selling at the bottom of the market.

I am highly sceptical of the proposal which needs to be critically examined and evaluated by the FC's Accounting Officer before he finds himself facing the Public Accounts Committee.

New Planting: I support the Scottish Forestry Strategy in aiming for 25% forest cover by the end of the century but there is no way I can imagine the proceeds of the "Big Lease" even beginning to finance such a programme with all the grant payments required. If the implied aim of 10,000 ha. per annum for 40 years was met it would deliver 400,000 ha. of new forest by 2050. That is a very tough target to hit, especially when one adds in the fact that to maximise carbon storage requires planting a high proportion of fast-growing species, including conifers.

The fact is that planning constraints are now formidable due to the proliferation of designations of land for environmental, landscape, conservation and agriculture. This is especially true in the Uplands where most of the potential planting sites are located. To have any chance at all of achieving 10,000ha. per annum there will have to be considerable easing of the present restrictions on changes of land use, especially from unproductive agriculture.

Question 3:

If a big-lease were to be set up, I can see no justification for appointment of a “Not-for-Profits Trust” to manage and invest the proceeds in new planting. However, constituted I consider this would be a bureaucratic and unnecessary confusion of roles. The FC as a National Forest Service of high repute is well placed to do the job with any partners that may be needed.

The further proposal to transfer the landlord`s interest, ie. the ownership, from the FC to a Trust is an alarming expression of a lack of confidence in the ability of th FC to do itd job landlord. This would be amajor blow to the standing of an organisation which for over 80 years has ensured that “ the public interest in its holdings is safeguarded”.

Question 4:

A growing and profitable wood processing industry based on a sustained, rising and predictable supply of roundwood is crucial to the financial success and hence the public interest in Scottish forestry. Security of supplies and contractual arrangements to ensure fair competition are the best ways to ensure that wood processing continues to be UK based and can pay the best prices. This will enable contributions to be made to the costs of the enhanced afforestation programme.

George Holmes,
CB., FRSE., FICFor.