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Report to the Forestry Commission by the England Forest Industries Partnership

Title:

Open Habitat Restoration Policy and its impact on the confidence of the timber sector in England

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Summary

The England Forestry Industries Partnership has been commissioned by the Forestry Commission to collect data for analysis concerning the impact of the Open Habitat Restoration Policy on the timber sector at national and regional levels. The work aims to build on the evidence already collated by the Commission and help to fill the existing gap in the evidence on the impact of the policy. Private businesses in the timber supply chain in three regions – North, East, South West - were invited to complete a questionnaire that aimed to collate their views on the impact of the policy on their business as well as on the sector. Main conclusions included:

- In the current economic climate the development and implementation of this policy could send out a negative signal to an already struggling industry as current consultation activities have already caused a negative response by the industry. This is because within the range of proposed policy options there are those, e.g. removal of commercially viable stands without compensatory planting, that would be challenging to the industry.
- The sector is greatly concerned about the affect the policy might have on security and extent of future timber supplies.
- The development of this policy needs to consider the distinctiveness of regional timber supply chains.
- There seems to be a shortage of suitable timber in all three regions already. The development of the policy and future Commission Forest Design Plans need to ensure that no one region takes the majority of interventions.
- The policy could accentuate the current trend of decreasing numbers of contractors and sawmills due to the perceived lack of business opportunities in the future. New entrants to the sector seeking to develop a career might be deterred by this which will add to the existing skills crisis the sector is experiencing.
- Compensatory planting and financial encouragement to start planting commercial species on other suitable sites would ensure that the proposed interventions could go at modest levels.
- There is a need for increased communication between the Forestry Commission and the private sector.

1.0 Introduction

The Forestry Commission is currently leading on the process of developing the Government policy on restoration and expansion of open habitat from woods and forests in England. Open habitats, such as heathland and calcareous grassland, can contribute to biodiversity and landscape heritage as outlined in the England Biodiversity Strategy 'Working with the grain of nature – taking it forward, (2006). Woodlands and forests on the other hand also contribute to other key Government objectives, for example in relation to Climate Change, as outlined in 'A Strategy for England's Trees, Woods and Forests, (2007).

The Government policy on restoring and expanding open habitats from woods and forests will include an element of permanent woodland removal. Therefore, the crucial question the policy needs to answer is, "When is it appropriate to remove woodland to provide open habitat, and when is it appropriate to retain woodland?". The challenge is to develop a policy that delivers greatest benefits to all stakeholders involved. Desired outcomes of this policy, for example include resilient ecological communities, financial viability of resulting landscapes, keeping Government's commitments to woodland cover, people's positive engagement in the landscape is facilitated, and any woodland biodiversity and carbon balance is not compromised. In the case of the forestry sector the desired outcome is as follows:

"Timber sector activity: Any reduction in timber production has little impact on confidence in the harvested wood products producing and processing sectors and economic activity in the sector is not significantly reduced."

In determining the impact on timber sector activity, the following questions to be considered are: a.) at what level woodland removal due to restoring or expanding open habitats could avoid a significant negative impact on the timber industry and b.) what are the likely links between any reduction in timber production and economic activity in the timber sector?

Currently, evidence on the potential impact of this policy on the economic activity in the forestry sector is weak and therefore the Forestry Commission has commissioned the England Forest Industries Partnership (EFIP) to gather further evidence. This report aims to provide this evidence by contacting businesses located in those geographical areas that could potentially be hit hardest by the policy.

2.0 Background Information

In the 20th century, large areas of low quality agricultural land in England were planted with conifers to support timber production. Woodland cover in England has

risen from an all time low of 5% (680,000ha) in the early 1900s to the 2008 figure of about 9% (1,127,000ha). Around 366,000ha are coniferous and 761,000ha broadleaved woodlands. The rate of expansion of forest cover per year has slowly been reduced from about 3,000ha per year to just over 2,300ha. (Forestry Statistics 2008, <http://www.forestry.gov.uk/forestry/inf-d-7aqdgc>).

Some 18% of all forested areas are publicly owned and managed by the Forestry Commission and the remainder is either owned privately (more than 70 % in some regions) or by other public bodies such as the MOD or Local Authorities or by charities. The Forestry Commission Public Estate in England consists of 258,972ha which includes woodlands, open habitat and roads, etc.

There are about 130,000ha of woodlands or forests that could be removed to create open habitat; some are part of the Forestry Commission Public Forest Estate, and some are on other privately / publicly owned land. Circa 86,700ha are conifer plantations; the remainder is native woodland (hardwood). However, according to the Forestry Commission this level of woodland removal over the timescale of the policy (10-15 years) is unlikely. Depending on the policy, the level of woodland removal could range from 370ha per year to 3,000ha per year; 5,600ha to 30,000ha in total. According to Forestry Commission figures, most of the woodlands and forests that might be targeted are lowland pine plantation, upland Sitka spruce plantation, birch dominated regeneration and some wet woodland either in the northern uplands or southern and central lowlands in England.

The strongest effect of the policy is most likely to be felt by businesses using softwood as most of the broadleaved woodlands currently deliver little good quality timber to the processing market. Nevertheless, quality hardwood timber has specialist markets that need to be considered and it has an increasing role in providing material for the woodfuel market. Therefore the affect of the policy on this type of resource should not be ignored.

The market for softwood is highly regionalised due to mills and other wood-using businesses only sourcing timber from relatively short distances as transport costs increase significantly with distance. Initial figures on regional marketing zones as devised by Forest Enterprise show the following areas of conifer plantations (publicly / privately owned) on potential open habitat: Northern (North of the Humber/Mersey) 26,100ha, Central (West and East Midlands) 15,100ha and Southern (the rest) 45,500ha. At maximum intervention rate (deforestation without replanting), i.e. 30,000ha in total, reduction of softwood plantations are: North 4%, Central 8%, and Southern 7%. It is important that the forestry industry realises that timber currently growing in these zones will still reach the market but that the next rotation of timber will not as harvested areas will not be re-planted. Therefore the full affect of deforestation on timber availability will only be seen in 20 years.

As outlined above, a proportion of woodland on potential open habitat is currently producing timber or has the capacity to produce quality timber in the future. Therefore permanent woodland removal may have various implications for the forestry and processing sector. In the short term, there may be sustained or increased harvesting, driven by non-market objectives, with impacts on timber prices and demand, which may cause local difficulties for private sector timber growers. In the short to medium-term, it may lead to increased and/or more secure work for harvesting contractors, but without the benefit of restocking work. In the longer term, timber production may be permanently reduced, over and above the fall already predicted. An analysis by the Forestry Commission indicates that there could eventually be an average 6% reduction in softwood timber availability at the maximum rate of intervention.

In 2007, there were 107 sawmills in England (hardwood and softwood mills) consuming a total of 1,673,000 green tonnes (UK total: 5,590,000 green tonnes). Their annual consumption of softwood logs varied considerably ranging from less than 1,000m³ each to over 50,000m³ each. Most of the softwood (91%) is processed by 17 larger mills each with a capacity of at least 10,000m³ green tonnes per annum. Softwood sawlogs used by these larger mills are sourced from England (946,000 green tonnes), Scotland (321,000 green tonnes) and Wales (211,000 green tonnes). Smaller mills heavily rely on local sources of timber. (Forestry Statistics 2008. <http://www.forestry.gov.uk/forestry/inf-d-7aqdgc>). In a report commissioned by EFIP in 2006 (Jaakko Poyry Consulting, 2006), the primary processing sector already expressed great concerns about reduced availability of domestic roundwood and rated this as a significant barrier to future growth of their business.

In 2006, 29,000 jobs were provided by UK forestry (SIC02; 11,000 jobs) and primary wood processing (SIC20.1 sawmilling; 13,000 jobs / SIC20.2 panels; 5,000 jobs) sectors, predominantly for communities in rural areas. Other SIC20 categories such as secondary wood processing provided a further 67,000 jobs. (Forestry Statistics 2008. <http://www.forestry.gov.uk/forestry/inf-d-7aqdgc>). These are jobs involved in processing domestic and imported timber.

In 2005, UK forest industries supported 2.5 % of the UK economy through indirect / direct operations, generating £26.4 billion worth of gross value added (0.7% of the total GVA). It employed over 2.5 times as many people as agriculture. (Cebr, 2006).

3.0 Survey Methodology

EFIP has been commissioned by the Forestry Commission to gather evidence on the potential impact of the policy on forestry businesses in England. The data gathered for this report aims to provide information on:

- a.) General feedback from industry on the policy consultation and its perceived potential impact on industry;
- b.) the level of woodland removal due to restoring or expanding open habitats that could avoid a significant negative impact on the timber industry; and
- c.) the likely links between any reduction in timber production and economic activity in the timber sector.

The following activities were carried out to receive required data for analysis:

- EFIP partners contacted key businesses within the timber supply chain, e.g. saw mills, round wood harvesting and marketing businesses, timber buyers and agents in the South West, East and Northern regions. The aim was to receive a minimum of 15 replies per region with a good spread of businesses along the supply chain. Partners decided to choose these regions as these were marked on Forestry Commission maps as key areas of potential open habitat restoration on the Commission's freehold estate.
- Selected businesses were contacted by writing to them in advance outlining the reason for and content of a telephone interview (based on a questionnaire; for template see Appendix 1) that followed at a time convenient to the business. A fact sheet on the policy consultation was also provided (see Appendix 2). Businesses in the North were approached by email and invited to respond to an electronic survey (questions had to be slightly adapted to fit the static survey format) as the EFIP partner responsible for the survey felt that this would result in a larger numbers of replies. Businesses in the other two regions were contacted either by email, phone or letter,
- In addition, case studies on the affect of the deforestation (without replanting) on three specific businesses, one in each of the selected regions, were produced with the aim to demonstrate how the policy will affect business at a more personal level.

4.0 Results

Results Part 1: The Survey

A total of 38 questionnaires were returned and analysed for this report. Due to time constraints collected data was not analysed statistically, however, this could be done at a later time if required, in particular when attempting to compare regions. Survey responses for the individual regions are displayed in table 1 below. Raw data has been included in Appendix 3.

The great majority of businesses that took part in the survey expressed concern about the impact this policy would have on the future of commercial timber production, in particular that of softwood. Irrespective of level of intervention the private sector felt that this policy, even in its developmental phase, has / will have a negative impact on future expansion plans and trading activities. More than half of the respondents (20) considered more than 300ha per year of woodland removal as having a negative effect on the forestry / timber sector. Eight companies would delay their expansion plans at the proposed lower rate of 300ha/year and an equal amount of businesses would proceed at the lower rate but delay any investment plans at the medium / high rate of intervention. Seven companies had no plans to expand. Five businesses would proceed at any rate, however, three would not expand due to proposed deforestation plans. Availability of timber and security of supply were rated as the most important factor when planning for their future.

Any reduction in timber production was linked directly to reduced economic activities leading to loss of jobs, skills base and business. Other effects included increased timber product imports, reduced woodland management, loss of assets, the need to diversify outside forestry, sending the wrong message to biomass users and the construction industry (use of timber as substitution material), and making it difficult to meet organisational CO₂ reduction targets.

Most of the businesses carried out a range of forestry activities and only few relied on only one income stream. The majority of businesses were SMEs and only three could be categorised as large business (based on employee number only). These 38 companies, predominantly rurally based, employed a total of 2,674 staff plus a further 2,028 contractors.

Annually, a total of 526,200 tonnes were harvested, 404,500 tonnes marketed, 438,830 tonnes transported and 1,373,365m³ processed within the three regions surveyed. In the South West and East regions, there was a greater reliance on Forestry Commission timber compared to businesses surveyed in the Northern regions where companies sourced most of their timber from private woodlands. Timber is sourced very regionally mainly due to the fact that increases in distance to sources of raw material lead to considerable increases of cost, in some cases to the point that operations become economically unviable. Only thirty-seven percent of businesses (14) operated at full capacity mainly due to a persistent shortage of raw material (softwood) available within an economic sourcing distance.

Sixty-three percent companies (24) would consider sourcing from further afield should their local timber resources be reduced but stated that there are many limiting factors that would make this difficult if not uneconomical. Key limiting factors included increased / prohibitive costs of transport and timber and its affect on product price, reduced availability of timber, and the necessity to relocate machinery and operators. One respondent (Local Authority, East region) stated that it would source from further afield at whatever cost but ultimately it would not install further woodfuel boilers. Most companies (31) rated competition as strong should they be forced to source from outside their usual area. Businesses in the forestry contracting sector across all regions would experience the added challenge of moving large pieces of equipment and staff in order to access new woodlands and work when sourcing timber from further afield.

A quarter of businesses (15; mainly in the SW and East regions) felt that they would have access to alternative sources – private woodlands - that are currently not brought to market in their region. However, respondents remarked that these woodlands were often too expensive to access due to increased harvesting cost and competition, and that the quality of timber from these woods was inferior or from unsuitable tree species, especially for sawmilling. Much of the additional raw material was hardwood for which new markets would need to be found.

Most of the businesses surveyed requested further information on the proposed intervention at local and regional levels and wished for reassurance that no premature felling of productive woodlands would be carried out as part of the policy. Many also called for compensatory planting in areas suitable for commercial production of timber, in particular of softwood.

Table 1: Responses received by businesses by regions

Northern regions including North West, North East and York and Humber 13 responses	South West 14 responses	East of England 11 responses
Business sectors the company operates in (Q1)		
Most of the businesses were involved in a range of forestry activity, i.e. they carried out contracting work as well as owned the woodland or were involved in woodfuel production. Contracting (Harvesting) and woodfuel production were key income streams for these businesses. In addition to a timber preservation company, only the two larger companies (140 and 600 employees) focussed on one activity, i.e. sawmilling.	Eleven out of the fourteen businesses surveyed were involved in sawmilling and woodfuel production followed by contracting activities. One company operated in the chip board and furniture manufacturing sector. Only four businesses focussed on one income stream (mostly sawmilling) whereas the remainder were involved in a range of business activities.	Woodland owner / manager were the predominant forestry activity followed by haulage. Other activities included sawmilling (2 companies), contracting (2 companies) and woodfuel (2 companies). A local authority using woodfuel was also surveyed. The majority of the eleven businesses focussed on one income stream.
Business location and operational area (Qs 2&3)		
Five businesses were located in Yorkshire & Humber, four in the North West and three in the North East. Four businesses preferred not to give details on their location. All except one company (timber preservation) carried out their activities in the Northern regions only.	Twelve companies surveyed were located in the South West. One company also worked in the South East and one operated nationally.	Nine companies were located in the East and two in the East Midlands.
Number of employees (Q 4)		
Most of the businesses were small firms (around 2-5 employees), three were of medium size (80, 120 and 140 employees	Most of the companies were small firms (around 10-18 employees), three were of medium size and two were large	All, except the local authority, were small firms with a maximum of 28 employees. Five companies had fewer than 2

respectively) and only one was a large business (600 employees).	businesses (>600 employees).	employees.
Average annual volumes of roundwood (Q 5)		
Harvested: 261,100 tonnes	Harvested: 200,100 tonnes	Harvested: 65,000 tonnes
Marketed: 263,050 tonnes	Marketed: 101,000 tonnes	Marketed:40,000 tonnes
Transported: 284,850 tonnes	Transported:111,000 tonnes	Transported: 43,000 tonnes
Processed: 943,450m ³	Processed: 297,915m ³	Processed: 132,000m ³ plus 2,000 tonnes of woodfuel used
Sources of timber – Forestry Commission vs. private (Q10)		
All of the small companies involved in processing activities sourced their timber exclusively from privately owned woodlands. The four larger businesses also accessed timber from the Forestry Commission Public Estate (between 25 – 40%).	All of the businesses sourced at least 50% of their timber from the Forestry Commission. In four cases, companies (sawmills) sourced between 80 to 95% from the Forestry Commission.	Two companies (woodland owners) sourced their wood from their own or other private woodlands. The remainder of businesses sourced between 30 % - 90% of their timber from the Forestry Commission. The two sawmills sourced between 50-60% of timber from the Commission.
Distance to timber supplier (Q6)		
None of the timber was sourced further than within a 100 miles radius. Fifty-four percent of businesses sourced their timber from a distance of 50 -100 miles, 31% within a radius of 20 - 50 miles and 15% within less than 20 miles. Even the larger business sourced its raw material within the region it was located.	None of the timber was sourced outside Southern England. The majority of companies (6) sourced their timber from a distance of 50-100 miles, three within a radius of 20 – 50 miles and one within less than 20 miles. However, two businesses sourced timber from further than 100 miles but within a radius of 200 miles. One company sourced from within the South of England.	The majority of timber was sourced from within a 100-mile radius. Three companies sourced their timber locally, i.e. less than 50 miles; two sourced their timber from further than 100 miles. None of the wood was sourced outside the region.

Ability to source from further afield should current volumes of timber decrease; and implications to be considered (Qs 7, 8)		
<p>More than 50% of the businesses would consider sourcing from further afield should their local supply decrease. However, 15% stated that they would be unwilling to source wood from a greater distance. Four respondents decided not to answer the question. Of the 50% the majority of the companies were willing to source up to 25% of their required timber volumes from further afield but stated that they would have to consider the following limiting factors: Cost (incl. raw material, transportation), timber quality and availability of timber from suitable tree species.</p>	<p>Fifty percent of the businesses would consider sourcing from further afield but stated that they would need to consider limiting factors such as increased cost (incl. transportation, raw material) and competition as well as staff availability, locality of operations and the need for new suppliers. Of those companies that were unable to source from further afield limiting factors included prohibitive high cost (increases up to 80%), availability of roundwood, and location of base (local operation only).</p>	<p>All except one business would consider sourcing its timber from further afield but listed the following limiting factors: increasing transport and timber cost, higher rates due to longer journeys (hauliers), reduced services for clients as longer distances would have to be covered, necessity of relocating / finding new living quarters for operators, and increased competition. Timber availability and ability to price products competitively were also seen as important factors to be considered should the company be forced to source from further afield. The local authority stated that it would need to access wood from further afield at whatever cost but consequently would not purchase additional woodfuel installations. One company (haulier) stated that it would affect his family life as he would have to spend a considerably greater amount of time on the road.</p>
Rate of competition if sourcing from further afield (Q9). Availability of alternative sources not being brought to market (Q11). Is the company operating at full capacity ? (Q12) Affect of reduced timber resources on the supply chain and local economy (Q 16)		
<p>Eight out of the thirteen businesses stated that they would experience strong</p>	<p>All companies stated that they would experience strong competition if they</p>	<p>Nine out of the eleven companies stated that they would face strong competition,</p>

<p>competition should they source timber from further afield. Only one respondent had access to alternative sources that are currently not brought to market, however, most companies felt that there were no alternative sources should their current supply of timber be reduced permanently. Only three businesses operated at full capacity. Job losses and termination of trading activities were stated as key affects on the local economy should regional timber resources be greatly reduced.</p>	<p>would source from further afield. Seven businesses felt that there would be sources available from private woodlands, however, respondents remarked that these were too costly to access and that competition for these resources would be high. One contractor stated that it would be too difficult and costly to supervise staff away from the area the company usually operates in. Those companies (7) that could not source from further afield stated that they had accessed all suitable / available timber resources in their operational area. Half of the companies operated at full capacity. Termination of trading and job losses, in particular in rural areas, were seen as main effects on the local economy should regional supplies of timber be greatly reduced.</p>	<p>two (hauliers) rated it as medium. Seven out of eleven companies would have access to additional supplies, however, these would be more expensive due to competition and increased harvesting cost. In all cases, the additional sources included hardwood only from unmanaged woodlands or of inferior quality. There were no further softwood resources. The two sawmills stated that they would have no access to softwood of the required quality. Any additional hardwood would require new markets. Only four businesses operated at full capacity. Respondents stated that any reduced timber production would have a negative impact on the local supply chain and could lead to business closure (4 companies). Other effects included the loss of assets, reduced activity, the need to diversify, sending out the wrong message to biomass users under BREAM and making it more difficult to meet CO₂ reduction targets.</p>
<p>Impact on future expansion plans under three intervention rates (high: 1,000 – 3,000ha/year; medium: 300 – 1,000ha/year; low:< 300ha/year) and key decision making factors concerning expansion plans (Qs 13 &14)</p>		
<p>Two businesses had no plans to expand in the future and three companies stated that they would proceed with plans irrespective of any intervention (contractor, woodland</p>	<p>Two businesses had no plans to expand in the future and three would not expand due to potential deforestation in their region irrespective of the rate of</p>	<p>Three businesses had no plans to expand in the future and two would expand at any of the proposed rates of intervention. Five businesses would expand at the low rate</p>

<p>owner and a company that was prepared to source a larger % of its wood from alternative sources). Three companies would delay expansion at lower rate, one was prepared to proceed at this rate but would delay plans at the medium rate. One would proceed at medium rate. All companies either would delay or choose not to expand at the high rate. Timber availability was the key decision-making factor for the majority of the companies when planning for the future. Other factors included location of timber resources and availability of contracting work.</p>	<p>intervention. Many chose to delay expansion plans at the low intervention rate, two companies would consider proceeding with plans at this rate. None of the business would expand in the future at the medium or higher rate of intervention. Other decision making factors concerning future plans included availability and cost of timber, security of supply and increased demand. Availability of contractors and hauliers were also mentioned as important factors.</p>	<p>and two of the five stated that they would not expand in the future at the high rate of intervention. Availability of timber and security of supply were rated as the most important decision making factors when planning for the future. Cost of woodfuel, availability of work and market demand were other factors to be considered. Five companies decided not to reply to the question (14).</p>
<p>Type and level of woodland removal that would avoid negative impact on the timber industry (Qs17 &18)</p>		
<p>A quarter of businesses (including the largest company) in the Northern regions considered woodland removal of more than 300ha per annum as having a significant negative impact on the timber industry. Two companies felt that any loss of woodland without replanting would affect the confidence of the sector negatively. Three stated that woodland removal of more than 1,000ha per annum would send negative signals to forestry businesses. The majority of businesses stated that there is a direct link between reduced timber production and decreasing levels of economic activities by the forestry</p>	<p>Many stated that mandatory compensatory planting and removal of unproductive woodlands in the first instance would be necessary to avoid a negative impact on the timber industry. Two companies thought that deforestation above 300ha per annum would send negative signals and four felt that any removal of woodlands would affect the sector. The remainder of the respondents did not provide any figures re. acceptable woodland removal. The majority of businesses confirmed that there is a direct link between reduction in timber production and reduced economic activity</p>	<p>Six out of the eleven companies surveyed stated that any woodland removal of more than 300ha per year would have a negative impact on the industry. Other comments in relation to type of woodland that would avoid a negative affect included: Birch and other trees to be planted on the new heathland for woodfuel production (2 companies). More compensatory conifer planting and no net loss of softwood (3 companies). Better management of existing heathland. Concentrate on quality and location (2 companies).</p>

sector.	of the sector.	Companies linked reduced domestic timber production to more imports and loss of businesses such as sawmills and contractors. Reduced woodland management esp. of hardwood forests and a decrease in confidence of people using wood for energy and material substitution were seen as other effects of reduced timber production.
Additional information required to assess the potential impact of this policy (Q15)		
<p>Additional information requested by respondents included:</p> <ul style="list-style-type: none"> • Information on whether the creation of open habitat would provide additional work. • Assessment of the area that is considered for removal. • Long-term plans, in particular concerning plans on compensatory planting. • Impact on long-term production forecast. 	<p>Additional information that would be of use to businesses included:</p> <ul style="list-style-type: none"> • Maps on planned (N.B. not potential) intervention for the Peninsula region. • Assurance that no pre-mature felling will be carried out. • Levels of replanting of softwood to replace lost areas. • Independent and unbiased, informed information. <p>Seven companies stated that they did not want to receive additional information and felt they were already well informed remarking that the development of the policy should be stopped immediately.</p>	<p>Additional information requested by companies included:</p> <ul style="list-style-type: none"> • Local as well as regional information on potential intervention (8 companies). • Information on the change of tree species due to the policy. • Summary of all measures that have led / will lead to loss of commercial conifer stands.
Other comments (Q 18). Full versions in Appendix 4.		
<ul style="list-style-type: none"> • Some smaller arboriculture contractors felt the policy might lead to additional work. • Reducing timber production will further 	<ul style="list-style-type: none"> • This policy should be looked at in conjunction with existing policies, etc. that support deforestation and loss of conifer stands. 	<ul style="list-style-type: none"> • There is already not enough available roundwood and these plans will only make things worse. Future expansion plans depend on a sustainable

<p>erode the contractor base.</p> <ul style="list-style-type: none"> • Deforestation should be limited to non-productive areas or areas of inaccessibility. 	<ul style="list-style-type: none"> • Longer term these policies are unsustainable because they are grant-based and subject to short-term planning. As a result we are imposing future management cost on future generations who may ultimately decide that it is a cost not worth paying and leave these areas to become unmanaged. • Woodfuel is to be an important use for wood in the future therefore planting should be encouraged not sidelined. • There is a need to plan to increase timber supply with the environmental advantages that it has but also plan and work with open habitat considerations. • The implementation of this policy will devastate forest and associated industries as they are bordering on bottom of economies of scale now. The only way to ensure their survival is 100% compensatory planting. 	<p>source of timber.</p> <ul style="list-style-type: none"> • It sends out all the wrong messages to those considering investing in renewable energy. • I may pick up additional contracts for scrub clearance and bracken control on the new heathland. • We should be doing our utmost to manage our woodlands productively. • Open Habitat Restoration from woodland is fighting nature. There are not enough grazing animals and not enough farmers prepared to graze the poor land. • In England, the softwood processing sector is vital for the development of a hardwood processing sector. If we continue to damage the productivity of the sector it will make any attempts to revitalise the hardwood sector doomed to fail. • The constant battering that the forestry / timber sector has been exposed to has severely bashed its confidence and there is a general feeling of not being valued.
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Results Part 2: Case studies on the affect of the deforestation on three specific businesses.

An additional three companies were approached to receive information on the effect of the policy on their business. Comments made by the companies – one contractor, two sawmills - included:

- The implications of having to source contracts from further afield substantially affect the operating costs of the contracting business. This includes the transport of harvesters and other plant, extra costs of timber haulage and extra costs of keeping staff in temporary accommodation whilst working away from home. In the case of the two sawmills, sourcing from further afield would increase the transportation cost and would challenge the mill's commitment to environmentally sound haulage logistics. In addition to increased transportation cost, businesses would also face higher prices for roundwood due to greater competition for a reduced supply of timber in the region.
- Increasingly strong competition for standing timber and harvesting contracts would be the result of decreasing amounts of standing softwood. Initially a surge in standing sales during the period of habitat restoration may seem good for business but the effect on prices is unknown and the long-term situation is of decreasing contracts. Investment plans would have to be reviewed as supplies need to be available for a minimum of twenty years for the investment in plant to provide value-for-money.
- The importance of consistency of supply was stressed as the markets for timber are increasing. Whilst the construction market fluctuates the market for fuel-wood is expanding and it seems likely that all markets for timber will be rising in the long-term.
- One company saw the need for policies which protect the environment and the need for a more balanced approach to multi-functional forestry that benefits the industry as well as the environment.
- Constant and long-term supply is needed to run the mill efficiently. Reduced availability of roundwood will ultimately lead to less economic activity of the mill and loss of jobs. Local rural communities would be hit hardest by any loss of jobs.

Details on two case studies are included in Appendix 5.

5.0 Discussion

All of the businesses except those involved in contracting activities for the private sector were concerned about the amount of potential deforestation through this policy, especially in the light of deforestation that had taken place or will take place as part of existing commitments to open habitat creation and ancient woodland restoration. The key concern of the sector currently relates to having access to a sustainable supply of timber of an appropriate quality as less than optimum amounts of raw material lead to higher unit costs and increased product prices. This policy seems to contribute further to the industry's crushed confidence in a healthy economic future as evidenced by the sector's statement that any woodland reduction of more than 300ha/year would have a negative impact on its future expansion plans and trading activities.

However, there are also businesses that would experience a short-term increase in available contracts, e.g. scrub removal and bracken control, and therefore are less concerned about the policy's implementation. Furthermore, some companies would invest in any expansion plans irrespective of the policy's proposed woodland removal rates. This survey did not provide a clear link between willingness of a business to invest in its future, the type of its income stream(s) and the rate of annual woodland removal, i.e. not all sawmills delayed their expansion plans at the low rate of intervention or in sight of reduced timber availability. It seems there are additional more complex factors that influence this decision.

Each region seems to have its distinct set-up of how the forestry / timber sector works and interrelates though one needs to bear in mind that an average sample size of 12 companies might not reflect the true set-up. Many of the businesses surveyed were SMEs and carried out a range of complementing forestry activities ranging, for example from woodland owner to contractor to sawmiller to woodfuel merchant. In any case, the implementation of this policy needs to make sure that this balance is not negatively affected as this might lead to severe disruptions of the timber supply chain resulting in job losses and reduced trading.

Timber is sourced very regionally mainly due to the fact that increases in distance to sources of raw material lead to considerable increases of cost, in some cases to the point that operations become economically unviable. This needs to be considered in the Forest Commission's Forest Design Plans and other regional land use prioritisation mechanism to ensure that no region takes the majority of interventions. Local supply is particularly important to the woodfuel businesses as transport cost increase with distance making the product uncompetitive with other fuel sources and affect the fuel's credibility in terms of contributing positively to the climate change agenda.

In the South West and East regions, surveyed businesses source a greater percentage of their timber from the Forestry Commission and therefore businesses are much more tied in to the Commission's production planning process. This may have advantages as at the moment information on the forested areas on potential open habitat is only available for the Public Estate and little information exists on private or other publicly owned woodlands. On the other hand, incentives to engage in the restoration of open habitat may or may not be attractive enough for private woodland owners / other public bodies thus making it difficult to estimate how many of these woodlands might be restored to open habitat.

There is a willingness of businesses to source from alternative sources, e.g. wood not brought to market yet or from further afield. However, many felt that they had exhausted all economically viable sources of wood. Sawmills, in particular, were finding it difficult to source good quality softwood which had an effect on their long-term planning and in the case of family-owned businesses will most likely lead to closure on retirement of the current owner or when existing equipment requires replacing. Much of the additional raw material would be hardwood for which new markets would need to be found and although hardwood could go into the budding woodchip market most of it is marketed as sawlogs since woodfuel businesses rate it as too expensive to buy and process.

Many of the companies surveyed were concerned about the diminishing contractor and sawmilling base and felt that this would be accentuated through this policy as it would have a negative effect on how these businesses would rate their prospects. New entrants to the sector seeking to develop a career might be deterred by this lack of opportunities. For an industry that is already struggling to recruit new people (in particular the young) and retain the current workforce this could have a devastating effect on the future availability of appropriately skilled and motivated employees. This concern is also shared by EFIP partners as evidenced at the recent partnership meetings in Watford and Newcastle (EFIP meeting notes, January and March, 2009).

This survey was carried out at a time when detailed (reports and maps) information on the implications of the policy concerning the Forestry Commission Public Estate or other privately / publicly owned woodlands was not available to respondents. This and the current difficult economic times may have skewed the responses received by EFIP.

Although, EFIP partners attempted to choose businesses (sample) from across the timber supply chain it cannot be assumed that the selection was truly at random and most likely the selection was influenced by the ease of accessing existing working relationships.

Finally, it appears that for whatever reasons responses by the private sector are based on little in-depth information on the complexity of the policy and/or policy development as well as on the role of the Forestry Commission in this matter. Few recommendations provided answers on how the implementation of this Government policy could become a workable solution for the forestry sector. This is possibly a missed opportunity to convey the industry's message to Defra and Government ministers.

6.0 Conclusions

The following conclusions are made in no particular order of importance:

- In the current economic climate the development and implementation of this policy could send out a negative signal to an already struggling industry. The sector is greatly concerned about the affect the policy might have on security and extent of future timber supplies.
- The way forestry / timber businesses make decisions on their future expansion are complex and not just based on availability of timber supplies. This needs to be considered when developing the policy.
- Any reduced economic activities as a result of reduced timber production are potentially leading to loss of jobs, skills base and business. Other effects might include increased timber product imports, reduced woodland management, loss of assets, the need to diversify outside forestry, sending the wrong message to biomass users and the construction industry (use of timber as substitution material), and making it difficult to meet organisational CO₂ reduction targets.
- The development of this policy needs to consider the distinctiveness of regional timber supply chains.
- The willingness of businesses to source timber from further afield, the fact that many of the companies did not operate at full capacity and availability / security of raw material was seen as limiting factor for growth, indicates that there seems to be a shortage of suitable timber in all three regions already.
- The development of the policy and future mechanisms for regional prioritisation need to ensure that no one region takes the majority of interventions. Otherwise most businesses would be exposed to an even more difficult trading environment should they need to source from outside their

region.

- In terms of future planning, surveyed businesses in the South West and East who source greater volumes of timber from the Forestry Commission should have a better overview on the potential extent of intervention in their region compared to their Northern counterparts.
- The policy could accentuate the current trend of decreasing numbers of contractors and sawmills due to the perceived lack of business opportunities in the future. New entrants to the sector seeking to develop a career might be deterred by this which will add to the existing skills crisis the sector is experiencing.
- Through the right encouragement to start planting commercial species on other suitable sites it would be possible that the proposed interventions could go ahead at a modest level without having an adverse effect on industry.
- Woodfuel is currently a budding market for a variety of timber. It also supports the climate change agenda.
- There is a need for increased communication between the Forestry Commission and the private sector.

7.0 Recommendations

Recommendations are as follows:

- Communication between the Commission and the private sector needs to be improved further, in particular on the complexities of policy development and the Commission's role as a government department. EFIP could provide a facilitating role.
- The Forestry Commission needs to provide detailed regional information on the potential affect of the policy on the Public Estate as and when it becomes available.
- After a period of little / no commercial planting due to Government policy the current response by the private sector is particularly strong against further deforestation even at moderate levels. There is a need for the Commission to appraise fully the impact of existing and future policies, e.g. in relation to climate change, on the forestry sector.

- Regional consultation events could be staged to capture responses made by business as well as for policy makers to gain a better understanding of the impact of this policy on the forestry sector in each region.
- Further in support of ETWF Aim 5: Business and Markets, the Forestry Commission ought to carry out additional research to gain a better insight of the elements that drive the economics of forestry, in particular that of the private sector.
- The sector needs to address the existing shortage of timber supplies as well as potential future shortages as a result of this and other existing policies. Concerning this policy, it could be achieved by requesting compensatory planting on suitable sites within regions of policy implementation, prevention of pre-mature felling and choosing unproductive woodlands in preference to productive ones.
- The sector needs to address the sector's skills shortages and negative image concerning forestry being a career choice.
- The Forestry Commission needs to ensure greater involvement of the private sector in future production and review of relevant Forest Design Plans on the Forestry Commission Public Forest Estate.

8.0 Bibliography

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9.0 Appendices

Appendix 1: Questionnaire – part 1 of the survey - spreadsheet

Appendix 2: Information sheet - part 2 of the survey

Appendix 3: Survey data – spreadsheet

Appendix 4: Appendix 4: Question 19 – Additional comments, all regions (edited versions)

Appendix 5: Case studies

Appendix 2: Information sheet - part 2 of the survey

Restoration of Open Habitat Policy – Impact on timber sector confidence

Information for forestry businesses

Introduction

Through the England Biodiversity Strategy and A Strategy for England's Trees Woods and Forests (ETWF) the Government is committed to developing a policy on restoring and expanding open habitats from woods and forests and a restoration strategy for the Forestry Commission estate. The Forestry Commission (FC) is leading a process to develop this policy with a public consultation planned for early 2009. The key question the policy must deal with is, "When is it appropriate to remove woodland to provide open habitat, and when is it appropriate to retain woodland?". The potential scale of intervention ranges from 300ha to 3,000ha per year of woodland loss over the next 10-15 years, dependent on policy.

A proportion of this woodland on potential open habitat is currently producing timber, including some of the best quality softwood, or has the capacity to produce quality timber in the future. If policy results in permanent removal of this woodland it may have various impacts on the forestry and processing sector. In the short term, there may be sustained or increased harvesting, driven by non-market objectives, with impacts on timber prices and demand, which may cause local difficulties for private sector timber growers. In the short to medium-term, it may lead to increased and/or more secure work for harvesting contractors, but without the benefit of restocking work. In the longer term, timber production may be permanently reduced, over and above the fall already predicted. FC's analysis indicates that there could be an eventual 6% reduction in softwood timber availability at the maximum rate of intervention.

The UK Forestry Standard states that it is illegal to fell trees in Great Britain without prior FC approval. Further, it outlines that "areas felled will be replanted or naturally regenerated except where felling is allowed for environmental improvement Some flexibility is exercised in the application of the policy in order to support Government's wider aims for sustainable land-use". The consultation on this policy will include proposals that would imply no felling before economic maturity and also will invite comments on the role of compensatory planting.

FC is aware that the policy may have impacts on the forestry and wood using sector and is seeking to put together evidence to support analysis of these impacts. One of the relevant desired outcomes for a policy on restoration and expansion of open habitats in England is: "Any reduction in the timber production forecast has little impact on confidence in the harvested wood products producing and primary processing sectors meaning that economic activity in the sector is not curtailed".

FC has commissioned the England Forest Industries Partnership (EFIP) to gather evidence on the potential impact of the policy on forestry businesses in England.

For more information on the progress of developing this policy see <http://www.forestry.gov.uk/england-openhabitats>

Key background information

- Policy will be deliverable over 10-15 years, within the timescale of the Government's Strategy for England's Trees, Woods and Forests.
- 130,000 ha of woodlands are on potential open habitat; approximately 87,000 ha are conifer plantations; the remainder is native woodland (hardwood). Figures include publicly as well as privately owned woodlands/forests.
- During the timescale of the policy the likely amount of woodland removal ranges from about 6,000ha to 30,000ha; 300ha to 3,000ha per year. The scale of intervention depends on policy.
- Softwood (ha) on potential open habitat: Southern region 45,500 ha, Central 15,100 ha, North 26,100 ha (Forest Enterprise marketing zones but this includes all types of ownership not just the FC estate). Possible reduction in softwood area at the maximum rate of intervention envisaged: Southern 7%, Central 8%, North 4%.
- Timber currently growing in these zones will still reach the market. It is the next rotation of timber that will not and therefore the impact of deforestation on timber availability will only be seen in 20 years time.
- It is assumed that the impact on hardwood availability for the timber market is insignificant, however, the impact on wood fuel is less clear.
- For further analysis of the evidence on potential impact on the timber sector see Driver, D. (2008). Restoration of open habitats from woods and forests in England: Developing Government policy: evidence, Forestry Commission. pp47. <http://www.forestry.gov.uk/england-openhabitats>.

Appendix 4: Question 19 – Additional comments, all regions (edited versions)

- This does not affect me much. Mainly involved in arboriculture. Would possibly get more work.
- Get our forestry back on track as we will always need wood for our future.
- Things looked very bright a year ago when timber prices were the highest they have ever been, demand was high, and prospects looked good for the poor contractor for the first time in many years. Now it's back to a depressing future. In 20 years we will look back on this and see what a bad decision it was but it will be too late then as we will be stuck with expensive imports.
- With potential increasing demand for woodfuel and FC's insistence on seeing this as an opportunity to develop undermanaged woodland, seriously decreasing the area under woodland will just erode the contracting resource further.
- The industry requires confidence in the supply chain. Proposals to reduce this at the rates suggested will affect confidence for future investment plans. The incremental loss in volume of these proposals is circa 650,000 - 700,000 m³ per year. This would have a negative effect on business development and sends out the wrong message to the industry. Deforestation schemes could be limited to non-productive areas or areas of inaccessibility.
- Things were already difficult in England with regard to mill competition for logs and bars. This policy would be very damaging and will result in mill closures.
- A misguided and typical Forestry Commission policy, forests are for wood production as well as other use.
- This policy should be looked at in conjunction with other policies like EPS legislation, woodfuel strategy, SWW strategy and heathland restoration.
- In a perfect world a lovely idea, unfortunately very soon we will not have enough commodities to sustain our current standard of living and therefore I can't say that I would support the policy. If we import 80% of our timber needs it makes little sense to reduce the supply of home-grown.
- Longer term these policies are unsustainable because they are grant-based and subject to short-term planning. As a result we are imposing future management cost on future generations who may ultimately decide that it is a cost not worth paying and leave these areas to become like a Third World Estate, i.e. no management and no value.
- Forestry is a long-term cycle if more redundant woodland was brought back into rotation this would be better for wildlife. It is recognised that woodfuel is to be an important use for wood in the future therefore planting should be encouraged not sidelined. By active rotations there will be a cycle of open habitat which can sit within commercial forestry.
- It is a shame and ludicrous to make perfectly good productive land available to open habitats. FC should concentrate more on making our industry secure for the future by additional planting of say 70% conifers and 30% hardwood.
- We have an opportunity now with concerns over future fuel shortages (oil/gas, etc). We need to plan to increase timber supply with the environmental advantages that it has but also plan and work with open habitat considerations. Is it not possible to plan and produce timber hand in hand with nature ?

- The implementation of this policy will devastate forest and associated industries. They are bordering on bottom of economies of scale now. The only way to ensure their survival is 100% compensatory planting and get that crop to production stage before anymore forest land is lost. We are already in danger of being called the de-forestation industry.
- A lot of the timber we have had over the last few years has come from woodland clearance and even when the sites are to be replanted they are often not done with conifers but left to regenerate. Our sawmill was completely refurbished two years ago and the machinery should last another 20 years. At the moment we have no plans to refurbish it at that time and will then shut down. We have already made this decision as there is already not enough available roundwood and these plans will only make things worse.
- When we are being encouraged to use more renewable energy it is stupid to be reducing the timber resource. It sends out all the wrong messages to those considering investing in renewable energy. We have big plans to expand but they do depend on the long-term availability of the raw material. Anyone considering putting in a boiler always asks about the availability of long-term supply. We have to be able to supply competitively from local sources.
- Things are a bit depressed at the moment but as they pick up we will need more roundwood supply. Before the crash it was already difficult to source enough timber.
- Personally, I would not be adversely affected and may pick up additional contracts for scrub clearance and bracken control on the new heathland.
- We should be doing our utmost to manage our woodlands productively. Even if most of the potential area comes from FE land we will lose productivity and quality esp. of softwood. Open Habitat Restoration from woodland is fighting nature. There are not enough grazing animals and not enough farmers prepared to graze the poor land.
- Softwood is more important than hardwood for producing quality timber for buildings, etc. If it drives sawmills out of business it will also affect other processors.
- In England, the softwood processing sector is vital for the development of a hardwood processing sector. If we continue to damage the productivity of the sector it will make any attempts to revitalise the hardwood sector doomed to fail. The constant battering that the forestry / timber sector has been exposed to has severely bashed its confidence and there is a general feeling of not being valued.
- If there is to be heathland restoration we must make sure there is no loss of timber resources. If woodchips becomes too expensive we would change to pellets which will not have the same local benefits. We would also install fewer small boilers. Long-term security of supply is essential. If we cannot source locally then it is no different from importing oil or gas.
- Plant more trees esp. conifers. With climate change we should be growing more timber not reducing the resource through a combination of open habitat restoration and ancient semi-natural restoration.

A larger company in the South West also felt it necessary to include an additional response sheet expressing the follow concerns (edited):

“Modern facilities such as sawmills and chipboard plants require and economic optimum amount of raw material to run. Anything less than this tonnage results in higher unit cost. After a period when there has been little or no planting of commercial trees because of Government policy, this scenario could be brought about by relatively low levels of deforestation for whatever purpose, particularly where the clearance is in the natural catchment area of a key processor. In the South West we have already seen clearance of FE woodland (Neroche) which has seen immature tress been sold at a very low value compared to the potential value had they been allowed to mature. We are seeing today hundreds of hectares of immature private woodland (North Devon) being deforested at public expense having been planted and maintained at public expense. Where are these commercial woodlands being planted ?”

“The Forestry Commission use the figure of £200 per hectare a year as the ongoing cost of maintaining an open habitat against the natural forces of nature which is to revert to woodland. By the end of this programme this will be a drain on the public purse of up to £12 Million per annum not allowing for inflation. In addition, we must consider the unquantified losses to the economy from job losses and imports of wood and wood products which otherwise would have been made in England. If there was the right encouragement through taxation and / or EWGS to start planting commercial species on other suitable sites then there is the possibility that the proposed scheme could go ahead at a modest level without having an adverse effect on industry. As things stand today, industry could have no confidence that any investment in sawmilling or processing capacity would be supported by access to raw materials.”

Appendix 5: Case studies on the affect of the potential deforestation on two specific businesses.

Case Study 1 – Truro Sawmills

Sitting on the outskirts of Truro, Cornwall, the sawmill has been operating since 1985. It has grown over the years and now process 5-6000m³/year and employs 16 people. The mill has recently installed optimised cross cutting saws and currently has plans to move to a larger site and install a laser scanning optimised edging line. In all the investment in new machinery and the move will be in the region of £1million. Kilning and grading facilities are potential further developments in the years to come. The mill provides material from pallet wood through fencing to construction timber, carrying stock and sawing to order. Its importance to the local economy can be gauged by the fact that the mill is still sawing at capacity and has full order books

The mill sources timber primarily from the public estate (80%) and will take all sizes of material from bars to 9.3 metre 70cm Top diameter sawlogs. It sources its timber from a maximum of 100miles and, being on the Devon/Cornwall peninsula has restricted sources of roundwood. Transport costs dictate that roundwood purchasing is largely limited to the Peninsula and increased cost of raw material, with tight returns from the pallet and construction sectors, would mean the mill being unable to profitably trade. Devon and Cornwall support a number of small to medium sized mills and numerous mobile mills, competition for raw material is tight and getting tighter as the wood-chip market expands.

Implications for diminishing supplies of softwood include:

- Rethink of investment plans in the light of the potential for restricted supplies of roundwood. Roundwood supplies need to be available for a minimum of twenty years for the investment in plant to provide value-for-money.
- Constant supply is needed to run the mill efficiently. It is no good there being a short-term increase and long-drop in available material. The mill is driven by the demand from customers and needs steady supplies to meet that demand

The mill owner already has grave concerns that the policy of PAWs restoration and replanting policies favouring “native” woodland will have a serious impact on his business in the future. He has increasing doubts that the policy framework will support a forestry industry or faith in the public sector to see a vibrant successful timber industry in England.

Case Study 2 – Kleen Kutt Forestry

Kleen Kutt is a forestry contractor working primarily in Devon, Somerset, Dorset and Wiltshire within a radius of 40 miles. Their main areas of work are in harvesting and timber transport with sales of firewood also forming part of the business. Kleen Kutt employs 14 people and operates xx harvesters and associated forwarding, winching and other plant. They are involved in the harvesting and transporting of 36,000m³of roundwood per year of which 70% is from the public estate, this includes a substantial contract with F.E. on a PAWs restoration and habitat restoration contract. It must be stressed that this contract provided

Kleen Kutt with steady work for a number of years and substantial volumes of softwood close to their main depot.

Points raised by the contractor included:

- The implications of having to source contracts from further afield substantially affect the operating costs of the business. This includes the transport of harvesters and other plant, extra costs of timber haulage and extra costs of keeping staff in temporary accommodation whilst working away from home.
- Increasingly strong competition for standing timber and harvesting contracts would be the result of decreasing amounts of standing softwood. Initially a surge in standing sales during the period of habitat restoration may seem good for business but the effect on prices is unknown and the long-term situation is of decreasing contracts.
- Kleen Kutt believe jobs from its own staff, from processors and from local suppliers servicing their vehicles are in jeopardy if loss of forested land is taken too far.
- The importance of consistency of supply was stressed as the markets for timber are increasing. Whilst the construction market fluctuates the market for fuel-wood is expanding and it seems likely that all markets for timber will be rising in the long-term.
- Finally Kleen Kutt sees the need for policies which protect the environment and the need for a more balanced approach to multi-functional forestry that benefits the industry as well as the environment.