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James Callander & Son Ltd

SAWMILLERS & TIMBER MERCHANTS



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Consultation Response

CLIMATE CHANGE AND THE NATIONAL FOREST ESTATE – CONSULTATION ON FORESTRY PROVISIONS IN THE SCOTTISH CLIMATE CHANGE BILL

This response is the corporate opinion of James Callander & Son Ltd the largest Scottish timber sawmiller in Central Scotland and a customer of the Forestry Commission for more than 60 years, currently providing almost 100 jobs directly and at least half that number again in related upstream and downstream activity.

To begin with we would make two general observations.

1. Due to the lack of detail it is difficult to make an informed response to the questions asked. In general it is how the proposed powers might be used which is critical and this information is lacking.
2. These changes should not be looked at in isolation and the proposals must be viewed in relation to their effect on the governments Scottish Forestry Strategy.

The emphasis of our response is necessarily related to timber supplies and Key Theme 2 in the Strategy (which is timber) as this is our particular area of expertise and knowledge.

Question 1. What are your views on allowing the Forestry Commissioners to enter into joint ventures, with the intention of participating in renewable energy programmes on the national forest estate?

In Key theme 2 of the Strategy the first stated purpose is to “Maximise the economic potential of Scotland’s timber resources.” To date a high proportion of wind farms are being built on afforested land without compensatory planting of the same area of commercial species. When the stated intent of the Scottish Government is to increase the area of planted land, further



deforestation without compulsory compensatory planting cannot be condoned. We would suggest that other State owned land such as that under the stewardship of SNH and the MOD should be considered for such schemes. Indeed premature felling of otherwise perfectly good stands of timber for wind farms surely does not bear any scrutiny in climate change terms when consideration of sequestration is taken into account – particularly when the next hillside along is occupied by a sheep farm maintained only at the taxpayers expense. We can only speculate that the explanation for this apparent enigma lies in the realms of political expediency.

Any joint venture would potentially alter the current status and emphasis of the Forestry Commission as a neutral broker and radically alter its focus. It would lead to the state becoming a competitor of the private landowners. Should such a joint venture include the commercial exploitation for wood fuel based energy generation, it would bring the State into direct conflict with its timber customers particularly the Panel Board industries and create indirect conflict with its sawmill customer base which would defeat the second purpose in Key Theme 2 of the Strategy: “Encourage continued investment in timber processing by sustaining a predictable and stable supply of good quality timber”. In this instance we would be in direct opposition to such a proposal.

As stated before the lack of detail makes a full response difficult, what we would say however is that any such joint ventures must not relate to commercial scale biomass energy generation. Any such proposals for a joint venture should be fully and independently researched to explore and understand the potential impact on the present stakeholders, customers and the wider forest industry.

Question 2. What are your views on allowing Scottish Ministers and Forestry Commissioners to offer leases and cutting rights over parts of the national forest estate?

Lack of detail is causing confusion amongst the industry and we can only comment on what we believe to be the current proposals.

There are two issues firstly leasing and secondly cutting rights.

Leasing

We understand that this concerns a proposal to lease 25% of the most productive areas in large blocks to a single leaseholder for a period of 75 years. Given the locations currently mentioned this could represent 40% of the state production and up to 50% of the log production amounting to more than half a million tonnes of sawlogs which is close to 30% of the total Scottish log production. This proposal is of huge concern to our company. What is proposed would lead to a massive disruption of the market and has the potential to shut down our company. Currently the private ownership of forests in the UK is widespread and disparate and this ensures competition both between growers and buyers of round timber. For the Scottish government to create a situation where one commercial entity controls almost a third of Scottish log production for generations to come is entirely unacceptable.

The Forestry Commission, in its current form, sells timber to the processors by a mix of long term contracts and regular tender sales. This arrangement gives all processors, large and small, the assurance that they will continue to have the opportunity to purchase supplies. Thus, if unsuccessful in any given sale another opportunity to buy will always follow within a matter of

months. This self renewing availability is a crucial part of business confidence *and* any investment decision. The private sector (and therefore the new leaseholder) works in a quite different way. Any given processor will seek to develop a long term relationship with the lease holder to secure his own supplies and this will inevitably be to the detriment of other processors. The private grower or leaseholder may, of course, *choose* to regularly market his timber more openly. BUT to do so is entirely at HIS discretion and therein lies the problem. This is how the private sector works and this is the harsh reality of commercial practice.

In summary then, processors will find themselves going from a market in which they can be sure of regular opportunities to purchase to one in which they have no assurance that they will even get the *chance* to bid for 75 years. Business confidence will be shattered and as a result jobs and investment will fall away in coming years.

This point is by far the most important of our submission. If we are to have any influence on the decision it would be on this point.

As far as the current industry is concerned the leasing arrangement would defeat two key objectives in the Scottish Governments Forest Strategy, namely:

“Encourage continued investment in timber processing by sustaining a predictable supply of good quality timber”

and.....

“Increase the efficiency of the timber supply chain to improve sector competitiveness and minimise the social and environmental impacts of timber transport”:

However the lease arrangement would result in supplies being considerably less predictable and subsequently, planned investments would be stalled or abandoned. Competition would be stifled and job losses almost inevitable.

It is well known that our company has expansion plans that would safeguard and create new jobs in an economic black spot in Fife where unemployment is one of the highest in Scotland, if this lease were to go ahead it is highly likely that these plans will be at best curtailed but more likely abandoned.

The only motive for any such potential lease holder would be to make a long term profit, which would be at the expense of foregone income for the Scottish people. Such a profit could only be achieved by sale of timber, manipulation of the round timber market, possible further processing of the timber and other use of the ground such as stalking and leisure use. It is not difficult to see how the current timber processors could be potentially devastated leading to reduced competition and lower prices and income.

Cutting Rights

This method of ensuring the security and development of an industry is a common occurrence in many parts of the world with many variations. In the past we have advocated limited cutting rights and in some way the current Long Term Contracts utilised by the Forestry Commission go some way towards this. We would suggest that a study of current world practice and the pros

and cons of such a proposal be undertaken in a Scottish context with full open debate ensuing, this could be part of the work of the current "Timber Development Programme".

It is our understanding that the two questions above are concerned with reducing the Scottish Government's costs incurred in running the Forestry Commission and increasing the returns there from. We would suggest that some of the following options are explored:

Consider tendering the management of the more commercial woodlands under the control of FC Staff. Forest Enterprise could be allowed to tender along with Private Operators. This would be entirely consistent with the approach taken in other areas of national and local government. Another option may be to increase the rate of disposal under the "repositioning programme" to include commercial blocks.

Question 3. What are your views on (i) transferring the proceeds from leases and cutting rights to a not-for-profit trust, for investment in woodland creation; (ii) transferring the landlord's interest in this land to a not-for-profit trust; and (iii) Ministers stipulating the constitution of such a not-for-profit trust.

The lack of detail about the constitution, composition, objectives and operation of a not-for-profit trust presents further difficulties in responding. It is recognised that in theory, such a trust could have greater financial freedom than the Forestry Commission and this could have some advantages. Additional information is required to enable us to comment further. From an industry perspective, commercial relations with the Forestry Commission are relatively straightforward and any new arrangements with a not-for-profit trust or similar body must not in any way result in increased complexity, bureaucracy etc. At this stage, we are unable to identify any meaningful benefits of establishing a not-for-profit trust for the purposes broadly described in the consultation.

Question 4. Are there any other actions which need to be taken, or are there other changes in legislation which need to be made, in order to allow the public and private forestry sector to contribute to Scotland's target of reducing emissions by 80% by 2050? If so, please outline what these are.

We believe that there is an opportunity to achieve the objective of increased rates of new planting and woodland expansion in Scotland. The current target of 10,000 hectares per year should, in our opinion, be increased to at least 15,000 hectares per year, which would provide an appropriate mix of commercial and amenity woodland and forests. It is worth noting that there was recently a period when grant aid was not available in Scotland to support new planting/restocking, which will certainly have impacted on planting levels. Furthermore, the introduction of SRDP as the grant aid mechanism has not been universally welcomed by those with an interest in commercial forestry. Further attention is required to ensure that grant aid mechanisms are fit for purpose, are suitably 'user friendly' and ensure that the desired objectives are achieved. It is also suggested that the subject of the tax treatment of forestry be reconsidered. It is noteworthy that planting levels and related activity in Scotland were at their highest during the period when forestry received preferential tax treatment. It is acknowledged that some of that planting attracted criticism, a proportion of which was justified, but it is important to appreciate that lessons have been learned from these times. The practice of forestry today is very different from that in the past and in view of this, it would be possible to incorporate safeguards to ensure that new planting is appropriate, in terms of location, scale, crop type, management objectives etc.

We recognise that fiscal matters are reserved to Westminster, but would suggest that the time is right for the Scottish Government to raise this issue with HM Treasury and to promote a supportive tax regime for forestry. The case now has additional support from the climate change benefits of forestry and commercial forestry in particular.

It has been demonstrated in the past that the private sector can play a valuable role in woodland creation/expansion, provided that appropriate incentives are provided. There is every reason to think that, given an appropriately conducive environment, that a major contribution can be made towards the achievement of Scottish Government objectives relating to forestry and climate change mitigation.



Gordon Callander

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