

THE GOVERNMENT VIEW

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BY LORD SANDERSON

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Ladies and Gentlemen, let me begin by saying how delighted I am to have this opportunity to give the opening address to this Conference. However, I might add that I was somewhat puzzled to learn that the theme for the Conference was *Scottish Forestry—The Crossroads*. From where I stand I do not see that forestry is at the crossroads. This conjures up an image of a forestry industry that has somehow lost its way and is faced with a number of roads it might take—all leading in different directions and to different destinations. However the Government is quite clear about the destination which it sees for forestry and the road it wishes to follow. It set out on that road in December 1980 when it put its support firmly behind an expansion of forestry in Great Britain. Nothing has happened in the intervening years to change our view or to send us off in a different direction.

Of course there have been changes along the way. One of the biggest, and in forestry circles one of the most controversial, was the removal of tax reliefs from forestry in the last Budget. In addition, the Government has a mandate to reduce taxation so that people are allowed to keep more of what they earn. In this connection, the reduction of the top rate from 60 to 40% has been widely welcomed and by itself would cause many investors to review their programmes. I know from my postbag how some of you feel about that, and I also know that there are problems to be tackled as the industry adjusts to the new situation, but let me say a few things about that. First of all, the change was inevitable. Forestry tax reliefs, for all they had achieved over the years in the way of encouraging new planting, were widely seen—and not just by the ultra-conservationists—as an unacceptable form of Government support. You may very well say, and I would not disagree with you, that the picture was distorted by misinformation and emotive argument. But the fact remains that forestry was in great danger of losing public support. It is noticeable that in recent months the scale and virulence of attacks on forestry have diminished. That is no accident. The fact that our support for forestry is now seen as being out in the open, by way of enhanced grants available to all, has to be in the best interest of the industry in the longer term. We have, of course, introduced transitional tax arrangements which were designed deliberately to allow for a period of adjustment. These will go some way towards cushioning the effect of the Budget changes. They buy some time. I do know however that many of you in the industry already face problems. I cannot offer you instant solutions, but what I can do is to assure you that the Government is looking carefully at what is happening in the industry and listening carefully to what you have to say. I know that the industry is actively

pursuing positive ideas for encouraging investment and maintaining the expansion we all wish to see. This is not a time for looking back. There are ways ahead and I am sure that you are seeking them.

May I add something to that. When I say that I want to hear the views of the industry, I have in mind the whole industry. The wood processors, for instance, have a vital interest in planting that will provide them with their raw material in the future. The forestry industry must see itself as one, with a common interest. I welcome the opportunity for an ongoing constructive debate between the industry and Government.

What I must emphasise is that the Budget changes did not herald any fundamental change in the Government's commitment to forestry. This was made abundantly clear in a statement by the Secretary of State for Scotland on the day following the Budget.

There are those, of course, who take a very pessimistic view of the situation and forecast that planting will now go into terminal decline and they are entitled to their opinion. There may well be a dip in the level of new planting. Indeed it would be surprising if the changes did not have this effect. However I am confident that—as has been clearly demonstrated in the past—the forestry industry is quite capable of adjusting to the changes. The planters may be different people—and it is in our interests to seek to identify who they will be for the future. For the present however, by the end of October, applications for grant under the Woodland Grant Scheme covered over 25,000 hectares of new planting and restocking. This figure includes transfers from the older schemes, of course; but the number of first time applications has been substantial, covering 10,000 hectares of new planting—8,500 of them in Scotland.

Let us not forget the underlying strengths of the industry. Its greatest strength lies in the vibrancy of the markets for timber. These markets are vibrant, so much so that the challenge in the future will be to keep them supplied with the timber they need, at competitive prices. The debate on forestry tends to centre around new planting—and there are obvious reasons why this should be so—but it must not be allowed to obscure the important question of how successfully our existing forests have supported and can support the expanding processing industries, with all they represent in terms of added value and employment. That is the crucial issue. In this connection may I say that we fully recognise the central role which the Forestry Commission has been able to play in guaranteeing the supplies of timber that have made a number of the major new investments possible. In terms of efficiency and modern practice our wood-processing industry can stand comparison with the best in the world, and the same can be said of our forests. The forestry profession by its endeavours and skill over the past 70 years or so, have brought us to the stage where we can see the pay-off in terms of rising industrial production made possible by home supplies of timber. I am confident that a considerable success story is now unfolding and deserves to be told.

So where does this leave our policy of expanding the forest estate? Am