



Woodlands.co.uk

**Encouraging Wider Ownership Of Woodlands.
A New Approach To The Forestry Commission Sell-Off.**

1st February 2011

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- The Government has now begun its consultation about the future of England’s forest and woodlands. The consultation document can be found at:
<http://www.forestry.gov.uk/england-pfeconsultation>
- Woodlands.co.uk is a private company which specialises in selling to individuals who want to own woodland for reasons of conservation and enjoyment. We would like to give people interested in the future of our woods and forests a chance to learn more about the proposed changes and the role that private woodland owners can play in preserving and managing woodlands.
- Over the past two decades the company has sold over 1,200 woodlands across the UK which are now managed for a wider range of objectives than they would have been previously.
- Woodlands.co.uk offers significant support to buyers in paying for them to go on courses, joining them up to the Small Woods Association and the Royal Forestry Society, creating owners' organisations such as the Small Woodland Owners Group, introducing them to neighbouring owners, giving free books which the company has published, giving a free subscription to Living Woods Magazine and introducing them to local contractors.
- Many of these woods have been ex-Forestry Commission and most have in some way been influenced by Forestry Commission policy whether they are newly created woodlands or have in the past received Forestry Commission grants for forestry works.

- The Government has identified a role for smaller conservation-minded organisations and charities in relation to its planned sell-off of forests and woodlands in England but it may be over-estimating the role they will be able to play. Few of these trusts currently exist and those that are established to preserve and run a local wood will face the complexities of setting themselves up, acquiring and then managing a mixed-use woodland.
- We believe that there is another model of purchase and ownership that is better capable of delivering the conservation and management benefits of small locally-based ownership. For many years, there has been a ready supply of private individuals who are keen and able to purchase and manage their own small woodlands.
- Every year woodlands.co.uk helps large numbers of private individuals purchase their own woodlands. The results are well managed woods that provide excellent recreational outlets for large numbers of people and the huge conservational benefits of ownership by individuals rather than commercial organisations.
- We believe that purchase of the Forestry Commission woods by smaller private owners represents an effective and realistic way of increasing the ownership of woods by non-commercial interests that the Government has stated is a major goal of its sell-off and its new direction for the management of England's woodlands and forests.

- The background to these proposed changes is a very different vision that the new Government has for the management of woods and forests in England to that which has existed since the Second World War.
- While it stresses the need to continue to give woodlands the protection they have long enjoyed, it requires capital receipts from the disposal of large amounts of publicly owned woodland and forest.
- It is also proposing other dramatic changes in its approach to the management and purpose of woods and forests:

- It no longer sees the prime role of the Forestry Commission as one of woodland management.
- By disposing of much of the woods it currently manages (from anything between a third and all of what it currently owns in England at present), the FC's role would be to implement forestry policy rather than manage forests themselves.

- Commercial imperatives will drive policy far more than previously.
- The agenda of the forestry industry (eg through its lobbying body ConFor) is driving government policy with far greater levels of production from woods and forests in England being envisaged.

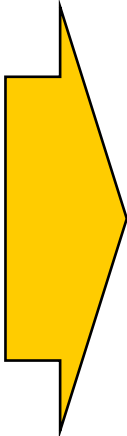
- Although the Government is prepared to invest some of the proceeds from the proposed sell-off towards goals with environmentally beneficial outcomes (eg increasing total forestry cover in the UK from its current 12% to 16%), the bulk of the income from disposals will go to the Treasury for debt-reduction purposes.

- This report provides some background to this change of policy and the likely effects of it. It also sets out the role that small private woodland owners can play in preserving and managing our woods and forests.

- The coalition’s announcement that it was proposing to change the role of the Forestry Commission came in a letter to MPs from Defra on 29th October 2010 (1). This stated that there “*will be a new approach to ownership and management of woodlands and forests, with a reducing role for the State and a growing role for the private sector and civil society*”. The letter made clear that these changes would be made as part of the Public Bodies Bill (2) in which forestry legislation was being included.
- This announcement (and its trailing) set off a large amount of media attention and principally protest over what was expected to be the sale of between a third and a half of the Forestry Commission’s woodlands over the next few years.
- Woodlands.co.uk is a family-run company that specialises in helping people purchase and own their own woodlands. Those who buy woodlands from Woodlands.co.uk not only gain tremendous enjoyment from them but also manage their woods actively. The authors of this report were keen to shed a little light on the conversations that have been going on since the announcement was made in late October and have created this short report that provides:
 - Some background about the Forestry Commission and the significance of its holdings.
 - The structure of the market for woodlands in the UK.
 - The impact and effect that the sales are likely to have.
 - The likely consequences of the sell-off.
- We think that the proposed sell-off offers opportunities and threats but that these are not necessarily the same as what has been discussed since the announcement was made.
- Maps of the location of all the Forestry Commission woods is available at:
<http://maps.google.co.uk/?q=http%3A%2F%2Fwww.openwoodlands.co.uk%2Fkml%2Fwoods%2F1%2Fmap.kml> OR
[http://www.forestry.gov.uk/pdf/PFE_consultationmap.pdf/\\$file/PFE_consultationmap.pdf](http://www.forestry.gov.uk/pdf/PFE_consultationmap.pdf/$file/PFE_consultationmap.pdf)
- NB This programme of disposal does not include woods in Scotland or Wales.

- The Forestry Commission was established in 1919. At that time Britain was beginning the process of recovering from the First World War and the creation of the Forestry Commission was an attempt to address a number of issues. Over its 90 year lifetime, its priorities have changed enormously and are now very different from when it was established.

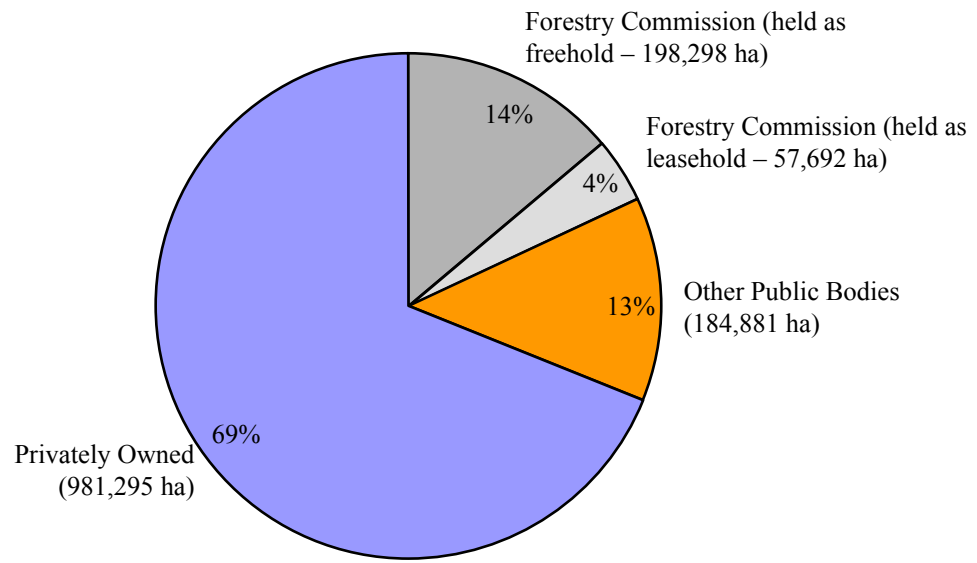
Post WW1 FC Objectives
Timber production to reduce imports
Creating post war employment
Fast growing conifers - Sitka Spruce
Re-afforestation (woodland was 5% of total UK land area in 1924 (3))



Current Objectives
Climate Change - carbon capture & storage
Growing timber for sale (inc as a woodfuel)
Broadleaf trees dominate planting
Bio-diversity (woodland cover is now 12% of UK land area)
Recreation
Creating supplies of sustainably produced timber

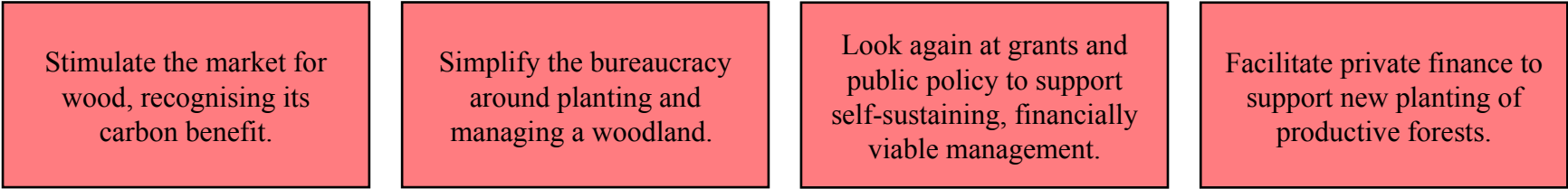
- Only Forestry Commission woodland in England is included in the proposed sell-off. In Scotland forestry has been a devolved matter since 2003 and management of forestry in Wales is devolved to the Welsh Assembly. The English Public Forest Estate comprises over 1,000 woods covering some 258,000 hectares. This is managed by the Forestry Commission on behalf of its owner the Secretary of State for Environment, Food and Rural Affairs.

Ownership Of Forest Area In England
(Total – 1,422,167 Hectares (ha)) (6)



- In the 2009-2010 the FC annual accounts the public forest estate in England was valued at £700 million (5).
- The idea of sales are not new to the Forestry Commission. Since 1997 and up until the latest proposals to sell a far greater proportion of the estate, the FC has sold a total of 7,800 ha and bought 5,400 ha. (7). In England the FC’s plan had been to rationalise its estate by selling off outliers and woodlands of low public benefit, typically small woodlands (8).
- There is no programme of Forestry Commission woodland sales in Wales. There is, however, an established programme of disposals in Scotland with the Forestry Commission part way (in 2009) through a plan to raise some £20 million pa from sales of woodland.
- Although Forestry Commission owned land in England represents only 18% of total woodland and 69% is classified as private woodland, in reality much of this land is not private land that is realistically likely to be for sale. It is locked up and is unlikely to come on the market except on an occasional basis and in the medium to long term.

- The strategy that the government is now adopting for the Forestry Commission and woodland ownership marks a significant change from that followed by the previous government. There was considerable lobbying by the forestry industry prior to the election and the new policy direction appears to fit closely with the industry position. It is also noticeable how the industry was wrapping up a largely commercial agenda in the green language of biodiversity and carbon reduction.
- Prior to the election, the Confederation of Forest Industries (UK) Ltd (ConFor) was lobbying through its Forestry: A Fresh Approach document (http://www.confor.org.uk/Upload/Documents/37_ConforFreshApproachLeafletweb.pdf) on the advantages of the home grown forestry in terms of a) Cost effective carbon reduction, b) Emissions reduction, c) Job creation, d) Recovery in biodiversity and e) Reduction in Forestry Commission cost to the Exchequer.
- ConFor was proposing new policies to:



- The ConFor Chief Executive Stuart Goodall said that Labour had over-emphasised the environment/social recreation aspects of forestry in England. He said that Labour did not grasp the important role productive forestry could provide both in terms of the economy and carbon issues and climate change (10).
- The Conservative shadow Jim Paice MP (now Minister of State for Agriculture and Food) stated prior to the election that he wished to move back to a policy that focused on commercial usage and not solely on amenity and recreation. He also said that his party was looking at ways of stimulating timber use in construction, possibly by putting some value on that carbon (11).

- The current government is not the first administration that has sought to sell-off woodlands and forests. As we will see, there have been a number of attempts both in the UK and overseas to realise the value of publicly owned woodland. Objectives tend to include a desire to gain greater value from woodland assets, to reduce the costs of managing those assets and to derive higher revenues from those assets. In the following examples, we will look at case-studies from the UK in the early 1990s, Scotland in 2008 and some examples from overseas.

1. UK Government in the Early 1990s (12).

- Early 1990s. Following the 1992 election, John Gummer, the then Agriculture Minister, wrote to the Scottish Secretary, Ian Lang, saying that he *'wanted to raise money and get the forest estate out of the public sector'*.
- The Treasury also pressed for privatisation, attracted by the Forestry Commission's own valuation of its estate at £2.5bn. The attraction of the sell-off faded as the Forestry Commission cut its valuation by half. Two former director-generals of the Forestry Commission estimated privatisation would bring in a lower amount of just £500m.
- The plans ran into public opposition on the grounds outlined below and did not go ahead (except for the continuing piecemeal sales):

<ul style="list-style-type: none">• The public enjoys free access to Forestry Commission forests, which receive more than 50 million visitors a year. This access would (in the early 1990s) be put in jeopardy by having private land-owners.	<ul style="list-style-type: none">• After decades of unpopular planting of huge unsightly blocks of conifers, the Forestry Commission had been redesigning its forests and introducing native species. The concern was that private owners would not manage the woodlands in the same way.	<ul style="list-style-type: none">• Government consultants estimated that ensuring access after privatisation would cost twice as much as the Forestry Commission spends at present on managing the woods. If nature conservation and other payments and the loss of revenue from timber were added, the costs of privatisation could rise to more than £80m a year.
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2. Scotland in 2008 (13 & 14).

- The Scottish government stated its intention to lease off management of up to 25% of Forestry Commission Scottish woodlands to private firms. The leases would give the companies rights to fell timber for commercial purposes.
- The government's motives were to "*explore new and innovative ways to make our national forests work harder to reduce the impact that climate change has*". Funding was needed to (and would have been used to) plant more trees on account of the role forestry can play in fighting climate change.
- Significant opposition followed from trade unions, opposition politicians and recreational users whose concerns revolved around:
 - Loss of skilled jobs in rural communities as the focus of management of woodlands became one of maximising revenues and less the more employment intensive ones of woodland management.
 - Forestry Commission was felt to be good at developing access and biodiversity work. Selling off to private companies would see that end and the gains that were being made in relation to biodiversity would be lost with a detrimental effect on individual species and habitats and protection of wildlife.
 - All or a large proportion of the leased woods would go to the same company. UPM Tilhill was felt to be bidding to manage all of the leased off woods leading to other companies and public bodies and private individuals fearing that they were being excluded from the process.
 - Loss of funding grant aid through rural development programmes. The transfer of these amounts of woodland would have resulted in a huge drain on the grant aid fund as its new owner(s) applied for grants. As the total amount of funds is capped, then the funds available to other applicants would have been reduced dramatically.

3. Overseas. Forestry sell-offs have been attempted around the world. Examples of sell-offs and the reactions that they provoke include:

• In the US, the Bush administration in the 2007 financial year budget had proposed to sell up to a \$1 billion worth of National Forest land to address federal budget deficits and to provide extra funding for Forest Service activity. There has been continuing action against the sell-offs from local amenity groups especially in the southern Appalachian mountains (15).

• In Australia, there are current plans (November 2010) by the state government to set up a forward sale of harvesting rights in South Australia. This has faced objections in certain areas where up to half of all employment and economic activity is estimated to flow from the industry and people fear the loss of employment that would result (16).

• In South America, plans have recently been announced by the Brazilian government (October 2010) to sell logging rights to more than 27 million acres of jungle. The government feels that managed logging is a preferable alternative to the illegal clear-cutting that has affected the rainforest in recent years. Logging concessions would be sold on 2.5 million more acres of forest by the end of 2010 and to 27.5 million acres by 2015 (17).

• In Eastern Europe, the broader transition from planned economies towards market economies has been mirrored in their forest management policies. Across these economies (but at significantly differing rates) former state assets have been reorganised through privatisation (18).

• One of the largest attempted privatisations was by the South African government in 1999. The government announced that it was selling the rights to 332,000 hectares of state forests with a potential sale value of some \$240 million. The aim was to offer long-term leases on the forest land and the rights to all timber on the land, as well as selling sawmills and other equipment (19).

Sales Of Woodlands & Forests (continued). Reaction to the Announcement.

- Since the announcement of the planned Forestry Commission sell-off in England, there has been (just as with the earlier planned sell-offs in the UK and overseas) considerable and vocal opposition to the plans in both the media and amongst campaigning groups.

1. Media Coverage.

- Public interest was prompted by coverage over the weekend of 23rd/24th October of an imminent announcement by Caroline Spelman, the Environment Secretary that between a third and a half of the 748,000 hectares of woodland overseen by the Forestry Commission would be sold off by 2020. The story was covered in roughly the same form by the Sunday Times, Telegraph, Guardian and Independent. Key components of these articles included likely changes to legislation that covered ancient forests and private firms being given the right to cut down trees.
- The outline of the proposals were confirmed in a letter to MPs by the Secretary of State a few days later. The letter made it clear that the proposed sell-off applied to Forestry Commission woods in England only and thus the amounts of land that would be sold were far smaller than press coverage had mentioned. The letter contained assurances that *“full measures”* would *“remain in place to preserve the public benefits of woods and forests under any new ownership arrangements”* (20).
- Since the announcement itself, in evidence to a House of Lords sub-committee on Wednesday 24th November, Mr Jim Paice MP Minister of State for Agriculture and Food appeared to go further by saying that he was not opposed to the idea of the disposal being far greater than the third or half originally mentioned. *“Part of our policy is clearly established: we wish to proceed with very substantial disposal of public forest estate, which could go to the extent of all of it.”* (21). This was covered by the Guardian in an article on 22nd December under the headline ***For sale: all of our forests. Not some of them, nor most of them – the whole lot.*** (22)

Sales Of Woodlands & Forests (continued). Reaction to the Announcement.

2. Activist Action. Examples of action by activists include

- A petition on 38 Degrees (<http://www.38degrees.org.uk/page/s/save-our-forests>) with the text "Save our forests - don't sell them off to the highest bidder. Don't let private companies chop down our woodland. Protect trees for the conservation of wildlife and the enjoyment of the public." By late January 2011 this had over 330,000 signatures.

- A Facebook page was created on 25th October 2010 (<http://www.facebook.com/pages/Save-Britains-Forests/157828020924281>) with the stated aim "*We do not support selling off our forests to pay for the deficit. We are not a political cause. We are just trying to protect our forests.*" By late January 2011 over 13,000 people "liked" this page.

- Many amenity groups (such as BMX/mountain bikes) and blogs have also covered the subject and most of the contributors have been instinctively against the plans.

- A number of Wildlife NGOs (including the Woodland Trust and the National Trust) have jointly set out a number of principles that they wish to see followed for the disposal of public sector land. These include the retention of freehold by the State and no loss of public access (9a).
- Some groups such as the free market think tank the Institute of Economic Affairs believe that the sell-off should go far further "*The state runs the Forestry Commission as a loss-making and heavily subsidised entity. By selling off the forests to private companies, the government would be able to end the subsidies as well as raising money to reduce the deficit. The forests' new private owners would also have strong incentives to increase the economic returns from the land.*" (23)
- Although the Forestry Commission in England may be seen only to cost the taxpayer a relatively small amount per year, vast sums of capital are tied up in its operations, it is the beneficiary of loans at non-commercial rates and there are considerable hidden costs in the form of pension liabilities. As the Forestry Commission no longer considers timber production as its principal objective, the woods and forests that it manages are not managed to achieve their maximum commercial potential under its ownership.

- Woodlands and forests are attractive investments for a number of reasons. As a commercial investment timber is a valuable and sustainable raw material. Timber prices are high at present (although they do vary significantly; even as recently as 4 years ago were far lower). Current high prices are a function of the strong Euro which increased the costs of imported wood and wood products. As import costs have risen, so the price of UK produced materials has been able to rise. This has combined with higher demand for woodfuel for industrial and domestic use.
- The demand for (UK) wood products looks healthy in the longer term:
 - **Timber – as a sustainable construction material; increasingly high added value with materials innovation.** Wood is perceived as a sustainable material and environmentally friendly owing to its ability to lock in carbon. Timber is particularly attractive as lower carbon standards arrive in relation to construction owing to the far lower carbon usage in wood than other products such as steel or concrete.
 - Timber usage is increasing in house building (eg through timber frame houses).
 - Innovation. Timber is very popular for highly complicated boards and beads and can now be made into materials comparable with steel and wood based materials.
 - Wood can be used in faster/off site construction techniques that lead to lower cost/faster construction speeds.
 - **Conservation & Sustainability.** UK produced wood has far lower transportation costs (which are continuing to rise) than imported wood. Local sourcing especially for high weight building materials may become increasingly important and the proximity of a sustainable material such as wood may make it doubly attractive compared to more carbon intensive materials.
 - If wood is properly certified from its growth in the forest through to its final use, then wood products have powerful long term story based on sustainable production.
 - **Woodfuel.** Opportunities are emerging quickly for electrical generation based on wood products. Burning timber is underpinned by renewable incentive schemes and subsidies that are likely to stay in place for the foreseeable future. TTJ reports a number of claimed significant initiatives in this area:
 - Eddie Stobart £30m invested in biomass distribution.
 - A UK retailer planning for biomass will use 4K tonnes a month.
 - BAA developing biomass plants at Heathrow
 - Avonmouth power station will burn 850K tonnes of wood per year (24).

The Opportunities Woodlands Offer

– Tax Benefits of Woodland Ownership.

- Investing in woodland has a number of tax benefits. These relate to Income Tax, Capital Gains (CGT) and Inheritance Tax and all these assume that the woodland is managed commercially:

1. Income from timber. Income from the sale of timber is free from income tax for individuals and free of corporation tax for companies. The effect of this is that a 5% return is roughly equivalent to a 10% return for a higher rate taxpayer.

2. Capital Gains tax for individuals is much reduced because a sale of a woodland only attracts tax on the increase in the value of the land – the increase in value of the growing timber is exempt. There is also potential CGT relief through roll-over rules and thus the gain from the sale of a business asset can be deferred if the proceeds are reinvested in another qualifying business.

3. Commercially managed woodlands get full relief from inheritance tax. Forestry qualifies for 100% business property relief from IHT once it has been held for two years. If held at death, there is no inheritance tax payable on the value of either the land or the trees. Any Capital Gains Tax liability which has been held over or rolled over into the cost of the asset will also be extinguished on death.

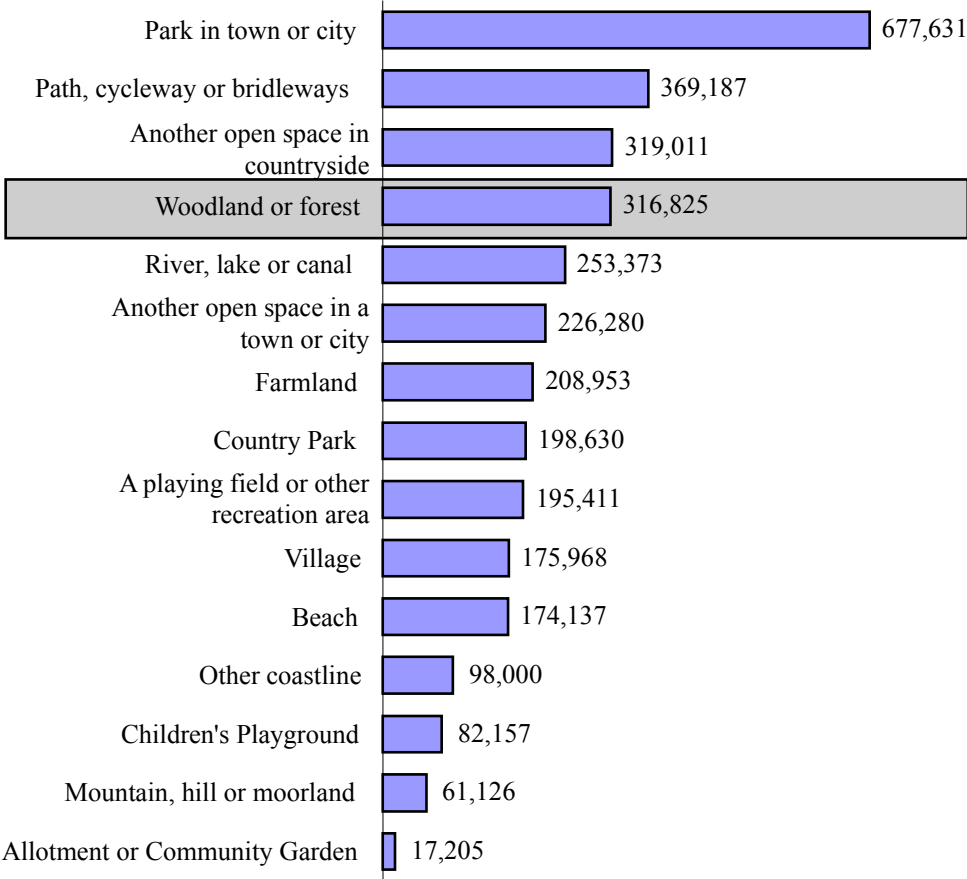
- The effects of these tax reliefs are to make a ready market for forestry investments amongst higher rate tax payers. Also the inheritance tax benefits in particular tend to skew ownership towards older owners. The long term nature of forestry means that it is ideal for younger people, but its capital intensity and tax treatment makes it often an “*old man's hobby*”. The tax structure also has the effect of clogging up ownership so that those who might sell are sometimes deterred by the tax consequences: this reduces the number of enthusiastic owners and means FC sales are likely to remain with the new owners for many years.
- The result of the tax-free status of timber income is that new owners of FC woodlands will have more incentive to fell and replant than they would have if the timber income were fully taxed.

The Opportunities Woodlands Offer

- Recreation.

- Woodlands are also an increasingly attractive amenity. Visits to woodlands and forests are major form of recreation in the UK. According to recent research by Natural England, woods and forests are the fourth most popular destination in the natural environment.

Estimate Of Total Numbers Of Visits To Selected Natural Environment Locations In A 12 Month Period (9)



000s visits

- As regards people’s motives for visiting, dog walking dominates with two-thirds (66%) of those visiting a woodland taking their dog for a walk when they go. A fifth (21%) visit in order to go walking. (For full results see Appendix 5)
- Almost three-quarters of UK adults ever visit woodland. Some 7% of us visit a woodland several times a week (clearly linked to taking the dog walking) and these groups of the most frequent visitors account for over half (55%) of all visits to a woodland. The total number of visits is, therefore, heavily weighted to a small part of the population.
- Those aged 45 to 64 are the keenest visitors amongst the different age groups. Woodlands struggle to draw in those from the Black and Minority Ethnic groups with just 1% of visitors coming from these groups compared to the 12% of the population that they represent. (See Appendix 5).

- The table below outlines the organisations that may be interested in purchasing Forestry Commission land in terms of their motivations and the opportunities that woodland offers to them.

Sector	Current/Potential Organisations	Motivations	Opportunities
1. Conservation Trusts	<ul style="list-style-type: none"> RSPB Woodland Trust Community Groups Other Charities 	<ul style="list-style-type: none"> Taking on/retaining nearby woodlands as local amenities. Improving access to nature for local communities. 	<ul style="list-style-type: none"> Preferred buyers status in the event of disposals. Purchase below market prices.
2. Small Private Owners	<ul style="list-style-type: none"> Inheritors. Enthusiasts. Those looking to maximise tax positions (eg SIPPS). 	<ul style="list-style-type: none"> A larger number of smaller woodlands coming onto the market than would be available through the existing FC disposal programme. 	<ul style="list-style-type: none"> (FMR 2008) Natural capital growth – trees’ biological growth offers c. 5% pa compound. Diversification <ul style="list-style-type: none"> Wind farms – hilltop sites ideal for telecommunication masts; turbines can produce as much as £10,000pa. Leisure activity – eg mountain bike tracks and paintballing. Tourist development – not possible widely but can add considerable value.
2a. Private Investors	<ul style="list-style-type: none"> Inheritance Tax. Fashion (following trends towards purchase that occurred in the 60s/70s). Grants. 	<ul style="list-style-type: none"> Need for FC to dispose of woods that are hard to manage in more remote locations; hence lack of competition from Conservation Trusts. 	
3. Commercial Buyers	<ul style="list-style-type: none"> UPM Tilhill. Fountains Forestry. Scottish Woodlands. 	<ul style="list-style-type: none"> Opportunities for significant and rapid increases in woodland whether via ownership or management. 	<ul style="list-style-type: none"> Commercial woodlands and forest of principally softwoods in more remote areas of England (eg Kielder Forest).

- The Woodland Trust might be expected to be an active participant in purchasing these woodlands. Although its members are amongst the keenest protectors of woodlands, at present the Woodland Trust has a strategy of creating new woodlands by planting trees on farmland that it has acquired rather than purchasing existing woods.

- Below are short company profiles of the three most significant commercial operators.

Company	Profile
<p>UPM Tilhill</p>	<ul style="list-style-type: none"> • <i>“UPM is the biofore company and creates value from renewable and recyclable materials.”</i> • In 2009, UPM’s sales totalled € 7.7 billion. UPM has production plants in 15 countries and a global sales network and employs approximately 23,000 employees worldwide. • Finnish based. UPM shares are listed on the NASDAQ OMX Helsinki stock exchange and it has more than 83,000 shareholders. • UPM stated aim (2009 Annual Report) is UPM’s aim is to “add value through the use of fibre and forest biomass in its current products and to create new growth opportunities based on continuous product development and innovation.” The Forest & Timber division performed relatively poorly in 2009 (22 million Euros profit on 1,337 million Euro turnover) owing to lower prices for wood and lower demand from the construction industry (25).
<p>Fountains Forestry</p>	<ul style="list-style-type: none"> • Forestry, environmental management and consultancy services company. Purchased by (the now in administration) Connaught plc in 2009. • The company operates in the following sectors: <ul style="list-style-type: none"> - Forestry and Estate management and consultancy; - Landscaping and planting schemes; - Maintenance of parks and open spaces; - Road and trackside tree maintenance; - Urban woodland planting and management schemes - Landfill and contaminated land remediation; - Hazardous area projects in high voltage transmission and rail environments (26).
<p>Scottish Woodlands Ltd</p>	<ul style="list-style-type: none"> • Company's roots are found in the Co-operative Forestry Society of Scotland and latterly the Scottish Woodland Owners Association, and its philosophy towards marketing is influenced by its long history of the co-operative approach to marketing. • Employee owned company with ninety percent of its equity held by its staff and directors. • The company's annual sales in 2008 exceeded £45 million. • Core business is forest management and timber harvesting, but it has a growing presence in utilities, landscaping and renewable energy (27).

- There are number of possible models ownership for woodlands for three groups that were identified on page 17.

1. Conservation Trusts



- Deciduous woods with conservation significance.
- Owned by groupings of local people/communities.
- Not expecting a financial return.
- Usually financially constrained.
- Grant driven – can lead to intermittent management.

2. Private Owners



- Smaller Woods - individual woods of around 5 to 10 acres.
- Family owners – hands-on management.
- Not looking for a financial return.
- Mixed use - conservation, recreation, wood products (eg firewood for home use).

3. Commercial Buyers



- Large conifer woods.
- Minimum size of interest will be 50 acres.
- Owned by large private or public companies.
- Income from felling and sales of timber products.
- Typically managed by full-time foresters for timber production.

This is what woodlands.co.uk helps people to achieve.

- There has been little or no information as to how the Forestry Commission land sales will be conducted. We can, however, gain some guidance through the customary ways that the Forestry Commission sells land, the few pointers that have been made publicly and recent experience.
- The structure of the sales could well, therefore, be along the following lines:

Timescale. The aim is likely to be to sell some 64,000 hectares in total over a four or five year period. It will take some time to get this much land ready to be marketed owing to the need to identify the land for sale, undertake valuations, sort out access arrangements and prepare sales particulars. The Forestry Commission will need to gear up internally to be able to administer this far higher level of sales. As a result, although this would call for an average of some 16,000 hectares of sales per year it is likely the amounts of land sold will be lower in the first couple of years and higher than 16,000 hectares per year beyond that.

Mechanics. Generally the Forestry Commission contracts out selling to trusted agents and the bulk of the work recently has gone to John Clegg and Co, specialist forestry agents. However in the 1990s when large numbers of woodlands were sold the Forestry Commission used several local agents as well.

Where the land is long leasehold it is usually offered first to freeholder and where it is considered to be very sensitive (such as where it is an Ancient Woodland* or of particular conservation interest) it will probably be offered to strategic or neighbouring owners, such as adjoining Wildlife Trusts/National Trust.

For woodlands put into the open market the Forestry Commission want to ensure that the selling process is transparent and this means they usually keep the land on the market for at least 6 weeks to give people viewing time. They then set a closing date for best and final bids. Once the date has passed the highest bid is chosen and the legal work handed to the solicitors (the Forestry Commission mostly use Eversheds Solicitors in London).

*Ancient Woodland is defined as any woodland that has existed since at least 1600 and can be expected to have a much larger diversity of plants and animals than more recently planted land. Ancient woodland covers less than 20% of the UK's wooded area.

- The structure of the sales:

Preferred or trusted buyers. It has been suggested that the Forestry Commission will, for certain woodlands, give preference to certain types of buyers, although they have not yet produced a list of who these might be. Likely candidates are wildlife organisations but it is not obvious that many of these will have the resources to fund capital purchases. One organisation that bought a lot of Forestry Commission woodlands in the 1990s was the Woodland Trust but their objectives have since shifted much more towards woodland creation and away from acquisition. As the Woodland Trust's latest annual report shows they do still buy some woodlands where they adjoin their existing properties and might be expected to be in the market for more adjoining forestry land.

Public access and new restrictions. The Forestry Commission have not indicated that they will put any new covenants onto the land they are selling but all the freehold land is subject to the CROW Act (Countryside and Rights of Way Act) which means that foot access by the public is guaranteed whoever the owner is.

- There are likely to be both positive and negative results of the Forestry Commission land sales. In this section, we look at the likelihood of the fears that have already been raised about the planned sell-off and also outline other potential consequences of it.
- **There Will Be No Loss of Woodland.** A major concern at and since the announcement of the woodland sell-off has been a fear of the loss of ancient woodland and the fact that new owners might be far less interested in looking after nature and wildlife and improving the quality of the landscapes than the Forestry Commission is.
- It remains the case, however, that there is considerable legislative protection for woodlands (irrespective of ownership). Before trees can be felled they need a felling licence and the Forestry Commission will continue to issue the licences. Planning consent would also be required for change of use from forestry to other activities such as golf courses and changes of this sort are unlikely to be permitted. Private sector forestry is still heavily regulated by the Forestry Commission under their Grants and Licences division. The Forestry Act 1967, the Broadleaved Woodland Act 1984, Wildlife and Countryside Act 1981, CRoW Act 2001, The Conservation of Habitats and Species Regulations 2010 etc all influence what goes on in a forest (28). As a result, there is limited scope for significant adverse impacts from the sell-off in this way.
- **Loss of Benefits of Forestry Commission Guardianship.** The Forestry Commission helps ensure a secure supply of timber.
- Irrespective of whether prices are low or high, the Forestry Commission continues to fell trees for timber and guarantees minimum levels of timber are brought to market. If those coming into the market are more focused purely on its commercial return, the concern is whether they would commit to bring wood to the market at all times of the year irrespective of market conditions.
- When prices are low it is hard to persuade people to sell on time. The Forestry Commission continues to sell timber even if the price is too low for other investors. It serves to take up the slack so that wood based industries can be subsidised; it thus ensures (although at a cost) a continuity of support to keep these businesses (such as felling contractors, sawmills and wood-based industries) in product.

- **Reduced Availability of Grants.** As carbon prices rise or if non-felling is incentivised, at what price does a forest owner achieve a better return by not harvesting and leaving forest standing for future schemes based on forests as carbon sinks. Selling to Private Companies will not end the subsidy but change it. It may increase as the new owners can then apply back to the Forestry Commission or Natural England for funding to support tree planting and forest management work. The total amount of grants may decrease if government(s) choose to alter the grants regime.
- **Unintended Costs of Selling Off Woodlands.** One issue is how much money will the Government save if it sells woods to community groups who may receive grants through the rural development programme. If woods are sold to the large companies and the private sector then those companies may then have access to forestry grants.

- **Reduction in the Quality of Woodland Management.** Woodlands tend to be well managed by the Forestry Commission using often expensive techniques. There are concerns that private companies will pay a relatively low price for well managed woods and strip out costs by managing them less well from then on with possible adverse consequences for local employment (although levels of mechanisation are already high) and a reduction in their capacity for recreational use.
- **Loss of Recreational Uses for Woodlands.** The Forestry Commission has had a significant role in promoting recreational uses for woodlands. There are concerns that:
 - Recreational uses will be lost and these established uses will no longer be permitted on land that is sold to private owners...

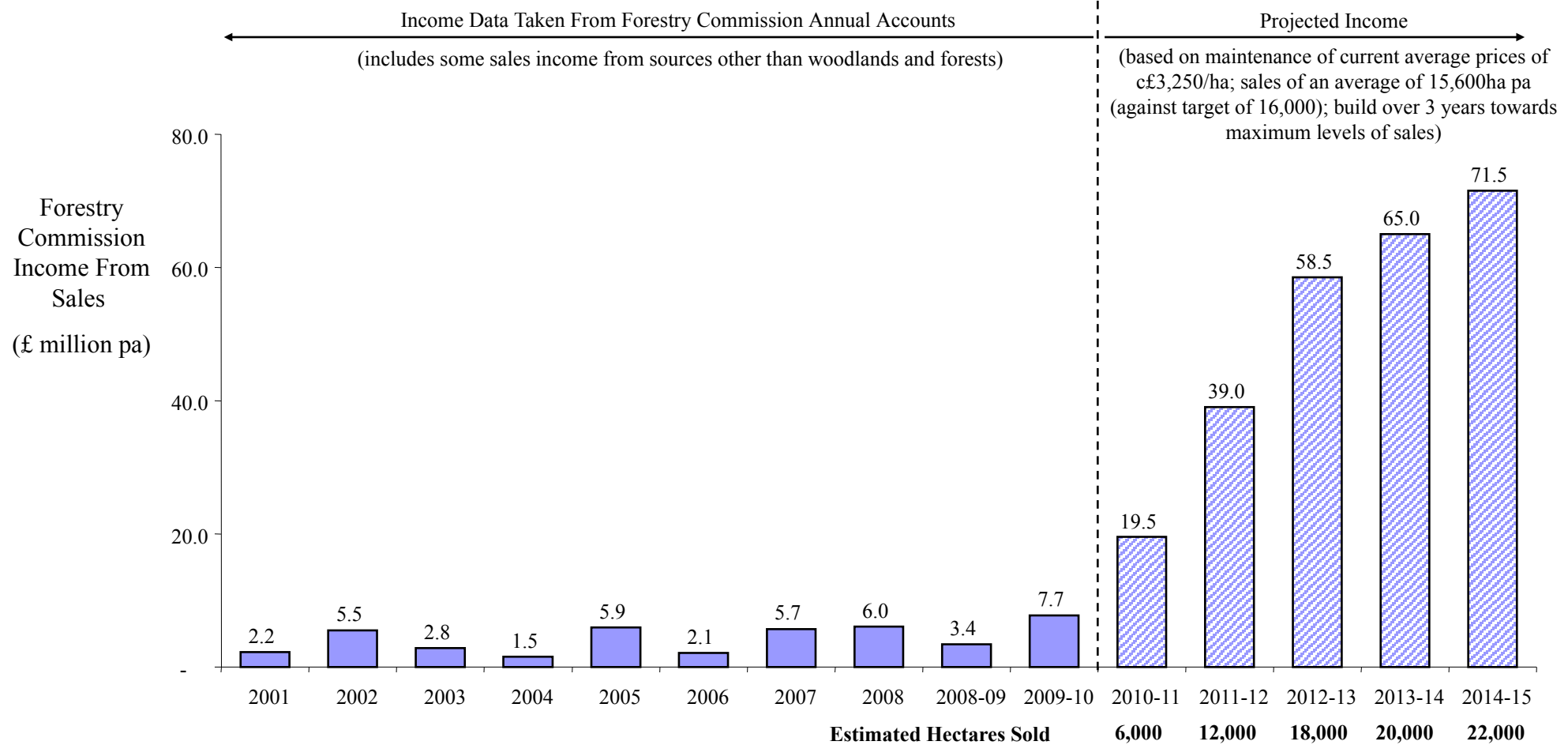
“My biggest parochial concern is that the existing bike trails would get trashed or biking would be banned on liability grounds even if general access rights are protected.” (29)

“A 80 ish acre wood near Hereford was sold by the FC to a private land owner. It had previously been sanctioned/signed for MTB trails and a good number had been built. Now all the signs have gone to be replaced by "no cycling" ones. Heard of people being chased out of the woods if they try. Worth noting what can happen with a real example.” (30)
 - More generally, the capacity of the Forestry Commission to use its woods innovatively and in a way that addresses sometimes intractable problems (such as providing provision for scrambler bikes that other authorities struggle to accommodate) will be lost. Thus the Forestry Commission has, for example, set up scrambler bike woodlands and mountain bike tracks. If there are social problems then the Forestry Commission can help deal with such issues through extending the uses that its forest can be put to.

Possible Consequences of the Sales – Revenue Projections.

- In the chart below, we attempt to project levels of income from land sales over the next five years and to compare these with historical Forestry Commission land sales' income.

Historic & Projected Levels Of Income From Forestry Commission Sales



- **Small Private Owners Can Play A Positive Role.** Small private owners are in danger of being overlooked in the Forestry Commission woodland sales. They take an extremely active interest in the conservation and management of the woods they own. Demand for small woods frequently outstrips supply and a ready stream of private individuals and families exist who are keen to buy small woodlands. In addition to the creation of Conservation Trusts, sales to small private owners will help to increase the breadth of sales of the Forestry Commission land.
- **The Role of Conservation Groups Has Been Overstated.** Caroline Spelman has indicated that the ownership of some heritage woodlands will be passed to charitable groups and that they may be given running costs to carry out this role, which will allay many campaigners' fears about loss of access to these heritage woodlands. There will, however, be huge tracts of woodland which will not be offered to conservation and charity groups. The woods that the Forestry Commission are most likely to sell are principally planted with conifers and are unlikely to be attractive to Conservation Trusts. The interest of some of the specialist or local conservation groups might be better served by working with smaller non-commercial owners rather than through ownership of the wood itself. Groups such as The Butterfly Trust are already benefiting from working with small private owners to ensure a good habitat for butterflies.
- **The Sell-Off Has Already Begun.** It is fair to say that the Forestry Commission sell-off has already begun. Income from sales of properties has increased significantly over the past few years. In the first 3 years of the millennium, for example, sales income averaged just over £3.5 million per annum. In the accounts of the 3 most recent years, sales have averaged over £5.5 million with a total of £7.7 million in the 09/10 financial year but based on forestry estate agents particulars, sales in 2010/2011 will be higher than this level. At the same time as sales have increased, the rate of acquisitions appears to have slowed.
- **The Sell-off is a Sensitive Issue for MPs.** There is a total of 533 constituencies in England and of these 171 (32%) have a Forestry Commission holding of some sort (see Appendix 1 for detail). More than half of MPs in England have, therefore, the potential to become involved in issues related to the sell-off with their own constituents.

- **Will The Sales Be Worth It?** One of the most significant aspects of the sell-off is the relatively small amounts of capital money that it is likely to generate. If we assume that the Forestry Commission will dispose of a third of its total 257,811 ha holding (some 80,000 ha) over a 5 year period, that would represent approximately 16,000 ha per annum (this compares with its estimated disposal of just over 2,000 ha in the financial year 2009/10). At current price levels (of approx £3,250/ha), this 16,000 ha would have a value of £52 million pa. It is worth remembering the cost of widening a mile of the M25 is around £80 million!
- There are also significant costs associated with the sell-offs owing to the costs of valuation of the land itself, fees for agents who are involved in the sale and the internal administration costs within the Forestry Commission (see Appendix 2).
- **The Value of Woodland is Unlikely to Fall Significantly.** A major issue is the likely effect of the disposal on the value of woodland. If the effect of a relatively large amount of Forestry Commission woodland coming onto the market is to depress prices owing to an excess of supply over demand, at the very least this will result in reduced receipts for the Forestry Commission land being sold. Although the Forestry Commission owns (either as the freeholder or leaseholder) less than a fifth (18%) of forest area in the England with the balance being held by other public bodies (13%) or being in private hands (69%) much of this other woodland is owned by non-public bodies who are very unlikely to sell (eg the National Trust or the Woodland Trust). The sell-off represents, therefore, a greater proportion of the woodland that is available for sale than the overall levels of ownership imply.
- Although the likely levels of sales by the Forestry Commission are many times above the levels of previous years, there are likely to be reasons that this will probably not cause a collapse in market values:
 - Although a market price for woodland does exist, much of the interest in it and demand for it tends to emanate from those who live locally. The Conservation Trusts and amenity groups that exist or are formed to purchase a wood will only be interested in properties close to their local base.
 - Unless the tax advantages of owning a woodland are altered significantly then woodlands will continue to be an attractive purchase for new investors looking for a long term return and tax sheltering (from both IHT and CGT).
 - The sell-off will occur over a 5 year period and these woodlands are not being dumped on the market at a single time.

- **Who Will Receive The Funds From Sales?** Of interest is who receives the funds from these sales.
- Thus far the proceeds of Forestry Commission sales have been remained within the Forestry Commission either to assist with funding for new purchases or to reduce the overall cost of the Forestry Commission to the taxpayer. If these proposed sales remained within the Forestry Commission, then the cost of the organisation could be reduced to a point where it could be a net contributor to the exchequer (so long as levels of disposals remained high) or, if the funds went to the Treasury, they could contribute (in a relatively small way) to addressing issues such as bringing down levels of national debt.
- The Government, however, may have other ideas. Although it sees some of the proceeds of sales continuing to go to the Forestry Commission, Minister Jim Paice MP has made it clear (in his answers to the House of Lords Select Committee (24th November 2010) that:
 - As the proceeds are likely to be so large, the Forestry Commission will only retain a proportion *“I am not going to avoid the issue—there is a need for capital receipts. It is a very substantial sum of public investment.”* (31) Presumably the remainder will be used to address the government’s debt reduction programme.
 - He made it clear that up to a maximum of £120 million of income would be retained from the sale of all DEFRA assets (ie not just receipts from Forestry Commission sales) *“Our arrangement with the Treasury, as the Secretary of State told the EFRA Select Committee, is that we can, over the period of this four-year spending review, keep up to £100 million of income from assets—not necessarily forestry assets, all DEFRA assets—with a possible 20% add-on to that”* (32).
- Although the government is keen to invest in forestry and has a long term goal of increasing overall levels of forestation in the UK from 12% to 16%, the proceeds from these sales will not be used solely for forestry investment *“I cannot say that it will all go back into forestry. It would be an incredibly large sum of money to put into forestry”* (32).

- **The Impact on the Forestry Commission Itself.** Another advantage of the proposed sell-off would be to allow the Forestry Commission to have a greater focus to core activities. We have already noted that the Forestry Commission estate is extremely diffuse (containing as it does woodlands in 171 parliamentary constituencies in England alone – see Appendix 1). Although smaller outlying woods have been sold in recent years, the costs of managing such a diffuse estate remains high.
- Reducing the number of woods that the Forestry Commission manages significantly will allow it not only to reduce its liabilities and cost but allow it to focus more clearly on the development of The National Forest that it has been creating and other important targets such as that identified in the Read Report of creating some 23,000 hectares of new woodland across Britain each year for the next 40 years which, if achieved, could absorb some 10% of the UK’s current annual greenhouse gas emissions (33).
- In 5 years’ time, it is likely that the Forestry Commission will have a far smaller number of larger woodlands and forests. It may keep woods that are close to towns and cities for their recreational value and have increased the speed of its disposal of woods that are smaller and further afield from urban areas and larger forests which serve more of a commercial role and can be exploited just as well by commercial and private investors.
- This may go further, however, as the Government sees the purpose of the Forestry Commission changing. Jim Paice MP noted in his testimony to the House of Lords Select Committee “...we need to focus the Commission more on an enabling role and move it away from managing a significant part of the forest estate in England.” (34)
- The government also sees the funding of the Forestry Commission changing. In terms of funding, it wants to see an end to the policy of using disposals to fund the deficits in the Commission’s accounts. Minister Jim Paice MP said “...we have already seen for a number of years the Forestry Commission selling some assets, some forestry, each year, partially to fund deficits. We want to move away from that. The plan is that that will have stopped by the end of the four years, and sales of forestry will not be designed simply to fill a hole in their income and expenditure accounts”. (35) Presumably this route will inevitably be cut off from the Forestry Commission as there will be no more excess woodland that they will be able to dispose of!

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| Appendix 1 | Forestry Commission Woodlands By Parliamentary Constituency In England. |
| Appendix 2 | Forestry Commission Income From Sale Of Properties. |
| Appendix 3 | Overview of Forestry Commission Financial Performance. |
| Appendix 4 | FC Sales & Acquisitions – Financial years 2005/2006 to 2009/2010. |
| Appendix 5 | The Usage Of Woodlands As Amenities. |
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Appendix 1 – Forestry Commission Woodlands By Parliamentary Constituency In England.

In a written response to a member’s question on 18th November 2010, Hansard records the size of FC woods by constituency in England.

Total Size of Forestry Commission Managed Land in England	257,811 (ha)
Number of Constituencies with Forestry Commission land (% of all English parliamentary constituencies (533))	171 (32%)

Structure of FC Managed Land	
Top 20 constituencies (% of total)	179,356 ha (70%)
Top 40 constituencies (% of total)	214,507 ha (83%)
Top 60 constituencies (% of total)	233,013 ha (90%)

Constituency Name	Size of FC Holding (ha)
Hexham Co Const	49,299
New Forest East Co Const	17,974
South West Norfolk Co Const	11,715
Penrith and the Border Co Const	11,624
Forest of Dean Co Const	10,427
Thirsk and Malton Co Const	10,047
New Forest West Co Const	9,639
Berwick-upon-Tweed Co Const	8,673
West Suffolk Co Const	7,386
Scarborough and Whitby Co Const	6,824
Copeland Co Const	5,473
Westmorland and Lonsdale Co Const	4,870
Torridge and West Devon Co Const	4,563
Gainsborough Co Const	3,176
Ludlow Co Const	3,158
North Herefordshire Co Const	3,123
Suffolk Coastal Co Const	3,109
Sherwood Co Const	3,034
Bishop Auckland Co Const	2,801
Devizes Co Const	2,441

Appendix 2 – Forestry Commission Income From Sale Of Properties. Data taken from Forestry Commission annual reports 2001 to 2009/2010.

www.woodlands.co.uk/reports

	2001	2002	2003	2004	2005	2006	2007	2008	2008-09	2009-10
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Income	2,232	5,537	2,754	1,532	5,863	2,123	5,686	6,093	3,391	7,734
Less book value	(1,537)	(2,612)	(1,374)	(1,336)	(4,400)	(1,095)	(2,755)	(5,365)	(4,373)	(4,534)
Net Income	695	2,925	1,380	196	1,463	1,028	2,931	728	(982)	3,200
Less disposal costs										
External costs	(54)	(110)	(115)	(67)	(182)	(83)	(169)	(192)	(100)	(403)
Administration expenses	(297)	(215)	(210)	(162)	(314)	(273)	(193)	(190)	(256)	(342)
Total Costs	(351)	(325)	(325)	(229)	(496)	(356)	(362)	(382)	(356)	(745)
Gain/(Loss) on sale of properties	344	2,600	1,055	(33)	967	672	2,569	346	(1,338)	2,455
External Costs as % of income	-2%	-2%	-4%	-4%	-3%	-4%	-3%	-3%	-3%	-5%
Administration costs as % of income	-13%	-4%	-8%	-11%	-5%	-13%	-3%	-3%	-8%	-4%
Total costs as % of Income	-16%	-6%	-12%	-15%	-8%	-17%	-6%	-6%	-10%	-10%

Appendix 3 – Overview of Forestry Commission Financial Performance.

Data taken from Forestry Commission annual reports 2001 to 2009/2010.

www.woodlands.co.uk/reports

£000s							Note 1	Note 2		
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Total Income	66,664	66,540	68,664	77,085	81,119	86,936	29,941	36,525	46,770	53,510
Sales of Timber	22,448	19,635	18,361	16,835	17,347	18,705	20,338	26,281	24,953	24,510
Other Forest Income	6,510	4,614	5,490	4,543	5,008	6,281				
Recreation Income (RC&H 06-07 on)	7,208	8,988	10,735	12,483	13,795	16,713	14,266	14,734	16,412	15,308
Total Expenditure	115,708	122,514	132,238	139,489	141,408	151,147	37,262	41,538	54,910	52,695
Income minus Expenditure	(49,044)	(55,974)	(63,574)	(62,404)	(60,289)	(64,211)	(7,321)	(5,013)	(8,140)	815
Operating Deficit RC&H							(15,757)	(15,267)	(15,560)	(17,160)
Sundry Surpluses/Deficits							5,507	346	(1,338)	2,455
Notional Cost of Capital							(17,039)	(19,476)	(21,841)	(26,184)
Net Deficit for the Year							(34,610)	(39,410)	(46,879)	(40,074)

Significant changes to the way in which the accounts were expressed from 06/07 onwards.

Figures restated in the 2009/2010 accounts (having changed significantly from the 08/09 annual report levels.

Appendix 4 . FC Sales & Acquisitions – Financial years 2005/2006 to 2009/2010. Data taken from Forestry Commission annual reports 2005/2006 to 2009/2010.

www.woodlands.co.uk/reports

Year	Sales						Acquisitions	
	Total Prop-erty Sales (£m)	Woodland Ration-alisation Sales (£m)	Dis-posal of Houses (£m)	Develop-ment & Other Sales (£m)	Ave Value per ha (£)	Resulting Calculation of ha sold by FC (Woodland Rationalisation Sales/ Average Value per ha)	Acquis-ition (ha)	Location of Acquisitions
Fin Yr 09/10	7.7	7.0	0.5	0.2	3,317	2,110	136	114 hectares in Peninsula, 21 hectares in the West Midlands and 1 hectare in the Forest of Dean
Fin Yr 08/09	3.4	2.0	0.6	0.8	3,219	621	157	94 hectares in North West England, 62 hectares in the West Midlands and 1 hectare in the Forest of Dean
Fin Yr 07/08	6.1	2.9	2.4	0.8	3,692	785	316	174 hectares in Sherwood and Lincs, 100 hectares in the West Midlands, 25 hectares in East Anglia, 16 hectares in North West England and 1 hectare in the Forest of Dean
Fin Yr 06/07	5.5	3.7	0.6	1.2	4,188	883	167	148 hectares in North West England, 11 hectares in the West Midlands, 6 hectares in Northants, 1 hectare in the Forest of Dean and 1 hectare in Peninsula
Fin Yr 05/06	2.1	0.4	1.7	-	2,244	178	108	25 hectares in the National Forest, 79 hectares in the Newlands project, and 5 hectares at Delamere. In addition 68 hectares of leasehold in South East England was converted to unrestricted freehold through acquisition
TOT	24.8	16.0	5.8	3.0			884	
AVE	5.0	3.2	1.2	0.6	3,332	915.8	176	

Appendix 5. The Usage Of Woodlands As Amenities. Demographic structure of visits to woodlands compared to all visits to the natural environment. In bold are points of apparent difference from the all visit average.

www.woodlands.co.uk/reports

		All Visits	Visits to a Woodland
Duration of Visit	Under 1 hour	27%	27%
	Less than 2 hrs	39%	42%
	Less than 3 hrs	14%	15%
	3 hours or more	20%	15%
Distance Travelled	Less than 1 mile	41%	38%
	1 to 2 miles	25%	25%
	3 to 5 miles	15%	19%
	6 to 20	11%	12%
	More than 20	8%	6%
Method of Transport	Car/van	31%	35%
	Train/public bus	3%	1%
	On foot/walking	61%	61%
No. Adults	1 adult	13%	14%
	More than 1 adult	10%	10%
Children	Yes	5%	4%
	No	95%	96%

		All Visits	Visits to a Woodland
Gender	Male	48%	49%
	Female	52%	51%
Age	16-24	11%	8%
	25-44	36%	33%
	45-64	37%	44%
	65+	17%	15%
Social Group	ABC1	56%	60%
	C2DE	44%	40%
Working Status	Working FT/PT	59%	63%
	Retired	23%	22%
	Still in education	4%	3%
	Unemployed	14%	11%
Disability	Yes	16%	15%
	No	84%	85%
Ethnicity	White	95%	99%
	Black and Minority Ethnic (BME)	5%	1%
Index of Multiple Deprivation	Bottom 10%	7%	4%
	11-89%	82%	83%
	Top 10%	11%	13%

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