

ce Press/Office

PRIME MINISTER



SCOTTISH OFFICE
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Contact,

subject to
colleagues' views?

Yes

not

MJS

4/10

CONFIDENTIAL

PRIME MINISTER

REVIEW OF FORESTRY POLICY: MINISTERIAL STATEMENT

In my minute of 18 July, I sought, on behalf of the Forestry Ministers, the approval by E Committee of a paper on forestry policy, which envisaged a statement to Parliament before the Summer Recess. This then had to be delayed because of the uncertainty which had arisen on the future of the Bowater Mill at Ellesmere Port.

2. The Minister of Agriculture, the Secretary of State for Wales and I have now agreed a statement (copy enclosed) which has been revised to take account of the difficulties in the paper and board industry, on lines agreed at official level by the Departments concerned, including the Treasury and the Department of Industry. It deals also with our main conclusions and refers to the simultaneous publication of a supporting consultative paper (also agreed with the appropriate Departments) on the Forestry Commission's proposals to simplify the administration of grant-aid to private woodland owners and of felling licensing, on the lines of the report prepared under the auspices of Sir Derek Rayner. It also takes account of the conclusions which the Chancellor of the Exchequer will announce about the recent report by the Public Accounts Committee on forestry taxation.

3. The Forestry Bill, which will enable the sale of a proportion of Forestry Commission assets to proceed, is now ready for introduction, and its Second Reading will clearly be the occasion for a debate on forestry policy. It would be desirable to secure a Second Reading as soon as possible so that the Bill can be enacted in time for the Commission to start work early next financial year on the sales of assets. We therefore propose to make the policy statement on Wednesday, 10 December as background for a forthcoming Second Reading Debate. An added reason for an announcement no later than 10 December is that the report of the Forestry Sub-Committee of the House of Lords Select Committee on Science and Technology is being published on that date and we should get our statement out of the way before that.

The timing is OK as far as business is concerned
MJS

4. It has been the custom in the past to make forestry policy statements by means of Written Answers but because of the recent difficulties over announcements by Written Answer, and the sale of assets arising in this case, we feel that it would be desirable to make an oral statement in both Houses.

5. We therefore seek approval:

- (a) to the terms of the statement;
- (b) to the statement being made orally in both Houses on 10 December;

(c) for the Minister of Agriculture to discuss with the Leader of the House a date for introducing the Forestry Bill.

6. I am copying this minute and the draft statement to Members of E Committee, the Secretaries of State for Wales and Northern Ireland, the Paymaster General, the Chancellor of the Duchy of Lancaster, the Chief Whips in the House of Commons and House of Lords and Sir Robert Armstrong.

J.S. Wilson

(Approved by the Secretary of State and signed in his absence.)

4 December 1980

REVIEW OF FORESTRY POLICY: DRAFT PARLIAMENTARY STATEMENT

The Government have now completed their review of forestry policy and with your permission, Mr Speaker, I should like to make a statement.

With the projected rise in demand for timber into the next century and with the world's forests likely to come under increasing pressure, the Government believe that long-term confidence in both forestry and wood processing industries in this country is fully justified. We look for a steadily increasing proportion of our requirements of timber to come from our own resources. A continuing expansion of forestry is in the national interest, both to reduce our dependence on imported wood in the long term and to provide continued employment in forestry and associated industries.

Recent difficulties in the pulp and paper sector, which represents only an eighth of the market for wood grown in this country, do not change that conclusion. Forest owners have adjusted to the changed markets. Export opportunities in Europe for small roundwood are being successfully exploited. Looking further ahead, our industries, with the more advanced processes being developed in this country, are expected to be capable of absorbing the rising production from our existing forests, and of enlarging their present 9% share of the home market.

There should be scope for new planting to continue in the immediate future at broadly the rate of the past 25 years. We see a greater place for participation by the private sector in new planting, but the Forestry Commission will also continue to have a programme of new planting, in particular where it will contribute to the rational management of their existing plantations, and also in the more remote and less fertile areas where afforestation will help maintain rural employment.

The main basis of policy for the future must remain the successful and harmonious partnership between the private sector and the Forestry Commission. In accordance however with the Government's support for private enterprise and our policy of reducing public

expenditure, a determined effort will be made, by making better use of the capital invested in their existing assets, to reduce that part of the Commission's grant-in-aid which finances the Forestry Enterprise. We therefore propose to provide opportunities for private investment in these assets, including the sale of a proportion of the Commission's woodlands and land awaiting planting, with lease-back arrangements where it is important to maintain continuity of management to meet wood supply requirements or for other reasons. In planning its broad implementation of this policy, the Forestry Commission will take account of the views of the organisations concerned. We will seek an early opportunity to take the necessary powers for private investment in Commission assets on these lines.

Following a review of the administration of grant-aid and felling licensing, carried out under the auspices of Sir Derek Rayner, we propose to make these less complex and less costly to administer. A single new scheme will be introduced at the start of the next forest year on 1 October 1981, of which the main features will be planting grants, a simplified plan of operations and a minimum of legal formalities. The Basis III Dedication Scheme and the Small Woods Scheme will accordingly be closed as from 1 July 1981. Existing Dedication Schemes will continue for present participants, although some procedures will be simplified and individual dedication agreements will not be renewed on a change of ownership. The felling licensing system will be simplified to recognise the change in circumstances since this was introduced. Copies of a consultative paper, on which the various interested parties are being invited to comment, have been placed in the Library.

and learned
As my right hon/Friend, the Chancellor of the Exchequer, has already informed the House, the Government intend to continue the current income tax arrangements for forestry in order to maintain confidence in the private sector.