

COALITION PLANS FOREST SELL-OFF: CambridgePPF Comments

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It is clear that the Government has been caught short by the massive outcry its plans have generated. Even the Secretary of State, Caroline Spelman, has admitted that it has been a PR disaster.

If the protests continue, it is likely that the Government will use the consultation as a mechanism to back out of an impossible situation without losing too much face – “we have listened to the people...etc”. One direct consequence has been that similar plans to off-load some 80 National Nature Reserves currently managed by Natural England onto the conservation charities have now been shelved.

The justifications for privatising the public forest estate presented by Defra have changed over the last couple of weeks in the face of the protests, but essentially hinge of three main premises:

1. that the sales will produce a net capital gain to assist in reducing the nation’s deficit;
2. that our “heritage forests” will be better managed for the public benefit by the conservation charities than by the State;
3. that it is unacceptable for a government body, the Forestry Commission, to be both the regulator of the UK timber market and at the same time the main supplier to that market.

Let us examine each of these in turn:

1. Sales would Produce a Net Capital Gain:

Many of our commercial softwood forests were planted before, or soon after, the Second World War and are now reaching maturity. They represent a significant potential source of capital – and indeed the Forestry Commission has been selling modest parcels of woodland successfully for the last decade. However, after some 60-70 years of investment in growing the forests, a large-scale sell-off could be seen as short-sighted when the income is likely to be significantly less than the value of the felled timber on the open market. The primary beneficiary will be the new private owner – and at the public’s expense.

Consider the possible sale of a woodland parcel of maturing conifers. The sale value is likely to be in the region of some £3-4,000 per hectare. The value of the felled timber could be at least 50% greater. However, a condition of the felling licence issued by the Forestry Commission will be the replanting with a new crop of trees. It might be expected that the new owner would meet the cost of replanting out of the profit on the timber sales, but no – the Forestry Commission pays a planting grant that will cover the bulk of the replanting costs. So the sale of this parcel ends up with a net cost to the Forestry Commission (ie the Government), and the private owner gains a new young woodland essentially free paid for by the tax-payer.

It has become manifestly obvious that the Treasury does not understand the complexities of private forestry finance. To the Treasury, a block of woodland represents an asset that can be sold: in reality it is a liability that carries extensive hidden costs. For the Government to sell commercial forests just as they are coming to maturity makes zero financial sense.

2. “Heritage Forests” Better Managed by the Conservation Charities:

The Government has belatedly woken up to the fact that maintaining “the public benefit”, like public access, nature conservation, landscape value and the like, actually costs money. The conservation charities, like the National Trust, the Woodland Trust, the Wildlife Trusts and other bodies, will not even consider taking on the management of these Heritage Forests without the guarantee of some form of grant by the Government.

Both the Forestry Commission and the charities have proved themselves effective guardians of the public benefit in terms of their competence to manage woodland and to engage with the local communities, although it can be argued that the charities are more cost-effective having smaller bureaucracies. The question therefore comes down to whether the public benefit is best secured in the long-term through an annual grant from the Government or through the Government itself continuing to take the responsibility.

So which is the lesser of the two evils? It is not difficult to envisage a future Government deciding to reduce or terminate an annual grant to the non-governmental sector – certainly its maintenance would always be at the whim of a cost-cutting Treasury. The only way around this would be to establish some form of endowment under independent management, but the Government has already ruled this out.

Passing the management of our most attractive heritage forests to the charity sector might ensure continuity of good management but only for so long as the Government continued to pay the charities, or any other private owner, to maintain the public benefit. In the long-term, this would seem a massive risk.

3. Conflict of Interest between Regulator and Supplier:

Some 20% of the home-grown timber coming onto the UK market is produced by the Forestry Commission. When challenged to produce evidence that its role as the principal supplier has conflicted with its role as the regulator of this market, Defra has been unable to come up with a single instance. However, the various UK timber growers and user organisations have been lining up to endorse what an excellent job the Commission does in ordering the market. Indeed, they say that if it was not a major supplier, its effectiveness in administering the market would be seriously compromised.

The Commission produces its timber at a steady annual rate pretty much irrespective of the price in the market. It therefore serves as a buffer against the volatility of timber prices. If the ownership was split up into numerous private holdings, this steady rate of supply would be lost leading to serious market dislocation. Private owners would be more likely to react to market prices, resulting in periods of shortage and over-supply.

It would seem that the Government’s objection to the dual role of supplier and regulator is more a matter of political ideology than to any real conflict of interest. It certainly cannot justify the fragmentation of the public forest estate into private ownership.

4. Forestry and Climate Change:

Possibly the most compelling argument for keeping the Forestry Commission’s estate in public hands is the need to mitigate and adapt to the impact of climate change.

Already we are beginning to see the effects of new tree diseases like Sudden Oak Death and Bleeding Canker of Horse Chestnut, which have the potential to affect our landscapes even more than Dutch Elm Disease. Control of these diseases is by sanitation felling of all infected trees where speed of

response is critical – and this is far easier with woodlands largely under Forestry Commission management than with a myriad of private owners.

Similarly, managing woodlands at the national level to mitigate the impact of climate change, like providing corridors for species dispersal and improving connectivity between woodland areas, is much easier to implement under single ownership.

These arguments, and others like the creation of a market for wood fuel as a renewable energy source, do not seem to have featured in the Government's thinking.

Conclusion:

What started out as a poorly thought-through measure to raise capital to help address the public deficit has been forced to go through a radical re-think in the face of such public hostility. However, the main arguments currently being presented by the Government to justify the sales on closer examination simply do not stack up.

The Forestry Commission has been managing our public woodlands for decades with an acceptable, even if variable, level of competence – the main criticism lies more with the commercial forests than with the heritage woods that have been the focus of the public indignation. As its commercial woodlands start to mature, the increased yield of timber will progressively reduce the Commission's reliance on Government subsidy. Currently the Commission costs the Government just £15m a year, a miniscule amount in the wider scheme of things, and it is likely that financial self-sufficiency will be reached within the next decade. Now is not the time to sell, especially when the net capital gain to the Government is likely to be more illusory than real.

Further discussions will be had – *please let us have your comments via our web page*

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