

DO-CH/NL/0208

PART C

Part C.

**SECRET**

(Circulate under cover and notify REGISTRY of movement)

Begins : 4/3/88.

Ends : 20/7/88.

PO -CH /NL/0208

PART C

Chancellor's (Lawson) Papers:

THE TAX TREATMENT OF FORESTRY

Disposal Directions : 25 Years

*[Signature]*

12/9/95.

PO -CH /NL/0208

PART C



SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

Ch/ Victory!  
2/4/3

Present on to N/Munk  
Good. I sh be  
gratified if  
affairs at  
sub out  
was  
details of  
announcements,  
Q&A briefs,  
etc etc.

The Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer  
HM Treasury  
Parliament Street  
LONDON  
SW1P 3HE

CH/EXCHEQUER	
REC.	04 MAR 1988
ACTION	Mr MONCK
COPIES TO	CST, FST, EST,
	Sir P. MIDDLETON
	Mr BURGNER

4/3

4 March 1988

Dear Nigel,

**GOVERNMENT SUPPORT FOR FORESTRY**

I promised to reflect further on your proposals for the new unified grant scheme for forestry.

I very much welcome your agreement to a five year transitional period and to the admission of applications in the pipeline under the present regime. These are very important as they will achieve a smoother transition and help keep planting up in the next two or three years.

I also welcome the higher grants for broadleaves based on the Broadleaved Woodland Grant Scheme. These will encourage increased planting of broadleaves, particularly in mixtures with conifers, which can be environmentally valuable as well as commercially attractive. We have with this, and with the £200 supplement for planting on better land, a package which will have wide appeal.

On the level of grants, my main concern is the effect on confidence of the change. I have been anxious to have in place grants at a level which demonstrate the Government's commitment to planting at our agreed target announced last year. I remain doubtful whether an across-the-board increase of £375, giving a basic grant for conifers of £615 per hectare, will be sufficient. However, I recognise the importance of your agreement that the present rules will apply to cases in the pipeline. I am sure that this will help maintain the planting rate in the short term and will give time to judge the effectiveness of the new scheme. As colleagues feel able to agree to your proposal, I would not wish to hold back settlement of the issue. I am prepared therefore to accept your proposal of £375 and hope I will not have to re-open the question at some future date if planting does not respond!

I am sending copies to John MacGregor, Peter Walker and Nicholas Ridley.

Yours ever,

MALCOLM RIFKIND

1 ~~Amend~~  
(X below)

2 PHP



Ch.

Mr Monck tells me that other  
depts. are pressing. Could he  
perhaps show <sup>his text</sup> officials at his  
meeting tomorrow a.m.

2. Reference to Mr Ridley will be ~~reinstated~~ reinstated. Thanks.

JR

OK, provided it is  
full undisturbed deal  
~~is~~ is no question of  
negotiating no text.  
(I in any case will  
make further  
changes)

SECRET AND PERSONAL

CHANCELLOR OF THE EXCHEQUER

FROM: N MONCK

DATE: 8 March 1988

cc Chief Secretary  
Financial Secretary  
Economic Secretary  
Sir P Middleton  
Mr Scholar  
Mr Burgner  
Mr Bonney  
Mr Call

Mr J Marshall, IR

*What Affairs to do with the grant? Ask the Minister to write as proposed? 2/8/3*

*No: it has occurred the Minister I am sure has passed the...*

**FORESTRY**

I understand you have asked for advice on clearing the forestry section of the Budget Speech with the other Ministers concerned. I think we have a better chance of minimising unreasonable comments by circulating the passage on the private secretary net. I attach a short private secretary draft letter and a page of text retyped in a form suitable for the forestry circulation.

2. The text incorporates two small amendments:

- in line 3 I have substituted "top rate taxpayers in particular" for the existing "mostly top rate taxpayers". The existing phrase could be used to buttress complaints that grant increases do not match the value of tax relief to top rate taxpayers and that this will spell doom for forestry;
- in line 3 of the last paragraph I have substituted "maintain its forestry policies" for "secure its forestry objectives". The point of this is to avoid Treasury Ministers getting too close to the Forestry Ministers' planting aim and asserting that the new regime will deliver 29,000 hectares of private sector planting.

3. You will want to consider whether to show the draft to Mr Ridley now that the reference to him in para 4, which I had thought would be helpful, has been cut out.

*ie. RHF's with responsibility for forestry and the environment*

4. I am holding a meeting of the official group on Thursday morning at which we can try to resolve disagreements and ensure that the various different statements are consistent.

*I don't know who cut out the ref. to Mr Ridley? Why? Or what? Or what?*

Other proposed statements

5. Apart from possible mentions of forestry by Treasury Ministers in the Budget debate on Wednesday, 16 March, Mr Ridley is proposing to press release a written Parliamentary Answer on that day. I think this will be helpful. The latest draft is attached, though it is not agreed yet.

6. Mr Rifkind is also considering a draft Parliamentary Answer for the same day which the Forestry Commission has offered him. We will not see a text until he has decided whether or not to go ahead with it.

7. We do not expect to see anything on Mr Walker's speech at the forestry lunch on Thursday, 17 March, until towards the end of the week at the earliest.

8. A side-benefit of Mr Ridley's proposed statement on the environment in England is that he or one of his officials could warn the Chairmen of the Nature Conservancy and the Countryside Commission (William Wilkinson and Sir Derek Barber respectively) after the forestry passage in your speech on Tuesday afternoon about what he is going to say on Wednesday; this would be a convenient opportunity to suggest to them that they should welcome the Budget change on environmental grounds. DOE officials will be putting this suggestion to Mr Ridley.



N MONCK

SECRET AND PERSONAL

## DRAFT LETTER TO MR RIFKIND'S PRIVATE SECRETARY

The Chancellor has asked me to send you the enclosed extract from the near-final draft of his speech. He believes it strikes a reasonable balance but if your Secretary of State sees any major difficulties, he would be grateful if he could hear about it quickly.

2. I am sending copies of this letter and the enclosure to the private secretaries <sup>to</sup> of Mr Walker, [Mr Ridley] and Mr MacGregor.

**FORESTRY : extract from draft speech**

First, forestry. Given the special characteristics of forestry, including a gap of anything up to 100 years between the cost of planting and the income from selling the felled timber, I accept that some favourable tax treatment is justified.

2. But the present system is not. It has been said that it encourages the wrong people to plant the wrong trees in the wrong places. Whether that is so or not, what it certainly does do is enable top rate taxpayers in particular to shelter other income from tax, by setting it against forestry losses, while the proceeds from any eventual sale are effectively tax free. Indeed a whole industry has grown up to promote this particular form of tax avoidance.

3. The time has come to bring it to an end. I propose to do so by the simple expedient of taking commercial woodlands out of the tax system altogether. That is to say, as from today, and subject to transitional provisions, expenditure on commercial woodlands will no longer be allowed as a deduction for income tax and Corporation Tax. But, equally, receipts from the sale of trees or felled timber will no longer be liable to tax.

4. It is, perhaps, a measure of the absurdity of the present system that the complete exemption of the forestry industry from tax will, in time, produce a yield of over £10 million a year. But in order to further the Government's objectives for the rural areas, I have agreed with my right Honourable Friends with responsibilities for forestry that there should be a parallel increase in planting grants. Full details of a new grant scheme will be announced next week.

5. The net effect of these changes will be to end an increasingly blatant form of tax avoidance; to simplify the tax system, abolishing the archaic Schedule B in its entirety; and to enable the Government to maintain its forestry policies with proper regard for the environment, including a better balance between broadleaved trees and conifers.



SECRET AND PERSONAL

DRAFT ANNOUNCEMENT

ENVIRONMENTAL ASPECTS OF FORESTRY IN ENGLAND

- 1 The changes in financial arrangements announced yesterday for forestry by my Rt Hon Friend the Chancellor of the Exchequer mean that Government support for private sector forestry will now be channelled through planting grants rather than tax relief, as a number of environmental bodies have advocated. Decisions on applications for planting grants provide a satisfactory method of controlling the environmental impact of forestry, and ensuring that the right trees are planted in the right places.
- 2 Both in their own forestry operations and in considering applications for planting grants, the Forestry Commission have a statutory duty to endeavour to achieve a reasonable balance between forestry and environmental considerations. In cases where the appropriate balance is in doubt, because an objection has been made to the Commission's Regional Advisory Committee by the relevant public or local authority and has not been resolved, the Commission have been directed by Forestry Ministers to seek the views of the relevant Forestry and Environment Ministers before deciding the application, or as the case may be deciding whether to proceed with planting on their own account.

SECRET AND PERSONAL

3 My Rt Hon Friend the Minister of Agriculture, Fisheries and Food and I have decided that, following the changes announced in the Budget statement, it would be helpful for the Forestry Commission to have general guidance from the Government about fulfilling their statutory duties in relation to the environment in England. This guidance will be contained in a letter which the Minister of Agriculture, Fisheries and Food will send to the Chairman of the Forestry Commission. The main features of the guidance will be as follows.

4 A large proportion of the land in England has been used for agriculture as either arable or improved grassland. We therefore attach a high value to conserving, and where necessary restoring, the habitats which the remaining unimproved land provides, including the uplands and ancient woodlands. It would not therefore be acceptable in environmental terms to use such unimproved land for timber production in the form of conifer plantations. There may be some cases where it would be acceptable to use such land for broadleaved plantations, or for mixed plantations in which conifers facilitate production of an eventual crop of hardwood, but such cases are likely to be exceptional.

5 The main potential for afforestation in England therefore lies on land which has hitherto been in agricultural use but may no longer be needed for that purpose following changes in the Common Agricultural Policy.

SECRET AND PERSONAL

- 6 It has already been decided that the Farm Woodland Scheme should be targeted on such areas on the assumption that the Farm Land and Rural Development Bill will receive Royal Assent in its present form. Grant applications under the Farm Woodland Scheme relating to the special quota of unimproved land in the Less Favoured Areas will be treated in the same way as other grant applications for unimproved land. There will also be a place for planting on arable and improved grassland which falls outside the Farm Woodland Scheme.
- 7 [The Forestry Commission will continue their present policy of not normally giving planting grants in areas which the Minister of Agriculture, Fisheries and Food has designated as Environmentally Sensitive Areas in order to conserve traditional forms of agricultural landscape.]
- 8 In existing forested areas, the granting of felling licences by the Forestry Commission to private owners is normally subject to the condition that replanting should be carried out. In future however the Forestry Commission will be expected to consider carefully, in the case of upland areas of England which have been afforested in recent decades, whether it would be environmentally preferable to return them to open moorland as and when clear felling takes place. Before reaching a decision they will need to seek the views of Ministers, who may consult the Countryside Commission and the Nature Conservancy Council.

SECRET AND PERSONAL

- 9) In the areas still considered suitable for forestry, existing safeguards will continue to apply in the form of consultation procedures, which contain specific provision for national parks, areas of outstanding natural beauty, and sites of special scientific interest.
- 10) To complement these new policies, the new grant rates which the Forestry Commission will be announcing shortly will include a special incentive for planting on improved land and increased incentives for the planting of mixed woodland including broadleaved trees<sup>which is mixed pine and broadleaved</sup>. I also welcome the Commission's intention to produce practical guidelines for grant applications which will pay full attention to the requirements of landscaping, nature conservation and recreational access.

8 March 1988

FROM: N MONCK  
DATE: 10 March 1988

CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary  
Financial Secretary  
Economic Secretary  
Sir P Middleton  
Mr Anson  
Mr Burgner  
Mr Bonney  
Mr Hudson  
Mr Call  
Mr Beighton )  
Mr Marshall ) IR

*Ch:*  
Do you want to take  
on board any of the amendments  
(apart from "(b)")? Any comments on  
the Rifkind statement?

*NM @ [signature] M.*

*2/10/3*

**FORESTRY**

We have tied up most of the loose ends with officials from other departments in a long meeting today. You have already approved the two press notices. We agreed on a Budget brief, which I will submit tomorrow. We amended a reasonable first draft for Mr Walker's speech on the Thursday after the Budget. The draft will be circulated to private offices next Monday.

2. The outstanding items are some points on the forestry passage in the Budget speech which you agreed I should show them without any commitment on our side: and the proposed announcements by Mr Rifkind and perhaps also by Mr Ridley on Wednesday, 16 March.

*Rifkind's statement is in the House - better to hold it till Thurs, to eat into Labour's "health day"? But that wd be after Walker's speech.*

**The Budget Speech**

3. I attach the version I showed them and took back. The proposed amendments are marked in manuscript:

- (a) the forestry departments would like to omit the square bracketed references to "tax avoidance" at the end of para 2 and in the first bit of para 5. They argue that the sneering tone of these phrases will unnecessarily antagonise people such as the forestry management companies whose help will be needed in keeping up planting under the new grant regime and indeed in containing reactions from the forestry lobby. The Inland Revenue also think that "tax avoidance" is not really the right term, since use of the existing tax regime is not really artificial. If it is to be described as tax avoidance, wouldn't the same charge be relevant to the BES?

- Back in already*
- (b) a reference to Mr Ridley in para 4 would please him and help to show that environmental benefits are built into the new arrangements;
  - (c) the small changes at the end of the last but one sentence of para 4 would fit in with wording we are using elsewhere, which MAFF think will help them to avoid highlighting the absence of any increase for conifer planting in the Farm Woodlands Scheme;
  - (d) the forestry departments would like para 5 to refer to expansion for obvious reasons.

I would be ready to concede all these points, I would certainly favour making the changes in para 4 and cutting the last sentence of para 2 so that if you want to refer to tax avoidance it is only done once.

#### Statements by Mr Rifkind and perhaps also Mr Ridley

4. All the departments felt it was important to avoid the kind of presentational mess which marked the ALURE announcements with the separate statements by Mr Jopling and Mr Ridley, which were widely seen as pulling in different directions. The best solution would be for Mr Rifkind as lead forestry Minister (as well as environment Minister in Scotland) to make a statement which would incorporate both the confidence-maintaining message to the forestry industry and the environmental message. I attach an agreed draft of such a statement. Mr Ridley, however, still wants to make a separate announcement about the English uplands. If he did that the environmental points relevant to whole of Great Britain (paragraphs 5 to 7 of the draft) would still be in Mr Rifkind's statement. But paragraph 8 would consist only of the cross-reference at the end and Mr Ridley would answer a separate PQ on the same day (draft at the back).

5. Mr Ridley is being shown these drafts overnight and will decide whether he wants to persist with a separate PQ. We should also hear in the morning whether, as Mr Ridley claims, Mr MacGregor has agreed, contrary to his strong view yesterday, to a separate English PQ by Mr Ridley. If Mr Ridley does persist you may want to try dissuade him on the telephone. But it is possible that the Prime Minister will in any event overrule him in view of her feelings about the ALURE mess, when Mr Rifkind clears his oral statement with No 10.

*Mr Ridley's PB is sure that he will want to make a separate statement.*



FORESTRY : extract from draft speech

*I accept that the tax system should recognise when it can*  
 First, forestry. ~~Given~~ the special characteristics of forestry, including a ~~gap of~~ <sup>taxes</sup> anything up to 100 years between the cost of planting and the income from selling the felled timber, ~~I accept that some favourable tax treatment is justified.~~

*(Cannot be justified.)*

2. But the present system ~~is not~~. It has been said that it encourages the wrong people to plant the wrong trees in the wrong places. Whether that is so or not, what it certainly does do is enable top rate taxpayers in particular to shelter other income from tax, by setting it against forestry losses, while the proceeds from any eventual sale are effectively tax free. ~~[Indeed a whole industry has grown up to promote this particular form of tax avoidance]~~ *tax shelter.*

3. The time has come to bring it to an end. I propose to do so by the simple expedient of taking commercial woodlands out of the tax system altogether. That is to say, as from today, and subject to transitional provisions, expenditure on commercial woodlands will no longer be allowed as a deduction for income tax and Corporation Tax. But, equally, receipts from the sale of trees or felled timber will no longer be liable to tax.

4. It is, perhaps, a measure of the absurdity of the present system that the exemption from tax will, in time, produce a yield of over £10 million a year. But in order to further the Government's objectives for the rural areas, I have agreed with my right Honourable Friends with responsibilities for forestry <sup>and the environment</sup> that there should be <sup>in</sup> parallel increases in planting grants. Full details of a new grant scheme will be announced next week.

5. The net effect of these changes will be ~~[to end an increasingly blatant form of tax avoidance]~~ <sup>unacceptable</sup> to simplify the tax system, abolishing the archaic Schedule B ~~in its entirety;~~ <sup>shelter;</sup> and to enable the Government to maintain its ~~forestry policies~~ <sup>for the expansion of objectives</sup> with proper regard for the environment, including a better balance between broadleaved trees and conifers.

9 March 1988



**DRAFT STATEMENT BY SECRETARY OF STATE FOR SCOTLAND - WEDNESDAY 16 MARCH**

With permission, I should like to make a statement about forestry policy on behalf of forestry and environment Ministers in Great Britain.

2. The changes to the tax and grant arrangements announced by my Rt. Hon Friend are designed to provide a simpler and more acceptable system of support for private forestry. There has not, however, been any fundamental change in the Government's policy for expanding forestry in an environmentally acceptable way. This is reflected in the Forestry Commission's statutory duty to endeavour to achieve a reasonable balance between forestry and environmental considerations.

3. The Government consider that a continuing expansion of forestry is in the national interest and long term confidence in both forestry and wood processing industries in this country is fully justified. Last year in the context of new policies for alternative land use we announced an expansion of the forestry programme to 33,000 hectares of new planting a year, with particular emphasis on the private sector and with due regard to environmental considerations. The planting of a higher proportion of trees on low ground of better quality was also encouraged.

4. These policies remain unchanged. Planting grants will be substantially increased. The expansion of planting in recent years has led to a substantial and welcome growth in the UK of a modern wood processing industry. Its needs will be met as production from existing forests increases into the next century. The industry will in turn help to meet the growing demand for wood products. Together with the new planting programme, it will ensure that forestry contributes to employment in rural areas. Increased planting will also provide an alternative to agricultural production and thereby assist in the reduction of agricultural surpluses.

5. The environmental safeguards for the increased volume of planting will be strengthened in a number of respects. First, the new arrangements for Government financial assistance for planting will strengthen the careful scrutiny and consultation procedures undertaken by the Forestry Commission, because no sizeable scheme is likely to go ahead unless the Forestry Commission has approved it for grant purposes. The Commission will continue to observe the published management guidelines relating to broadleaved woodland and will introduce similar guidelines for other types of woodland as part of the new scheme. Decisions on applications for planting grants thus provide a satisfactory method

of controlling the environmental impact of forestry and ensuring that the right trees are planted in the right places.

6. Second, the increased planting grants will incorporate a substantial differential in favour of broadleaved planting, so that the share of broadleaves in total planting can be expected to continue to increase. Third, there will be a new supplement for planting on arable or improved grassland. Full details will be included in the Forestry Commission's announcement next week.

7. Finally in existing forest areas the increased grants will be available for replanting and the Forestry Commission will follow policies which will convert even aged forests into attractive and more varied landscapes with a mixture of types and ages of tree.

[8. As regards upland planting in England, my Rt Hon Friends the Minister of Agriculture, Fisheries and Food and the Secretary of State for the Environment have agreed that it would be helpful to issue further guidance to the Forestry Commission. The guidance will emphasise the high value they attach to conserving the remaining unimproved land, including the uplands and ancient woodlands. While they see some scope for broadleaved and mixed woodlands approval should not be given for new planting which consists predominantly of conifers in the uplands of England except where it is silviculturally desirable and environmentally acceptable. These conditions are unlikely to be fulfilled except in small areas of planting.

OR if Mr Ridley makes a separate announcement

My Rt Hon Friend, the Secretary of State for the Environment, is today making a separate announcement about policy in relation to upland areas in England.]

9. The changes that have been announced, together with the new grant scheme to be announced next week by the Forestry Commission, are designed to encourage the achievement of the Government's aims for forestry in a manner which is acceptable in environmental and land use terms and which appeals to a wider range of interests. Forestry has an important role to play in the well being of this country. The industry has support of this Government and has an assured future.

DRAFT PARLIAMENTARY ANSWER

*by Mr Ridley*

## ENVIRONMENTAL ASPECTS OF FORESTRY IN ENGLAND

Q. To ask the Secretary of State for Environment what guidelines the Government propose to give about new planting of trees in the uplands of England.

A. My Rt Hon Friend the Minister of Agriculture, Fisheries and Food and I have decided that, following the changes announced in the Budget statement, it would be helpful for the Forestry Commission to have general guidance from the Government about such planting in England. This guidance will be contained in a letter which the Minister of Agriculture, Fisheries and Food will send to the Chairman of the Forestry Commission. The main features of the guidance will be as follows.

A large proportion of the land in England has been used for agriculture as either arable or improved grassland. We therefore attach a high value to conserving the remaining unimproved land, including the uplands and ancient woodlands. While we see some scope for broadleaved and mixed woodlands, approval should not be given for new planting which consists predominantly of conifers in the uplands of England except where it would be silviculturally desirable and environmentally acceptable. These conditions are unlikely to be fulfilled except in small areas of planting.



CH/EXCHEQUER	
REC.	11 MAR 1988
ACTION	Mr MONCK
COPIES TO	CST, FST, EST.
	Sr P. MIDDLETON
	Mr BURGNER

✓  
11/3

2 MARSHAM STREET  
LONDON SW1P 3EB  
01-212 3434

My ref:

Your ref:

Jonathan Taylor Esq  
Private Secretary to  
The Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer  
HM Treasury  
Parliament Street  
SW1P 3AG

11 March 1988

Dear Jonathan,

**FORESTRY**

At the Chancellor's meeting last Friday, Mr MacGregor and Mr Ridley agreed that a separate joint statement should be made about not allowing further development of upland conifer plantations in England. As well as dealing with the upland issue, Mr Ridley believes it would be advisable to include some positive indication of the types of area in which planting will be acceptable. I attach a draft of the proposed statement which Mr Ridley would intend to make on Wednesday 16 March, by way of a Written Answer to a Parliamentary Question accompanied by a Press Notice. This draft reflects consultation with other Departments including the Forestry Commission.

I should be grateful for any comments by Monday 14 March.

I am copying this letter together with the draft statement to Debbie Hayne (MAFF), David Crawley (Scottish Office) and Jon Shortridge (Welsh Office).

Yours ever,  
Deborah.

DEBORAH LAMB  
Private Secretary

SECRET AND PERSONAL

DRAFT ANNOUNCEMENT

ENVIRONMENTAL ASPECTS OF FORESTRY IN ENGLAND

QUESTION

To ask the Secretary of State for the Environment, what further guidance the Government propose to give about the selection of areas for afforestation in England?

ANSWER

The changes in financial arrangements for forestry announced yesterday by my Rt Hon Friend the Chancellor of the Exchequer mean that, subject to the transitional provisions, Government support for private sector planting will now be channelled through planting grants, as a number of environmental bodies have advocated, rather than through tax relief. Decisions on applications for planting grants provide a satisfactory method of controlling the environmental impact of forestry, and ensuring that the right trees are planted in the right places.

Both in their own forestry operations and in considering applications for planting grants, the Forestry Commission have a statutory duty to endeavour to achieve a reasonable balance between forestry and environmental considerations. In cases where the appropriate balance is in doubt, because an objection has been made by the relevant public or local authority and has not been resolved by the Commission's Regional Advisory Committee, the Commission have since 1974 been directed by Forestry Ministers to seek their views before approving the application. In England the Forestry Minister consults me in appropriate

cases. Similar procedures apply in the case of the Commission's own planting.

My Rt Hon Friend the Secretary of State for Scotland is making a general statement about forestry policy in Great Britain in the light of the Budget changes. My Rt Hon Friend the Minister of Agriculture, Fisheries and Food and I have decided that it would be helpful for the Forestry Commission also to have general guidance from the Government about fulfilling their statutory duties in relation to the environment in England. This guidance will be contained in a letter which the Minister of Agriculture, Fisheries and Food will send to the Chairman of the Forestry Commission. The main features of the guidance will be as follows.

A large proportion of the land in England has been used for agriculture as either arable or improved grassland. We therefore attach a high value to conserving, and where necessary restoring, the habitats which the remaining unimproved land provides, including the uplands and ancient woodlands. While we see some scope for broadleaved and mixed woodlands, approval should not be given in the upland of England for new planting which consists predominantly of conifers. The only exception would be small areas where it is clear that such planting would be environmentally acceptable.

The main potential for afforestation in England lies on arable and improved grassland which may no longer be needed for agricultural use purpose following changes in the Common Agricultural Policy. It has already been decided that the Farm Woodland Scheme should be targeted on land previously in agricultural use on the assumption that the Farm Land and Rural Development Bill will receive Royal Assent in its present form. There will also be a place for planting on arable and improved grassland which falls outside the Farm Woodland Scheme, subject to the normal consultation procedures on planting grant application. The new grant rates will provide additional incentives for use of broadleaved trees and improved land.

In existing forested areas, the granting of felling licences by the Forestry Commission to private owners is normally subject to the condition that replanting should be carried out. In future however the Forestry Commission will be expected to follow policies which will convert even good forests into attractive and more varied landscapes with a mixture of types and ages of tree.

9 March 1988

FROM: N MONCK

DATE: 11 March 1988

PS/CHANCELLOR

*Ch/Content?*  
*OK*  
*11/3*

cc Chief Secretary  
Financial Secretary  
Economic Secretary  
Sir P Middleton  
Mr Burgner

**FORESTRY : MR RIDLEY'S DRAFT STATEMENT ON THE ENGLISH ENVIRONMENT**

*behind*

Mr Ridley's private secretary has circulated a draft Parliamentary Answer he wants to give on Wednesday. (Her letter of 11 March). Mr Rifkind will be giving a wider answer covering both forestry and the Great Britain-wide aspects of environment on the same day.

2. In view of the Chancellor's reactions, which you have described to me during the day, I suggest you might reply on the following line, perhaps first on the telephone and then in a private secretary letter:

*FORESTRY*

"The Chancellor has seen the draft answer attached to your letter of 11 March. Subject to the views of colleagues, he is broadly content with it.

The third paragraph of the draft refers to the "general statement about forestry policy in Great Britain being made by Mr Rifkind on the same day". The Chancellor considers it important that that statement should also deal with environmental points which apply to Great Britain. This will help to show that the environmental benefits of the new package are built into it from the beginning. This will inevitably involve some duplication with the draft you circulated. The Chancellor recognises your Secretary of State's wish to deal with the positive points as well as the upland issue, but he hopes there will be some scope for reducing the duplication with Mr Rifkind's wider statement."

*Copies to Jan Shartridge (Welsh office), David Crawley (Scottish office) and Debbie Hayne (MAFF).*  
*NM*  
*AM*

N MONCK

*Ms. D. Lamb  
PS/ Secretary of State  
Department of Env.  
etc.*



SECRET AND PERSONAL

*pp3 01*



SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

Jonathan Taylor Esq  
Private Secretary to the  
Chancellor of the Exchequer  
HM Treasury  
Parliament Street  
LONDON  
SW1P 3AG

CH/EXCHEQUER	
REC.	14 MAR 1988
ACTION	Mr MONCK,
COPIES TO	EST, EST,
	Sir P. MIDDLETON,
	Mr BURGNER

*14/3*

*14* March 1988

*Dear Jonathan,*

**PROPOSED ANNOUNCEMENT ON FORESTRY POLICY -  
WEDNESDAY 16 MARCH**

As you know, my Secretary of State intends in the wake of the Budget announcement of changes to the forestry support arrangements to make a written statement on Wednesday 16 March, in response to an inspired Question, restating the Government's commitment to forestry. I enclose the final draft of the proposed announcement which reflects consultations with other Departments including the Treasury and DOE. This draft does not differ substantially from that which was circulated by officials at the end of last week. I should be glad if you and the others, to whom I am copying this letter, could let me know first thing on Tuesday, 15 March, at the latest, if you have any comments.

I am copying this letter to the Private Secretary to John MacGregor, Peter Walker and Nicholas Ridley.

*Yours Sincerely  
Margaret Jones*

*PP* DAVID CRAWLEY  
Private Secretary

SECRET AND PERSONAL

**SECRET AND PERSONAL**

**DRAFT STATEMENT BY SECRETARY OF STATE FOR SCOTLAND -  
WEDNESDAY 16 MARCH**

Question

To ask the Secretary of State for Scotland, whether any modifications to the Government's forestry policy are envisaged as a result of the changes to the forestry tax and grant arrangements announced by the Chancellor of the Exchequer in his Budget statement.

Answer

1. The changes to the tax and grant arrangements announced by my Rt Hon Friend are designed to provide a simpler and more widely acceptable system of support for private forestry. There has not, however, been any fundamental change in the Government's policy for encouraging forestry, in an environmentally acceptable way. This is reflected in the Forestry Commission's statutory duty to endeavour to achieve a reasonable balance between forestry and environmental considerations.

2. The Government remain of the view that forestry is in the national interest and that long term confidence in both forestry and wood processing industries in this country is fully justified. Last year in the context of new policies for alternative land use we announced an expansion of the forestry programme to 33,000 hectares of new planting a year, with particular emphasis on the private sector and with due regard to environmental considerations. The planting of a higher proportion of trees on low ground of better quality was also to be encouraged.

3. These policies remain unchanged, and to this end planting grants will be substantially increased. The expansion of planting in recent years has led to a significant and welcome growth in the UK of a modern wood processing industry. The industry will in turn help to meet the growing demand for wood products and, together with the new planting programme, this will ensure that forestry contributes to employment in rural areas. Increased planting on better land will also provide an alternative to agricultural production and thereby assist in the reduction of agricultural surpluses.

**SECRET AND PERSONAL**

**SECRET AND PERSONAL**

4. Environmental safeguards will be enhanced in a number of respects. First, the new arrangements for Government financial assistance for planting will strengthen the careful scrutiny and consultation procedures undertaken by the Forestry Commission, because it is very unlikely that any sizeable scheme will go ahead unless the Commission has approved it for grant purposes. In considering applications the Commission will continue to observe its published management guidelines relating to broadleaved woodland and will introduce similar guidelines for all types of woodland as part of the new scheme. Its procedures for dealing with applications for planting grants will thus provide a satisfactory method of controlling the environmental impact of forestry and ensure that the right trees are planted in the right places.

5. Second, the increased planting grants will incorporate a substantial differential in favour of broadleaved planting, so that the share of broadleaves in total planting can be expected to continue to increase. Third, there will be a new supplement for planting on arable or improved grassland. Full details of a new Forestry Commission grant scheme reflecting these new arrangements will be announced next week.

6. Finally, the increased grants will be available for replanting in existing forest areas. In considering applications for replanting grants the Forestry Commission will follow policies which are designed to convert even aged forests into attractive and more varied landscapes with a mixture of types and ages of tree.

7. The changes that have been announced, together with the new grant scheme to be announced next week, are designed to encourage the achievement of the Government's aims for forestry in a manner which is acceptable in environmental and land use terms and which appeals to a wider range of interests. Forestry has an important role to play in the well being of this country. The industry has the support of this Government and has an assured future.

8. My Rt Hon Friend, the Secretary of State for the Environment, is today making a separate announcement in response to a Written Question about policy in relation to the selection of areas for afforestation in England.

**SECRET AND PERSONAL**

CONFIDENTIAL

*MJP*

SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU



Jonathan Taylor Esq  
Private Secretary to the  
Chancellor of the Exchequer  
HM Treasury  
Parliament Street  
LONDON  
SW1P 3AG

CH/EXCHEQUER	
REC.	22 MAR 1988
ACTION	Mr MONCK
COPIES TO	CST, FST, EST,
	Sir P. MIDDLETON
	Mr BURGNER,
	Mr BONNEY Mr DONNELLY

✓ 22/3

22 March 1988

*Dear Jonathan,*

**NEW FORESTRY GRANT SCHEME  
PROPOSED MINISTERIAL ANNOUNCEMENT**

As you know, the Chancellor said in his Budget statement that details of the Forestry Commission's new grant scheme would be announced this week. The announcement will take the form of an inspired Written Answer on Wednesday 23 March.

The Forestry Commission have already cleared the terms of the draft answer with officials in the Treasury, MAFF and DOE. I now enclose the final draft of the proposed answer and would be grateful if you and the others, to whom I am copying this letter, could let me have by 4.00 pm today, confirmation that you are content.

I am copying this letter to the Private Secretaries to John MacGregor, Peter Walker and Nicholas Ridley.

*Yours Sincerely  
M. Jones*

**MRS MARGARET JONES**  
Private Secretary

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**CONFIDENTIAL**

**WEDNESDAY 23 MARCH 1988**

**WRITTEN**

**HOUSE OF COMMONS**

**SIR HECTOR MONRO:** To ask the Secretary of State for Scotland, if he is in a position to announce details of the new forestry grant scheme referred to in his reply of 16 March.

**MR MALCOLM RIFKIND:**

In the answer I gave on 16 March to a question put by my hon Friend, the Member for Dumfries, I stated that the changes to the tax and grant arrangements announced by my right hon Friend, the Chancellor of the Exchequer, were designed to provide a simpler and more widely acceptable system of support for private forestry.

The Forestry Commission's Forestry Grant Scheme and Broadleaved Woodland Grant Scheme were closed to new applications from 15 March 1988, and will be replaced on 5 April 1988 by a single grant scheme, to be known as the Woodland Grant Scheme. The European Commission are being informed under the provisions of Article 93 of the Treaty of Rome. Applications may be made under this scheme from 5 April 1988 but cannot be approved until clearance of the scheme by the European Commission.

The scheme will apply to the establishment and restocking of broadleaved, conifer and mixed woodlands, whether by planting or by natural regeneration, and to the rehabilitation of neglected woodland under 20 years of age. It will also cover planting done under the Farm Woodland Scheme.

The objectives of the scheme are:

- to encourage timber production;
- to provide jobs in and increase the economic potential of rural areas with declining agricultural employment and few alternative sources of economic activity;

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- to provide an alternative to agricultural production and thereby assist in the reduction of agricultural surpluses;
- to enhance the landscape, to create new wildlife habitats and to provide for recreation and sporting uses in the longer term;
- to encourage the conservation and regeneration of existing forests and woodlands.

The rates of grant will be increased substantially, and will be as set out in the following table:-

Area approved for planting or regeneration (hectares)	Rates of Grant	
	Conifers £ per hectare	Broadleaves £ per hectare
Area band 0.25-0.9	1005	1575
1.0-2.9	880	1375
3.0-9.9	795	1175
10 & over	615	975

These rates of grant are generally £375 per hectare higher than those under the Forestry Grant Scheme and the Broadleaved Woodland Grant Scheme, but the increase for broadleaved trees planted or regenerated in mixed woodlands will be substantially larger.

The rates of grant for conifer planting done under the Farm Woodland Scheme will remain unchanged; broadleaved planting under that Scheme will, however, be eligible for the new broadleaved grants.

For new planting on existing arable or improved grassland of less than 10 years of age which is undertaken outside the Farm Woodland Scheme, there will be a supplement of £200 per hectare.

Apart from the increased rates of grant and the special supplement for planting on better land, the scheme will have a number of important features:

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- the simplicity of a scheme which replaces two schemes with different conditions, and which covers all forms of planting, regeneration and rehabilitation of woodlands;
- a substantial differential in favour of broadleaves;
- all broadleaved planting, whether it be on its own or in mixture, will attract the same rates of grant;
- the broadleaved rate of grant will also apply to the planting and natural regeneration of native pinewoods in specified areas of Scotland;
- environmental objectives and provisions that will apply to all types of woodland;
- all types of natural regeneration will now be eligible for the first instalment of grant-aid at the time the preparatory work is carried out;
- grants for the rehabilitation of derelict woodlands under 20 years of age will now include conifer and mixed woodlands;
- grants will be paid in three instalments over 10 years. For conifers as well as for broadleaves, the second and third instalments will attract the rates of grant applicable when they fall due;
- grant bands will be determined by the total area approved for planting<sup>or</sup>/regeneration under the application and not, as was the case under the Forestry Grant Scheme, by the size of the woodland of which such planting or regeneration might form a part.

The scheme will encompass a wide range of management objectives designed not only to provide timber but also to encourage the development of multi-purpose woodland management, to achieve a proper balance between broadleaves and conifers, to enable forestry

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to play its full part as an alternative use of agricultural land no longer needed for food production, and to ensure that the expansion of forestry takes place in harmony with other land uses and the environment.

In this connection, applications relating to the establishment and restocking of broadleaved woodland will be subject to the provisions of the Guidelines for the Management of Broadleaved Woodland published by the Forestry Commission, and the new scheme will incorporate similar guidelines for the management of all types of woodland. These will be subject to the review of our broadleaves policy which is due to take place later this year.

Full details of the new Woodland Grant Scheme are set out in a Forestry Commission leaflet, copies of which have been placed in the Library of the House.

I am sure the announcement of this new scheme, with its greatly improved rates of grant and wide-ranging objectives, will serve to underline the Government's commitment to the sensitive yet vigorous expansion of forestry.

SCOTTISH OFFICE

**CONFIDENTIAL**



PWP  
..

FROM: N MONCK

DATE: 28 March 1988

FINANCIAL SECRETARY

cc Chancellor  
Chief Secretary  
Economic Secretary  
Mr Burgner  
Mr Bonney  
Mr Bush  
Miss Simpson

T.M. B. 1986

Ch.

FST is keen to get more points out in the open, via a Press Release. Officials in other Depts have seen the consulted, tho' not Ministers (with whom I think this should be cleared, if only to avoid subsequent counter briefing). We could, if you are content, look for a suitable opportunity. Or we could even just release it as a free-standing note.

**FORESTRY**

I attach a possible speech passage answering criticisms of the Forestry package. You are going to consider whether you wish to use it tonight.

28/3

2. I attach a copy of the Bridget Bloom Lombard piece in last Friday's Financial Times, to which the draft passage replies.

The FST want no doubt  
want to reword a bit  
our words, but to see  
them clear with  
Mr. Pugh at (think) the  
time (min.), before news.

M

N MONCK

WOODLAND GRANT SCHEME : SUPPLEMENTARY BRIEFING OR POSSIBLE SPEECH PASSAGE

The new grants regime has been criticised as "distressingly similar to what went before" - the pre-Budget combination of tax relief and lower grants which have now been replaced.

2. It is of course true that the planting aim announced in 1987 of 33,000 hectares a year has not been changed. But Ministers have also made it clear they intend to make the support system for private forestry more widely acceptable in environmental terms and to improve the balance between broadleaved trees and conifers.

3. A number of decisions will ensure that this intention is translated into reality\*.

The Switch to Grants

4. First, the switch to grants as the mechanism of support will in itself strengthen the scrutiny and consultation procedures of the Forestry Commission. That is why the switch was recommended by several environmental bodies. It is not always realised that these procedures ensure that if objections are pressed, planting proposals have to go to Ministers before a decision on them can be taken.

The Pattern of Grant Increases

5. Secondly, there is the pattern of grant increases. It has been suggested that the new grants must be bad for the environment because the highest increases in percentage terms were for large scale conifer planting. The last point is literally true. In parallel with the tax changes most grants were increased by £375 per hectare. Since large scale conifers got the lowest grant, they also got the largest increase in percentage terms. But what matters for assessing the effects of the new grants is not the percentage change but the total support in £s before and after the tax and grant changes for different sorts of planting and people in different tax positions.

---

\* These were not all announced together but are to be found in the Budget speech, Mr Rifkind's Written Parliamentary Answers of 16 and 23 March, Mr Ridley's Written Answer of 16 March, as well as the Forestry Commission's booklet on the Woodland Grant Scheme.

6. The lowest grant, now £615, is for large scale conifers, the largest, now £1575, is for a small scale plantation of pure broadleaves (see table). The grants will be worth the same for everyone whatever their tax position. In general the old top rate taxpayer will get rather less than before, people who paid no tax or paid tax at low rates will get more than before.

7. The largest increase will be for broadleaved trees in mixed plantations: the increase will be equivalent to between £505 and £685 per hectare. The old grants for pure broadleaved were already raising the share of broadleaved trees in total planting. Nearly half of broadleaved trees are still planted in mixed woodland and the differential increase for them will ensure that the rise in the overall proportion of broadleaves continues.

8. Particularly large increases will also go to those who plant trees on arable or improved grassland and so qualify for the new supplement of £200 per hectare on top of the new woodland grants. The new grants for broadleaved trees will also be paid under the new Farm Woodlands Scheme.

#### Aims of the Woodland Scheme

9. Thirdly, the new Scheme has a wide range of aims including improving landscape, habitats and recreation. Timber production must be one aim but need not be the primary one. Moreover all woodlands will for the first time be subject to environmental guidelines of the kind which used to apply only to pure broadleaves.

#### The English Uplands

10. Fourthly, approval will not normally be given for the planting of conifers in the uplands of England.

11. These changes, taken together, amount to a real shift of emphasis and explain why Mr Rifkind said that they would help to ensure that the right trees would be planted in the right places.

## GRANTS : £ per hectare

Hectares	Conifers		Broadleaved in mixed plantations		Pure Broadleaved	
	Old	New	Old	New	Old	New
0.25-0.9	630	1005	890	1575	1200	1575
1.0 -2.9	505	880	735	1375	1000	1375
3.0 -9.9	420	795	630	1175	800	1175
10 and over	240	615	470	975	600	975

Notes: (a) the new rates under the new unified Woodland Grant Scheme are generally £375 per hectare than those under the two schemes it replaces

(b) but because the same grants will now be paid (pro rata) for broadleaved trees in mixed as in pure plantations, the increases for broadleaved trees in mixed plantations were substantially larger between £505 and £585.

Lombard

# The conifers go marching on

By Bridget Bloom

25...

BRITAIN's forestry policy has come under unprecedented attack over the past year. There has been weighty criticism of the economic viability of government - assisted planting from the National Audit Office, the government's independent auditor, and from the Public Accounts Committee of the House of Commons. At the same time, all the major conservation groups have questioned the environmental impact of serried ranks of conifers marching across heather moors and hills.

So there was great interest when it was announced in last week's budget that tax incentives for the rich, which had encouraged conifer planting in marginal lands like the Flow Country in northern Scotland, were to be abolished and a new system of grants devised. From the way government ministers talked in the week it took for details of the grants to be published, it seemed as though a new era in forestry policy was under way.

Sadly, this is not the case. The tax incentives have been replaced by much bigger grants for planting both conifer and broadleaved trees, but otherwise the policy mix is distressingly similar to what went before.

It has not, of course, been publicly presented like that. To meet the criticism that too many conifers have been planted in the past, there will be more grants for broadleaved trees and for planting mixed woods, while there will be a virtual ban on planting conifers in the English uplands.

But Sir David Montgomery, Chairman of the Forestry Commission which implements forestry policy, let the cat out of the bag when he confirmed on Wednesday that conifer plantations must continue to be established in Scotland and Wales to meet the Government's unchanged target of 33,000 hectares of new forest each year. And he confirmed that the new grants - which actually involve comparatively higher increases in grants for planting large acreages of conifers than of broadleaved trees - have been set at levels which would make such planting

still attractive to the private investors who are responsible for three-quarters of today's forest planting.

That is not all bad: Britain is underforested compared to Germany or France, and manages to produce only 9 per cent of the timber requirements for an expanding processing industry. Environmentally, the guidelines accompanying the new grants, being more precise, should encourage more sensitive planting. The new grants may well encourage farmers and local landowners, as distinct from the absentee rich, to establish new woods.

But it is hard to avoid the conclusion that a real opportunity to produce a more relevant and publicly acceptable forestry policy has been missed. There is little evidence, for example, that the new grants will allow the Forestry Commission to meet the chief criticism from the NAO and PAC that the returns on public money are too low while the costs of creating jobs in forestry is too high. There is virtually no change in the rules governing the adjudication of complaints from the public of insensitive planting. This despite the fact that the Scottish Local Authorities Association and all the conservation bodies, including quangos like the Countryside Commission, have called for greater transparency in consultation procedures. Mr Malcolm Rifkind, Scottish Secretary and informally the lead minister on forestry, has repeated that planting in the important parts of the Flow Country will go on.

The Forestry Commission itself is partly responsible for this missed opportunity, for it has often been bureaucratic, secretive and resistant to change. But the chief culprits must be the several ministers responsible for forestry, who apart from the Scottish Secretary, also include the Minister of Agriculture, the Secretary of State for the Environment as well as the Welsh secretary. It is they who collectively have failed to realise that more is necessary to make forestry policy publicly acceptable than just the abolition of a few unpopular tax incentives.

4/16



## Economic Forestry Group PLC

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Telex 837137. Fax (08446) 541

JC/CS

27 April, 1988

Dear Mr. Carlson

From the response of our guests at the 1988 30th Anniversary Annual Forestry Luncheon on the 19th March at the Grosvenor House Hotel, Park Lane, London, it seems that the occasion even surpassed the 1983 25th Anniversary Luncheon when H.R.H. The Prince Charles was our principal guest. Certainly the removal of commercial forestry from income tax in the Chancellor's 1988 Budget with the promise of increased grants and the skillful speeches by Lord Rees, the Group Chairman, and the Rt. Hon. Peter Walker, Secretary of State of Wales were well received. The top table with eight Government Ministers and twelve members from the House of Lords representing all political parties, was a very impressive supporting gathering for which Forestry must be very grateful. Certainly in EFG we shall face the challenge of the new woodland grant scheme positively and hopefully be deserving of the continued support shown by Forestry Ministers.

I hope you will feel that above all, the atmosphere of friendship creates the opportunity to build bridges and promote understanding in the countryside. EFG is pleased and proud to be able to welcome our guests and we hope that our Forestry Luncheon does make some little contribution to formulating and implementing countryside and forest industry policies in the interests of the nation.

Our Spring Staff Newsletter covers the event and our response to the changes taking place and I thought you might like to have a copy.

Yours sincerely,

John Campbell  
Group Chief Executive

Hope you might join us next year.

# G R O U P



## N E W S L E T T E R

ECONOMIC FORESTRY GROUP PLC ISSUE THREE SPRING 1988

### Confidence Restored ..

The Forestry Act 1981 established Government policy following an in-depth review, setting a private planting target for traditional forestry of 30,000 hectares per annum.

#### SUCCESS

With confidence restored, what a success story there is to tell! Private planting has doubled from 9,000 to 19,000 hectares since that time and there has been a complete transformation of the wood processing industries, now among the most competitive in the world, with investment estimated to exceed £1,000 million by 1989. Indeed, we have become the envy of all other EEC countries. At a time when the 1987 import bill for timber and wood products has reached a staggering £5,900 million per annum the "tree chopping Chancellor" suspended the forest industry for one week by taking forestry completely out of the income tax system.

#### CONFIDENCE

A week later, Government policy was confirmed with an increased planting target of 33,000 hectares for traditional forestry and an additional 12,000 hectares per annum for farm woodlands remaining the Government's measured objectives. The successful but highly criticised fiscal incentives are now being replaced by more generous planting grants.



*Left-right: The Rt. Hon. Lord Sanderson of Bowden, Minister of State Scottish Office; The Rt. Hon. Lord Home of the Hirsel KT; The Rt. Hon. M. Rifkind MP, Secretary of State for Scotland; John Campbell OBE, Chief Executive, EFG; The Rt. Hon. Peter Walker MP, Secretary of State for Wales; Lord Rees of Goytre, QC, PC, Chairman, EFG; The Rt. Hon. Nicholas Ridley MP, Secretary of State for the Environment.*

#### EXPANSION

Although it would appear that this action is based purely upon a political decision resulting from a sustained anti-forestry campaign, with particular emphasis on the conflict in the North of Scotland, we are pleased that Government recognises the overwhelming case for expanding forestry.

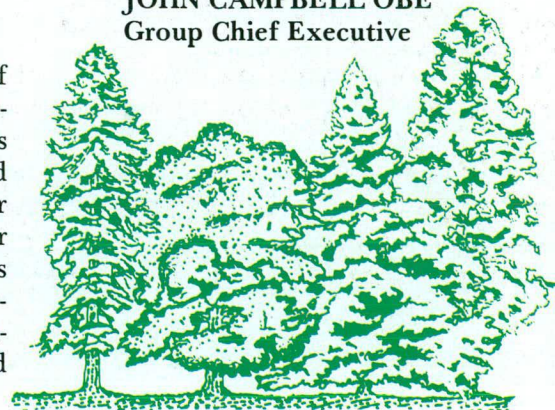
#### OBJECTIVES

It is a pity that the industry itself was not adequately consulted before this revised Scheme was drafted. This would have assisted Government to understand better the circumstances under which their forestry policy and planting targets could have been sustained. Nevertheless, we welcome the new Woodland Grant Scheme and its stated objectives.

#### CHALLENGE

With a strong team of managers to ensure that we adjust, I am confident that by looking forward we shall make 1988 a year when EFG faced the challenge working together, coming through fitter, stronger and prouder than ever before.

**JOHN CAMPBELL OBE**  
Group Chief Executive



# MARKETING DEPARTMENT

## NEW WOODLAND GRANT SCHEME

From 5th April 1988 the new Woodland Grant Scheme comes into effect confirming yet again that Government Policy supports continued expansion for forestry – particularly multi purpose environmentally sensitive forestry – a policy which all foresters will applaud.

### THE OBJECTIVES

- The timber production objective recognises the staggering costs of timber and wood imports now approaching £6 billion per annum.
- The employment objective recognises the positive contribution that every link in the wood chain when joined together can make to maintaining rural communities.

● The environmental objective recognises public concern for sensitively designed diverse mixed forests. The increased target of 33,000 hectares per annum of new planting and 12,000 per annum of farm woodland remain. This is double the existing levels of planting.

The method of achieving these objectives is through an agreed forestry plan of operations supported by greatly increased levels of planting grant. The new grants are shown below.

### IN ADDITION

New planting on existing arable or improved grassland less than 10 years of age, undertaken outside the Farm Woodland Scheme, attracts a supplement of £200 per hectare.

It is important that foresters face the challenge positively and constructively and continue to prove themselves worthy of the support and confidence which government gives to what is undoubtedly a growth industry with considerable potential to the nation.

The Editor

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*(Copies of the New Woodland Grant Scheme booklet are available direct from the Editor, Louise Roberts at Forestry House).*

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TABLE OF NEW GRANTS (old grants in brackets)

Area approved for planting or regeneration (hectares)	Rates of Grant	
	Conifers £ per hectare	Broadleaves £ per hectare
Area band 0.25 – 0.9	1005 (630)	1575
1.0 – 2.9	880 (505)	1375
3.0 – 9.9	795 (420)	1175
10 and over	615 (240)	975



# Shotton-EFG Management

You may have seen some press comment that the Shotton Paper Company has entered into an exclusive arrangement through a land agency firm, with a group of large forest owners, to secure long term wood supplies. This agreement seeks to exchange a free management service for an option to purchase all timber production over a period of 10 years. At a recent meeting with Mr. Kevin Lyden, the

Managing Director of Shotton Paper Company and the Group Chief Executive, John Campbell, it was established that EFG acting as agent for woodland owners would have the same opportunity of entering into any such agreement on behalf of its owners, with the additional advantage of ensuring stability and continuity of management by EFG.

The Editor

## Time well spent ..

Tony Willis Timber Marketing Executive receives his long service award from Group Chairman, Peter Rees at the Grosvenor House Hotel, London on 17th March 1988.



Left to right :  
John Flack, John Roberts, Terry Sutton Mattocks, Keith Leech, Andy Chalmers, Tony Willis, The Hon. David Douglas-Home, Group Chairman Peter Rees, Bob Shaw, Andrew Jennings, Alan Joynes.

## Dyson Memorial Prize

Details of the competition for 1988 were announced in the Autumn edition of the Newsletter and entries invited by 31st January. It is disappointing in view of the attractive cash prizes offered that relatively few entries were received and the suitability of the subjects chosen for publication in the general Press somewhat limited.

As a result the judges (Andrew Jennings, Alan Joynes and Louise Roberts) concluded that the first

prize of £100.00 should not be awarded on this occasion but that the second prize (£50.00) should go to Graham Heath (Area Manager South Wales) for his article highlighting the fact that the forestry industry has a valuable contribution to make to the economic wealth of the country, and to the rural environment and that professional foresters needed to define their objectives rather more precisely and then set out to inform and convince their public.

Congratulations to Graham -- drinks are on you!

## Letter to the Editor Berkeley Reafforestation Trust

The recent EFG Magazine carried an article entitled "Tree Crisis" which outlined the acute human problems caused by alarming rates of deforestation in much of the Third World. The article also described the activities of a new charity established specifically to help counter these problems -- The Berkeley Reafforestation Trust. The Trust was looking for donations of £14,000 to fund an initial project in the Sudan which would provide an irrigation system, shelterbelt, woodlot and forest nursery facilities in a particular village in the Nile Valley.

I would like to thank the EFG readership for a most generous response to that article. The Trust has raised £25,000 since November albeit that much of this money will come in over a five year period in the form of covenanted donations. The Sudan project looks assured -- we need a further £5,000 of immediately available money and the necessary cheque can be written and the project started. Any further support would be most welcome!

The Trust is now researching a second project which may well be located in Nepal -- an area of pressing need which has suffered devastating erosion as a result of deforestation in the hills and consequent flooding. Several of our donors have specified a particular interest in supporting reafforestation initiatives in that country.

Any reader who would like more information on the Trust should write to the address below.

Again, our warm thanks for the EFG's support in publishing the article about us and for the many contributions we have received as a result of it.

Yours faithfully,

Rodney Portman  
Berkeley Reafforestation Trust  
London SW10 9SW

25 October 1987

# FORESTRY OPERATIONS

## IT'S AN ILL WIND!

The hurricane force winds during the morning of 16 October 1987 left over 1500 acres of Group managed woodland devastated. Some 54 properties were affected throughout nine counties in the worst storm seen for 300 years. The hurricane was preceded by several weeks of almost continual rainfall which persisted until the end of January. The effects of the hurricane have dominated the trading of East England Division in the ensuing months.

The immediate impact on the Group was the large number of calls, to those offices with telephones still connected, for help from dangerous trees or access through managed woodlands from homes. Almost all Company contractors left our employ to work for the Authorities in making trees safe, opening up roads and working on telephone and electricity lines.

Immediate labour was drafted in using ex-employees and emergency work began in earnest as the winds abated. Communication was very difficult and it was over one month after the event that power and telephone lines were restored to managers' homes in the South East.

On completion of emergency work the priority was to restock timber markets — there was very little timber movement in the four weeks after the storm. Timber began to move in mid-November as men returned to work and contractors arrived from other areas (notably North-East England and Scotland), complete with harvestors and haulage.

In the ensuing months much pressure has been placed upon harvesting managers to work wind-blown timber and find markets for the produce. To mid-February in excess of 60,000 tonnes of timber had been marketed which is no mean feat given that market prices have fallen rapidly in the new year and much other timber is competing for our markets. Much credit is attributable to Tom Bitchener, Alan Cobb, Stephen Drysdale, Brodie Hall and Brian Holland because there have been many difficulties faced along the way and the pressure has been, and remains, unrelenting.

Group response has been good to the emergency. The prospects of timber flooding markets throughout the country has not appealed to those with markets and commitments to keep. A committee was formed to co-ordinate national movements and prices of timber and resources and the movement of these throughout the country is evidence of success.

On the management side activity has been no less strenuous. The teams of Duncan Mackintosh and Stephen Smith have been working extremely long hours to carry out surveys of 54 properties, complete reports and costings on provisional damage assessment to 43 clients, arrange insurance claims for clients and commence site visits with loss adjusters. These duties continue and pressures will be added to, with estimate presentation and the submission of manager's reports.

There has been an abundance of tree surgery work available, more than we have been able to handle with our depleted labour resources. However at very short notice Beeching of Ash were able to handle the windblow problem at Hampton Court and coped with a steady inflow of work ever since. Three gangs have been deployed from Borders, with another from South Wales helping out temporarily. Bob Culley has been seconded to Kent and East Sussex to handle tree surgery and small timber contracts in the area.

Group losses in the area have been small in comparison with the estimated 40,000 acres devastated. However our efforts have not been solely directed at managed properties. At the time of the hurricane some 50 timber contracts were in being and terms for the continued working of these have had to be renegotiated.

The larger areas of straight-forward pine plantations with good access have almost been completed. We are left with numerous small areas of woodland mixtures many not suited to large scale mechanical harvesting methods. These areas, often containing mixtures of over-mature hardwood and pine, will be difficult to deal with on the harvesting side and markets for the timber will be increasingly difficult to find.

We are likely to encounter problems from various beetles whose names and spellings escape me at present but I am assured will become almost household names in future. Advice is being taken on all available precautionary methods of treatment.

These will present some of the many challenges still facing us. Others will involve the clearance of the land once timber has been removed and the subsequent planting and maintenance of sites on a scale not seen before in this part of the UK. Talks have taken place with Nursery staff who are able to provide us with the plants required.

Without doubt the hurricane damage has dominated events within East England for the past four months and its effects will have a large influence in years to come. However other aspects of business life have had to continue apace and we have been successful in securing adequate contract order books for the current season. We also remain hopeful that the soon to be announced Farm Woodland Scheme will be well supported by farmers in our section of England.

Alan Fraser

## Heavy Horse Power

Wales and West Division report a new recruit to their Harvesting & Marketing team. Duke, who is on contract to EFG, is used for "Reaching the parts other vehicles cannot" ie, where the ground is too steep for the tractor-skidder which he works in conjunction with. He also does little damage to the crop and ground, makes no noise, lives on site in a converted lorry stable but does like long lunch breaks!



Duke at work on forest thinnings at "Boncyn" Nr. Dolgellau, N. Wales

## East England Divison

We welcome the following staff who have joined East England Division over recent months:-

**Jonathan West** South East District as Trainee Contracts Supervisor covering Hampshire, Surrey and West Sussex. Before joining EFG and after graduating from Liverpool University, Jonathan has had forestry experience in USA and worked in a West Country sawmill.

**Gordon Fraser** South East District as Landscapes Manager covering the same territory as Jonathan West. Gordon has a Kew diploma and worked with C L Baylis prior to joining EFG.

**Peter Watson** South East District as Property Manager covering East Sussex and Kent. Peter has a forestry diploma from Newton Rigg and joins EFG from Tilhill.

**David Hodgson** has joined the Timber Harvesting and Marketing team based in Hampshire as an assistant to the Senior Timber Manager. David joined us after completing his Forestry Diploma at Newton Rigg.

**Stephen Rudd** has also joined the Timber Harvesting and Marketing team based in Kent and East Sussex as an Assistant Timber Manager. Stephen had previously spent 10 years working with the Company as a contractor.

**Emma Keen** joined the Accounts Department, Great Haseley after leaving College. Emma, whose interest is horses, is hoping to commence studies leading to an accounting qualification and has recently had the distinction of celebrating her 18th birthday and passing her driving test within a few days of each other.

**Nick Beardmore** has joined Beeching of Ash as Contracts Manager. He previously worked as Head Arboricultural Officer with the London Borough of Sutton and is managing the transition to the private sector remarkably well.

Congratulations to both –

**Duncan Mackintosh**, District Manager, who has passed the ICF Part 2 examinations and is now a member of the ICF, and

**Luvana Nunn**, who has recently passed her RSA Stage 2 typing examination.

## TG UK's Minet Award for Forestry and Woodland Management – Wales

Congratulations to our Bala team for their management of Coed Llyn Y Garnedd at Maentwrog lying within the Snowdonia National Park which was short-listed from 16 entries throughout Wales to take second place.



*Seen here collecting their prize from Ray Pettit, Group Chairman of Sponsors, Minet Insurance Brokers are Terry Proctor, District Manager and David Owen, Area Manager.*

## Northern "Knees Up"

Borders Division held their ever popular annual Dinner Dance in mid January at the Old England Hotel overlooking Lake Windermere at Bowness.

Over one hundred sat down to an excellent meal which was enjoyed by all – some even obtained second helpings!

Lively music from a local band encouraged active participation on the dance floor, which was followed by pleasant conversation and active competition on the snooker table into the "wee" hours.



*Left to Right: Rosemary Pringle – Thornhill; Robert Richardson; Karen Richardson – Moffat; Tony Meikle – Kendal.*



Still North of the Border we say farewell to the Edinburgh office cheery receptionist, **Julia Aitchison** who has taken up residency in the Abbey on the Isle of Iona.

Good luck Julia and no MONK-ey business!!



The Alton Office said its goodbyes to **Betty York** on the 30th October after 14 years of loyal service.

The staff presented Betty with a ginger jar, a Royal Doulton figurine and a bouquet of flowers. We all send good wishes for a long and happy retirement.

## COMIC RELIEF



'Nellie' and her colleagues from the Edinburgh Office certainly NOSE how to add a little light COMIC RELIEF into their working day. The girls, (left to right), Sheila, Julia, Becky, Jane and Susan, raised approximately £150.00 between them during the recent charity event. Needless to say a lunchtime visit to the pub was a condition of sponsorship!

# FORESTRY LUNCHEON

Over 200 guests joined EFG on 17 March for its 30th Anniversary annual forestry luncheon with principal guest speaker The Rt. Hon. Peter Walker Secretary of State for Wales accompanied by the Rt. Hon. Malcolm Rifkind, Secretary of State for Scotland; the Rt. Hon. Nicholas Ridley, Secretary of State for the Environment and 17 members of the House of Lords.

Commenting on the Chancellor's recent budget statement in his address, the Secretary of State confirmed the Government's continued support for the forest industry and although tax relief had been chosen as a means of sustaining the industry in the past, this support would now

be transferred to the new woodland grant system and he was confident that the changes would be to the advantage of forestry.

The minister continued ... "The planting aim of 33,000 hectares which the Government had announced remained the objective, so that the industry would continue to make an increasing contribution to the economy as a whole.

The new grant scheme would favour the increased planting of broad-leaved trees and thus gradually bring about an increase in the broadleaved component of the country's forestry estate and its structure.

Future generations would have a valuable asset which would continue to be in great demand by the wood-using industries as well as having an important import saving role on our balance of trade."

He went on to emphasise the importance of forestry; its importance to the balance of trade; important for jobs and investment in Wales and Scotland – indeed the whole structure of the rural economy in those countries.

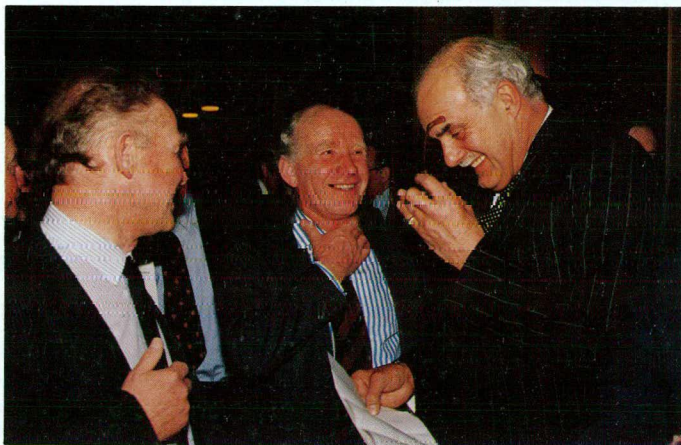
In short Mr. Walker said "The Government's firm intention was to see that the forest industry continued to be a strong part of the British economy."



A Full House



Left-right: The Rt. Hon. Malcolm Rifkind MP, Secretary of State for Scotland; The Rt. Hon. Peter Walker MP, Secretary of State for Wales; The Rt. Hon. David Steel MP, Joint Leader, Social & Liberal Democrats.



Left-right: J.R. Carr, Chairman Countryside Commission for Scotland; Sir David Montgomery, Bt. Chairman Forestry Commission; The Earl Ferrers PC, Minister of State, Home Office and Deputy Leader of the House of Lords.



Left-right: The Rt. Hon. Selwyn Gummer MP, Minister of State, M.A.F.F.; The Rt. Hon. Lord Home of the Hirsel, KT.

# GROSVENOR HOUSE LONDON



## Left-right Standing:

Tony Willis, EFG; Alan Joynes, EFG; The Hon. David Douglas Home, EFG; A.R. Williams, Timber Growers UK; D. Evans, National Farmers Union; Lord John Mackie, House of Lords; Sir Dereck Barber, Countryside Commission; Major D. Davenport, CoSiRA; Bob Shaw, EFG; Terry Sutton Mattocks, EFG; J.R. Carr, Countryside Commission for Scotland; E.J.G. Smith CB, M.A.F.F.; G.J. Francis, Forestry Commission; W.H.N. Wilkinson, Nature Conservancy Council; The Earl of Mansfield, Crown Estates; Andrew Jennings, EFG; The Rt. Hon. D.Steel, MP, Social & Liberal Democrats; R.A.E. Herbert, Leopold Joseph & Sons Ltd.

## Left-right Second Row Seated

Major P.J. Barnston, Woodland Owner; The Rt. Hon. Lord Taylor of Gryfe; Sir C. Traherne, KG; T.G.P. Rogers, Institute of Directors; The Hon. J.M.G. Galbraith CBE, F.I.C.G.B.; Lord Boardman, National Westminster Bank; Sir H. Rossi, MP; The Lord Kimball; Sir W. Fraser GCB, Permanent Under Secretary of State, Scottish Office; Sir D. Montgomery Bt, Forestry Commission.

## Left-right Front Row Seated

The Rt. Hon. Lord Sanderson of Bowden, Minister of State, Scottish Office;  
The Rt. Hon. Nicholas Ridley MP, Secretary of State for the Environment;  
John Campbell OBE, EFG;  
**Principal Guest** : The Rt. Hon. Peter Walker MP, Secretary of State for Wales;  
Lord Rees of Goytre, QC, PC, Chairman, EFG;  
The Rt. Hon. Lord Home of the Hirsell, KT, Prime Minister 1963 – 1964;  
The Rt. Hon. Malcolm Rifkind, MP, Secretary of State for Scotland;  
The Earl Ferrers, PC, Minister of State Home Office & Deputy Leader of the House of Lords;  
The Rt. Hon. J.S. Gummer MP, Minister of State, M.A.F.F.

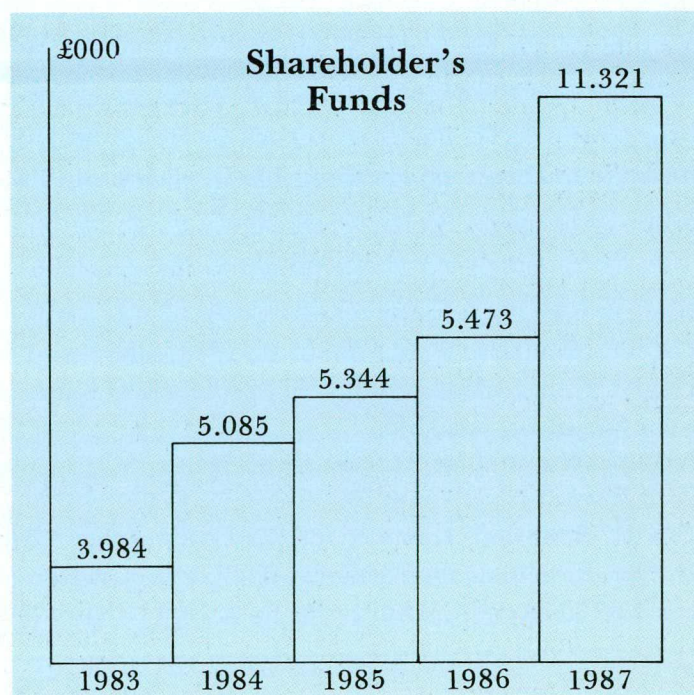
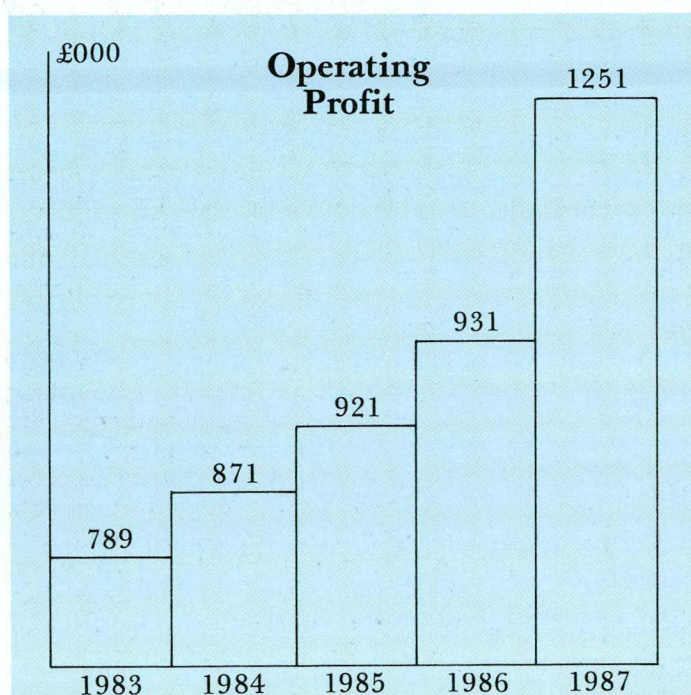
# HIGHLIGHT'S OF GROUP'S 1987 REPORT AND FINANCIAL STATEMENTS

July 1987 was a watershed in the Group's development. In that month we did three things, we almost doubled our issued capital, we were admitted to the Unlisted Securities Market and we acquired World's End Garden Centre, a retail garden centre business.

The results for the 52 weeks to 27th September, 1987, which include one quarter's profits from World's End Garden Centre, are as follows :

Highlights	1987 £'000	1986 £'000	% Change
Turnover	35,265	30,533	+ 15
Profit before taxation, minority interests and extraordinary items	1,251	931	+ 34
Dividends paid	343	310	+ 11
Shareholders funds	11,321	5,473	+ 107
Shares of 25p issued	13,950,008	7,749,260	+ 80
Earnings per share adjusted after taxation and minority interests	8.48p	6.69p	+ 27
Dividend per share	3.00p	4.00p	-- 25

Although profits have risen substantially the dividend payable is in accordance with the dividend proposed in the Placing and Offer document when we went to the Unlisted Securities Market.



## Employees

The overall number of employees in 1987 was 518 compared with 517 in 1986. We employ 2 registered disabled persons (1986 - three).

## Forestry

Turnover	£30,578,000
(1986)	£27,167,000)
Operating Profit	£1,459,000
(1986)	£1,093,000)

## Management and Consultancy

We increased our new planting from 4,626 hectares to 6,244 hectares, mostly in the Borders. For the year to March 1987 we planted 24% of the total area of new planting in the private sector. Demand for both new planting and for woodlands is encouraging with woodlands and plantations in Southern England in particularly strong demand. However, prospects for the immediate future are dominated by a technical shortage of planting land of adequate quality.

Our gardening and landscape contracting activities have shown sustained growth, particularly in Southern England and South Wales. Improved profits are anticipated in the current year.

The hurricane force winds which swept South East and East England on 16th October, 1987, devastated large areas of woodland. As was to be expected most of our clients were covered by the Group's insurance arrangements. Clearance prior to replanting is in hand but replanting will be longer term. We are planning a significant expansion of our seedlings production at Maclor and at Little Mill to meet the rising demand.

During the year the Consultancy Division covered projects in the Cameroon, Guatemala and Turkey and undertook a wood product review in various other countries. It also carried out studies relating to wood supply prospects in Britain for the development of further wood processing industries.

## Timber Harvesting and Marketing

The Group's exporting activities have ensured a balance between supply and demand to the benefit of all woodland owners. Buoyant demand, with an exceptional contribution of profits arising from export sales, has enabled the Group to increase its market share and to produce an excellent result. Large surpluses of small roundwood have suddenly become available following the October gale and once again our export activities will make a significant contribution to marketing some of this surplus wood. Sawlogs may also temporarily exceed demand.

With the increased timber volumes available this year, margins may suffer but we are well placed to manage this temporary situation and to achieve maximum benefit from the potential which exists.

## Garden Centres and Horticultural Products

Turnover	£2,357,000
(1986)	£1,337,000)
Operating Profit	£313,000
(1986)	£105,000)

In spite of a poor summer, turnover at World's End Garden Centre was 7% ahead of the comparable three month period last year with profits exceeding expectations, reflecting a buoyant market. A comprehensive review of product ranges and packaging has been carried out at Seery's and modernisation of the mixing plant is in hand.

The Fordham Nursery made a useful contribution to profits and will concentrate on production of high quality tree and shrub stock for the urban landscape and retail garden centre markets.

## Shares

In July the £1 ordinary shares were divided into 4 shares of 25p each. The placing and offer of shares took place at a price of £1. The mid-market share price has subsequently fluctuated between a high point of 131p per share and a low of 76p following the Budget announce-

ment of the withdrawal of tax incentives. The mid-market price on 24 March 1988 was 85p.

## Summary

1987 has been a significant year in the Group's development. We have come through it well. But there can be no room for complacency. Our advent to the USM brings with it great responsibility and greater public scrutiny. We must maintain the momentum, building on the foundations which have been laid and identifying and developing opportunities as they occur. It is an exciting challenge.

J.G. Roberts  
Director and Group Secretary

*(Copies of the Report and Financial Statements for the 52 week period ended 27th September, 1987 are available, on request, at local offices).*



LEONARD BONE

## Bon Voyage

On the 31st January the employees of World's End Garden Centre gathered to wish Leonard Bone a sad farewell and to present him with a crystal decanter plus matching brandy glasses.

The Group joins the staff at World's End Garden Centre in wishing Leonard a very happy and enjoyable retirement which commences with a trip around the world - well deserved after his immeasurable contribution towards building one of the finest Garden Centres in England as well as his assistance with the successful integration of World's End into the Group.

Good luck Leonard from all of us.

# DEVELOPMENT DEPARTMENT

## A Well Balanced Diet

After 6 months of market research and planning, product formulation and package design, the Group has launched its own brand, "Tree and Shrub Planting Compost". The compost has been carefully formulated to include all essential nutrients and trace elements for successful establishment and healthy growth of trees and shrubs.



## East-Gro '87

Organised by the East Anglian branch of the N.F.U. on 9 September near Bury St. Edmunds, Suffolk.

We displayed a selection of shrubs from Fordham Nursery, but found that many of the visitors to our stand expressed great interest in products from the Seery's range.

Many useful contacts were made and worthwhile business has since taken place with local nurserymen, landscape contractors and garden centres.

## Success at the Shows

During 1987, the Development Department exhibited their products at three major trade exhibitions:-

*EFG Fordham Nursery's stand at East Gro '87*



*Seery's Peat Products stand at GLEE '87*



*Left to right: Stuart Keddie – Sales agent for Seery's; Peter Willemars – Fordham Nursery; Tony Vaughan – Seery's Peat Products.*

## Glee '87 International Garden and Leisure Exhibition

Held at the National Exhibition Centre, Birmingham, 4-6 October. This is the major U.K. exhibition for the Garden and Leisure industry and is staged at the start of the "selling-in" season. Organised by Seery's Peat Products it showed the complete Seery's product range, together with point-of-sale material and consumer leaflets.

Nursery stock from Fordham was used to "decorate" the stand and to introduce this range of material to garden centre customers.

An extremely successful show taking orders for over £20,000 of products.



*The boys and girl at I. of G. Windsor  
Left to right: Nick Newton - Hexham; Peter Willemars - Fordham; Gill Gordon - Fordham; Andy Chalmers - Oxford; Paul Billin - Alton.*



## Institute of Groundsmanship Exhibition

This major exhibition takes place during September every year at Windsor Racecourse and is organised by the Institute of Groundsmen.

The stand was shared with members of the Forestry Operations Department and awarded the "Stand Merit Award" for Outstanding Design and Display". Gill Gordon, Sales Office Manageress at Fordham Nursery, received the award on behalf of the Group, which now has pride of place on Fordham's sales office wall. Very well done!!!



World's End have appointed **Barry Johnson** as Gardening Manager with effect from April 1988. Barry joins the Group with over 20 years experience in horticulture and garden centre retailing latterly with Brampton Garden Centre, St. Ives, Cambs.

**David Lane** has also joined World's End as Assistant to **Jim Bone**. David has previously held management positions with both Country Gardens and Beacon Garden Centres.

Also at World's End **Mrs. Frances Stephens** has retired after several years service as cashier/book-keeper, keeping the Bone Brothers under control with regard to money matters! Frances is leaving the area to move to the Isle of Wight and enjoy a well deserved retirement with her husband. Our best wishes to Frances.

**Simon Bone** has also left World's End to go into business on his own account and we wish him every success in this new venture.



**Preserved Softwood Fencing (PSF)** have achieved record sales throughout in the first quarter of 1987/88, with the support of the Group on raw material supplies, sales can be even higher. **Message to the Group please help.** Congratulations to **Theo Marsh** and his team on excellent results.

## Fordham Nursery

Welcome to **Ray Puddefoot** who has joined the Nursery as Sales Manager, and congratulations to **Martin Mobbs** on his promotion from Snr Foreman to Production Manager.



*Tony Vaughan and his train*

## The Flight of the Phoenix

What have Seery's Peat Products, W.H. Smith Do-it-All Superstores and the Orient Express Train, got in common?

Seery's Peat Products supply all of the W.H. Smith Do-it-All Superstores, with "own-branded" Peat, Composts, Bark Mulch and Gro-Bags.

In fact, W.H. Smith is the single largest account for Seery's placing business worth over £250,000 in 1986/87. That means, in excess of 70,000 bags of peat, 78,000 bags of compost, 4,000 bags of bark-mulch and 130,000 Gro-Bags!!!

Annually W.H. Smith arrange a "suppliers conference" where they outline their development and expansion plans for the next 3 years so that suppliers know what is expected from them to ensure suffi-

cient production and distribution capacity.

The 1987 conference, "Success by Design", took place in November. The delegates (including Tony Vaughan - General Manager, Seery's Peat Products and Andy Chalmers) assembled at Birmingham International railway station platform 7, where the Orient Express train was waiting. In no time at all, the first champagne and peach juice of the day was being downed!

On arrival at Northampton station they transferred to a fleet of buses and were driven to the Castle Ashby Estate, the ancestral home of the Marquess of Northampton, where the conference was held.

After a most interesting and professional marketing presentation by W.H. Smith, followed by an enormous lunch, the delegates returned to Birmingham.

# Nightingales Garden Centre



## A BIRD IN THE HAND

During March 1988 EFG acquired the business, assets and freehold property of Nightingales Garden Centre, Pulborough, West Sussex. Situated on the A29 London – Bognor Regis Road, Nightingales was developed from a standing start 2 years ago and currently offers a wide range of high quality horticultural and allied products.

The freehold property comprises 4 acres occupied by the existing business together with an additional 4 acres of adjacent land with planning consent which on completion in June 1988, will provide an additional 18,000 square feet of covered retail selling space enabling the existing product range to be significantly extended as well as increased car parking for 250 cars.

We extend a warm welcome to our new colleagues.



*NIGHTINGALES GARDEN CENTRE*



### *TEAM SPIRIT*

*Left to right from the top: Roy Streeter, John Watford, Steve Mitchell, Heidi Meadows, Tricia Gohl, Barbara Barlow, Brenda Thomas, Rose Anscombe, Christine Blunden, Rosemary Baker, Sheila Buchell, Jean Taylor, John Miller, Jane Peers, Merle Miller.*



*WHAT A CHEEK !!  
PEAT, POTS and PLANTS*



*A PROFUSION OF PLANTS*

CONFIDENTIAL

FROM: N MONCK

DATE: 27 April 1988

CHANCELLOR OF THE EXCHEQUER

cc Financial Secretary  
Mr Burgner  
Mr Call

**PRIVATISING THE FORESTRY COMMISSION**

You may have seen the attached article by Professor MacKay which talks a lot of good sense, including the Adam Smith quotation about the potential for Scottish wine making. It also raises the case for privatising the Forestry Commission enterprise side, as Frances Caincross also did in her recent Economist piece.

2. You agreed with the Prime Minister and Messrs Ridley and MacGregor in October to put off discussions about reforming and privatising the Forestry Commission until after the Budget. I don't think that any decision was taken then about how long to put off this issue. Would I be right to assume that we should do nothing about it before, say, the autumn? If so, we will put a note to you then to get your views on timing.

*A good point, & a useful reminder. Pse fix a short mtg with Messrs Ridley & MacGregor & discuss timing. N.M.*

N MONCK

*NM → Jonathan  
Post Cabinet 26 May  
for 15-20 mins.*

*Julie. Julie 20/5*

*Pse fix a short trilateral with Mr Ridley + Mr MacGregor (e.g. post-cabinet)*

*JF*

MONCK TO CX 27 APR

## UK privatisation policy

## Down in the forest, it's time something stirred

By Donald MacKay

AS THE privatisation programme proceeds, one name is always absent from the list of candidates - the Forestry Commission. As with everything else relating to the British Government's forestry policy, the reasons for this are obscure. The Commission long since met its historical *raison d'être*, which was to establish a strategic reserve of homegrown timber. Yet, despite a succession of reports which have demonstrated that the Commission's activities do not meet normal commercial standards, it soldiers on in a protective cocoon unknown to other public sector agencies.

This situation is increasingly anomalous. As the Government strains every sinew to privatise activities with strong "natural monopoly" elements (for example, electricity supply), one cannot help wondering why the Commission, as the largest owner of commercial woodlands, should be exempt.

The Commission owns about half of the UK's commercial forests but, for many years, its continued activity has been dependent on two dispensations. First, the Commission is "required" to meet a target rate of return of 3 per cent on its assets, against the set for other public sector investment. Second, even the 3 per cent "target" is a fiction, as the accounting practice has been to revalue the asset base at the beginning of each quinquennium. Every economist has heard about treating "bygones as bygones" but given the long gestation period of a forest, this treatment effectively writes off sunk costs every five years. Most important of all, the Commission has lived in a highly "political" environment, within which new planting has been pushed further "north" and "up the hill". It is evident that the *bulk* of new planting is not achieving a 3 per cent return.

Such a low rate of return has been "justified" by arguments which appear increasingly dated. Briefly, these relate to import saving, downstream processing, employment creation in rural areas and recreational and environmental benefit.

The import saving argument implies that it is in some sense desirable to be less dependent on

imported timber. Yet, there is no compelling argument for encouraging import saving in its own right, unless it can be demonstrated that the resources applied to that activity have little alternative use. Without extensive public subsidy, UK forestry is not able to compete with the price of timber supplied by overseas producers.

A strand in this argument is that the UK has less land under forestry than most of its European neighbours. The same applies to grapes. Adam Smith remarked: "By means of glasses, hotbeds, and hotwalls, very good grapes can be raised in Scotland, and very good wine too can be made of them at about 30 times the expense for which at least equally good can be brought from foreign countries." As Scotland is the home for most of the Commission's new planting, he would doubtless remark that the same, old mercantilist prejudices are still alive and kicking.

In recent years the forestry lobby has widened the import saving/job creation argument to embrace downstream processing, pointing to the downstream benefits from an enhanced domestic timber supply. The only difficulty with this, as the recent National Audit Office report indicated, is that most of the major new developments have required heavy subsidy from the British taxpayer, even although that taxpayer had already subsidised the production of the domestic timber supply!

The recreational and employment arguments, at least when applied to new planting, are hardly more convincing. Most of the Commission's planting is in Scotland, where the major unemployment blackspots are in the cities. Moreover, forestry is not particularly good at creating employment, as its labour force has been falling, while rural employment has been increasing across much of Scotland. Even where it "creates" jobs, the cost of job creation is far higher than in other activities and much of the job creation from new planting has little impact on present employment, as the bulk of the labour input is not required until the forest matures.

As new planting is largely in

areas remote from the main centres of population, its recreational value is limited and much of that planting (for example, in the Flow Country) is fiercely opposed by a wide range of environmental groups.

Forestry policy has been made "out of sight" and "out of mind". As it is the responsibility of various Ministers, it seems largely outside Treasury control; hence the need for change. In brief, where new planting does occur, we need to ensure that it obtains better financial returns. The opportunity is there, with the emerging surplus of agricultural land. If we continue as before, we will get more planting in sub-marginal areas.

There is a case for continuing the Commission as a Forest Authority. That is, as a public agency responsible for basic research and development, the setting of standards and for the administration of planting grants, if it is considered these are still needed. However, there is no case for continuing the Commission as a Forest Enterprise - a public agency which manages commercial woodlands. There are no evident economies of scale in this industry and no vital national interest would be threatened by privatisation. Because the costs of creating the existing estate are sunk costs, the mechanics of privatisation present no difficulty.

Privatisation would provide an immediate return for the taxpayer and, more importantly, would create an environment in which new planting was directed towards land where better commercial returns can be obtained. This would apply even under the new system of planting grants. While the rationale for these new grants is not entirely clear, it is still true that a privatised concern could have a strong incentive to maximise returns. The case for privatisation has always been made on the grounds that a commercial environment is conducive to efficiency. Adam Smith would approve. He would not approve of the Forestry Commission.

Professor MacKay is chairman of Pleda, Edinburgh and Reading-based planning and economic consultants.

SECRET

FROM: N MONCK

DATE: 25 May 1988

CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary  
 Financial Secretary  
 Sir P Middleton  
 Mr Anson  
 Mr Burgner  
 Mr Bonney  
 Mr Donovan  
 Mr Call

~~PRIVATISATING~~ THE FORESTRY COMMISSION : TIMING

You decided last October with Messrs Ridley and MacGregor to separate privatisation of the Forestry Commission (FC) from the tax and grant package you put to Messrs Rifkind and Walker. The Prime Minister endorsed this.

2. You have arranged to meet Messrs Ridley and MacGregor after Cabinet tomorrow to discuss the timing for raising privatisation again with Mr Rifkind and other colleagues.

3. I attach (not to all) the extract from last October's version of the report we prepared with DOE and MAFF officials, dealing with splitting the FC and privatising its Enterprise side. It did no more than sketch what would be involved. Some of the main uncertainties were:

- (a) whether the Authority side of the FC, at present jointly responsible to the three agriculture Ministers, would be split and absorbed by the three departments, which would require legislation;
- (b) the method of sale of the Enterprise side: probably, subject to merchant bank advice, piecemeal with the maturer woodland being sold first;
- (c) the net public expenditure effects.

We would need to work with the FC and other departments to sort out (a) and (c).

4. To a large extent the choice of timing for re-raising privatisation is a matter of political judgement, taking account of the likely reaction both of your colleagues and of forestry and other outside interests. But it also depends on your main objective. Some of the relevant factors are listed below.

MONCK  
 TO  
 CX  
 25 MAY

Factors relevant to timing

5. The Budget package seems to have gone fairly quiet. Forestry Ministers have made speeches designed to restore the confidence of forestry interests, larded with references to maintaining the 33,000 hectare new planting target. It may well take two or three years before it is clear what the level of planting will be under the new regime. (The main sore point seems likely to be the absence of tax relief or grant for maintenance of forests after the end of the tax transition.) There is a case for allowing a decent interval after the Budget before returning to privatisation.

6. Whenever you raise it, there is likely to be resistance from Messrs Rifkind and Walker, though it may not be presented as objections to privatisation in principle. There is a risk of repeating the 1986 pattern of leaks, protests from outside the Government and pressure for a denial. Even if Ministers collectively had decided to press ahead this time, the price would no doubt be further assertions of the 33,000 hectare planting target with a further risk of implying that the planting grants would be set at whatever level would deliver the target.

7. Privatisation would reduce the economic activity of the state and also reduce the amount of planting yielding a low return: some Forestry Commission planting probably yields no more than 1½ per cent real. But such gains would probably not be achieved in a single decisive sale and the latter might be achieved by changing the Forestry Commission's investment rules.

8. There is a case for arguing that the main aim after the tax reform is to initiate as soon as possible a comprehensive review of forestry policy as a whole, in particular of the planting aim and the justification for the Exchequer subsidies. This is likely to be delayed if the Government announces controversial changes piecemeal because Ministers will be pressed to respond by confirming the planting target. In the wake of the Budget changes and its aftermath, the earliest date for such a review, without provoking charges of deception from colleagues and forestry interests, could hardly be before 1989. One possibility would be 1991 when there is a published commitment to review the expensive Farm Woodlands Scheme, which will start this autumn, and the CAP savings it is supposed to produce. But we need not wait as long as that to start work (see para 11 below).

9. Legislation would be needed if the enterprise were privatised as an entity, though not for selling off separate forests; or if major changes were made in the responsibilities of the authority. This could not be before the 1989/90 session and would be highly controversial, particularly in the Lords.

10. All this suggests that if you attach most importance to pushing ahead with privatisation quickly, the earliest time for an initiative, allowing a decent interval after the Budget, might be the autumn of this year. But the likely need for legislation suggests that a sale would have to be delayed until 1990 at the earliest. A merchant bank study of the privatisation options would be necessary before that, but 1989 is soon enough - anything too early would be out of date by 1990.

11. If, however, you attach more importance to a comprehensive review, which could either cover privatisation or be accompanied by a firm announcement of it, a later timing would be preferable. Spring 1989 might be the earliest time that could be defended. But 1990 or 1991 would be preferable. In either case it would make sense to run together the review of traditional forestry and the 1991 review of the FWS. The choice between ordinary agriculture and trees is important for both. Work could start in 1990 and decisions could be announced as early as possible in 1991.

If you decide to go early for privatisation, you may want to consider how to handle it.

One extreme would be a minute to the PM

or Mr Rifkind (before the PM). The other

would be to start by talking to Mr Rifkind informally.



N MONCK

SECRET

ANNEX A

FORESTRY COMMISSION : BACKGROUND FACTS

	1987-88	1988-89	1989-90	1990-91	1991-92
<b>1. PUBLIC EXPENDITURE (1988 White Paper)</b>					
<b>Baseline</b>	53.8	60.3	63.8	65.0	66.7
(of which					
Grants to private sector	8.3	13.3	16.6	17.0	17.4
Other Forestry Authority expenditure	13.7	16.3	17.7	18.2	18.8
Forestry Enterprise net expenditure (after timber and other receipts)	31.8	30.7	29.5	29.8	30.5)
<b>Planned receipts from disposals</b> (credited to privatisation programme)	-16.0	-13.0	-13.0	-7.7	
<b>1988 Survey bids</b>					
Planting grants (increases in grant rates) (effect of 1987 storm)			4.0 3.3	6.8 3.5	9.3 2.5
Other			1.8	1.5	1.2
Total			9.1	11.8	13.0

**2. FORESTRY COMMISSION OPERATIONS**  
(as at 31.3.87)

	England ha	Wales ha	Scotland ha	Proportion of Great Britain total %
Woodlands	238,000	132,000	520,000	43
New planting	138	138	5066	22

**3. FORESTRY COMMISSION EMPLOYMENT (March 1986)**

England	2243
Wales	1303
Scotland	2421
Total	5967

**4. RATE OF RETURN FROM FORESTRY**

Forestry Commission financial target 1982-87	2.25%
Outturn	3.0%*

\*(overall average: rate of return on some new planting in remote areas estimated at 1.5%)



SECRET

FROM: N MONCK

DATE: 8 July 1988

CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary  
 Financial Secretary  
 Sir P Middleton  
 Mr Anson  
 Mr Burgner  
 Mr Bonney  
 Mr Donovan  
 Mr Call

*Ch,*  
 You saw Mr MacGregor +  
 Mr Ridley without a PS last time,  
 + briefed Mr Monck + me afterwards.  
 Same procedure this time? 25 8/7

**MEETING WITH MR MacGREGOR AND MR RIDLEY ON 11 JULY**

The main purpose of the meeting is to hear Mr MacGregor's report on his discussion with Mr Coutts, one of the part-time Forestry Commissioners, about the points made at your meeting on 26 May (recorded in Mr Taylor's minute of 27 May).

2. You decided then that privatisation was not on, but there was support for:

- (i) raising the Forestry Commission disposals programme, perhaps accompanied by one or more of the following:
- (ii) separation of the Forestry Authority and Forestry Enterprise (the Enterprise might become an agency but the Authority would remain in Government);
- (iii) management buy outs;
- (iv) allowing the Forestry Commission to keep part of the proceeds from disposals as an incentive.

3. I attach a note of some preliminary thoughts on these points by Mr Donovan. The note raises several questions about the feasibility or desirability of (ii) to (iv): it would be useful to know whether Mr Coutts had answers to them.

4. Whether or not you decide you want to pursue any of these possibilities, you will want to get Mr MacGregor to undertake to support a proposal by the Chief Secretary that disposals should be raised.



N MONCK

## POLICY ON FORESTRY

## (i) Forestry Commission disposals programme.

The Commission's disposals programme commenced in 1981 following the adoption of the Forestry Act 1981 which provided Ministers with power to dispose of any land acquired for forestry purposes (apart from land in the "heritage" forests). Previously forestry land could only be sold if it was surplus to the Forestry Commission's requirements. A copy of the relevant section of the Act is attached.

2. The target for disposals over a number of years was set, in 1981, at £100 million; it was stated that the main purpose of the programme was to reduce the Commission's call on public funds. The programme was reviewed in 1984; it was agreed that the duration of the programme should be extended <sup>but</sup> ~~and~~ that the main purpose of the programme would be rationalisation of the Commission's landholdings. A copy of the Secretary of State for Scotland's statement announcing the change in policy is attached.

3. Proceeds from disposals so far amount to:

	£ million
1981-82	6.9
1982-83	13.8
1983-84	23.6
1984-85	21.8
1985-86	17.2
1986-87	14.5
1987-88 (estimate)	12.7
Total	110.5

Current targets for future disposals, and the Forestry Commission's proposals for changes in this year's Survey are:

£ million

	Current plans	Forestry Commission proposals
1988-89	12.0	12.0
1989-90	13.0	11.5
1990-91	7.7	9.0
1991-92	0	5.0

Mr Donovan's submission of 1 July with a draft letter for the Chief Secretary to send to Mr Rifkind proposed an increase in the disposals programme to £20 million a year. This would be an ambitious target, partly for operational reasons and partly due to the effect of the Budget changes in forestry taxation on the market for woodlands. It would also involve a change in the purpose of the policy, which would have to be publicly announced.

4. The scope for rationalisation of the Commission's estate has been significantly reduced by the present disposals programme; in addition most of the Commission's more attractive and readily available woodlands have now been sold. Further sales would therefore have to include less attractive (and hence lower priced) plantations. The Commission also has contracts to supply more than half the timber requirements of the large processing plants which have come on stream in recent years; significant sales of plantations could affect the Commission's ability to meet these contractual commitments, though the plants might want to purchase some of the Commission's land.

5. The changes in forestry taxation announced in the Budget are likely to affect the market for woodlands and forestry land. Existing owners who invested in forestry primarily to benefit from the previous tax regime will now be reassessing their position and potential investors will probably postpone any purchases until the effects of the change become clear. This could take some time and the prices offered for woodlands are likely to be reduced during this period.

(ii) Separation of the Forestry Authority and Forestry Enterprise functions.

6. It has been suggested that there is a conflict between the Commission's dual roles as Forestry Authority, responsible for regulating (and promoting) forestry and as the Forestry Enterprise, responsible for managing the Commission's estate. However, while the Commission has two roles it is a single organisation; most of the Headquarters staff and all staff in the regional and local offices perform both roles. In practice this dual role does not appear to cause difficulties and has the advantage that staff can make use of their operational experience in carrying out the Authority functions.

7. The Forestry Commission already has many of the features of a "next steps" agency. The staff are not members of the Home Civil Service, the Commission has an overall financial target and has developed detailed operational targets. It does, however, also have the functions of a Government Department with direct responsibility to Ministers and its own Accounting Officer.

8. Separating the two functions of the Commission would involve a major re-organisation with, possibly, an increase in staff. It is questionable whether the dislocation caused by this would be worthwhile unless it was done as a preliminary to privatisation of major parts of the Enterprise. It would also be necessary to decide how the Forestry Authority should be organised, either as a separate Department or incorporated into the three Agriculture Departments. Decisions on the future role of the Forestry Commissioners would be necessary.

(iii) Management Buy Out

9. Mr Coutts may well have useful ideas to contribute on this possibility. But it would involve most of the problems (eg the need for legislation, public opposition) which would arise from other forms of privatisation. In practical terms there would be a major difficulty in financing the purchase of an organisation which, because of the age structure of its holdings would be likely to produce a negative cash flow for at least another 10 to 15 years.

Splitting off the more mature forests for management buy outs would increase public expenditure on forestry both because the Commission would lose the benefit of receipts from felling and because any newly privatised management companies would be entitled to grant aid for any new planting.

10. When privatisation was considered in 1986, the Commission did identify certain benefits to the Enterprise from the scope it would give to move downstream into timber processing. But it is also likely that private sector companies would devote less effort to environmental factors than the Commission does at present, unless they received additional subsidies. The alternative of imposing strict covenants on the future use of privatised land would have the effect of significantly reducing the likely proceeds.

11. It would also be necessary to consider whether restrictions should be placed on the right to resell assets immediately after privatisation in order to prevent accusations of asset stripping.

**(iv) Retention of part of the proceeds of disposals by the Forestry Commission**

12. It would in principle be possible to allow the Commission to retain a proportion of any disposal proceeds if the increase in public expenditure were considered acceptable.

13. It would, however, be necessary to consider what use should be made of the extra provision. Ministers would not, presumably, wish to allow the Commission to use extra funds to expand its own forestry operations. One possible use which could be made of extra funds would be to increase investment in the Commission's commercial recreation facilities (principally forest cabins, campsites and visitor centres). The Commission achieve a good rate of return (up to 8 per cent real) on this area of its activities. But it is not clear to what extent investment has been constrained by restrictions on public expenditure or by the Commission's view that there would be limited demand for a major expansion in these activities.

Mr. [redacted] all questions whether the Forestry Commission should retain part of the disposal proceeds, particularly if such funds were to be used to expand its commercial activities. He points out that the Commission think there would be a limited demand for a major expansion. He sees great potential and argues that to get a more enthusiastic exploitation of such commercial opportunities, such activities would best be located in the private sector.

10 AUG 1981

c. 39

1

ELIZABETH II



# Forestry Act 1981

1981 CHAPTER 39

An Act to amend the Forestry Act 1967, and for connected purposes. [27 July 1981]

**B**E IT ENACTED by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:

1. In section 39 of the Forestry Act 1967, for subsection (2) Disposal of (which enables the Minister to sell land in specified circumstances) land. there shall be substituted— 1967 c. 10.

“(2) Subject to subsection (2A) below, the Minister may dispose for any purpose of land acquired by him under this section.

(2A) Subsection (2) above shall not apply in relation to land acquired under this section which is in the Forest of Dean; but the Minister may sell any such land if in his opinion it is not needed, or ought not to be used, for the purpose of afforestation or any purpose connected with forestry, and may exchange any such land for other land more suitable for either of the said purposes and may pay or receive money for equality of exchange.”.

2. In section 40 of the Forestry Act 1967, for subsection (4) Compulsory purchase of land. there shall be substituted—

“(4) The power of compulsory purchase under this Act shall not be exercisable in relation to land held inalienably by the National Trust or by the National Trust for Scotland.”.

## Appendix V

# Change in Forestry Commission Disposals Objectives

### Announcement made by the Secretary of State for Scotland on 8 November 1984

The Rt Hon George Younger MP, Secretary of State for Scotland, made the following announcement on 8 November 1984 in a Written Answer to a Parliamentary Question about the Forestry Commission's disposals programme:

"My Right Honourable Friends and I have been reviewing the disposals programme in the light of proposals made to us by the Forestry Commission.

When we asked the Commission to undertake this programme we stated that its main purpose was to reduce the Commission's call on public funds for the management of its forestry enterprise, and some £56 million have been raised to date from the sale of assets. Recently, however, the Commission has initiated major changes to its structure with a view to improving its efficiency and reshaping its management to meet future needs. Related to this it has also reviewed its land holdings to identify those properties that are not essential to the enterprise and which might be sold as part of the rationalisation of its estate. Bearing in mind that not all such properties will find a ready market, the Commission has estimated that a programme on this basis could yield some £45 million over the next 4 or 5 years. This would mean total receipts from sales from the start of the programme in 1981 of around £100 million.

Against this background the Government have decided that the Commission's disposals programme should be extended to 31 March 1989 and that its main purpose should be the rationalisation of the estate with a view to improving the Commission's efficiency and the commercial effectiveness of the forestry enterprise. The Commission can now plan ahead on this basis without the uncertainty and attendant difficulties that frequent reviews can cause in achieving a coherent approach to the management of the enterprise."





FROM: JILL RUTTER  
DATE: 20 July 1988

MR MONCK

*Ch;*  
Did you speak to Mr MacG?  
A word with Mr Rifkind next - or should  
CST send off his agenda letter  
'blind'? (It may be difficult  
to get hold of Mr Rifkind in  
short order - though I have not yet  
spoken to his office.)

cc:  
PS/Chancellor  
Mr Anson  
Mr Turnbull  
Mr Burgner  
Mr Bonney  
Mr Call

*JR 2/7*

**1988 PUBLIC EXPENDITURE SURVEY: FORESTRY**

The Chief Secretary discussed this letter with you and others immediately following the discussion of MAFF. You suggested that the letter should be held pending the outcome of the Chancellor's discussion with Mr MacGregor, scheduled for Cabinet margins tomorrow and a possible discussion with Mr Rifkind on the objective of increasing forestry disposals. The Chief Secretary agreed to hold the letter and you agreed to keep us in touch with developments.

*Mr MacG has had out  
quite useful talk to L/S, &  
is about to have another, in wh.  
He will urge L/S to get to work on  
Mr R. He will urge sack bone on the  
2<sup>nd</sup> margins of Cab. ~~Is that the case, & I~~  
in the margins of Cab. I will probably speak to Mr R  
suggest to CST holder ~~to speak to Mr R~~  
Munich - JRS  
Plat.*

JILL RUTTER  
Private Secretary