

The Wales Forest Business Partnership (WFBP) comprises a range of Welsh forest businesses and the organisation is publicly funded by Welsh Government with the task of promoting the Welsh forest sector.

1. The commercial operations and focus of the NRW

In its previous guise as FCW the organisation always lost money and had to be supported by the public purse. The reasons given were that FCW had to meet many other objectives other than running a commercial business but the private sector always thought this was a poor excuse considering the scale of the commercial forest resource in public ownership. The lack of commercial expertise in FCW has been directly transferred to NRW and to date we have witnessed the same low levels of commercial acumen.

A main problem is the complete lack of transparency and therefore we can only rely on hearsay and the published accounts. Hearsay can be unreliable but consistently we hear of poor communication, slow delivery and bureaucratic procedures. The published statistics suggest that the timber operations before overheads, value of stock felled and restocking, returned less than £6 per tonne which would have resulted in a net loss once the other costs were taken into account. These figures are supported by those quoted in the Wales Audit Report although NRW dispute the figures but we are only able to analyse their own published statistics. This return compares unfavourably to England (£18.11 per tonne) and Scotland (£13.25 per tonne) and is extraordinarily low bearing in mind the extent and quality of much of the resource.

Notwithstanding their lack of commercial acumen one major problem is the fact that production is based on production forecasts alone and not in any way on economic conditions. Because we have a limited demand for timber due to a gradual decline in processing capacity this can mean an oversupply at certain times resulting in a fall in prices. Not only does this impact on the returns for the public sector but also it deters the private sector from entering the market. The impact of this strategy is clearly demonstrated in the National Forest Inventory statistics which show that the average tree stocking and tree size in the private sector is much greater than in the public sector proving that there is less activity in private woodlands and we maintain this is due to depressed prices. We acknowledge that the price for timber is controlled by external factors such as global demand and currency exchange rates but price is also determined by local supply against demand. It is notable that sawmill prices across much of Europe, Ireland and Scotland are considerably higher than in Wales but all these countries are trading in the same market.

As an organisation with a remit to promote all forest businesses in Wales we are concerned that NRW do not show any interest in ensuring that their activities do not have a detrimental effect on the private woodland owner and we would encourage much greater transparency of the timber sales from the public estate and an analysis of the impact of the current methods of sale on both the processing sector and the private owner.

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

NRW operates in its bubble with little regard to the rest of the sector until it comes to regulation at which point it is showing great zeal in strictly regulating the activities of the private sector.

We would argue that having an organisation regulate its competitor is not correct. We are certain that the intensity in which the regulatory part of NRW is approaching the private sector is in no way reflected on the public estate. Therefore we argue that NRW's actions are anti-competitive and should not be tolerated. This problem can be solved by having the regulatory arm of NRW clearly separated from the management of the public estate and the whole sector needs to be shown that regulation is applied equally to both the public and private estates.

The culture in FCW was to support the processing sector, often at the expense of the private owner, and we think that same culture is prevalent in NRW. The concept of NRW providing business advice to any part of the forestry sector is far-fetched. There needs to be a demonstration that NRW can run its own business in a commercial and efficient fashion before it seeks to advise other parts of the sector.

It should be noted that it is in NRW's remit to support the whole sector. It could help by agreeing to deliver the WG forestry grants through Glastir. NRW has been asked to continue to run the Woodland Creation Grant scheme but it is refusing to do so. Currently, it is not possible to apply for both the Glastir Woodland Grant Scheme and the Woodland Creation Grant Scheme as Welsh Government appears to have no mechanism for delivering these schemes and NRW is refusing to cooperate. Again we are concerned that part of the forest sector is being disadvantaged by this state of affairs.

Finally, we believe there is a strong case for having a non executive director with forestry expertise. We have made this case since the inception of NRW and it is now becoming increasingly clear that this lack of expertise is proving to be a significant problem. The non executive board may not know the right questions to ask and may be too easily headed off by evasive responses from the management board.

3. Management of disease outbreaks on the public estate

Unfortunately, NRW failed to get to grips with the outbreak of P ramorum on WG land. Currently only about half the diseased area in south Wales has been cleared of infected trees. The consequence of this failure is that there is a much greater risk of both a more rapid spread of P ramorum and cross infection to other species. It has been clearly proven that it is essential to fell infected crops as quickly as possible.

NRW has failed to comply with its equivalent of the Statutory Plant Health Notices served on its land and yet despite its enthusiasm to prosecute the private sector for other non-compliances it has taken no action internally apart from declaring a core disease area and withdrawing all SPHNs in that area thus removing its need to comply. We wonder if the same action would have been taken if the infection had mostly been on privately owned land.

In order to avoid peaks and troughs in timber prices we urged a steady supply of larch onto the market. This has failed to materialise despite the mills gearing up to take larch and being short of supply. Our concern is that as harvesting increases supply may exceed demand at the same time as infection starts impacting on the private estate which will be served with SPHNs and be expected to fell within a specified period. Furthermore, there is no grant scheme available to the private sector offering financial assistance with infrastructure improvements necessary to extract the larch or any restocking grants. The same cannot be said for NRW which is using additional public money to deal with the infected larch. Again, this is clearly an unfair position with the private sector being placed at a significant disadvantage.

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

The 2008 audit report commented on:

- A lack of clear priorities.
- The need for better financial planning with poor linkage with strategic objectives.
- Lack of guidance on the make-up of the public estate at restocking regarding the split between commercial and non-commercial species.
- Too much dependence on timber income with little attempt to diversify income sources.

It also told us that Welsh Government had to inject over £20 million per year to meet the deficit

The 2013 follow up report said:

- There was still no clear vision on planning the future of the forest estate
- FCW was still too dependent on timber income with insufficient diversification (non timber income fell from £14.6 million in 2007-8 to £5.8 million in 2010-11).
- The FCW approach to selling timber was not sufficiently evidenced or monitored.

The report recommended that NRW establishes an approach to measure, evaluate and report on the success of its timber strategy. It also recommended that NRW sets out a timetable to identify how the estate can best contribute to WG objectives.

We have two main concerns:

1. WFBP has been promoting for several years the use of timber in construction and, in particular, the use of Welsh timber. We note a drop in productive area (13000 hectares on the public estate) which is highlighted by the lack of clarity in the future makeup of the public estate and the split between conifers and broadleaves. We are very concerned that the emphasis has moved too much away from the production of commercial conifers with the risk that in the future we will not have the resource to meet the demand for our own timber. This will push Wales back towards importing more timber and the loss of jobs.

NRW needs to be an exemplar in many ways. It must seek to deliver the objectives of Welsh Government and if that is to grow more of our own timber for use in construction amongst other things then NRW must be in the forefront of that drive. We fear that is not the case.

2. The dependence on timber income, because of the lack of diversification, forces NRW to sell timber regardless of the economic conditions and the price. We would like to see greater diversification of income earning which would enable NRW to withhold timber from the market if the price was poor. This would prevent the price falling further and give the private sector greater access to the market. There should be a formal discussion between NRW and the private sector with regard to supply to the processing sector.

We strongly support the recommendations that NRW reviews its timber selling strategy and its contribution to delivering WG objectives and policies. We would also add that this should include how NRW will enable the private sector to also deliver WG policies.

Wales Forest Business Partnership

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