

# MONITORING THE HEALTH & FINANCIAL VIABILITY OF FOREST INDUSTRY BUSINESSES

## BUSINESS SURVEY REPORT

TO

FORESTRY COMMISSION & FOREST INDUSTRY ASSOCIATIONS

FIRN CRICHTON ROBERTS LTD

AND

JOHN CLEGG & CO

AUGUST 2000

# MONITORING THE HEALTH & FINANCIAL VIABILITY OF FOREST INDUSTRY BUSINESSES

## BUSINESS SURVEY REPORT

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## BUSINESS SURVEY REPORT EXECUTIVE SUMMARY

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### INTRODUCTION TO THE REPORT

1. The sustainable management of Britain's forests and woodlands primarily depends on private forest industry businesses (FIBs) providing goods and services to all segments of the home-grown coniferous and broadleaved wood chains. As part of its support for sustainable forest management, the Forestry Commission commissioned Firn Crichton Roberts Ltd and John Clegg & Co to undertake a survey of FIBs which could both generate benchmark information on these private businesses, and also identify potential innovations in business development support for the forest industries in Britain. The objectives of the research included establishing business health and viability indicators for FIBs; generating a representative survey sample for the constituent forest industry segments; identifying the main economic and policy factors that influence business performance and prospects in FIBs; assessing the business impact of the introduction of Certification and UKWAS; and making recommendations on future business support and survey requirements for the industry.

2. The main forest industry associations (FIAs) were invited by the Commission to join the Steering Group for the research. The Group decided that the survey focus would be on FIBs both behind and beyond the forest gate including first stage processing, and on all FIBs rather than on Small and Medium Enterprises (SMEs) as originally intended. With the help of the industry associations 3,900 FIBs were identified, which were reduced to an estimated industry population of 3,250 separate businesses once multiple FIA memberships were eliminated. Questionnaires were sent via the Associations to 1,200 FIBs (approximately 30% in total); and following a repeat mailing, 216 useable comprehensive replies were received representing a response rate of 18%. The research team undertaking the survey have concluded that the quality of the responses from FIBs, despite the relatively low response rate, is sufficiently robust to contribute both to existing knowledge of the forest industry and to policy development for the sector. The information in these questionnaire responses forms the basis for the analysis and conclusions presented in the report.

### FOREST INDUSTRY BUSINESSES IN BRITAIN

3. The pre-survey research confirmed a comparative absence of enterprise-based statistics and information on the forest industry in Britain, and the survey thus provides an important benchmark for future monitoring of industry change and for research. There is currently no standard statistical definition or available information for the collection of inter-linked woodchain sectors comprising the forest industry. A definition of the forest industry is provided by the research team that encompasses thirteen industry segments along the home-grown timber woodchains from forest nurseries to static sawmillers, but excluding woodland ownership. Each of these segments is defined and described in the report, and form one of the five standard survey reporting categories alongside employment and turnover sizes; the three nations of England, Scotland and Wales; and the organisational status of FIBs.

4. It appears that there are around 3,200 FIBs with a primary business interest in the forest industry in Britain; and a priority in future will be to assemble and maintain improved industry information. The survey results are based on comprehensive questionnaires returned by 216 FIBs which represent an 18% response rate to the mailings to FIBs organised by the Forest Industry Associations. Comparisons with the available employment and turnover-based tabulations from the Inter-Departmental Business Register (IDBR) maintained by the UK's Office for National Statistics (ONS) suggests that the sample of businesses responding to the survey are broadly representative, but with a lower level of response by Very Small Businesses (VSBs), and an almost complete response by the largest British FIBs. The survey methodology and representativeness is discussed in detail in an annex to the report, which cautions on the need to consider the survey results in the context of a low response rate.

## **KEY FEATURES OF BRITAIN'S FOREST INDUSTRY BUSINESSES**

5. The survey responses confirm the existing knowledge and understanding of FIBs in Britain as a predominantly Small and Medium-Sized Enterprise sector. Over half of FIBs are sole traders (largely self-employed); a further 20% are family-based partnerships; and nearly 60% have a home-based business. The majority of FIBs have annual turnover below £250K, but with the 8 largest businesses generating over 70% of the survey sample's total turnover of £426.9 million. The average turnover for FIBs providing this information is £2.2 million, but 78.5% of FIBs have annual turnovers less than £1 million, suggesting a SME-based sector. Over 80% of the survey FIBs employ less than 10 people; and 46% are single person (owner worker) self-employed enterprises.

6. Within the survey FIBs just under 84% of the 2,950 workers are male of which 95% are full-time, whereas nearly a third of the jobs held by women in the FIBs are part-time : many of these appear to be family members. Less than 40% of employees currently hold recognised technical or professional qualifications; with such qualifications being proportionately more common amongst male workers and within the smaller FIBs. The FIB's use of different types of timber and tree species is broadly equal between broadleaves, conifers and conifer-broadleaved mixes; and reflects the different timber resources of the three nations. The owner of the average FIB in the survey typically belongs to more than one Forest Industry Association, with FCA, APF and ICF memberships being the most encountered. The final industry feature of note is that over half of the survey business have been created since 1980, matching the volume growth of conifers and the strengthened policy interest in conservation and broadleaves.

## **PAST & FORECAST CHANGES IN BUSINESS PERFORMANCE**

7. The survey also marks the first attempt to measure and assess the business health and financial viability of FIBs in Britain. In relation to business performance over the preceeding 3 years to the Spring 2000 survey date, the picture is relatively positive. Nearly 75% had increased or maintained employment; 73% had similarly improved or retained their turnover despite an increasingly tough market environment; and just over a quarter had achieved a rise in profitability over the past 3 years. Diversification of business activities has been pursued by 60% of the survey FIBs, and there appears to be a positive association between diversification and business turnover and profitability.

8. The FIBs in the survey are generally confident about their business prospects over the next 1, 3 and 5 year periods, with over 70% forecasting that they will still be in business in 5 years time. This confidence does however vary between the industry's segments, being lower amongst contractor-based groups, and amongst the smaller FIBs. Overall, 40% of FIBs expect their profitability to improve in future, with less than 20% taking a more pessimistic view. It is recommended that these FIBs be revisited to see whether their forecasts are in fact achieved. This level of optimism is encouraging considering the recent poor condition of the forest industry.

## **THE MAIN BUSINESS PRESSURES IMPACTING ON FIBS**

9. The FIBs identified increasing costs (especially fuel and transport), technical regulations, finding time for marketing, declining profitability, and recruiting reliable employees as the more important of the business pressures currently facing them. These appeared to be relatively similar amongst all the categories of FIBs, and are not specific to the forest industry as they cut through industry as a whole. The six external factors most likely to improve the profitability of their businesses as identified by owners and managers are reduced fuel and transport costs; increased prices for British roundwood; increased prices of imported timber; continuing low inflation; changes to government forest policy; and finding new markets for home-grown roundwood.

10. One important result of the survey is that the recent introduction of the UK Forestry Standard, Certification and UKWAS has had a lower adverse impact on FIBs than forecast by the FIAs. For over half the survey FIBs, these policy changes have had no impact on their businesses; and 23% of those responding had experienced benefits through the acquisition of new skills, markets and turnover driven by these policy innovations.

## **FIB DEVELOPMENT NEEDS & SUPPORT**

11. The survey also sought information on business planning in British FIBs and on the framework of business development advice and funding support that exists. Only 38% of FIBs have a formal business plan; and 41% have a training plan : this broadly matches the known experience of other SME-based economic sectors. Scottish-based FIBs are more likely to have such plans, probably reflecting the longer existence of regional development agencies. The most common source of business development advice relied on by FIBs was the knowledge of the business owners, with accountants and auditors, and other company employees also being important sources of help and support. Such informal internal advice represented over 70% of advisory inputs, compared to 30% from the appropriate public. The research team undertaking the survey have concluded that the quality of the responses from FIBs, despite the relatively low response rate, is sufficiently robust to contribute both to existing knowledge of the forest industry and to policy development for the sector. sector agencies. This

has important implications for policy support to FIBs.

12. Around 28% of the FIBs in the survey had received external grants or funding in the recent past, with such support being higher in those FIBs employing 25-99 people, and in Scottish and Welsh enterprises. The FIBs responding to the survey suggested a range of policy, procedural and operational changes for the UK and national governments, the Forestry Commission, the regional development agencies, and the Forest Industry Associations. These suggestions include a more stable forest policy; reduced fuel taxes; tougher import controls on foreign timber; longer-term supply contracts; and improved timber harvesting payments to contractors. The suggestions and comments are listed in full in an annex to the report.

### **SURVEY CONCLUSIONS & POLICY IMPLICATIONS**

13. The survey results suggest an important family-based rural business sector which has performed well over the recent past; which has diversified its business base; and which has a degree of confidence about the future provided government ensures a continuation of its commitment to the industry.

14. The policy and development implications of the survey results are explored in relation to FIB health and viability; sustainable woodland management; rural, regional and SME development policy; and national industrial statistics and information.

15. FIBs play an important role for Britain's rural areas, and in delivering national and international policy requirements for sustainable forest management and the rural economy.

16. The market for home-grown timber will be a critical issue in future, as the relative strength of this will effectively determine the demand for FIB products and services.

17. Ensuring equivalence of funding support to SMEs and VSBs in the industry throughout Britain will also be important; and policy impact evaluation must be supported by improved national statistics and information on Britain's forest industry.

### **MONITORING BUSINESS CHANGE & TRENDS IN THE FOREST INDUSTRIES**

18. The final section of the report presents the team's conclusions and recommendations on improvements and innovations in the monitoring and evaluation of Britain's forest industry and its constituent FIBs. The first step will be for the Forestry Commission, the Forest Industry Associations, and the Office of National Statistics to discuss and agree a new statistical definition for the forest industry to operate in parallel with existing statistical series. Recommendations are made on how this can be introduced in a cost-effective manner, and on the basic business performance indicators to be obtained through a longitudinal survey of FIBs.

19. Three business performance survey options are offered and discussed in the report based on Association Based Membership surveys; forest industry participation in existing business surveys; and tagging the FIBs in the national IDBR dataset held by ONS. The preferred approach would combine the IDBR tagging to create forest industry time series and estimates of FIB exits and entry (the industry churn) with a continuing annual FIDC 33% sample survey of FIBs seeking replies to a maximum of 10 business performance and one policy question drawn on an IDBR base population of FIBs. This will be a cost-effective means of monitoring FIB business health and financial viability which can be readily introduced given an estimated 3,200 FIBs within Great Britain.

20. Annexes to the report list the 216 FIBs whose kindness in responding to the questionnaire made this research possible; explain and appraise the sampling approach and survey response underlying the results and analysis in this report; reproduce the FIB questionnaire used in the survey; report the comments and policy suggestions made by the FIBs in their returned questionnaires; and present the members of the Steering Group and research team associated with the survey.

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John Clegg & Co

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## 1. INTRODUCTION TO THE REPORT

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### THE BACKGROUND TO THE SURVEY

1.1. The sustainable management of forests and woods in Britain principally depends on the existence of private businesses who undertake the establishment and management of woods, and those businesses along the wood chain which harvest, transport, process and utilise wood products in a wide variety of end-uses and markets. At present, little is known about the size and nature of these businesses; how many there are; or the state of their business health and financial viability. As part of its on-going programme for monitoring the delivery of sustainable management, the Forestry Commission decided that it is important to generate bench-mark information on the business health and financial viability of private businesses in the British forest industries sector. These Forest Industry Businesses (FIBs) are a fundamentally important component of the rural and environmental development sectors, as it is only through Britain's FIBs that the sustainable management of our forest and woodland resources can be achieved. In addition, the Forestry Commission is also interested in how businesses providing services to woodland owners are, or expect to be, affected by the recent introduction of Certification and the UK Woodland Assurance Scheme (UKWAS).

1.2. In seeking this bench-mark information it was essential to have the active support of the main forest industry associations; and representatives from these were asked by the Forestry Commission to join the Steering Committee for the project. The industry associations saw the potential benefits of the research, and gave their support on the understanding that it would also identify and explore some of the practical issues and challenges faced by businesses in the forest sector in Britain. A further important element of the project was the need to establish a survey approach and methodology so that the financial health and viability of those businesses can be monitored over time in order to ensure the continued delivery of sustainable management of woodlands in Britain.

1.3. The timing of this research has proved to be opportune, since funding proposals under the European Commission's Structural Fund and the new Rural Development Regulations will require detailed information on businesses in rural areas which could potentially benefit from any European funding. This research will assist this by drawing together detailed recent information on private businesses in the forestry sector. Firm Crichton Roberts Ltd and John Clegg & Co were appointed to work with the Forestry Commission and the Steering Group on carrying out this important bench-marking project. This section starts by setting out in detail the assignment and operational objectives of the project; and summarises the survey methodology, approach and questionnaire response achieved. It then provides a description of the structure and contents of the report, and ends with an acknowledgement of the help and support we have received while carrying out this project.

### THE SURVEY OBJECTIVES

1.4. The purpose of this research assignment has been to assess the financial health and viability of businesses in the forest sector, and this has been achieved through pursuing five strategic objectives and eight operational objectives.

#### *THE STRATEGIC RESEARCH OBJECTIVES*

1.5. The five strategic research objectives agreed for this assignment were to:

- ☐ Identify and develop business health and performance indicators that will allow the Forestry Commission to effectively judge the state of health of private businesses in the forest industries in Britain, and to collect baseline information on a representative sample of Forest Industry Businesses (FIBs) using these indicators.
- ☐ Select a representative sample of private businesses in England, Scotland and Wales to enable a realistic assessment of the health and viability of FIBs in the forestry sector, especially SME, which can also act as a baseline to evaluate future changes in the selected indicators.
- ☐ Identify the policy, market and financial factors in England, Scotland and Wales which could lead to the successful development of forest industry businesses, and to determine the major constraints currently facing these businesses.
- ☐ Explore and report on the perceived initial effects of Certification of forests and woodlands and the United Kingdom Woodland Assurance Scheme (UKWAS) on both current and future business potential of FIBs.
- ☐ Make recommendations on the benefits that could be generated through the establishment of the survey as a continuing longitudinal monitoring programme; and define the procedural, management and technical issues involved.

These strategic research objectives have been carefully addressed by the research team; and the principal conclusions and recommendations on each of these issues are summarised in section 6 of the report.

### **THE OPERATIONAL RESEARCH OBJECTIVES**

1.6. In addition to the above strategic objectives, the following eight operational research objectives were pursued by the research team during the course of the project, namely to:

- ☐ Review the organisational and geographical types of FIB structures in the forest industries sector, and to identify how these vary across the different segments in the wood chain.
- ☐ Identify and evaluate the most appropriate and practical criteria for assessing the business health and financial viability of FIBs in different parts of the wood chain through literature review, which could provide an effective longitudinal monitoring framework
- ☐ Develop an appropriate methodology to survey and collect the required business data that is sufficiently robust to be undertaken again on a regular basis as a means of assessing changes in the health and viability of forest sector businesses.
- ☐ Establish an initial representative database of FIBs encompassing the principal activities in the broadleaved and coniferous wood chains including all services, products and support offered to private sector woodland owners, the Forestry Commission, NGOs, Government Departments, and Local Authorities throughout Great Britain.
- ☐ Develop an appropriate questionnaire for mailing to businesses in the sample database, including questions both on the impact of Certification and UKWAS, and on other policy and practical issues.
- ☐ Assess the survey results in relation to the selected and agreed health and viability criteria; the business climate currently facing FIBs; and perceptions by FIBs on how their health and viability may be improved.
- ☐ Draw conclusions and make recommendations to the Steering Group as to what, if any, action is required to change the present business environment facing FIBs in Great Britain.
- ☐ Make recommendations as to when and how the present survey should be repeated in order that changes that have taken place can be identified against the baseline data collected during this initial survey.

These operational research objectives have been fully addressed by the team. The first five of these objectives are reported on in this initial section of the report and in Annex 1; and the last three form part of the final two sections of the report.

## **SURVEY METHODOLOGY, RESPONSE & IMPLICATIONS**

1.7. This part of the introduction briefly summaries the research approach and methodology used by the consulting team to address the strategic and operational objectives outlined above. A more detailed presentation of the research methodology, challenges and responses is included as Annex 1 to this report. This initial summary covers the focus and scope of the survey; the forest industry survey population; the sampling approach; and the survey response achieved.

### **THE SURVEY FOCUS & SCOPE**

1.8. The initial research priority was to agree the focus and scope of the proposed survey, and central to this was (and is) the challenge of defining the forest industry : this is important given the current absence of a wood-chain based industry in UK and European official statistics. The Steering Group decided that the business health and financial viability survey should focus on private sector businesses directly or indirectly concerned with providing marketable goods and services to British grown broadleaved and coniferous timber. The Steering Group, whilst recognising that forest and woodland ownership was an important business activity, believed that in this case they should be excluded from the research principally because owners had been subject to a range of recent surveys<sup>(1)</sup>. The survey thus encompasses all FIBs from the urban trees or "forest or woodland gate" up to and including the primary processing of British grown timber.

1.9. The original intention of the Forestry Commission was that the research would be restricted to Small and Medium Enterprises (SMEs); but the initial review both of SME definitions and the structure of the forest industry led to the Steering Group requesting that the survey cover all FIBs irrespective of scale as virtually all FIBs were SMEs, only excluding the wood-panel and pulp and paper mills. It would therefore be difficult to exclude the very small number of larger FIBs, and comparison of business health and viability between sizes of businesses would also be helpful in relation to business support and policy.



## **THE FOREST INDUSTRY SURVEY POPULATION**

1.10. An important forest industry development constraint in Britain is the absence of a comprehensive, structured and maintained database of FIBs based on the accepted wood chain definitions. FIBs are instead included within other industrial sectors ranging from agriculture through to business services; and thus the structure, evolution and performance of the forest industry in Britain cannot be assessed by government or the relevant industry associations. To address this initial survey challenge, ten industry and trade associations in the forest industries were approached to see if they would be willing and able to provide an estimate of the number of FIBs currently operating in their area of interest.

1.11. On the basis of the information provided by the industry associations (set out in the Annex), private companies and the consultants knowledge of the industry, the total number of private sector businesses in the forest industries in Britain was estimated to be around 3,900. This information was then reviewed and adjusted to address the problem of double counting through multiple industry association memberships, and the base population of FIBs was then estimated to be around 3,250. An important policy priority for the industry is to research and establish the enterprise base of the forest industries in Britain : recommendations on this are made in sections 6 and 7 of the report. It was decided that an effective understanding of FIB health and viability could be achieved through sending survey questionnaires to 1200 businesses representing just 30% of the estimated total FIB population.

## **THE SURVEY RESPONSE**

1.12. A comprehensive questionnaire (reproduced in Annex 3) was developed in discussion with the Steering Group, and piloted with the forest industry associations supporting the survey. It was agreed that questionnaire mailings to FIBs would be mainly undertaken by the Associations but where necessary some private companies kindly assisted and the consultants mailed the wood using industries directly as they had a comprehensive database covering almost all sawmills in Britain, with responses to be sent direct to the consultants. The initial mailing produced a total of 169 completed and useable responses, a response rate of 14% in relation to the 1200 questionnaires distributed. It was agreed with the Steering Group that this low response was disappointing and might not adequately represent the forest industry sector as a whole. Consequently, a further selective mailing of 463 questionnaires was made to FIBs in sectors where the initial response fell below 10%. These questionnaires were sent via the industry associations with some including letters urging their members to help the industry by returning the questionnaire.

1.13. This second mailing generated a response rate of 10.4% which increased the overall survey response rate to 19.0%. Given the detailed nature of the business information and perceptions sought from FIBs, this comprehensive information set of 216 completed questionnaires has enabled an improved understanding of the business health and viability of FIBs in Britain. The results presented in this report are thus reasonably securely based, but recommendations are made on the steps required to improve the response rate in future should the decision be taken to maintain the monitoring of the forest industry.

1.14. The broad structural comparisons of the FIB units which returned questionnaires and the existing information on the structure of Britain's businesses provided by ONS shown in section 2 strongly suggest that the FIB survey database can be seen as representative. Nevertheless, it is important to stress at the outset of this report that the findings and conclusions presented in this report are based on a relatively small sample of the businesses that are currently thought to form the forest industry sector in Great Britain. The statistical patterns and qualitative responses made by the questionnaire partners may thus not be fully representative of the forest industry in Britain as a whole.

## **CONTENTS & STRUCTURE OF THE REPORTS**

1.15. Following this introduction, the report continues with a review of the key features of the British forest industry as revealed by the FIB questionnaire responses; and the sector is compared to the known structure of UK businesses as a whole. The main findings of the survey in terms of the organisation, scale, structure and operations of FIBs is presented in section 3, with a common reporting format to enable comparison. Section 4 begins with a brief explanation of current and recent attempts to monitor and assess business performance; and then moves on to presenting the survey results on the recent and prospective business performance of enterprises in the forest industry. Section 5 sets out the responses of FIBs to the questions on the impact of Certification and UKWAS. Section 6 then reports on the business and training planning undertaken by FIBs; then explores the experience of the FIBs in seeking and receiving advisory support for their businesses; and brings together the principal qualitative concerns and desires of the industry in seeking to remain competitive and profitable in the future.

1.16. The report then brings together in Section 7 the main survey conclusions outlined in the previous sections, and explores the policy implications of these for the Forestry Commission and Forest Industry Associations. The final section of the report addresses the issue of how best to monitor the health and financial viability of FIBs (and indeed all businesses) in the UK forest industry in the future; and makes a series of recommendations on introducing a new statistical definition of the industry; on future industry survey initiatives; and on ways to ensure an improved response to FIB surveys in the industry.

1.17. There are five annex documents to the report. The first lists the names of those forest industry businesses that kindly gave some of their valuable time to participate in the survey. Their completed questionnaires represent an important source of information on UK forest industry businesses that establishes a benchmark for continued longitudinal monitoring. The individual business owners and managers have given generously of their time to generate the improved understanding of this key rural industry, and both the Steering Group and the Evaluation Team are much in their debt. Annex two reviews the research approach and methodology used in the monitoring survey in terms of the key business performance issues; the sampling methodology; the survey process; the response rates achieved; and the implications for possible longitudinal monitoring of business health and industry viability. The latter issue is addressed in policy terms in section 7 of the report.

1.18. Annex three contains the Forest Industry Business Health Questionnaire which was sent to a 30% sample of enterprises, the returns from which form the basis for the evaluation and this report. The returned completed questionnaire have been entered into a MS Access database. Annex four lists in full the responses made by forest industry businesses to three open-ended questions on what help can best contribute to their future competitiveness. These are provided in full apart from a very few changes required to maintain anonymity. The final annex lists the Steering Group and Evaluation Team members involved in the project.

## ACKNOWLEDGEMENTS

1.19. This initial baseline survey of the health and financial viability of forest industry businesses has only been possible through the financial support that has been provided by the Forestry Commission and the leadership and support provided by all the key industry associations in the forest industries sector. We fully and gratefully acknowledge their support. The questionnaires developed and distributed for this baseline survey were relatively long and required businesses to provide detailed and sensitive commercial information on a *commercial-in-confidence* basis. At a time when many businesses are under quite serious commercial pressures, the time taken by those who completed and returned questionnaires must be openly and warmly applauded. Without this information the establishment of representative baseline data on businesses could not have been assembled and this in turn would have made it more difficult to develop the case for financial support for development projects in the forest sector. We therefore gratefully acknowledge the time and effort that those taking part in the survey have put in and we wish to thank them on behalf of the Forestry Commission, industry associations and ourselves for their enormous and very valuable contribution to this survey.

## ABBREVIATIONS

AA	Arboricultural Association	IDBR	Inter-Departmental Business Register (ONS)
APF	Association of Professional Foresters	NSWA	National Small Wood Association
FIA	Forest Industry Associations	ONS	Office for National Statistics
FIB	Forest Industry Businesses	SIC	Standard Industrial Classification
FIDC	Forest Industries Development Council	SME	Small & Medium Sized Enterprises
FSC	Forest Stewardship Council	UKFPA	UK Forest Products Association
HTA	Horticultural Trades Association	UKFS	UK Forest Standard
ICF	Institute of Chartered Foresters	UKWAS	UK Woodland Assurance Scheme

(1) The Forestry Commission has commissioned or supported a number of research projects that have looked at the business aspects of forest and woodland owners. These include :

- University of Surrey. *Access & the Woodland Manager : A Study of Woodlands Managers' Perceptions of and Attitudes Towards Access in Oxfordshire* (University of Surrey, 1992).
- John Sime Associates. *Research into the Attitudes of Owners and Managers to People Visiting Woodlands*. (John Sime Associates, 1993).
- I Ball et al. *The Private Woodlands Survey : The Costs of Forestry Operations in Great Britain*. Forestry Commission Technical Paper 5. (Edinburgh : Forestry Commission, 1994).
- Fim Crichton Roberts & John Clegg & Co. *Private Sector Roundwood Marketing in Great Britain*. (Edinburgh; FCR-JCC, 1995).

## 2. FOREST INDUSTRY BUSINESSES IN BRITAIN

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2.1. The forest industry in Britain, as in most of the industrial nations, is currently not a recognised statistical entity within the national government statistical system; and monitoring and evaluating changes in the industry's competitiveness and structure is difficult both at the sector and the enterprise level. Over the past two decades, and especially since the formation of the Forestry Industry Committee of Great Britain (now the Forest Industries Development Council) the companies and trade organisations within the British wood-chain have increasingly come to regard themselves as forming a coherent industrial sector of increasing importance to rural areas and communities. There has been a comparative absence of enterprise-based information and statistics on the forest industry, despite an increasing recognition by government that the sustainable management objectives for our forest and woodlands will be principally delivered by private sector business in the forest industry.

2.2. The research team in this report begins to improve the knowledge of Britain's forest industry at the enterprise level, especially in relation to private sector businesses throughout the wood-chain. This section begins by addressing the challenge of defining the forest industry in Britain in terms of the activities, products and services of private sector businesses in the home-grown timber and wood-chain; explains the composition of the main industry segments covered by the survey; and describes the analytical categories and framework used throughout the report. The section then reports on the main structural features of the forest industry compared to British enterprises as a whole.

### DEFINING THE FOREST INDUSTRY SECTOR

2.3. The focus of the present survey is upon businesses in the forest industries in Britain which gain the majority of their earnings from trading in goods and services between the forest gate and the completion of first stage processing. At present, both the UK and international statistical organisations split the industry on a product basis, and it is therefore distributed between a relatively large number of primary, manufacturing and service sector classifications. This makes monitoring of even basic measures of size, structure and performance almost impossible; and the research team consider that it is now an appropriate time to introduce a formal capability to measure and monitor the forest industry as an entity. Recommendations on this are made in sections 7 and 8 of this report. The emergence of the Scottish Forest Industries Cluster and the Welsh Forestry Forum suggests that a policy commitment and resources may now be available to achieve this.

2.4. The research team undertaking the survey have had to confront this definitional issue on a number of occasions over the past decade; and have evolved a structured definition of the forest industry and its constituent woodchains that is generally accepted within the industry. For the purposes of the present survey, thirteen market-based segments of the industry have been included, and these are briefly explained below. The market segments are:

- ☐ **Forest Nurseries** involved in the collection of tree seeds, the germination and raising of young trees, and the supply of all commercial and native tree species to forest owners and others, including the commercial and domestic landscape industries.
- ☐ **Arboricultural Businesses** in terms of providing tree and woodland management services to public and private sector tree owners, including planting, maintenance and felling of individual trees, predominantly in amenity situations and often in, or around, urban areas.
- ☐ **Forest Managers and Consultants** in businesses with a focus on providing advice, management and business services to owners of forests and woodlands.
- ☐ **Silvicultural Contractors** who undertake the actual physical work associated with group preparation, tree planting and woodland maintenance up to (and sometimes including) the felling and harvesting of the timber; including activities such as pest and weed control, fertilisation and drainage.
- ☐ **Harvesting Contractors** undertaking the felling and extraction of timber from forests and amenity woodlands as the first stage of such timber moving into the commercial wood chains.
- ☐ **Timber Haulage Contractors** who transport sawlogs and small roundwood from the roadside on, or directly from woods and forests, to the first stage processors such as sawmills, pulpmills and board mills.
- ☐ **Charcoal & Coppice Workers**, who are predominantly self-employed and who work in or around forests and woodlands producing charcoal; undertaking the management of coppiced woods; and producing green wood turned, carved or initially processed products.

- ☐ **Equipment Suppliers** to the operation silvicultural, harvesting and haulage businesses, including mechanised harvesting and forwarding equipment, silvicultural equipment, hand tools and other inputs.
- ☐ **Trainers** in all vocational, technical and business skills within the forest, arboricultural and related sectors, including those such as chainsaw and harvester operation where certification is now mandatory.
- ☐ **Timber Merchants** involved in the identification, buying, stocking, selling and distribution of homegrown timber within Britain.
- ☐ **Mobile Sawmillers** who operate small mobile sawmills that undertake the primary processing of mostly hardwood felled timber to produce boards, planks and firewood on contract to forest & woodland owners or for their own purposes.
- ☐ **Static Sawmillers** which operate fixed sawmills (often with kilning and wood preservation activities) for coniferous roundwood for the provision of structural timber; and in some cases including the manufacture of, such as, potato boxes, sheds and other products for the agricultural market. This category also includes, we believe, single person FIBs using mobile mills in a *fixed* mode, probably for Rating reasons. These come at the end of the homegrown wood chain.
- ☐ **Other Forest Industry Activities** including such as land and timber sales agencies, forest industry consultants, specialist silvicultural and forestry surveying, and other miscellaneous business activities that principally serve the forestry sector.

The survey deliberately excluded the wood-panel plants and the pulp and paper mills using home-grown timber both because their scale of operations would distort the survey and because they are driven by global economic and market factors. The businesses invited to participate in the survey were asked to provide information on their turnover generated by customers in each of the thirteen sectors listed above : this was used to confirm the allocation of each business to the above forest industry categories.

## SURVEY REPORTING & INTERPRETATION

2.5. The quantity of information collected for each FIB is such that a full analysis and interpretation of all business aspects of the forest industry in Britain is beyond the resources of the present survey budget. It has thus been agreed with the Steering Group to present the key results on a common tabular framework that comprises five core business, industry and geographical categories. These are :

- ☐ **Employment Size Per Business**, based on current total employment categories used by both the European Commission (Eurostat) and the UK's Office for National Statistics (ONS). It should be noted that none of the surveyed FIBs currently has employment in excess of 250 people, and thus the reporting cut-off point is set at 249 employees.
- ☐ **Current Business Turnover** in terms of the value of sales or turnover during the most recently completed year of trading, with the turnover categories matching ONS size-groups as reported in *Regional Trends* for example, and tabulations from the ONS Interdepartmental Business Register (IDBR).
- ☐ **The Location of the Business** in terms of the nation of either the Registered Office of the business or the operational location of the business owner in the case of non-company businesses. The survey responses and database includes a small number of businesses with forest industry employment and operations throughout Britain : in such cases all employment is allocated to the HQ nation.
- ☐ **The Forest Industry Sector** in terms of 12 relatively distinct forest industry activities taking place beyond the forest/wood gate and up to and including the exit gates of first stage wood processors. This industry structure and definition is explained above in para 2.4.
- ☐ **The Types of Business Organisation** in terms of whether the business currently operates as a sole trader, a partnership, a Private Limited Company, a Public Limited Company or some other legal status.

2.6. The five taxonomic categories of forest industry businesses form the main reporting framework for the survey. The common tabular format enables a degree of comparison between different business, support and policy areas without resorting to a large number of cross-tabulations. Cross-tabulations are, however, included in the case of specific issues of interest and importance. The large amount of information available for analysis through the survey is sufficient to provide a major benchmark overview of the forest industry in Britain, and of establishing the basis for continued longitudinal monitoring of business health and structural change for the sector. It is recommended that this reporting framework be

maintained in the future.

2.7. The research team's conclusions and the policy implications for each of the framework reports are presented alongside, with key findings being taken forward into the final two sections of the report. There are a number of other reporting and interpretative points that must be made at this point in the report:

- ❑ The research team has sought to carefully proof, review and where appropriate revise codings of responses in the small number of data fields where the questionnaires are incomplete or clearly wrong. There are still, however, examples of unfilled responses, and these are shown as such. There are also questionnaires where survey questions have simply not been answered, and these are reported as such. Where appropriate, the number of useable responses is shown at the foot of the tables concerned (eg. N = 193).
- ❑ Many of the FIBs in the survey are engaged in a number of the forest industry segments, and the issue of an appropriate segment allocation for such enterprises thus arises. The questionnaire helped resolve this through enquiring (question 6) about the percentage of the business effort directed to fifteen forest activities; and businesses have been allocated to the largest category of their work. It should thus be borne in mind in interpreting the survey results that industry segment boundaries are fuzzy; that most FIBs are multi-activity; and that the focus of business activities can, and do, shift between categories in a dynamic continual manner.
- ❑ The Steering Group decision to exclude FIBs predominantly trading, using or processing imported hardwoods and softwood means that in some forest industry segments a significant proportion of the segment's employment, turnover and market presence in Britain is excluded from the information generated by this survey. This survey parameter is especially important since 80-90% of the wood and wood products used in Britain each year are imported.
- ❑ It is also important in considering the survey results to place the FIB business performance results in the context of the recent, current and prospective market situation for home grown timber, where forest gate prices for both standing and roadside timber are at a historical low in real terms. This has (as the comments in Annex 4 show) had a negative impact throughout the industry : it is possible that this has affected the perceptions of FIBs about future business prospects, although the responses in this area (section 4) are relatively positive.

These caveats must be borne in mind when considering the results, implications and recommendations of this survey of forest industry businesses.

2.8. There is one further presentational point to make. We have, in relation to the majority of the survey results contained in this report, decided to provide the number counts in the tabulations, rather than percentages or other derivations based on the survey results. This is because the number of responses for some components of the survey results and cross-tabulations are (as noted above) relatively small, and percentage comparisons on such a basis can be misleading. In addition, we believe that it is helpful to provide the basic counts in order to enable others to produce the aggregations and analyses relevant to their own interests.

## COMPARING THE FOREST INDUSTRY WITH OTHER SECTORS

2.9. One of the issues raised by the Steering Group is the comparability of the forest industry's structure with that of other industrial sectors in Britain. This is also important in relation to the relatively low level of response to the survey questionnaire, as it might be that the structure of the FIBs as revealed by the returned questionnaires is atypical for the industry. There are currently no published comparable surveys of other industrial sectors that we can draw on to explore this issue, especially as few other industries encompass a mix of primary, secondary and tertiary sector businesses.

2.10. It is possible to make a broad comparison between the forest industry as revealed by the returned FIB questionnaires, and industrial businesses in Britain represented by the ONS's IDBR database (which is under-represented in areas such as services). Tables 2.1, 2.2 and 2.3 below present broad comparisons between the present FIB survey and IDBR in terms of employment and turnover size-groups; and some comment on each of these is worthwhile.

### EMPLOYMENT-BASED COMPARISONS

2.11. In table 2.1 below we have set out the business unit comparisons by ONS employment size groups for the 216 FIB respondents, the full IDBR, and the forestry and logging sector within the IDBR dataset which we estimate includes over 90% of the eligible units within the wider forest industries sector as defined above. Sawmills, haulage and advisory services are likely to be excluded from the IDBR forestry and logging sector, and included in other sectors such as wood products, transportation, training and business services. At this level the three sets of size groups are broadly similar, especially if it is borne in mind that the present survey pushed hard to get a full response from the larger FIB units. The lower levels of response by the smallest FIBs (1-9 employees) is the principal reason for the survey's divergence.

**Table 2.1 : Comparison of Employment Per Reporting Unit Between FIB Survey (2000) and Inter-Departmental Business Register (April 1998)**

Employment Size	FIB Survey		IDBR Total <sup>(1)</sup>		IDBR Forestry <sup>(2)</sup>	
	#	%	#K	%	#	%
1-9 Employees	170	78.7	1,752	88.7	3,215	96.8
10-24	28	13.0	148	7.6	85	2.7
25-49	8	3.7	37	1.9	10	0.3
50-99	6	2.8	17	0.8	-	-
100-249	4	1.8	12	0.6	5	0.1
250+	-	-	8	0.4	5	0.1
All Businesses	216	100.0	1,974	100.0	3,320	100.0

Sources : FIB Survey; ONS, Inter-Departmental Business Register (comparative tabulations for East of Scotland Objective 2 region). Notes : (1) All IDBR business units (rounded thousands) in Great Britain as of April 1998. (2) Forestry & logging business units in IDBR., April 1998 : may not include forest industries units outwith forest management and harvesting (see text).

2.12. In table 2.2 the employment size-group distributions for each of the three nations for the FIB survey responses and the IDBR dataset as a whole are compared. At this devolved level the distributions for each country between the two datasets are reasonably similar; and they suggest that the FIB sample size is not too different from national populations of business units. It therefore seems that the overall FIB sample is generally representative of the industry, and that the sampling approach and procedures has generated a business population which mirrors the full population of 3,500 forest industry businesses.

**Table 2.2 : Comparison of Employment Per Reporting Unit Between FIB Survey and the Inter-Departmental Business Register by Alternative Size Units & GB Nations**

% of Business in Each Employment Size Group	FIB Survey <sup>(1)</sup>			IDBR GB <sup>(2)</sup>		
	England	Scotland	Wales	England	Scotland	Wales
1-9 Employees	73.4	64.1	85.7	73.9	67.8	70.7
10-19	17.0	14.1	-	11.3	12.6	11.0
20-49	6.3	9.3	9.6	7.8	9.8	8.4
50-99	1.1	6.3	4.7	3.2	4.2	3.7
100-199	1.1	4.6	-	2.1	2.9	3.2
200+	1.1	1.6	-	1.7	2.7	3.0
Total Business Units	118	71	27	184.1	12.4	8.0
Regional % Share	54.6	32.9	12.5	90.0	6.1	3.9

Sources : FIB Survey; ONS, *Regional Trends 34*, p152, table 13.4. Notes : (1) All FIB Survey Units by Location of Main Office reporting employment size (total =179). (2) All *manufacturing* units – not all business units, and thus excludes most services. Caution thus required in making comparisons (see text); data shown is for 1998.

### TURNOVER-BASED COMPARISONS

2.13. The other business structure variable where broad comparisons are possible is that of the value of the annual business turnover (or sales) of individual businesses, which IDBR reports in relation to a series of turnover size bands. It must be stressed that the basis of defining turnover differs between the FIB sample (which was self-reported) and those in the IDBR which draws upon formal statutory reporting requirements (including VAT, Employer's National Insurance, Inland Revenue and other returns). Our experience is, however, that self-reporting of turnover in surveys is relatively accurate, and that businesses (especially in a survey seen as having policy and development support messages for government) will not normally overstate their financial position.

Table 2.3 : Comparison of Turnover Per Reporting Unit Between FIB Survey and Inter-Departmental Business Register

% of Business in Each Turnover Group	FIB Survey		IDBR Total <sup>(2)</sup>		IDBR Forestry <sup>(3)</sup>	
	#	%	#K	%	#	%
<£50K	49	25.0	458	23.1	1650	49.6
£50-99K	30	15.3	490	24.7	700	21.0
£100-249K	34	17.3	523	26.4	630	18.9
£250-499K	22	11.3	235	11.8	195	5.9
£500K-2 Million <sup>(4)</sup>	39	19.9	277 <sup>(4)</sup>	14.0	155 <sup>(4)</sup>	4.6
£2-9.9 Million <sup>(4)</sup>	14	7.1	-	-	-	-
>£10 Million <sup>(4)</sup>	8	4.1	-	-	-	-
All Business Units <sup>(1)</sup>	196	100.0	1983	100.0	3,330	100.0

Sources : FI Survey; ONS, Inter-Departmental Business Register. Notes : (1) Total FIB survey units reporting turnover figure. (2) All IDBR business units. (3) IDBR business units in forestry & logging : see text. (4) Different size groups : groups relate to all units over £500K.

2.14. The turnover size groups shown for the FIB sample, the IDBR database, and the forestry and logging sector within the IDBR dataset, suggest that the FIB set is progressively over-represented as the annual turnover size-bands get larger. The under-representation of the smaller FIBs can be clearly seen in comparison with the IDBR forestry and logging business units, nearly half of which have annual turnovers under £50,000 compared to 25% in the present FIB survey. The comparison is not helped by the IDBR's aggregation at larger turnover levels; but the main divergence lies at the smaller size of FIBs : response by such small and micro-level enterprises is always low for well-understood reasons. This issue is addressed further in the survey methodology annex to this report.

### THE IMPLICATIONS FOR THE INDUSTRY

2.15. The main policy implication that emerges from this broad comparison of the structure of FIBs and Britain's forest industry is that the current difficulties and constraints of monitoring the structure, performance and viability of this key rural sector suggests that a degree of innovation will be required by the industry associations and government to enhance our understanding of changes, trends, competitiveness and vitality of the business in Britain's forest industries. In the final section of this report we suggest ways in which improved monitoring can be achieved in a cost-effective manner; and also look at ways in which the present benchmark survey can form the base for longitudinal monitoring of change within the forest industry in Britain.

2.16. The consulting team, on the basis of its detailed appraisal of the survey responses that have been received, its experience and knowledge of both the SME and forest industries sectors, and recent interview-based surveys within the forest industry, are confident that the broad nature and pattern of the FIBs presented in this report is a fair reflection of the industry as a whole. Despite the relatively small survey sample, the detail and width of information provided by the 216 FIBs taking part has generated a unique and valuable industry resource that can contribute to an improved understanding of a range of present and emerging policy issues.

### 3. KEY FEATURES OF BRITAIN'S FOREST INDUSTRY BUSINESS

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3.1. In this section of the report the principal features of Britain's forest industry businesses are presented as revealed by the FIB health and viability survey. Both the Forestry Commission and the Forest Industry Associations wished to explore the ownership and organisational status of FIBs about which relatively little is known; and (if possible) to establish a broad benchmark structure for the forest industry in Britain to enable longer-term longitudinal monitoring to be introduced and maintained. The survey results and tabulations presented in this chapter represent only a very small selection from the FIB database; and more detailed research and analysis of each of the featured areas below is possible, though outside the remit and budget of the present project.

3.2. The review and profiling of Britain's forest industry begins with an overview of the ownership and organisational features of FIBs as revealed by the survey, including the relative importance of home as the location of the business. The employment composition and structure of the industry is then described, together the pattern of professional and technical qualifications held by the owners and employees in the businesses. The level of turnover recently achieved by FIBs is then explained, together with the estimated value of the capital presently invested in the businesses in the survey. The types of trees and timber forming the business focus of the survey enterprises are then addressed; and the section ends with an examination of the age of the businesses in the survey.

#### FIB OWNERSHIP & ORGANISATION

3.3. At the national UK level relatively little is known about the ownership and organisational status of businesses as such information is not regularly collected by government or business organisations; and the situation is made more complex by the absence of an agreed set of organisational and ownership categories. The FIB survey results will, hopefully, contribute to an area of business research and monitoring that is presently not addressed. The results below and in the tables at the end of this section represent only a small proportion of the analysis that is possible from the survey.

#### *THE LEGAL STATUS OF FIBS*

3.4. In table 3.1 below the present legal status of the FIBs in the survey is shown in terms of their being sole traders, a partnership, a private limited company, and public limited company or other legal status (which includes both voluntary sector organisations and wholly-based subsidiaries of other companies. The main structural features revealed by the survey are that:

- ☐ Nearly half the FIBs in the survey are sole traders, with a further 20% being Partnerships. This is the pattern to be expected in the SME sector, especially one where what is effectively self-employment exists.
- ☐ The larger FIBs in employment and turnover terms are predominantly private and public limited companies, and these account for a quarter of the businesses in the survey.
- ☐ The legal status pattern of the main forest industry sectors shown in table 3.1 is also as expected. Sole trading and partnerships are the norm in the harvesting, silvicultural and mobile sawmilling sectors at the industry's sharp end, with more formal corporate structures in the consulting and static sawmilling segments.
- ☐ It is interesting to note that virtually all of the training businesses in the survey sample are sole traders (ie. self-employed), which probably reflects the exclusion of the public sector (ie. college) organisations who normally dominate training provision from the survey.

3.5. This pattern of legal and corporate structure, in our experience of working with other primary, manufacturing and service industries, is not markedly different from the business structures in other sectors. The sole trader and partnership domination has policy implications in terms of the provision of development capital to the smaller FIBs, and the capability of FIBs to generate investment resources internally .

#### *THE OWNERSHIP OF FOREST INDUSTRY BUSINESSES*

3.6. The central feature of Britain's business base that is frequently ignored or unrecognised is the importance of family-owned and/or managed businesses in all sectors of the economy, including hi-tech and professional services sectors. Family businesses are important as research has shown that they are more flexible and resilient, and can thus often take a longer-term business development perspective unaffected by the views of external industry bodies or analysts. The rural and traditional nature of Britain's woodchains has reflected this family aspect, and the present survey sought to confirm that this feature remains important. The responses to this survey question are presented in table 3.2.



3.7. The survey results are clear on this issue : just over 80% of FIBs are family or single person businesses, and in the case of the latter, family members (especially spouses) often have important informal business roles to play. Thirteen percent of FIBs in the survey described themselves as independent (i.e. not owned or controlled by another company), with 11 businesses currently being wholly-owned subsidiaries of other companies. The balance between family companies and independent/subsidiary status in the employment, turnover and segment categories shown in table 3.2 is very much as expected.

3.8. There are, however, a number of interesting ownership and organisational relationships shown in table 3.2, namely:

- ☐ The survey included no independent or subsidiary FIBs in Wales, principally because the larger multi-regional businesses included in the sample had their HQs in Scotland or England.
- ☐ The existence of family ownership and business control goes beyond the FIBs with sole trader or partnership status; and family ownership was identified for 33 private limited companies and (even more interesting) for one of the PLCs in the survey sample.
- ☐ The ownership of FIBs by other companies revealed by the survey occurs in most employment and turnover size groups; and in the majority of the forest industry segments.

It is probable that the survey responses broadly reflect the true legal and ownership structure of Britain's FIBs, with the missing FIBs (i.e. those in the sample not responding) being predominantly small, family owned ventures, the owners of which do not have time to respond to surveys such as this.

### ***THE HOME AS THE BUSINESS BASE***

3.9. Given the domination of Britain's FIBs by SMEs that was expected in the survey from the experience of the Forest Industry Associations, it was decided to enquire about the relationship between FIB owners' home and business locations: the responses are shown in table 3.2. Of the 214 FIB respondents providing information about their offices and domestic residences, 125 (or 58.4%) of the FIBs confirmed that their business office was at their home address. It should be noted that this does not mean that the FIB office was always within the domestic home, but may be in separate buildings or a self-contained areas within the house.

3.10. The pattern of responses on the home office question shown in table 3.2 appear to reflect and support the organisational and ownership features of FIBs summarised above. Over 87% of sole traders have their business offices at home; but only 55% of partnerships are home-based which suggests that the partners involved in this group of FIBs includes non-family individuals. As businesses become more formal, through incorporation, it becomes increasingly probable that a separate office location will be acquired for the management team and support staff. The implications of this pattern of office provision are important in that for most very small businesses, the office effectively travels with the owner wherever he is working; and mobile phone and communications technology will progressively reduce the business isolation barriers of the smaller FIBs

## **FIB ANNUAL TURNOVER & CAPITAL INVESTMENT**

3.11. The survey questionnaire asked FIBs to give in confidence to the research team value of the turnover of their businesses for the most recent accounting year. It was expected that many of the FIBs responding to this question (especially the smaller enterprises) would give approximate multi-year averages of turnover to avoid the often major inter-year sales or turnover figures. FIB turnover is one of the five standard reporting categories for the survey results, but in table 3.3 the FIB turnover size groups are cross-tabulated with the other four analytical categories.

### ***THE RECENT TURNOVER OF FIBs***

3.12. Of the FIBs returning completed survey questionnaires, 196 (91.5%) provided actual or estimated value figures for their business turnover in the last completed accounting year : a significant proportion of those were rounded estimates rather than precise figures. As can be seen from the data in table 3.3, the turnover per FIB encompasses micro-business with a turnover less than £50K to large UK groups with annual turnovers in excess of £10 million, and in one case in excess of £100M. Nearly 58% of FIBs have turnovers less than £250K per annum; and just under 89% have annual turnovers below £2 million. The pattern of a small number of large dominant private sector FIBs shaping (together with Forest Enterprise) the business and trading environment for the SMEs forming the majority of business units is well known to government and the Forest Industry Associations; and matches the known business structure of other industrial sectors.

Table 3.1 : The Legal Status of Forest Industry Businesses in the 2000 Survey

Business Type	Sole Trader	Partnership	Private Ltd	PLC	Other
<b>Employment Size Per Business (N = 214)</b>					
1-9 Employees	103	35	26	0	5
10-24	4	9	14	0	1
25-49	0	0	7	1	0
50-99	0	0	6	0	0
100-249	0	0	2	2	0
<b>Business Turnover : £K Per Annum (N = 194)</b>					
Less Than 50	43	2	2	0	2
50-99	23	4	2	0	0
100-249	18	9	7	0	0
250-499	7	10	4	0	1
500-2M	5	11	21	1	0
2M-9.9M	2	1	10	0	1
10M+	0	0	6	2	0
<b>Location of Business (N = 214)</b>					
England	59	24	30	2	2
Scotland	28	18	21	1	2
Wales	20	2	4	0	1
<b>Forest Industry Sector (N = 214)</b>					
Forest Nurseries	2	6	8	1	0
Arboricultural Businesses	2	0	0	0	0
Forest Managers & Consultants	17	7	13	1	1
Silvicultural Contractors	29	6	3	0	0
Harvesting Contractors	16	8	2	0	0
Timber Haulage Contractors	2	7	2	0	0
Charcoal & Coppice Workers	5	0	1	0	0
Equipment Suppliers	1	0	1	0	0
Trainers	13	0	0	0	2
Timber Merchants	5	3	1	0	1
Mobile Sawmillers	13	4	3	0	1
Static Sawmillers	2	3	19	1	0
Other	0	0	2	0	0
<b>All Forest Industry Businesses</b>	<b>107</b>	<b>44</b>	<b>55</b>	<b>3</b>	<b>5</b>
<b>% of Responses</b>	<b>49.5</b>	<b>20.3</b>	<b>25.5</b>	<b>1.4</b>	<b>2.3</b>

Source : FIB Survey, Question 10.

Table 3.2 : The Ownership Structure of Forest Industry Businesses, and the Occurrence of Home-Based Offices.

Business Type	Family/Person	Indep.	Subsid.	Home = Office
<b>Employment Size Per Business (N=214)</b>				
1-9 Employees	146	20	3	121
10-24	18	4	5	4
25-49	4	2	2	0
50-99	5	1	0	0
100-249	1	2	1	0
<b>Business Turnover : £K Per Annum (N=195)</b>				
Less Than 50	45	3	1	41
50-99	24	6	0	25
100-249	30	4	0	27
250-499	20	0	1	13
500-2M	27	8	4	8
2M-9.9M	10	1	3	1
10M+	1	5	2	0
<b>Location of Business (N=213)</b>				
England	91	18	8	66
Scotland	56	11	3	43
Wales	26	0	0	16
<b>Forest Industry Sector (N=214)</b>				
Forest Nurseries	12	3	2	7
Arboricultural Businesses	2	0	0	2
Forest Managers & Consultants	29	9	1	23
Silvicultural Contractors	35	3	0	29
Harvesting Contractors	25	0	1	23
Timber Haulage Contractors	10	1	0	6
Charcoal & Coppice Workers	6	0	0	3
Equipment Suppliers	0	0	2	0
Trainers	9	4	1	12
Timber Merchants	8	2	1	7
Mobile Sawmillers	19	1	1	10
Static Sawmillers	18	6	1	2
Other	1	0	1	1
<b>Types of Business (N=212)</b>				
Sole Trader	98	7	1	83
Partnership	41	3	0	26
Private Limited Company	33	14	8	14
PLC	1	2	0	0
Other	0	2	2	1
<b>All Forest Industry Businesses (N=214)</b>	<b>174</b>	<b>29</b>	<b>11</b>	<b>125</b>
<b>% of Responses</b>	<b>80.6</b>	<b>13.4</b>	<b>5.0</b>	<b>57.8</b>

Source : FIB Survey, Questions 11 &amp; 12

Table 3.3 : The Numbers of FIBs in Each Annual Turnover Size Group in 2000

Business Type	>50	50-99	100-249	250-499	500-2M	2-9.9M	10M+
<b>Employment Size Per Business (N = 195)</b>							
1-9 Employees	49	30	32	19	18	4	1
10-24	0	0	2	3	16	3	1
25-49	0	0	0	0	5	2	1
50-99	0	0	0	0	0	5	1
100-249	0	0	0	0	0	0	4
<b>Location of Business (N = 195)</b>							
England	30	15	18	9	22	7	3
Scotland	11	10	11	9	13	6	5
Wales	8	5	5	4	3	1	0
<b>Forest Industry Sector (N = 201)</b>							
Forest Nurseries	0	1	3	2	9	1	0
Arboricultural Businesses	1	0	0	0	0	0	0
Forest Managers & Consultants	8	4	10	4	8	0	3
Silvicultural Contractors	15	11	6	1	1	0	0
Harvesting Contractors	4	4	9	4	1	0	1
Timber Haulage Contractors	0	1	2	2	4	1	0
Charcoal & Coppice Workers	4	0	0	0	1	0	0
Equipment Suppliers	0	0	0	0	0	2	0
Trainers	9	3	0	0	0	0	0
Timber Merchants	0	0	2	2	4	2	1
Mobile Sawmillers	6	6	2	4	1	1	0
Static Sawmillers	1	0	0	3	9	7	3
Other	1	0	0	0	1	0	0
<b>Types of Business (N = 194)</b>							
Sole Trader	43	23	18	7	5	2	0
Partnership	2	4	9	10	11	1	0
Private Limited Company	2	2	7	4	21	10	6
PLC	0	0	0	0	1	0	2
Other	2	0	0	1	0	1	0
<b>All Forest Industry Businesses (N = 196)</b>	<b>49</b>	<b>30</b>	<b>34</b>	<b>22</b>	<b>39</b>	<b>14</b>	<b>8</b>
<b>% of Responses</b>	<b>25.0</b>	<b>15.3</b>	<b>17.4</b>	<b>11.2</b>	<b>19.9</b>	<b>7.1</b>	<b>4.1</b>

Source : FIB Survey, Question 14.

3.13. The domination of the forest industry in Britain by the relatively small core of major companies can be seen clearly in table 3.4 below, which has aggregated the annual value of reported turnover for the 195 FIBs providing turnover information. The recent combined annual value of business turnover of these 195 FIBs is just under £427 million – a significant industrial and rural sector. When allowance is made for the FIBs that have not been included in the survey, it is probable that the forest industry's turnover exceeds half a billion pounds. It is an important industry, and the scale of its contribution argues for improved monitoring and enhanced statistics being pursued by government and the Forest Industry associations.

**Table 3.4 : Total Value of Turnover of FIB Survey Companies by Turnover Size Groups : £K**

Turnover	Number of FIBs	Turnover £K	% of Survey
Less than £10K	5	24.5	-
£10K - £49K	42	1,090.8	0.25
£50K - £99K	30	1,990.5	0.47
£100K - £249K	34	4,852.0	1.14
£250K - £499K	24	8,274.9	1.94
£500K - £999K	18	11,016.6	2.58
£1 Million - £9.9 Million	34	95,437.6	22.35
£10 Million +	8	304,300.0	71.27
<b>FIBs in Survey</b>	<b>195</b>	<b>426,986.9</b>	<b>100.00</b>

Source : FIB Survey. N = 195

3.14. There are a number of points in relation to the industry's structure as presented in table 3.4, both in relation to the survey and future business development and policy support to FIBs.

- ☐ In section 2 (and in Annex 2) the impact of the non-response of FIBs to the survey has been addressed, and the lower levels of response by smaller-sized FIBs identified. As over 93% of the forest industry's turnover is made by less than 50 enterprises, the absence of the smaller FIB returns has had an insignificant effect on these turnover estimates, especially as the key homegrown majors have responded to the survey.
- ☐ The average size of FIBs in turnover terms is distorted by the larger more formal businesses that provide the basis for table 3.4, which shows the average turnover for the 195 respondents is £2.19 million. However 78.5% of FIBs in the survey had annual turnovers under £1 million, which indicates a SME (and a self-employed) sector.
- ☐ The prospects for the forest industry in Britain and its future evolution will be predominantly determined by the largest 42 FIBs both through their direct market presence and through their purchase of services and subcontracting with the SMEs that make up the bulk of the FIBs. These larger dominant FIBs are however in turn dominated by the larger global forest industry business, and by trends in the principal traded forest products.

3.15. In policy terms, the very skewed distribution of FIBs in turnover terms effectively results in a number of relatively separate groups of FIBs each with its own immediate and long-term policy priorities. This will continue to be a challenge for FIDC, the Forestry Commission, and the appropriate business development agencies.

3.16. The relationship between employment size and turnover shown in table 3.3 is as expected, and the interesting relationship between recent changes in employment and turnover is further explored in section 4 of the report. At a sectoral level, the turnover distribution pattern confirms the earlier picture of arboricultural, silvicultural and harvesting contractors being relatively small, sole trader ventures with most having sales below £250K per annum; with the sole trader training businesses having annual turnovers below £100K. Timber haulage contractors, timber merchants and static sawmillers are industry sectors with (as expected) larger turnovers reflecting both the capital investment involved and the value of sales : these higher levels should not, however, be taken to imply higher levels of profitability.

### ***CAPITAL INVESTED IN FOREST INDUSTRY BUSINESSES***

3.17. Establishing the value of an individual private sector business is a difficult area for both business research and for practical valuation purposes associated with such as the sale of a business or its valuation for insurance or taxation. The Forest Industry Associations requested that a brief exploration of this issue be undertaken by the research team; and a simple question was therefore included in the questionnaire on the value of the capital invested in each FIB. In addition, the FIB owners were asked about (Q19) the sources of capital for each of the businesses : this latter issue has proved difficult to interpret within the scope of the present report, and a separate research note on this will be produced later.

3.18. The research team reviewed the responses on capital employed, and on the basis of this established the 15 capital employed categories shown in table 3.4 which range from FIBs with less than £10K capital to one company with an employed capital exceeding £28 million. The main points that emerged from the responses are that:

- ❑ Just over 40% of FIBs have less than £30K invested in their businesses, with 56% having less than £75K of capital in early 2000. What is not known is the composition of these assets in terms of capital equipment, stock, cash or issued share capital; or how much of this is covered by mortgages on personal assets.
- ❑ Just under 15% of the FIBs in the survey have business capital in excess of £500K per business; and this is a further indication of the ways in which these larger businesses dominate the forest industry in Britain.
- ❑ The forest industry segment holdings of business capital shown in table 3.4 again reflect the expected patterns of business structure and activity. Sole traders; low levels of employment and turnover; and silvicultural and training businesses are all able to operate without significant capital investment.

The survey data is capable of revealing further insights into the capital structure of FIBs in Britain; and it is hoped that further analysis will be undertaken in future.

## FIB EMPLOYMENT & EMPLOYEE QUALIFICATIONS

3.19. The forest industry in Britain is predominantly one of small private businesses, with the self-employed FIB owners (the sole employee) being an important employment feature of the industry. The employment structure of FIBs, in terms of employees in the business, is one of the five analytical categories used in this report; and this aspect of the industry is especially important in relation to rural development policy and employment potential within the forest industries. The survey responses contain a wealth of information about the nature and structure of employment within FIBs; and the more important of the employment summaries and tabulations are presented below in terms of the employment size distribution of FIBs (revising the data profiled in section 2); the full and part-time employment and male and female employment within the responding FIBs; and the important issue of the professional and technical qualifications held by the workers within Britain's forest industry businesses as revealed by the survey. In section 4 of the report recent and forecast changes in employment within FIBs is also addressed. However, there is first an important definitional issue in relation to FIB employees and employment.

### DEFINING FIB EMPLOYMENT

3.20. It is important to distinguish between the *workers* in a FIB and the *employees* of an FIB in reviewing the results of the survey, especially in relation to the self-employed normally sole-traders who represent nearly half of the private sector businesses returning the questionnaire. The research team has defined *workers* in an FIB as including the working owner or proprietor of the business, whereas *employees* are the other people employed by the business owner (which may include other members of his family). In the tables in this report, the employment categories shown include working owners within the employment totals: the 1-9 employee size group thus encompasses a significant number of self-employment businesses where the owner is the sole worker.

3.21. This distinction is important, and must be taken into account in framing future surveys and analyses of the forest industry in Britain. Defining employment, legal status and business type categories in such a way as to avoid ambiguity in response will be an important priority, especially in the context of "*the lump*" that is typical of sub-contract based industrial sectors.

### THE EMPLOYMENT SIZE OF FIBS

3.22. The summary employment size distribution of the FIBs responding to the survey questionnaire has already been presented and discussed in section 2 of this report, when the employment and turnover distributions of the FIB survey responses were compared with similar distributions of the IDBR business database held by ONS. The employment size group distributions of the two datasets shown in tables 2.1 and 2.2 earlier in the report are broadly similar, but do suggest an under-response by FIBs with less than 20 workers for reasons that are explained. In this section, we present tabulations of employment and employment size groups in terms of other essential features of the forest industry in Britain.

3.23. **The Regional Distribution** of FIBs in the survey is shown in table 3.5 below, as an appropriate entry point to the review of employment size. The main points to note in relation to this are that:

- ❑ Just under 80% of FIBs in the survey have less than 10 workers (both full and part-time), with nearly 46% of FIBs being in effect single worker, self-employed businesses. A small number of these appear from the survey returns to be inter-mittent in terms of their activities, with their "owners" earning their main income from outwith the forest industry.

- ☐ Only 4.3% of the FIBs in the survey sample have more than 50 employees, and less than 2% have in excess of 100 employees. This reflects the skewed business turnover of FIB revealed in table 3.4 above.
- ☐ There are no FIBs in the survey employing over 250 workers, and to the research team's knowledge, no home-grown timber business with employment in excess of 250. This means that in an *employment* sense, all the FIBs in the survey are SMEs in the context of the EC definition set out in section 1 of the report.

**Table 3.5 : Number of FIBs by Employment Size Group in Each of the Regions**

Region	0-1	2-5	6-9	10-24	25-49	50-99	100-249+	Total
England	50	24	12	17	4	3	1	111
Scotland	34	17	2	7	3	2	3	68
Wales	10	6	5	4	0	0	0	25
<b>Total</b>	<b>94</b>	<b>47</b>	<b>19</b>	<b>28</b>	<b>7</b>	<b>5</b>	<b>4</b>	<b>204</b>
Distribution by Size	45.8	22.9	9.3	13.6	3.4	2.4	1.9	100.0

Source : FIB Survey. N = 204 FIBs

3.24. The relative importance of larger companies in Scotland compared to England and Wales reflects the Scottish HQ of many of the major companies and subsidiaries in the industry; which in turn reflects a combination of corporate history and the increasing importance of Scotland's volume supplies of conifers.

3.25. **The Forest Industry Segment** distribution of FIB employment groups is shown in table 3.6 below; and this confirms the existing perception of the relative employment sizes of businesses in each of the main segments of the home-grown forest industries. The main features that stand out from the survey in relation to the 13 industry segments are that :

- ☐ The traditionally self-employment sectors of silvicultural and harvesting contracting; of charcoal and coppice working; are shown clearly in table 3.6. The major point of interest here is the existence of 15 *Static* Sawmillers as single employee businesses, which (as noted in section 2) probably reflects both mobile mills operating as static units and the small single person mills using second-hand equipment.
- ☐ The sectors with relatively larger businesses and employment size groups, which could in this industry be defined as having more than 10 employees, are the forest nurseries; the management and consulting practices; and (on the survey evidence) those providing training.

However, the employment size structure of the industry's segments is both difficult to summarise or analyse further given the relatively small response; and is perhaps (see table 3.4) not as important as that for the industry's turnover.

**Table 3.6 : Number of FIBs by Employment Size Group and Forest Industry Sector**

Sector Type	0-1	2-5	6-9	10-24	25-49	50-99	100-249+	Total
Forest Nurseries	6	4	0	1	2	1	2	16
Arboricultural Businesses	1	1	0	0	0	0	0	2
Forest Managers & Consultants	16	6	2	10	2	0	0	36
Silvicultural Contractors	18	9	7	2	0	2	0	38
Harvesting Contractors	12	9	1	2	2	0	0	26
Timber Haulage Contractors	7	2	1	2	1	0	0	13
Charcoal & Coppice Workers	3	0	2	0	0	0	0	5
Equipment Suppliers	0	1	0	0	0	0	0	1
Trainers	4	2	2	3	0	0	1	12
Timber Merchants	4	2	1	2	0	0	0	9
Mobile Sawmillers	7	6	2	4	0	1	0	20
Static Sawmillers	15	4	1	2	0	1	1	24
Other	1	1	0	0	0	0	0	2
<b>Total FIBs</b>	<b>94</b>	<b>47</b>	<b>19</b>	<b>28</b>	<b>7</b>	<b>5</b>	<b>4</b>	<b>204</b>

Source : FIB Survey. N = 204 FIBs

3.26. **The Employment Size and Legal Status** relationship of the FIBs in the survey is shown in table 3.7 below, which again confirms the general perceptions of industrial structure that exists within the industry. There are, however two interesting points that emerge from the cross-tabulation contained within table 3.7.

- ☐ The existence of 25 private and 2 public limited companies employing less than two people is unusual : registering a private company for a sole trader has clear business and financial benefits; but a 1 or 2 person PLC is normally only found in the financial and property sectors.
- ☐ A sole trader business employing in excess of 50 workers is also somewhat different from most industrial sectors, where incorporation into a private limited company would normally have proceeded (or rapidly followed) growth to this size.

These issues will be further investigated by the research team at a later date.

**Table 3.7 : Number of FIBs by Legal Status and Employment Size Group**

Legal Status	0-1	2-5	6-9	10-24	25-49	50-99	100-249+	Total
Sole Trader	49	20	11	16	4	2	0	102
Partnership	17	14	6	7	2	1	0	47
Private Limited Co	25	11	1	6	1	2	3	49
PLC	2	1	0	0	0	0	0	3
Other - Charity	1	1	1	0	0	0	1	4
<b>Total</b>	<b>94</b>	<b>47</b>	<b>19</b>	<b>29</b>	<b>7</b>	<b>5</b>	<b>4</b>	<b>205</b>

Source : FIB Survey. N= 205 FIBs

### **THE GENDER AND EMPLOYMENT STATUS OF FIB WORKERS**

3.27. The FIB survey questionnaire sought information on the gender of owners and workers in the forest industry; and also an improved understanding of the relative importance and roles of full time and part-time employment in the industry. Whilst there are no definitional difficulties with the gender of those working in the industry, the concept of full and part-time employment does present a challenge. In designing the questionnaire it was decided not to offer (or request) definitions of "full-time" or "part-time" employment, and to accept that both of these concepts will be a classic fuzzy data concept. This is especially so in relation to "part-time" employees which will probably encompass family members contributing as required; workers holding other parallel part-time jobs; and "temporary" workers taken on when required by either seasonal or contract factors. This should be borne in mind in reviewing the survey results in gender and employment status presented below.

3.28. The forest industry has always been perceived as predominantly a male dominated sector, reflecting the manual nature of most of the activities within an industry that has a relatively small "office's" presence. Further, because the majority of FIBs are small, family-owned operating businesses, it would be expected that what female employment there is in the industry is part-time. The employment structure of the FIBs participating in the survey is shown on table 3.8 below; and this tends to confirm the established gender perception. The key features of FIBs in the survey are that :

- ☐ Just under 84% of the 2,950 FIB workers encompassed by the survey are male : a level significantly different from Britain's overall employment structure. Only just over 16% of jobs in the FIBs are held by women.
- ☐ Nearly 95% of the male jobs are full-time positions (as defined by respondents) with only 125 men working part-time in the industry. Nearly a third (27%) of the jobs held by women in the industry are part-time, and women thus account for just over half of the FIBs part-time labour force.

The pattern of employment within the thirteen forest industry segments covered by the survey have been analysed in terms of gender and full/part-time status; but no major features emerge requiring separate comment. These tabulations are available from the research team for those interested.



Table 3.8 : Distribution of Full Time/Part Time Employees in FIBs

Employment Status	Male		Female		Total	
	#	%	#	%	#	%
Full-Time Employees	2352	94.9	344	72.7	2696	91.4
Part-Time Employees	125	5.1	129	27.3	254	8.6
<b>Total Employees</b>	<b>2477</b>	<b>100.0</b>	<b>473</b>	<b>100.0</b>	<b>2950</b>	<b>100.0</b>
Distribution %	83.9		16.1		100.0	

Source : FIB Survey. N = 205 2950 Total Employees

### THE QUALIFICATIONS HELD BY FIB EMPLOYEES

3.29. The survey asked FIBs for information about the number of their employees who currently held professional and/or technical qualifications as a means of improving the understanding of the industry's present skills base and the potential for enhancing this as a means of improving competitiveness and profitability. The survey deliberately did not ask for detailed responses on this issue in terms of numbers holding specific qualifications as (a) this would have inflated an already weighty questionnaire; and (b) this issue of skills and qualifications is sufficiently important to require separate enquiry. This should be borne in mind in reviewing the survey results below.

3.30. In table 3.9 below the number of employees in the FIB survey holding technical and/or professional qualifications is shown in relation to male and female full-time and part-time workers. These should be seen in the context of the gender structure of the industry presented in table 3.8 above. In interpreting the results it should be noted that the responses included a small number of employees holding both professional and technical qualifications, and that there is consequently a very small overlap between the two categories.

Table 3.9 : Number &amp; Proportion of FIB Employees Holding Technical or Professional Qualifications

Qualification	Male		Female		Total	
	F/T	P/T	F/T	P/T	F/T	P/T
With Technical Qualifications	496	56	32	16	528	72
With Professional Qualifications	409	23	34	14	443	37
With Neither	1447	46	278	99	1725	145
<b>Total Employees</b>	<b>2352</b>	<b>125</b>	<b>344</b>	<b>129</b>	<b>2696</b>	<b>254</b>
% With Qualifications						
With Technical Qualifications	21.1	44.8	9.4	12.4	19.6	28.3
With Professional Qualifications	17.4	18.4	9.8	10.9	16.5	14.6
With Neither	61.5	36.8	80.8	76.7	63.9	57.1
<b>Total Employees</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source : FIB Survey. N = 205 FIBs 2950 Total Employees

3.31. The current possession of technical and professional qualifications within the FIBs in the 2000 survey has some features worthy of comment. These are that :

- ☐ Less than 40% of the full-time FIB employees held technical and/or professional qualifications; while just under 43% of part-time employees held such qualifications. The majority of FIB employees have no technical or professional qualifications; and this presents a major training requirement for the industry in the future.
- ☐ It is interesting to see that nearly 45% of the male part-time workers hold a technical qualification (twice the level of male full-time workers); and that part-time male employees are as well qualified in professional terms as their full-time colleagues.
- ☐ As expected, male employees (both full and part-time) have relatively higher percentages holding technical and professional qualifications than female workers, perhaps again reflecting the contribution of family member and casual work to the FIBs.

3.32. These broad survey findings on qualifications (and thus of past investment in skills enhancement) suggest that there

is a major requirement for training provision and support in the forest industry in Britain; and that there is an urgency to resolve the present uncertainty in the training provision framework,

3.33. The other aspect of FIB qualifications that is worth reporting is that of the possession of qualifications by the different FIB employment size groups. This is shown in table 3.10 below, with the results being shown in terms of the percentage of FTE workers holding technical, professional or no qualifications. The results are interesting, and three points are especially worth noting :

- ❑ The *proportion* of employees holding technical and professional qualifications declines with the increasing employment size of FIBs, which is understandable given the probability of a higher level of unskilled and semi-skilled occupations and tasks in larger companies.
- ❑ The highest relative possession of technical and professional skills occurs within FIBs employing less than 10, probably reflecting the creation of businesses by people already holding technical and/or professional qualifications where the founders represent a significant proportion of the total work force.
- ❑ The major training within the forest industry in Britain, if the survey responses are generally representative, is within the larger FIBs. The position shown in table 3.10 suggests that nearly 1,800 workers in this sample of 216 FIBs currently have no qualifications : this represents a major investment and training challenge for the industry.

The survey will also enable further analysis into the relationship between qualifications in FIBs and their performance and profitability, but these are complex areas that require careful analyses outwith the scope of this assignment.

**Table 3.10 : Number and Proportion of Qualified FTE Male and Female Employees by Size of FIB**

Size of FIB by # Employees	Technical		Professional		Neither		Total	
	#	%	#	%	#	%	#	%
0-1	35.5	34.6	37	36.1	30	29.3	102.5	100.0
2-5	67	37.2	71.5	39.6	42	23.2	180.5	100.0
6-9	54.5	33.8	71.5	44.5	35	21.7	161	100.0
10-24	131	28.6	134	29.3	192.5	42.1	457.5	100.0
25-49	28	10.7	34.5	13.2	198	76.1	260.5	100.0
50-99	81	22.9	37	10.5	235	66.6	353	100.0
100-249	167	12.8	76	5.8	1065	81.4	1308	100.0
<b>Total</b>	<b>564</b>	<b>19.9</b>	<b>461.5</b>	<b>16.4</b>	<b>1797.5</b>	<b>63.7</b>	<b>2823</b>	<b>100.0</b>

Source : FIB Survey. N = 205 FIBs. The total of 2823 FTEs is based on summing reported FT Employees plus PT Employees with 2 Part Time Employees = 1 FTE

### THE TYPES OF TIMBER USED BY FIBS

3.34. The main features of the specie pattern of home-grown timber specialisation by British FIBs shown in table 3.11 should be seen in the context of the domination of the survey and the forest industry in Britain by the larger companies; and thus the timber use patterns shown are perhaps a good reflection of the position for the forest industry sector as a whole. The main features of interest are that :

- ❑ The overall proportion of FIBs in the survey using conifers, broadleaves, and a mix of conifers and broadleaves is broadly equal, with an understandable focus on conifers or mixed species.
- ❑ The larger FIBs in both employment and turnover terms have their primary focus of activity on softwood reflecting the growing domination of volume conifer supplies within Britain, especially in Scotland and Wales.
- ❑ English-based FIBs have a much higher proportion of businesses focussed on broadleaves (39%) or on broadleaved-conifer mix (36%) which is a measure of the much greater importance of broadleaved timber in English forests and woodlands. Welsh FIBs conversely (on the basis of a very small sample) are predominantly conifer driven.
- ❑ As expected forest nurseries, forest managers and consultants, silvicultural contractors and trainers serve both conifer and broadleaved timber markets; whereas the timber harvesting contractors and static sawmills responding to the survey are predominantly servicing conifer forests and their volume softwood products.

Table 3.11 : The Numbers of FIBs Focusing on Different Types of Trees or Timber

Business Type	Mostly Conifers	Mostly Broadleaves	Both Conifers & Broadleaves	All FIBs
<b><i>Employment Size Per Business (N = 213)</i></b>				
1-9 Employees	56	50	62	168
10-24	10	6	11	27
25-49	3	2	3	8
50-99	6	0	0	6
100-249	3	0	1	4
<b><i>Business Turnover : EK Per Annum (N = 194)</i></b>				
Less Than 50	4	26	19	49
50-99	11	10	9	30
100-249	16	6	12	34
250-499	11	4	7	22
500-2M	18	7	13	38
2M-9.9M	9	3	1	13
10M+	6	0	2	8
<b><i>Location of Business (N = 212)</i></b>				
England	29	46	42	117
Scotland	33	5	30	68
Wales	15	7	5	27
<b><i>Forest Industry Sector (N = 213)</i></b>				
Forest Nurseries	2	3	12	17
Arboricultural Businesses	0	1	1	2
Forest Managers & Consultants	5	13	22	40
Silvicultural Contractors	5	16	17	38
Harvesting Contractors	21	1	4	26
Timber Haulage Contractors	7	0	3	10
Charcoal & Coppice Workers	1	4	1	6
Equipment Suppliers	1	0	0	1
Trainers	1	4	9	14
Timber Merchants	8	1	2	11
Mobile Sawmillers	8	8	5	21
Static Sawmillers	19	6	0	25
Other	0	1	1	2
<b><i>Types of Business (N = 211)</i></b>				
Sole Trader	31	35	39	105
Partnership	19	8	16	43
Private Limited Company	22	12	21	55
PLC	2	0	1	3
Other	2	3	0	5
Not Answered	2	0	0	0
<b>All Forest Industry Businesses (N = 213)</b>	<b>78</b>	<b>58</b>	<b>77</b>	<b>213</b>
<b>Type of Timber Used : %</b>	<b>36.1</b>	<b>26.9</b>	<b>35.6</b>	<b>100.0</b>

Source : FIB Survey, Question 7.

Table 3.12 : The Membership of Forest Industry And Other Organisations by FIBs, 2000

Business Type (N = 216)	ICF	APF	FCA	UKFPA	Arb A	NSWA	FIDC	HTA	Other <sup>(1)</sup>
<b>Employment Size Per Business<sup>(1)</sup></b>									
1-9 Employees	23	60	86	11	15	8	0	3	35
10-24	4	11	9	5	2	0	0	0	8
25-49	2	3	2	3	1	1	0	1	1
50-99	0	0	2	4	0	0	1	0	3
100-249	2	1	1	2	2	0	0	0	1
<b>Business Turnover : £K Per Annum</b>									
Less Than 50	4	17	29	0	6	7	0	0	10
50-99	5	14	15	1	2	0	0	0	8
100-249	6	10	19	0	3	0	0	1	7
250-499	5	7	9	3	1	0	0	1	6
500-2M	6	14	13	5	4	1	0	2	10
2M-9.9M	0	4	3	8	1	0	0	0	3
10M+	2	1	2	6	2	0	1	0	2
Unknown	3	8	10	2	1	1	0	0	2
<b>Location of Business</b>									
England	16	53	43	12	11	5	0	4	22
Scotland	11	16	46	11	9	1	1	2	21
Wales	4	6	11	2	0	3	0	2	5
<b>Forest Industry Sector</b>									
Forest Nurseries	2	10	4	0	3	1	0	4	7
Arboricultural Businesses	0	1	1	0	0	1	0	0	0
Forest Managers & Consultants	21	23	15	3	8	0	1	0	17
Silvicultural Contractors	2	17	23	1	2	2	0	0	7
Harvesting Contractors	0	5	21	1	0	0	0	0	0
Timber Haulage Contractors	0	1	7	0	0	0	0	0	4
Charcoal & Coppice Workers	0	0	3	0	0	3	0	0	1
Equipment Suppliers	0	2	0	0	0	0	0	0	0
Trainers	2	5	12	0	5	1	0	0	1
Timber Merchants	2	5	3	4	0	0	0	0	1
Mobile Sawmillers	1	5	10	0	1	1	0	0	7
Static Sawmillers	0	1	0	16	0	0	0	0	3
Other	1	0	1	0	1	0	0	0	0
<b>Types of Business</b>									
Sole Trader	12	45	58	3	13	7	0	0	25
Partnership	6	12	22	3	1	0	0	1	4
Private Limited Company	10	14	15	17	5	0	1	3	18
PLC	2	1	0	1	1	1	0	0	0
Other	1	2	4	1	0	1	0	0	1
Not Answered	0	1	1	0	0	0	0	0	0
<b>All Forest Industry Businesses</b>	<b>31</b>	<b>75</b>	<b>100</b>	<b>25</b>	<b>20</b>	<b>9</b>	<b>1</b>	<b>4</b>	<b>48</b>
<b>% of Responses<sup>(2)</sup></b>	<b>9.9</b>	<b>24.0</b>	<b>31.9</b>	<b>8.0</b>	<b>6.4</b>	<b>2.9</b>	<b>0.3</b>	<b>1.2</b>	<b>15.4</b>

Source : FIB Survey, Question 9. Note : (1) Other relevant organisations include Association of Pole Lathe Turners; Association of Scottish Hardwood Mills; BALI; CFA; CLA; Fastco; FTA; Greenwood Trust; Game Conservancy Trust; IFCA; ISA; IOH; NPTC; RFS; RHA; SSTs; TGA; TRADA; Welsh Timber Forum; Woodland Heritage. (2) The percentage figures at the foot of the table relate to the percentage distribution of the 313 organisational memberships identified by the 216 FIBs, implying that the average FIB belongs to more than one industry or professional organisation.

3.35. The pattern of tree specie and timber market focus of the FIBs in the survey has confirmed the results of earlier research on timber use within the forest industry in Britain. The patterns of specialisation revealed by the present survey suggest that the national and regional focus of business development support to the different components of the industry should reflect the product and market focus of FIBs in each area.

### THE PARTICIPATION OF FIBS IN FOREST INDUSTRY ASSOCIATIONS

3.36. The final aspect of FIBs addressed in this section of the survey report is the current participation of businesses in the principal forest industry associations and in other relevant rural and land-based representative organisations. The survey questionnaire sought information of such memberships by FIBs, and the results of their responses are summarised in table 3.13 below and tabulated in full in table 3.12 opposite.

**Table 3.13 : Number of FIB Memberships of Forest Industry Associations By Nation : 2000**

Forestry Association	England	Scotland	Wales	GB	%
Forestry Contracting Association	43	46	11	100	31.9
Association of Professional Foresters	53	16	6	75	24.0
Institute of Chartered Foresters	16	11	4	31	9.9
UK Forest Products Association	12	11	2	25	8.0
Arboricultural Association	11	9	0	20	6.4
National Small Woods Association	5	1	3	9	2.9
Horticultural Trades Association	2	2	0	4	1.2
Other Associations & Institutions	22	22	5	49	15.7
All FIB Memberships	164	118	31	313	100.0

Source : FIB Survey.

3.37. The survey questionnaire did not ask for the responding owners and managers to distinguish their Forest Industry Association (FIA) memberships between *corporate* memberships (i.e. UKFPA, HTA, FCA); those which are *personal* (i.e. ICF, APF); and those such as NSWA and TGA which encompass both corporate and personal membership groups. The main points emerging from this aspect of the survey summarised in table 3.11 above are that :

- ☐ The 216 owners and managers of FIBs responding to the survey identified 313 corporate and personal memberships of 28 industrial and professional associations : these are identified in table 3.12.
- ☐ The FIBs in the survey averaged just over 1.5 FIA memberships each : 1.7 for Scottish based FIBs, 1.4 in England, and 1.3 in Wales. The higher Scottish level probably reflects the Scottish HQ location of the larger FIBs which tend to be members of most FIAs.
- ☐ The most frequently mentioned FIB membership is FCA (31.9% of the total 325 FIA memberships), with APF (24.0%) being the other important FIA. ICF, UKFPA and the Arboricultural Association were also identified by survey respondents.
- ☐ The number of FIA membership per FIB also varies between forest industry segments. Trainers (3.25 membership per FIB), forest managers (2.37) and forest nurseries (1.93) are all above the industry average; whereas arboricultural business (0.33), static Sawmillers (0.80) and timber haulage contractors (0.85) are less likely to belong to appropriate FIAs.

The full set of 313 FIA memberships currently held by the 216 survey respondents is shown in table 3.12 at the end of the section.

3.38. In addition to the FIA membership held by the FIBs responding to the survey, there were 49 other professional and technical membership organisations mentioned that encompassed not just forest and land-based bodies such as CLA, TGA, RFS, Welsh Timber Forum and the Association of Pole Lathe turners, but also game, conservation and other organisations. These are listed at the foot of table 3.11.

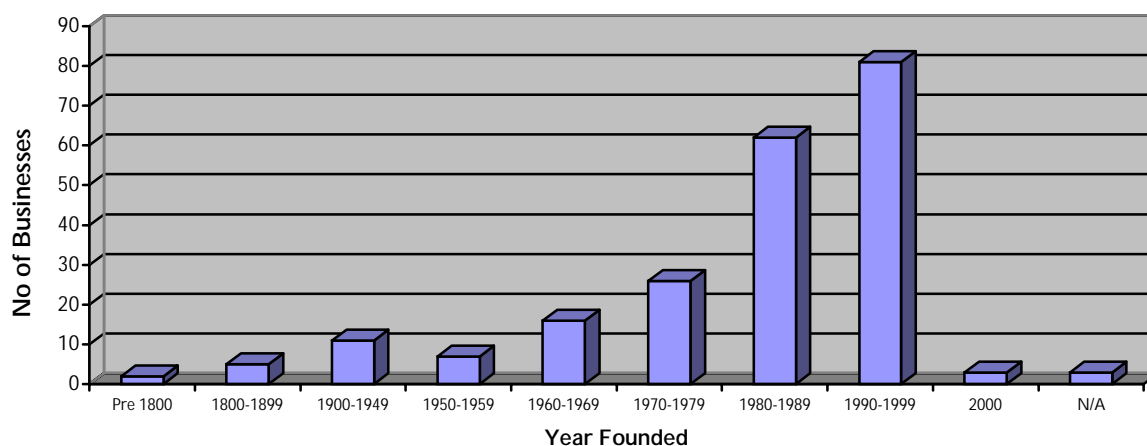
### THE AGE OF FOREST INDUSTRY BUSINESSES

3.39. A key indicator of the economic and business vitality of most industrial sectors is the relative level of business churn in terms of the continued creation and growth of new business ventures entering the industry in parallel with the decline and exit of existing businesses from the sector. A continuing flow of new corporate entrants is seen as desirable as they introduce new types of entrepreneurship, products, services and technology that combine to maintain the competitiveness of the overall industry. Because of the absence of fully defined forest industry enterprise based databases it is currently not

possible to measure forest industry vitality in Britain via churn : this issue is returned to in section 8 of the report.

3.40. It is, however, possible to begin to assess vitality through the business creation rate of FIBs; and the team thus sought the date of establishment for the businesses in the survey. The resulting FIB start-up years show an interesting situation in the industry, and this is summarised in graph 3.1 below.

**Graph 3.1 : Establishment Year of British FIBs**



3.41. The FIB age structure plan shown in graph 3.1 is broadly typical of an industrial sector with a significant proportion of its businesses within the SME and micro-business categories. Most small businesses have a relatively short life; entry and exit rates are continually high; and only a small proportion survive to grow into major national or international ventures. The points to note in relation to the FIBs in the survey are that :

- ☐ Over half of the FIBs in the survey have been established within the last 20 years, with over a third established since 1990. This matches both the growth of the volume supplies of conifers from Britain's forests and the evolving policy interest in broadleaves and conservation, suggesting market entrants seeing personal business opportunities from both these major trends.
- ☐ The larger FIBs in the survey are longer established, with two having their origins in the late 18<sup>th</sup> century, and a number dating back to before World War 2. This older established group includes both limited companies and a few small multi-generational family businesses.

3.42. A priority for government and the FIAs will be to combine their information resources to better identify the level of entry and exit from the forest industry in Britain, and to therefore improve the present understanding of industry vitality and viability. The relatively low capital, technical and statutory barriers-to-entry into the forest industry will probably continue to be reflected in the new start rates shown in graph 3.1, which in turn will maintain the competitive pressures and low margins in many segments of the industry. This may well be exacerbated by the perceived over-supply of young people with forestry qualifications from Britain's universities and Further Education Colleges.

## 4. PAST AND FORECAST CHANGES IN BUSINESS PERFORMANCE

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4.1. During the past quarter century a number of survey initiatives have been introduced, predominantly by business and industry associations in the private sector, to monitor the profitability, prospects, costs, purchasing or investment experience of individual businesses. Major established business surveys are undertaken by the Confederation of British Industry (CBI), the Institute of Directors (IOD), the Chambers of Commerce, and the various small business organisations. These all provide an insight into the business performance of the national and regional economies which is recognised by government in framing and delivering policy. To date, none of these on-going business surveys have provided separate tabulations and analyses for the forest industry, principally because this is a comparatively small and unrecognised sector with its constituent business dispersed within a wide range of other sectors.

4.2. The prospective increase in timber availability from Britain's forest and woodlands is assumed by government to have the capability of generating significant enterprise and employment opportunities in rural areas; and of contributing to the policy objectives for a sustainable economy and environment. At present little is known about the small business base lying behind these strategic industry expectations; and the basic business health and viability of FIBs is even less understood. A central objective for the present study has thus been to research and assess the present viability of private businesses in the forest industry, and to secure the views of owners of FIBs on their business prospects over the near, medium and longer-term.

4.3. This section of the report begins by briefly explaining the measures of business performance and change used in the survey of FIBs in Britain; and then presents the survey results on business viability, change and prospects for the forest industry. The section closes with a tabular presentation of the survey results for these business performance issues; together with the team's conclusions on continuing the survey in the future.

### MEASURING BUSINESS HEALTH & VIABILITY

4.4. It is an accepted fact of business and economic research that it is difficult to measure and evaluate the long-term viability of private businesses on the basis of one-off cross-sectional surveys. It is also accepted that assessing financial viability is only possible through access to the detail in the accounts of individual businesses, and (with the exception of Limited Companies and PLCs) these are normally unobtainable and/or unavailable in aggregated form under current UK corporate legislation. Of more relevance in the case of FIB, especially given their organisational and legal status as set out in section 3, is the fact that the financial information maintained by sole traders, self-employed and micro-businesses can be rudimentary particularly where the owners are working in the industry from home.

4.5. The research team therefore suggested in its proposal to the Commission that the most effective way to assess recent and prospective business performance in the industry is through asking the individual FIB owners to assess the *comparative changes* in their business situation that they have experienced. Business owners are fully capable of doing this without recourse to their accounts, and indeed the self-employed and micro-business are, in our experience, often better able to assess such change than larger companies. The Steering Group also wished to have the industry's view on the possible future business prospects for the near, medium and longer-term, and on potential changes in the number of businesses entering or leaving the forest industry sector, known as the "*churn*" factor.

4.6. The initial research sought to identify other broadly comparable surveys of private businesses or SMEs that had been recently undertaken or were underway in Great Britain that could form a comparison benchmark for the FIBs. None of the regular business surveys available appeared suitable as comparators for the forest industry. Some, such as the CBI Business Trends survey represent the experience or perceptions of larger commercial and industrial companies; others, such as the Chartered Institute of Purchasing and Supply, required their participants to supply relatively precise details on business performance that are not readily producible by most FIBs; and other surveys focus on issues that are not of relevance to an industry sector that operates within a longer-term natural resource market place.

4.7. What is important for the forest industry, especially given its long-term timber supply environment, is the perceptions of its constituent FIBs on real changes in their business prospects that they have experienced in the recent past or that they anticipate may happen in the foreseeable future. It is this type of industry change that the present FIB survey has sought to establish, and to form into a benchmark for continued monitoring in the future.

4.8. The survey questionnaire was therefore designed to gain the views of FIBs in all segments of the industry on past and future business performance as a means of assessing the relative business health and industry viability. This was addressed through the following survey questions covering past business performance:

☐ How has your turnover changed over the past three years? (Q15)

- ☐ How has your profitability changed over the past three years? (Q17)
- ☐ How has the number of employees changed over the last three years? (Q22)
- ☐ Has your business become more diversified over the past three years? (Q27)

In each of the questions, FIBs were asked to judge whether each of these aspects of their business had “gone up”, “gone down” or “stayed the same”. There do not appear to have been any difficulty for owners and managers to respond. The full tabulations of the FIB responses to these questions are provided in tables 4.6 and 4.7 at the end of this section of the report, with the main findings being summarised in the text below.

4.9. The perceptions of FIBs about their future business prospects presented an interesting challenge to the research team as in our experience many small businesses do not regularly consider their longer-term business prospects, and have a 6-9 month operational horizon. It was agreed to ask FIB owners to give their views on future business prospects in relation to near-term (1 year), a medium-term (3 years) and a strategic (5 years) business horizons, which might capture longer-term shifts in perceptions over the three periods. These future views were addressed through the following survey questions:

- ☐ Do you expect your business to be still operating in 1/3/5 years time? (Q29)
- ☐ Do you expect the profitability of your business in the next 3 years to change? (Q33)

In addition, FIBs were invited (Q34) to identify from a presented list, 5 factors which they considered would have the biggest direct influence on improving the profitability of their businesses during the period to the end of 2002 (broadly a three year horizon given the Spring 2000 survey date); and also the five changes that they would like to see occur over the same period. The main findings that emerged are summarised below, with the full tabulations of Q29 and Q33 being presented at the end of this section of the report.

### THE RECENT BUSINESS PERFORMANCE OF FIBS

4.10. The responses of FIBs on their recent business experiences over the previous three years presents an interesting insight into an industry which has experienced an overall weakening of their market prospects. In reviewing the FIB responses highlighted below, it is important to bear this wider economic environment in mind, and the fact that the overall level of responses is relatively low. It is also important to note that the results presented below are only a small sample of the analyses that can be generated from this FIB dataset.

#### CHANGES IN EMPLOYMENT & TURNOVER

4.11. The experience of business development is that employment tends to follow and reflect changes in business turnover and profitability, and that over a short period small businesses do not change the number of their employees except where major growth or decline in business prospects occurs. In the 207 FIBs responding to the recent employment change question, 44% had maintained the number of employees over the period; 30% had increased employment; and the remaining 26% had shed employees. The overall picture is thus relatively positive, with just under 75% of FIBs maintaining or increasing the number of employees despite the increasingly tough market conditions.

**Table 4.1 : Recent Employment and Turnover Changes in Forest Industry Businesses : Percentage Distribution<sup>(1)</sup>**

3 Year Turnover Change	3 Year Employment Change			Turnover Balance <sup>(2)</sup>
	Decrease	Static	Increased	
Increased	3.6	19.5	23.6	+20.0
Static	8.7	12.8	4.6	-4.1
Decreased	13.8	11.3	2.1	-11.7
<b>Employment Balance</b>	<b>-10.2</b>	<b>+8.2</b>	<b>+21.6</b>	<b>-</b>

N = 195. Source : FIB Survey. Note : (1) The nine core figures in tables 4.1-4.4 sum to 100%. (2) Balance = Increased % minus Decreased %.

4.12. In table 4.1 above the broad balance of employment changes reported by the FIBs are shown in relation to reported changes in business turnover over the same period. Nearly 73% of FIBs reported an increase or stability in their recent turnover, with 46.7% managing to grow their turnover despite the increasingly tough industry environment. As expected, employment change reflects changes in business turnover, and nearly 24% of the FIBs increased turnover and employment through the late 1990s, against just under 14% reporting a decline in both employment and turnover. Whilst no direct comparisons exist for other industries, this is a relatively positive picture, although it may well be that the FIBs not responding to the survey have done so because their recent business performance has been less favourable.

4.13. The full survey tabulations in table 4.7 at the end of this section presents employment and turnover performance in terms of the five main FIB categories. It is difficult to identify any clear structural differences in performance within these



categories. The survey suggests that smaller businesses in employment terms may have fared a little better in generating employment though worse in turnover growth; that FIBs in Scotland may have performed a little better in employment but worse in turnover terms than their counterparts in England; and that within the industry sectors harvesting contractors have underperformed in all aspects of business change compared to all FIBs. The numbers are however, small at the category level, and care is required to interpret these.

### CHANGES IN BUSINESS PROFITABILITY

4.14. There are practical difficulties in defining “profitability” in an operational sense for business survey purposes, and business owners are able to define the level of profitability that they wish to report. The survey sought to avoid this by simply asking about recent changes in profitability on the assumption that business owners are fully capable of responding to this. The overall pattern of profitability in relation to turnover is shown in table 4.2 below.

**Table 4.2 : Recent Profitability and Turnover Changes in Forest Industry Businesses : Percentage Distribution**

3 Year Turnover Change	3 Year Profitability Change			Turnover Balance <sup>(1)</sup>
	Decrease	Static	Increased	
Increased	7.0 <sup>(2)</sup>	12.5	28.0	+21.0
Static	11.0	11.0	4.0	-7.0
Decreased	22.0	2.5	2.0	-20.0
Profitability Balance	-15.0	+10.0	+26.0	-

N = 200. Source : FIB Survey. Note : (1) Balance = Increased % minus Decreased %.

4.15. The important finding is that of the 200 FIBs responding to the question on profitability, 60% had either maintained or increased their profitability over the past three years, with just over a third (34%) of FIBs reporting an increase : this again is a relatively positive picture for the small sample of FIBs in the survey. The expected relationship between turnover growth and profitability is also clear in table 4.2, but it is more difficult to identify clear differences in FIB profitability in the five industry categories shown in table 4.7. The relative profitability decline of the harvesting contractors and of forest management and consulting businesses do however stand out. It is also clear in table 4.3 below that the relative profitability of FIBs is reflected in employment change; although the proportionate balances suggest that FIBs were slightly more likely to increase profit levels without taking on additional staff. It is also interesting to note that just over 8% of businesses in the industry increased their profits whilst (though not necessarily because of) shedding some of their workforce.

**Table 4.3 : Recent Employment and Profitability Changes in Forest Industry Businesses : Percentage Distribution**

3 Year Profitability Change	3 Year Employment Change			Profitability Balance <sup>(1)</sup>
	Decrease	Static	Increased	
Increased	4.1	15.3	13.8	+9.7
Static	5.6	12.8	7.6	+2.0
Decreased	17.3	15.3	8.2	-9.1
Employment Balance	-13.2	-	+5.6	-

N = 196. Source : FIB Survey. Note : (1) Balance = Increased % minus Decreased %.

### MARKET DIVERSIFICATION & BUSINESS PERFORMANCE

4.16. The survey asked FIBs whether they had diversified their business activities over the previous three years in the expectation that such diversification would have helped maintain turnover during a period when trading conditions in Britain's forestry industry became increasingly competitive. The response to this question was clear : of the 206 FIBs replying to this aspect of the survey 60% said that they had diversified their business over the previous three years. What isn't known is the nature of this diversification : into totally new products, services and markets; into new geographical areas and/or customer groups with existing products and services; or into a combination of these.

4.17. As can be seen in table 4.7, diversification was pursued by the majority of FIBs in each of the five industry categories in the analysis. It appears that recent diversification has been relatively more important amongst smaller FIBs than larger firms although this probably reflects the already diverse business activities of larger firms. The one clear exception to the pursuit of a diversified business base is with the harvesting contractors where the nature of their activities may make diversification within the industry very difficult although 6 FIBs in this group have achieved a degree of market change.

**Table 4.4 : Recent Business Diversification, Turnover Profitability Changes in Forest Industry Businesses : Percentage Distribution**

	3 Year Business Change
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3 Year Diversification	Turnover			Profitability		
	Decrease	Static	Increase	Decrease	Static	Increase
Yes	12.2	15.7	31.0	21.7	14.2	23.2
No	14.7	10.2	16.2	19.2	10.6	11.1

N = 198 for Turnover; 197 for Profitability. Source : FIB Survey

4.18. The relationship between diversification, and turnover and profitability amongst FIBs over the past three years is shown in table 4.4 above; and the expectation in planning the survey was that diversification would help FIBs in terms of their subsequent turnover and profitability. In both of these areas there is, amongst the 197 FIBs responding to these questions, a clear matching of business change and business performance although it is not possible for the survey data to impute a casual relationship between the two. The picture shown in table 4.4 does however strongly suggest that diversification brings business benefits : 46% of FIBs that diversified maintained or increased turnover, and 37% maintained or increased their profitability. This relationship is interesting, but without knowing the nature and timing of diversification it is not possible to draw further conclusions.

### THE FUTURE BUSINESS PROSPECTS OF FIBS

4.19. The Steering Group requested that the survey should also seek to establish the degree of business confidence about their future within Britain's FIBs. Specifically, it was decided to enquire of FIB owners whether they expected their business still to be operating at the end of next year, in three years time, and at the end of 5 years. In pursuing this, there is a recognition that such future expectations is a very subjective area of business planning, and that the negative responses may well include self-employed forestry workers and FIB small traders who are reaching retirement age and who do not intend to continue in business. The main results of the responses to this survey question are presented in table 4.6 at the end of this section of the report.

#### BUSINESS SURVIVAL IN THE FOREST INDUSTRY

4.20. The responses of FIBs in being asked to consider the prospects of their business mortality are clear and unambiguous : over 70% of FIB owners see themselves still being in business in five years time, with only 4 (probably potential retirees) saying they will not be in business at the end of the period. The degree of uncertainty about business continuation (in terms of "don't know" responses) naturally increases as the business horizon recedes : 7.2% of FIBs are unsure of whether they will still be in business at the end of next year, rising to 20.4% at the end of three years, and 22% for the 5 year horizon. The majority of FIBs therefore expect to continue in business over the first half of the next decade: it will be interesting to return to these businesses in 2005/6 to see how much this confidence has been borne out in practice.

4.21. The survey responses (table 4.6) show above average levels of uncertainty on business continuation in the FIB categories that would be expected to be more vulnerable to both internal and external changes in the business environment. FIB groupings where the percentage of "don't knows" about 5 year business survival exceeds the 22% for the 205 businesses responding include timber haulage contractors (60% uncertainty), silvicultural contractors and harvesting contractors (both 36% unsure), businesses with turnovers under £50Kpa (34%), and sole traders and businesses employing less than 10 (both 28%). It is precisely in these types of businesses where a higher level of churn (in terms of business start-ups and exits) is known to exist; and these findings do tend to suggest that the overall representativeness of the survey sample is relatively good.

#### FIB PROFITABILITY FORECASTS TO 2005

4.22. Forecasting the relative strength of the economic environment and of the prospects for individual businesses within broad long-term industrial change is always difficult for business owners, especially within the context of a core industry experiencing historically low values for its core project. The survey questionnaire sought to gain insight into the overall business optimism of FIB owners and managers by asking for their perceptions of the relative profitability of their businesses over the next three years : did they think the profitability of their business would go up, go down or stay the same?

4.23. It is to be noted that this does not investigate *absolute* levels of profits recently achieved. It is thus conceivable (and indeed probable) that the positive ("go up") responses includes FIBs where the present or recent amount of profits earned is absolutely small. The same will be true for the "go down" and "stay the same" groups, so improvements should not be taken as implying a significant growth in the real level of retained earnings. It has also to be noted that many small private companies, in the forest industries as in other sectors, arrange their revenues, expenditure and investment to minimise the level of corporation tax to be paid.

4.24. The responses of the FIBs in the survey to the enquiry about future levels of profitability are shown in table 4.7 at the end of this section. The results are reasonably positive, with just under 40% expecting that their profitability will go up over the course of the next three years; just under 20% forecasting a decline in profitability; and the remaining 34.7% seeing little change. The overall balance of FIB perceptions as surveyed in early 2000 is of an improvement in their business

performance, in terms of relative profitability. As with the other business performance variable examined earlier in this section, the two sectors of the industry where the balance is pessimistic is with the harvesting contractors and the timber haulage contractors : it is assumed that the perceived impacts of continuing low timber prices and the higher levels of fuel duty are important factors in shaping the views of FIBs in these sectors, though again care is required in interpreting these forecasts given the small survey sample involved.

4.25. The challenge for the forest industry associations in the future is to revisit the FIBs surveyed in 2000 to establish whether their actual performance forecasts as summarised in table 4.7 have been borne out in practice; and to better establish the business development initiatives, both within the individual FIBs and in the wider business development policy environment, have best helped sustain business performance.

Table 4.5 : The Numbers of FIBs Experiencing Changes in Turnover, Profitability and Diversification over the Past Three Years

Business Type	Employment			Profitability			Turnover			Diversification	
	+	-	=	+	-	=	+	-	=	+	-
<b>Employment Size Per Business</b>	<b>(N = 206)</b>			<b>(N = 204)</b>			<b>(N = 203)</b>			<b>(N = 205)</b>	
1-9 Employee	25	30	38	35	41	22	43	29	25	58	39
2-5	16	8	24	17	16	11	23	9	12	27	18
6-9	8	2	10	7	8	3	9	7	3	12	8
10-24	9	7	13	6	12	9	12	8	7	17	9
25-49	1	3	3	3	3	2	5	1	2	4	4
50-99	2	1	2	1	2	2	2	-	3	4	1
100-249	1	2	1	1	1	2	1	-	2	1	3
<b>Business Turnover : £K Per Annum</b>											
Less Than 50	10	8	28	18	15	13	24	12	10	32	14
50-99	9	6	11	13	8	6	11	5	11	19	7
100-249	8	13	12	9	18	5	12	9	11	14	18
250-499	4	8	11	5	12	5	9	8	6	11	12
500-2M	19	9	10	14	15	10	20	10	9	23	14
2M-9.9M	6	3	5	3	4	7	9	4	1	7	6
10M+	4	2	2	2	4	2	3	2	3	6	2
<b>Location of Business</b>											
England	28	25	56	49	35	26	58	29	23	62	46
Scotland	27	21	21	14	34	19	25	14	26	42	26
Wales	7	6	13	7	13	5	12	10	4	18	9
<b>Forest Industry Sector</b>											
Forest Nurseries	7	4	5	4	8	5	9	6	-	8	5
Arboricultural Business	-	-	2	1	1	-	1	1	-	2	-
Forest Managers & Consultants	11	8	19	11	18	6	21	16	-	16	10
Silvicultural Contractors	9	10	17	18	13	7	30	8	-	18	11
Harvesting Contractors	5	14	7	4	17	5	10	16	-	6	9
Timber Haulage Contractors	6	2	4	4	6	3	6	7	-	8	2
Charcoal & Coppice Workers	4	-	2	-	1	3	4	1	-	3	-
Equipment Suppliers	2	-	-	-	1	1	-	1	-	2	-
Trainers	2	1	8	4	1	5	8	3	-	5	1
Timber Merchants	2	3	6	2	6	2	5	5	-	4	3
Mobile Sawmillers	5	5	9	11	5	5	15	6	-	10	5
Static Sawmillers	8	6	11	11	6	8	13	11	-	12	8
Other	1	-	1	-	-	1	1	1	-	1	-
<b>Types of Business</b>											
Sole Trader	25	23	50	33	39	24	43	27	26	55	41
Partnership	10	16	18	15	22	9	18	11	17	28	17
Private Limited Company	21	13	20	20	19	15	28	15	9	32	22
PLC	2	-	1	1	1	1	3	-	-	2	1
Other	3	-	2	1	-	2	2	-	2	5	-
<b>All Forest Industry Business</b>	<b>62</b>	<b>53</b>	<b>92</b>	<b>70</b>	<b>83</b>	<b>51</b>	<b>95</b>	<b>54</b>	<b>54</b>	<b>123</b>	<b>82</b>
<b>% of Responses</b>	<b>30.0</b>	<b>25.6</b>	<b>44.4</b>	<b>34.3</b>	<b>40.7</b>	<b>25.0</b>	<b>46.8</b>	<b>26.6</b>	<b>26.6</b>	<b>60.0</b>	<b>40.0</b>

Source : FIB Survey, Questions 15, 17 &amp; 27.

**Table 4.6 : The Number of FIBs Expecting to Still Be Operating In A Year's Time;  
In Three Year's Time and in Five Year's Time.**

Business Type	Operating Next Year			Operating in 3 Yrs			Operating in 5 Yrs		
	Yes	No	DK	Yes	No	DK	Yes	No	DK
<b>Employment Size Per Business</b>	<i>(N = 180)</i>			<i>(N = 176)</i>			<i>(N = 205)</i>		
1-9 Employees	126	6	11	103	5	32	109	9	43
10-24	21	0	1	19	0	3	25	0	2
25-49	7	0	0	6	0	1	7	0	1
50-99	3	0	1	3	0	0	5	0	0
100-249	4	0	0	4	0	0	4	0	0
<b>Business Turnover : £K Per Annum</b>									
Less Than 50	38	2	2	27	3	13	26	5	16
50-99	21	2	2	20	1	3	23	2	4
100-249	24	0	4	18	0	10	20	1	11
250-499	13	1	3	11	0	4	16	0	4
500-2M	32	0	0	27	1	4	30	1	7
2M-9.9M	12	0	1	11	0	1	12	0	0
10M+	6	0	0	6	0	0	8	0	0
Not Answered	15	1	1	15	0	1	15	0	4
<b>Location of Business</b>									
England	89	2	6	77	2	17	81	6	25
Scotland	52	2	4	43	2	13	52	2	13
Wales	19	2	3	15	1	6	17	1	7
Unknown	1	0	0	0	0	0	0	0	1
<b>Forest Industry Sector</b>									
Nurseries	13	0	1	13	0	1	16	0	1
Arboricultural Business	0	0	0	0	0	0	2	0	0
Forest Managers & Consultants	30	2	3	26	0	7	27	3	8
Silvicultural Contractors	30	1	3	23	0	10	22	1	13
Harvesting Contractors	16	2	3	12	3	6	12	2	8
Timber Haulage Contractors	8	0	1	5	1	4	4	0	6
Charcoal & Coppice Workers	5	0	0	5	0	0	4	1	1
Equipment Suppliers	2	0	0	2	0	0	2	0	0
Trainers	12	0	0	10	0	2	12	0	3
Timber Merchants	8	0	0	5	0	2	7	1	2
Mobile Sawmillers	16	0	0	15	1	1	19	1	1
Static Sawmillers	20	0	2	19	0	2	22	0	2
Other	1	0	0	0	0	1	1	0	1
<b>Types of Business</b>									
Sole Trader	81	5	7	65	4	22	64	8	28
Partnership	26	1	4	21	1	9	32	0	9
Private Limited Company	47	0	1	43	0	4	46	1	7
PLC	3	0	0	3	0	0	3	0	0
Other	3	0	1	3	0	1	4	0	1
Not Answered	1	0	0	0	0	0	1	0	1
<b>All Forest Industry Business</b>	<b>161</b>	<b>6</b>	<b>13</b>	<b>135</b>	<b>5</b>	<b>36</b>	<b>150</b>	<b>9</b>	<b>46</b>
<b>% of Responses</b>	<b>89.4</b>	<b>3.3</b>	<b>7.2</b>	<b>76.7</b>	<b>2.8</b>	<b>20.5</b>	<b>73.2</b>	<b>4.4</b>	<b>22.4</b>

Source : FIB Survey, Question 29.

**Table 4.7 : The Numbers of FIBs Expecting Changes in The Profitability Of Their Businesses Over The Next Three Years.**

<b>Business Type</b>	<b>Go Up</b>	<b>Go Down</b>	<b>Stay The Same</b>
<b><i>Employment Size Per Business (N=204)</i></b>			
1-9 Employees	60	36	63
10-24	14	6	8
25-49	5	0	3
50-99	3	1	1
100-249	4	0	0
<b><i>Business Turnover : £K Per Annum (N=189)</i></b>			
Less Than 50	23	6	19
50-99	14	6	9
100-249	11	10	12
250-499	5	5	10
500-2M	16	8	14
2M-9.9M	6	2	5
10M+	7	0	1
<b><i>Location of Business (N=204)</i></b>			
England	50	22	38
Scotland	26	14	27
Wales	10	6	10
Unknown	0	1	0
<b><i>Forest Industry Sector (N=204)</i></b>			
Nurseries	9	3	5
Arboricultural Business	1	0	1
Forest Managers & Consultants	14	9	15
Silvicultural Contractors	17	7	12
Harvesting Contractors	5	8	11
Timber Haulage Contractors	2	6	3
Charcoal & Coppice Workers	6	0	0
Equipment Suppliers	1	0	1
Trainers	6	0	8
Timber Merchants	3	5	3
Mobile Sawmillers	11	2	7
Static Sawmillers	11	3	7
Other	0	0	2
<b><i>Types of Business (N=202)</i></b>			
Sole Trader	40	20	42
Partnership	11	16	16
Private Limited Company	29	6	15
PLC	3	0	0
Other	2	0	2
<b>All Forest Industry Business</b>	<b>86</b>	<b>43</b>	<b>75</b>
<b>% of Responses</b>	<b>39.8</b>	<b>19.9</b>	<b>34.7</b>

Source : FIB Survey, Question 33.

## 5. THE MAIN BUSINESS PRESSURES IMPACTING ON FIBs

5.1. The present survey of FIBs in Britain has been undertaken at a period when both the private and public sector enterprises in the industry are experiencing a range of commercial pressures reflecting both increasing competition in national and international timber markets, and much stronger environmental regulations. The survey sought the views of FIB owners and managers on the major business pressures confronting them at the start of the present decade as a means of identifying possible areas where the Forestry Commission and FIDC (representing the FIAs) could make representation to the UK and the three national governments on those adverse impacts generated by policy.

5.2. The main business pressures being experienced by the FIBs taking part in the survey are summarised in this section of the report, together with the perception of FIB owners and managers on the factors most likely to shape the business environment over the medium-term. The changes to the policy and regulatory regime that are most desired by FIBs are also presented; and the section closes with an assessment of the impact to date of the recent introduction of the United Kingdom Forestry Standard (UKFS) and the United Kingdom Woodland Assurance Scheme (UKWAS).

### THE MAIN BUSINESS PRESSURES ON FIBs

5.3. In the survey questionnaire FIB owners and managers were asked to identify in order of importance the five biggest business challenges that they are currently having to confront. The results of this enquiry are shown in table 5.1 below, and the full survey tabulation of responses is set out in table 5.2 which shows a complex pattern of business concerns within Britain's FIBs.

**Table 5.1 : The Major Business Challenges Identified by Owners & Managers in FIBs : Spring 2000**

Business Concerns Identified by FIBs	# Times Listed	% of Concerns
Increasing Costs	143	14.1
Technical Regulations	115	11.3
Finding Time to Win New Business	106	10.5
Falling Profitability	105	10.4
Finding Reliable Employees	97	9.6
Increasing Sales	90	8.9
Cash Flow Management	89	8.8
General Business Regulations	72	7.2
Management Skills	55	5.4
Other Challenges	55	5.4
Obtaining Access to Capital	45	4.4
Decreasing Sales	41	4.0
Total Concerns Listed	1013	100.00

Source : FIB Survey, Question 30

5.4. The most important challenges facing FIBs on the basis of the survey results are those of the increasing costs of doing business; the increasing burden of technical regulations; finding sufficient management time to pursue and win new business; and the falling profitability of FIBs. The first two of the ten challenges are predominantly external factors encompassing such as increased fuel duty and environmental regulations, with the remaining being internal business factors apart from the concern about finding reliable employees an issue related to the survey results on employee qualifications addressed in section 3 of the report.

Table 5.2 : The Major Business Challenges Identified by FIBs

Business Type	Challenges To The Business <sup>(1)</sup>											
	1	2	3	4	5	6	7	8	9	10	11	12
<b>Employment Size Per Business</b>												
1-9 Employees	65	31	70	81	39	69	46	90	48	87	113	41
10-24	13	5	11	14	3	17	16	16	3	14	17	8
25-49	7	2	5	4	1	4	5	4	2	2	7	3
50-99	3	2	1	3	1	5	3	4	1	2	3	2
100-249	2	1	2	3	1	2	2	1	1	1	3	1
<b>Business Turnover : £K Per Annum</b>												
Less Than 50	20	8	24	14	20	16	9	18	18	27	32	13
50-99	9	5	15	11	7	13	7	15	14	20	20	11
100-249	15	4	18	23	4	19	10	21	8	17	23	5
250-499	4	6	6	15	4	10	5	14	2	9	13	4
500-2M	19	7	17	21	3	18	25	21	5	14	25	11
2M-9.9M	9	2	3	5	2	10	7	9	4	7	9	3
10M+	4	3	4	6	2	2	3	5	1	3	6	1
<b>Location of Business</b>												
England	53	22	51	50	23	48	38	66	37	64	77	26
Scotland	26	15	26	40	19	34	25	37	11	27	49	24
Wales	11	3	11	14	3	15	8	12	7	15	17	3
<b>Forest Industry Sector</b>												
Forest Nurseries	9	6	9	8	1	10	7	7	3	9	13	5
Arboricultural Businesses	1	0	0	1	1	0	0	1	1	1	1	2
Forest Managers & Consultants	14	4	13	18	4	13	11	24	12	17	17	14
Silvicultural Contractors	12	7	20	17	13	21	13	20	10	20	28	12
Harvesting Contractors	10	10	10	20	6	13	4	14	7	8	23	5
Timber Haulage Contractors	3	1	1	8	1	4	8	9	0	4	10	0
Charcoal & Coppice Workers	3	0	3	0	3	3	2	2	3	6	3	0
Equipment Suppliers	2	0	0	1	0	1	0	0	1	1	2	1
Trainers	7	4	7	3	4	1	2	8	5	8	9	4
Timber Merchants	3	2	6	7	3	5	5	6	1	4	4	2
Mobile Sawmillers	10	2	9	8	6	10	6	9	7	16	14	6
Static Sawmillers	15	5	9	12	3	16	14	15	4	11	17	3
Other	1	0	2	2	0	0	0	0	1	1	2	1
<b>Types of Business</b>												
Sole Trader	39	18	48	46	29	50	24	50	32	58	69	30
Partnership	16	9	12	26	8	24	21	29	7	17	33	7
Private Limited Company	30	12	25	28	5	21	25	33	13	29	36	15
PLC	2	1	2	3	1	1	1	1	1	0	2	1
Other	2	0	1	0	2	0	0	2	1	2	2	1
<b>All Forest Industry Business</b>	<b>90</b>	<b>41</b>	<b>89</b>	<b>105</b>	<b>45</b>	<b>97</b>	<b>72</b>	<b>115</b>	<b>55</b>	<b>106</b>	<b>143</b>	<b>55</b>

Source : FIB Survey, Question 30. Note : (1) The numbers sum to >216 as FIBs identified up to five future challenges.

1 : To Increase Sales

2 : Decreasing Sales

3 : Cashflow Management

4 : Falling Profitability

5 : Obtaining Access to Capital

6 : Finding Reliable Qualified Employees

7 : General Business Regulations

8 : Technical Regulations

9 : Your Management/ Business Skills

10 : Finding Time to Investigate New Business Opportunities

11 : Increasing Costs

12 : Other

5.5. The primary business challenges identified by owners and managers appears to be broadly similar between and within the five main survey analysis categories as shown in table 5.2. Increasing costs is the most frequently mentioned challenge within most groups, although technical regulations (including it is assumed changes to FC grant schemes as well as new environmental requirements) are the most important business issue reported by forest management and consulting enterprises. Falling profitability as a business concern appears to be relatively more important for forest harvesting contractors, and for the medium-sized businesses with annual turnovers of £100-500K. The mosaic of responses revealed in table 5.2 should again be reviewed with caution given the relatively small numbers of responses in some categories.

## FUTURE BUSINESS CHALLENGES & CHANGES

5.6. The survey also sought to establish the principal factors that are likely to have a positive impact on the competitiveness and profitability of Britain's FIBs over the medium-term future. Owners and managers were asked to identify and rank the five external factors that are likely to have the biggest direct influence on improving the profitability of their businesses and also to similarly identify those that they as owners and managers would most like to see happen. The survey questionnaire (see Annex 3, question 34) provided a list of 20 factors for choice, and the majority of the survey respondents were willing to select from these two "probability" and "desirability" lists. The principal responses are summarised in tables 5.3 and 5.4 below.



5.7. The six most frequent mentioned external factors that would have a positive impact on FIB profitability are shown in table 5.3, and in combination they represent an industry desire to simultaneously have lower costs and higher product prices in a stable low-inflation macro-economic environment. In this, Britain's FIBs are probably no different from private businesses in other industrial (especially old economy) sectors. It is understandable that fuel and transport costs are the most frequently listed desire given the very recent increase in fuel duty; and that low inflation is regarded as important. The rise in domestic and imported timber prices is however outwith the influence of government except for investment in promotional programmes to build the demand for (and thus price of) timber. The FIAs and the Forestry Commission are already jointly investing in timber promotion as a means of achieving a stronger and more enduring market for home-grown timber.

**Table 5.3 : The Five External Factors Most Likely to Improve the Profitability of FIBs**

Rank	Factor	# Responses	%
1	Reduced Fuel/Transport Costs	70	32.4
2	Increased British Roundwood Prices	68	31.5
3	Increased Imported Timber Prices	65	30.1
4	Continued Low Inflation	57	26.4
5 =	Government Forest Policy Changes	52	24.1
5 =	Finding New Markets for Roundwood	52	24.1

Source : FIB Survey. Question 34 (N = 214)

**Table 5.4 : The Five Factors FIBs Would Most Like to See Happen to Improve the Profitability of Their Businesses**

Rank	Factor	# Responses	%
1	Reduced Fuel/Transport Costs	119	55.1
2	Increased British Roundwood Prices	106	49.1
3	Increased Imported Timber Prices	84	38.9
4	Higher FC Woodland Grants	66	30.6
5 =	Finding New markets for Roundwood	63	29.2

Source : FIB Survey. Question 34

5.8. The external factors that FIB owners and managers most desire as means of improving the profitability of their businesses over the medium and long-term are summarised in table 5.4 above. This broadly matches the "wish list" factors in table 5.3, with the important additional detail that changes in the UK government's forest policies (table 5.3) is seen as being translated in a desirable action through higher FC Woodland Grant payments. Given that this present FIB survey deliberately excluded forest and woodland owners, the desire for higher woodland grants is probably seen as a means of increasing both the level and profitability of forestry operations for the non-processor FIBs. The comments made by individual FIBs and presented in full in Annex 4 of this report supports this perception that the profitability of FIBs will be at least partially determined by increased public sector expenditure via the Forestry Commission. This issue is returned to in section 6 of the report.

## THE IMPACT ON FIBs OF CERTIFICATION AND UKWAS

5.9. Both the Forestry Commission and FIA members of the Steering Group wanted the survey to investigate the initial impact of FIB profitability of the recent introduction of the certification of forests and woodlands, and the associated United Kingdom Woodland Assurance Scheme (UKWAS). The survival, business health and skills of private sector FIBs are seen as essential to sustainable management of Britain's woodlands, as it will be FIBs that deliver certification. It has been suggested both by individual FIBs and by some of the FIAs that the introduction and implementation of UKFS, UKWAS and FSC Certification had the potential to impose yet further regulatory costs and conditions on an already over-burdened rural sector, especially in the forest management and harvesting sectors. The survey thus sought the views of FIBs on the impact to date of Certification and UKWAS. The responses to this enquiry are summarised in table 5.5 below, and in the standard five categories of analysis in table 5.6.

Table 5.5 : The Impact to Date on FIBs of Certification &amp; UKWAS

Certification & UKWAS Impact	# FIB Responses	% Of Responses
No Effect To Date	135	53.4
Increased Costs	50	19.8
Acquiring New Skills	22	8.7
Open New Markets	21	8.3
Increased Turnover	15	5.9
Decreased Turnover	10	3.9
All Responses	253	100.0

Source : FIB Survey. Question 31 & 32. N = 253 as multiple choice

5.10. The most important result of this specific enquiry of FIBs is that for over half of the FIBs in the survey Certification and UKWAS has had no effect on their business to date : this, however, includes a number of FIBs that are probably unaware or unassociated with Certification procedures and requirements. Of the 253 Certification impacts identified by FIBs, nearly 23% were benefits in terms of acquiring new skills, entering new markets and increasing their turnover. The remaining 24% of impacts were where Certification has brought increased costs and/or turnover that has fallen : no information exists on the scale of these additional costs nor of their impact on the business as a number of FIBs had also entered new markets.

5.11. In relation to the 216 FIBs in the survey, the results are clear in that 62.5% of businesses have experienced no effect or impact from the introduction of Certification at the time of the survey; and of the remainder there is a rough balance between those FIBs gaining from Certification through new markets, skills and turnover, and those where increased costs and a fall in business has been experienced. It is possible that these views may change as more FIBs become aware of what the Certification process involves, and as they gain actual experience of the process in their commercial operations. The full tabulation of the responses to this aspect of the survey are presented in table 5.6 below.

Table 5.6 : The Impact To Date On FIBs Of Certification And UKWAS.

Business Type	Increase T/O	Decrease T/O	Increase Costs	Req. New Skills	Open New Markets	No Effect
<b>Employment Size Per Business</b>						
1-9 Employees	12	9	24	17	16	109
10-24	1	1	8	2	2	16
25-49	0	0	3	1	0	5
50-99	1	0	1	0	2	5
100-249	1	0	4	1	1	0
<b>Business Turnover : £K Per Annum</b>						
Less Than 50	7	3	9	8	9	28
50-99	3	1	4	0	3	21
100-249	1	4	7	5	1	24
250-499	1	1	4	3	3	15
500-2M	0	0	12	3	1	23
2M-9.9M	0	1	3	0	1	11
10M+	3	0	6	1	2	1
<b>Location of Business</b>						
England	6	4	26	9	7	76
Scotland	7	4	18	9	8	44
Wales	2	2	6	3	6	14
<b>Forest Industry Sector</b>						
Forest Nurseries	0	0	1	0	0	14
Arboricultural Businesses	0	0	1	0	0	1
Forest Managers & Consultants	3	2	16	11	5	17
Silvicultural Contractors	0	1	5	2	2	27
Harvesting Contractors	1	4	6	4	2	17
Timber Haulage Contractors	0	0	4	0	0	5
Charcoal & Coppice Workers	1	0	0	0	2	4
Equipment Suppliers	0	0	0	0	0	2
Trainers	5	2	2	2	3	11
Timber Merchants	2	1	3	1	0	6
Mobile Sawmillers	2	1	3	0	4	13
Static Sawmillers	1	0	9	1	3	17
Other	0	0	0	0	0	1
<b>Types of Business</b>						
Sole Trader	10	6	16	11	12	71
Partnership	1	3	14	5	3	26
Private Limited Company	2	1	17	4	4	33
PLC	1	0	2	0	1	1
Other	0	0	1	1	1	3
<b>All Forest Industry Business</b>	<b>15</b>	<b>10</b>	<b>50</b>	<b>21</b>	<b>21</b>	<b>135</b>

Source : FIB Survey, Question 31.

**Comment:** Woodland and timber Certification has had no effect on 62.5% of the business responding. Of the remaining 37.5% who were effected, 61.7% stated that it has increased costs, but 25.9% of businesses said it had opened up new markets for them.

## 6. FIB DEVELOPMENT NEEDS & SUPPORT

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6.1. The survey of FIBs in Britain had as a central objective an improved understanding of the business development needs of the various industry groups and segments; and an exploration of the policy, business support and other changes that might strengthen the competitiveness of this important rural sector. This section of the report begins by examining the current business and training planning undertaken by FIBs, and the sources of business advice and guidance used by FIBs throughout Britain. The report then reviews the level and type of business development funding that has been secured by the FIBs in the survey; and concludes with a presentation of the types of policy innovations sought by FIB owners and managers from the UK and National Governments, the Forestry Commission, the main rural and regional development agencies, and from the principal Forest Industry Associations.

### BUSINESS DEVELOPMENT PLANNING BY FIBs

6.2. The long-term competitiveness and profitability of Britain's FIBs will always be primarily determined by the knowledge, skills, determination and creativity of the owners, managers and employees within the business. Government financial and other support, no matter what level, cannot be a substitute for the internal commitment to business change within the industry. The Steering Group in recognising this wished the survey to explore the present level of business planning within the industry, as a means of establishing the broad potential level of demand for future business development support.

#### FIB BUSINESS PLANS

6.3. The survey asked FIBs whether they had a current formal business plan, assumed to be in written form, to guide the future growth and development of the enterprise. The responses are shown in table 6.1 below which tabulates both business and training plans for the five standard categories of analysis. The main findings to note are :

- ☐ Only 38.6% of FIBs currently have a formal business plan; with just over 60% having no formal plan and 2 managers being unsure of whether a plan exists or not. This level of formal planning compares well with other industrial sectors as the majority of SMEs do not prepare or follow a formal written business plan except upon formation and/or where the owners are seeking external sources of non-overdraft finance. Most sole traders are too busy winning and delivering orders to devote time to planning; and this was identified as a challenge in table 5.2.
- ☐ The possession of a business plan does become more likely as companies grow, and as can be seen in table 6.1, 9 out of 10 of the FIBs with more than 50 employees, and nearly two thirds of FIBs with turnovers in excess of £500K per annum have formal plans.
- ☐ Interestingly, the majority of contractor-type businesses in the survey have no formal business plan; and none of the arboricultural and coppice businesses have formal plans.
- ☐ Over half of Scottish-based FIBs, probably because they are generally larger in scale, currently have business plans verses 32% in England and 33% in Wales; but this may also reflect the longer history of business planning support from Scottish regional development agencies.

6.4. The business planning picture revealed by table 6.1 is very much as would have been expected with an industry comprising SMEs with little time or development requirement to prepare a formal business plan. This must not however be interpreted as implying that such SMEs owners have **no** strategic business goals or priorities : most do (even if only for business survival), but don't feel the need, have the time or the skills to transform these into a formal business plan. Our experience is that there will be only limited gains from requiring business planning as a precondition for future business development support to SMEs.

6.5. One important question immediately arises from the above review of FIB business planning, namely whether the existence of a formal business plan is reflected in the subsequent profitability of the enterprise. The correlation of business plan possession and recent profitability is possible for 195 FIBs in the survey, and the results are shown below in table 6.2. The resulting relationship is less clear than would have been expected : the recent 3 year profitability performance of FIBs with a business plan appears to show little effect, although for the FIBs with no business plan there is a slightly higher proportion of profitability declines. The survey numbers are too small to provide a more statistically robust answer to this question; and, in addition, a range of other factors and survey variables might be more important determinants of business profitability. This issue may be one to examine at some later date through econometric analysis.

Table 6.1 : The Number of FIBs with a Formal Business and/or Training Plan

Business Type	Business Plan			Training Plan		
	Yes	No	DK	Yes	No	DK
<b><i>Employment Size Per Business</i></b>	<b><i>(N = 207)</i></b>			<b><i>(N = 213)</i></b>		
1-9 Employees	49	111	1	56	110	1
10-24	15	12	1	17	11	0
25-49	7	1	0	6	2	0
50-99	5	1	0	5	1	0
100-249	4	0	0	4	0	0
<b><i>Business Turnover : £K Per Annum</i></b>						
Less Than 50	9	26	1	13	35	1
50-99	9	19	0	8	20	0
100-249	11	22	0	15	19	0
250-499	5	17	0	6	16	0
500-2M	20	17	1	18	21	0
2M-9.9M	11	3	0	10	4	0
10M+	8	0	0	8	0	0
<b><i>Location of Business</i></b>						
England	36	75	2	42	72	1
Scotland	35	31	0	41	29	0
Wales	9	18	0	5	22	0
<b><i>Forest Industry Sector</i></b>						
Forest Nurseries	11	6	0	11	6	0
Arboricultural Businesses	0	2	0	1	1	0
Forest Managers & Consultants	14	24	1	15	24	1
Silvicultural Contractors	9	26	0	13	24	0
Harvesting Contractors	7	15	0	8	18	0
Timber Haulage Contractors	2	8	0	4	7	0
Charcoal & Coppice Workers	0	6	0	1	5	0
Equipment Suppliers	2	0	0	2	0	0
Trainers	6	9	0	9	6	0
Timber Merchants	5	6	0	5	6	0
Mobile Sawmillers	8	13	0	6	13	0
Static Sawmillers	15	9	1	13	12	0
Other	1	1	0	0	2	0
<b><i>Types of Business</i></b>						
Sole Trader	25	74	1	36	68	1
Partnership	13	29	0	13	30	0
Private Limited Company	34	20	1	34	21	0
PLC	3	0	0	3	0	0
Other	4	1	0	2	3	0
<b>All Forest Industry Business</b>	80	125	2	88	124	1
<b>% of Responses</b>	38.6	60.4	1.0	41.3	58.2	0.5

Source : FIB Survey. Questions 20 &amp; 23.

**Table 6.2 : Recent Profitability Performance of FIBs & Existence of Formal Business Plan : Percentage Distribution**

3 Year Profitability	Formal Business Plan		
	No	Don't Know	Yes
Increased	20.0	0.5	12.8
Static	14.4	-	11.8
Decreased	27.2	0.5	12.8

Source : FIB Survey. Questions 20 & 17. N = 195 Note : Percentages in table sum to 100.

### FIB TRAINING PLANS

6.6. The Spring 2000 survey also requested information on whether FIBs currently had a training plan to improve the capability and effectiveness of their employees. In relation to this, the questionnaire did not specify a formal training plan; and thus the responses include (on the basis of written FIB comments in the returned questionnaires) intentions to attend specific technical training courses as well as written plans. When interpreting the survey response on this issue it is important to remember that over 40% of the FIBs contacted are sole traders or self-employed, and that in such a situation the training plan will be a personal one. The responses on the existence of a training plan are also presented in table 6.1.

6.7. The situation on training is a little better than with business plans, with 41.3% of FIBs claiming to have a training plan (v 38.6% with business plans); but with a clear majority not currently possessing an informal or formal training plan. Amongst the interesting points that can be identified from the tabulations presented in table 6.1 are that :

- ☐ Smaller FIBs, including the single person ventures, are a little more likely to have a training plan than a business plan, most probably as a requirement for gaining funding support for training delivered by LECs and TECs.
- ☐ Again the larger size of Scottish-based FIBs and the longer tradition of business development support driven by training, probably explains the position where nearly 59% have training plans compared to 36% of FIBs in England and only 18% in Wales. Many of the larger commercial FIBs will also have, or be pursuing, *Investors in People*.
- ☐ Within most of the forestry industry segments, there is a slightly higher probability of having a training plan than a business plan, even within the contractor-based sectors; although the static sawmillers are less likely to have a training plan than a business plan. We are also intrigued that 6 of the 15 training companies do not have a training plan!

6.8. There is, on the basis of the relative absence of professional and technical qualifications amongst the workforce in most FIBs as revealed by table 3.9 of this report, an obvious training need throughout the forest industry in Britain. This is an area to be further addressed by the Forestry Commission and FIAs in the context of the emergence of a new national training framework for the industry within the United Kingdom.

### SOURCES OF BUSINESS DEVELOPMENT ADVICE FOR FIBs

6.9. The survey also asked FIB owners and managers to identify the main individuals and organisations that they turned to when they required advice and support to develop or strengthen their businesses. This issue is of interest to both the Forestry Commission and to the FIAs given the imminent arrival of the new European Commission Structural Fund budget capability to support rural and regional development initiatives and programmes. As the predominant use of this funding will be for business development purposes, an improved understanding of the present providers of advice can help in subsequent programme planning and delivery. The results of this enquiry by the survey are summarised in table 6.3 below, and the full tabulations shown in table 6.4. The results are interesting, if a little difficult to interpret at the detailed five category level; and it has again to be stressed that the conclusions drawn by the team are based on a relatively low response rate.

Table 6.3 : Sources of Business Development Advice Used By FIBs in Britain : Spring 2000

Sources of Business Advice	# of FIB Responses	% of FIB Responses
Oneself	137	29.5
Accountants & Auditors	133	28.6
Other Inhouse Managers/Staff	58	12.5
Family & Friends	36	7.7
TECs or LECs	33	7.1
Management Consultants	26	5.6
Marketing Consultants	7	1.5
Business Shop	7	1.5
Other <sup>(1)</sup>	28	6.0
<b>Total Sources Mentioned</b>	<b>465</b>	<b>100.0</b>

Source : FIB Survey. Question 24. (1) For others see footnote to table 6.4

6.10. The FIB's identification of the principal sources of business development advice shown in table 6.3 again demonstrates the major role played by single person or small FIBs with nearly 30% suggesting that they have a high degree of self-reliance in managing their business. What is especially interesting (and which mirrors the situation in many other industrial sectors) is the prime role played by informal and internal advice, namely oneself, business partners and colleagues, and family and friends which between them account for over 70% of the sources of advice mentioned by FIBs in the survey. More formal, independent and external sources of advice, including the range of organisations within the "other" category are relatively much less important. However, this pattern of business advice use shown in table 6.3 and 6.4 can tell us nothing about the quality or relevance of the advice provided internally or externally.

Table 6.4 : Sources of Business Development Advice Used By FIBs in Britain : Spring 2000

Type of Advisor <sup>(1)</sup>	Accountant	In-house	Self	Management Consultant	TEC or LEC	Business Shop	Marketing Consultant	Family / Friends	Other <sup>(2)</sup>
<b>Employment Size Per Business</b>									
1-9 Employees	102	29	116	12	17	5	2	34	19
10-24	19	14	26	4	9	2	3	2	7
25-49	4	6	1	5	4	0	2	0	0
50-99	6	5	4	3	3	0	0	0	1
100-249	2	4	0	2	0	0	0	0	1
<b>Business Turnover : £K Per Annum</b>									
Less Than 50	20	7	37	2	5	0	0	15	8
50-99	18	4	23	2	4	3	1	10	4
100-249	29	3	27	3	3	1	0	7	3
250-499	13	5	15	1	1	0	1	0	3
500-2M	26	15	15	8	12	0	4	2	4
2M-9.9M	10	13	8	4	4	0	1	1	1
10M+	3	8	1	4	1	0	0	0	3
<b>Location of Business</b>									
England	77	33	77	11	18	0	3	20	16
Scotland	44	22	40	13	13	6	1	7	10
Wales	12	3	19	2	2	1	3	9	2
<b>Forest Industry Sector</b>									
Forest Nurseries	12	7	7	4	6	1	2	0	2
Arboricultural Businesses	2	0	0	0	1	1	0	1	1
Forest Managers & Consultants	30	16	21	3	7	2	1	6	5
Silvicultural Contractors	23	6	27	3	3	1	0	12	4
Harvesting Contractors	17	3	19	2	0	0	0	2	3
Timber Haulage Contractors	11	2	8	0	1	0	0	0	1
Charcoal & Coppice Workers	1	1	3	0	3	0	0	3	2
Equipment Suppliers	1	2	0	0	0	0	1	0	0
Trainers	4	2	12	0	2	1	0	4	2
Timber Merchants	6	3	9	1	2	0	0	2	1
Mobile Sawmillers	12	2	16	1	1	1	1	6	5
Static Sawmillers	14	13	14	11	7	0	2	0	2
Other	0	1	1	1	1	0	0	0	0
<b>Types of Business</b>									
Sole Trader	59	14	78	6	13	4	0	31	12
Partnership	33	10	31	3	5	0	2	2	5
Private Limited Company	36	30	25	16	13	2	4	2	10
PLC	2	2	0	1	1	0	0	0	0
Other	2	2	2	0	1	0	1	0	1
<b>All Forest Industry Business</b>	<b>133</b>	<b>58</b>	<b>137</b>	<b>26</b>	<b>33</b>	<b>7</b>	<b>7</b>	<b>36</b>	<b>28</b>
<b>% of Responses</b>	<b>28.6</b>	<b>12.4</b>	<b>29.5</b>	<b>5.6</b>	<b>7.1</b>	<b>1.5</b>	<b>1.5</b>	<b>7.7</b>	<b>6.1</b>

Source : FIB Survey. Question 24. Note : (1) Numbers sum to >216 as multiple responses required. (2) Other sources of advice include: Bank/Bank Manager; Coed Cymru; FCA; Lawyers; Non-Exec Directors; EU; FC; SERAD; FCA; HTA; RBIS; Industry; Local Authorities; Trade Journals; Other Businesses; Parent Company; SAC; Fastco; LANTRA; Tir Cymen; Trade Associations; WDA



## RECENT DEVELOPMENT SUPPORT FOR FIBs

6.11. Because of the absence of UK and national statistics and analysis of the forest industry as defined in this report, it is almost impossible to identify and track government, European Commission and other financial support to FIBs. The Steering Group is aware of a wide range of grant and funding initiatives open to FIBs through rural, regional and SME programmes; and of other forms of financial support to key FIAs to enable their delivery of programme and project initiatives. The survey questionnaire therefore asked owners and managers of FIBs in Britain whether they had recently received any external grants or funding, assuming that almost all of this will be via EC and UK public sector finance.

6.12. The responses to this question are presented in table 6.5 below, from which it appears that just under 28% of all FIBs in the survey sample have received grants or other external funding. Whilst there is no way of comparing this with the situation in other industrial sectors, the team's perception is that (outwith agriculture, fishing and tourism) this represents a relatively high proportion of enterprises benefiting from grant and other support. What is not known is the value of this support in relation to the turnover or capital value of the businesses involved : it is probable that the grants received are relatively small. The lack of knowledge on this is another argument for the creation of an integrated set of forest industry statistics and information; and we return to this in section 8.

6.13. There are a number of features of the external and grant support to FIBs revealed by table 6.5 that are worth noting :

- ☐ On the basis of this small sample, FIBs employing between 25-99 are more likely to gain external grants than the smaller business, perhaps because sole traders and the self-employed have no time to pursue grants or are not eligible (as is sometimes the case). The businesses may benefit from owners having grants which can be used to pay for work to be done rather than receiving grants directly.
- ☐ The largest firms in terms of turnover have all received grant support, which on the basis of our knowledge and experience encompasses both capital project funding contributions to projects, and revenue support towards the cost of such as marketing, IT and (especially) training programmes.
- ☐ FIBs in Scotland, both because of their larger size and the more developed network of regional development agencies, are twice as likely to gain external grant funding than English FIBs; and Welsh-based FIBs also fare much better than those in England.
- ☐ The level of grant support also varies widely between the different segments within the FIB sample. Charcoal & coppice workers, and forest managers and consultants have a higher than average share of grants; timber merchants and harvesting contractors a lower proportion.
- ☐ Limited companies and voluntary sector organisations have been relatively successful in securing grant support, partnership less so : the sample is however small, and care must be taken in interpreting these results.

There is a need to introduce an improved means for recording and monitoring public sector development funding and grants to FIBs. This is perhaps another area where the "tagging" of FIBs within the IDBR dataset can improve the understanding of how best to encourage and support the future health and competitiveness of the forest industry in Britain.

Table 6.5 : FIB Receipt of External Grants or Funding

Business Type	Yes	No	% Yes
<b>Employment Size Per Business (N=214)</b>			
1-9 Employees	44	124	26.2
10-24	6	22	27.3
25-49	5	3	62.5
50-99	3	3	50.0
100-249	1	3	25.0
<b>Business Turnover : £K Per Annum (N=195)</b>			
Less Than 50	14	35	35.9
50-99	12	18	40.0
100-249	6	28	17.6
250-499	5	16	23.8
500-2M	8	31	25.8
2M-9.9M	4	10	28.6
10M+	4	4	50.0
<b>Location of Business (N=213)</b>			
England	22	94	18.9
Scotland	30	40	42.8
Wales	7	20	35.0
<b>Forest Industry Sector (N=214)</b>			
Forest Nurseries	5	12	29.4
Arboricultural Businesses	1	1	50.0
Forest Managers & Consultants	14	26	35.0
Silvicultural Contractors	12	25	32.4
Harvesting Contractors	5	21	23.8
Timber Haulage Contractors	0	10	-
Charcoal & Coppice Workers	4	2	66.7
Equipment Suppliers	1	1	50.0
Trainers	4	11	26.7
Timber Merchants	1	10	9.1
Mobile Sawmillers	5	16	23.8
Static Sawmillers	7	18	28.0
Other	0	2	-
<b>Types of Business (N=212)</b>			
Sole Trader	29	77	27.4
Partnership	8	35	18.6
Private Limited Company	16	39	29.1
PLC	1	2	33.3
Other	4	1	80.0
<b>All Forest Industry Businesses (N=214)</b>	<b>59</b>	<b>155</b>	<b>27.6</b>
<b>% of Responses</b>	<b>27.6</b>	<b>72.4</b>	<b>-</b>

Source : FIB Survey. Question 25.

6.14. The pattern of grant support shown in table 6.5 is interesting, although the sample is small. The under-representation of the smaller FIBs in the sample may have a reduced impact on the bias within table 6.5 given that small English-based FIBs appear to have low levels of grant support. The figures from the survey do make a contribution to the ongoing debate on the most appropriate means for providing development support to this important industry.

### FIB POLICY CHANGES & PRIORITIES

6.15. The survey included a section where FIB owners and managers were invited to suggest possible policy changes and new priorities that might strengthen the competitiveness and profitability of the forest industry in Britain. The responses are presented in full in Annex 4 of this report, which shows the wide range of policy and operational ideas contributed by the FIBs in the survey : some are practical; others have more of an idealistic wish-list quality. As will be seen, the responses of FIBs are very broad; relatively unfocussed and individualistic; and showing no clear FIB consensus on what type of business

and industry development support they want; nor could they identify which organisation is best able to provide this. The more serious of these suggestions are summarised below in relation to UK and national governments; the Forestry Commission; Forest Enterprise; the regional development agencies; and the Forest Industry Associations.

### UNITED KINGDOM & NATIONAL GOVERNMENTS

6.16. The surveyed FIBs put forward a number of policy suggestions in relation to both the UK and the national governments within the UK. These can be summarised as :

- ☐ **Forest Policy:** Three main points were raised. First a much greater degree of stability in forest policy is required for a long-term industry like forestry. Second, greater focus in forest policy is needed since the present policy appears to be pointing in all directions depending on circumstances. Third, a single Government Department should take responsibility for all UK land-use and rural affairs rather than the existing split.
- ☐ **Reduced Fuel Tax:** A major current policy concern and issue which has already been detailed in section 5 (question 34).
- ☐ **Import Controls & Standards:** Plant health controls, health and safety standards, and sustainable woodland management standards, should be strictly enforced on imports to the UK, including checks to see that Forest Stewardship Council labelling and standards were being strictly applied.
- ☐ **Improved Road Infrastructure:** FIBs obviously felt they were being hampered in their competitiveness by the constraints applied to their use of rural roads and bridges by fully loaded timber lorries. Additional investment in rural roads and infrastructure would be of considerable benefit to the industry.
- ☐ **A Fall in the Relative Value of Sterling:** The present high Sterling exchange-rate relative to the currencies of the major wood and wood products exporting countries was placing strong downward pressure on prices which domestic processors of British grown timber could charge. A drop in the value of Sterling was necessary to improve the competitive position of businesses in the British forest industry.
- ☐ **Recycling:** There were contrasting views on whether the Government should encourage recycling, depending upon whether or not the FIB was involved in re-cycling. Some FIBs would prefer less recycling because it has reduced demand for small roundwood and co-products.

These policy observations have implications for both the UK, and for the Scottish and Welsh national governments.

### THE FORESTRY COMMISSION

6.17. There were a number of suggestions made by FIBs in relation to Forestry Commission policy and priorities, and a selection of these are presented below.

- ☐ **Simplification of the Woodland Grant Scheme:** Although the specific changes needed were not identified. This was principally a concern experienced by the forest management and consulting FIBs.
- ☐ **Speeding up of Grant Applications:** The agreed timescales within which the Forestry Commission must formally handle a grant application cannot always be adhered to because of delays caused by other organisations. A considerable amount of consultation is required before formal applications are submitted to the Forestry Commission, and FIBs wished to see an end to delays.
- ☐ **Pay Owners for Providing Non-Commercial Benefits:** Whilst woodland owning businesses were specifically excluded from the survey, a number of FIBs felt that if woodland owners did receive payments then they might be encouraged to finance more woodland management activities. This would have knock on benefits along the wood chain.
- ☐ **Appoint More Woodland Officers:** This may have been requested to speed up the assessment and approval of WGS applications to reduce the delays referred to above.
- ☐ **Woodland Loan Scheme:** The introduction of a loan scheme was suggested presumably to encourage greater woodland management activity, which could then be expected to improve the profitability of small businesses involved in woodland management, consultancy and silvicultural contracting work.

It may also be important for the Forestry Commission to explain to FIBs its new national organisational structure and the disappearance of the Authority, especially once the present mid-2000 reviews of the Commission is completed.

### **FOREST ENTERPRISE**

6.18. The survey responses identified a number of policy and operational changes within Forest Enterprise which were seen as having the potential to contribute to improved profitability and competitiveness within Britain's FIBs. These included :

- ☐ **Forest Enterprise Sourcing of Plants.** It is suggested that the Forest Enterprise should move towards sourcing all its plant requirements from private sector nurseries.
- ☐ **Easier Access to Tender Lists.** It was noted that it can be difficult for small businesses to get their names added to the Forest Enterprise's tender lists.
- ☐ **Long Term Supply Contracts.** The issue of long-term supply contracts was raised, which can provide long-term security and financial benefits for FIBs. For businesses without them, timber supplies can be suddenly cut off because FE supplies are directed to the mills with contracts.
- ☐ **Theft of Logs.** It is alleged that logs are being stolen from Forest Enterprise woodlands, and that until this is stopped, *bone fide* honest, businesses cannot compete or survive.
- ☐ **Raise Contracting Standards.** It is also alleged that Forest Enterprise does not strictly monitor the enforcement of standards in contracting businesses; and that this disadvantages businesses adhering to correct standards compared with those cowboys not adopting them.

The research team have no way of confirming the allegations made above, but is simply reporting the FIB responses made in the survey.

### **REGIONAL & RURAL DEVELOPMENT AGENCIES**

6.19. The FIBs took the opportunity of the survey to make a number of policy and operational suggestions in respect to potential support from Britain's growing portfolio of regional and rural development agencies. This support group encompasses the Scottish Local Enterprise Companies (LECs), Training & Enterprise Companies (TECs), the new English Regional Development Agencies, and Rural Development Agencies in the three nations. The two prime areas of support from this group of organisations identified by FIBs in the survey were Finance and Advice, and Training. These included the following policy improvements :

- ☐ **Grant Advisers.** It was suggested that there should be specialist, grant advisers who could help small businesses on how best to identify, apply for and use the funding support available to FIBs throughout Britain.
- ☐ **Encouragement of Inward Investment.** It is suggested that encouragement is given to attracting new inward investment in timber processing and wood-based products as a means of improving timber markets.
- ☐ **Changes in Activity Focus.** It was felt that in Scotland the LECs were focussing too much of their attention on large companies. More attention needs to be paid to the smaller FIBs, especially the self-employed.
- ☐ **Capital Grants for Equipment.** Assistance with capital grants would be of particular assistance given that a high percentage of forest industry businesses are relatively small, and may not have the personal or business resources to fund the purchase of essential capital equipment.
- ☐ **Grants for Training.** There was one request that grants be made available for training, an important issue for small businesses. But as they are already available in most areas, this suggests that information gaps to the FIB sector exist.
- ☐ **Course Types.** Training courses were requested by FIBs on business management, computers, e-mail and chain saws; and perhaps there is a role for the FIAs in ensuring a standard UK-wide portfolio of FIB training courses.

6.20. The arrival of the two new national governments in Scotland and Wales, the Regional Development Agencies, and the Objective 1, 2 and RDR programmes for 2000-2006 will mean that the diversity in the nature, scale and delivery of business development support between different parts of Great Britain will become more marked. There will thus be a need to ensure that FIBs are not disadvantaged in business support terms because of their location.

### THE FOREST INDUSTRY ASSOCIATIONS

6.21. The FIBs in the survey identified a number of business and industry development opportunities and priorities which FIBs thought might best be promoted and pursued by the Forest Industry Associations either individually or working together through the Forest Industry Development Council (FIDC). The main suggestion made in the survey were :

- ☐ **Establishing Regional Marketing Groups.** This would mean setting up regional co-operative marketing groups, a development approach that is, in fact, already being promoted through a number of private sector initiatives, some of which involve forestry industry associations.
- ☐ **Development of New Markets for Timber.** Was suggested as an important role for FIAs by respondents to the survey, although this again is an aspect of forest industry development where initiatives in the English regions, Wales and Scotland are already underway.
- ☐ **Research in Timber Use.** This was an area where FIBs feel that new products, markets and technologies might be identified once the basic understanding and data on current timber-use in Britain is improved.
- ☐ **Promotion of Timber Use to the Consumer.** A further area where the FIAs are already active in partnership with the Forestry Commission to improve the general public's understanding, desirability and demand for wood.
- ☐ **Improved Timber Harvesting Payments.** One specific suggestion made in the survey was that in future harvesting contractors should be paid on their delivery of timber to the roadside rather than (as at present) when this timber goes over the mill weighbridge.

The FIBs see a role for the FIAs, but perhaps the smaller businesses in England and towards the edge of the domestic wood chains do not fully understand the present structure of, and co-operation between, FIAs. This may be an area for enhanced industry promotion.

## 7. SURVEY CONCLUSIONS & POLICY IMPLICATIONS

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7.1. In this penultimate section of the report the principal research findings of the research team which have been presented in the previous four sections are brought together and summarised. The principal policy and operational implications for the Forestry Commission, the Forest Industry Associations and government are then described; and the areas of unknown in relation to FIBs in Britain are briefly explored. However, it is first necessary to make the point once again about the basis of the present FIB survey.

### THE QUALITY OF THE SURVEY

7.2. The breadth and quality of the business and industry information that has been provided by the 216 FIBs participating in the survey is, at both the case and industry level of very high quality. This information has established, we believe, an important benchmark of the key features of the forest industry in Britain, and of the internal and external factors shaping the competitiveness and development of FIBs. The research team suggest that this comprehensive and detailed insight into the business performance, perceptions and concerns of FIB owners and managers during a time of change for their industry more than compensates for the relatively low response rate to the survey questionnaire. However, the team thus reiterates the methodological point that the low response rate by FIBs might mean that the results and perspectives for some of the component segments within the industry may not be fully representative of the FIBs, sector competitiveness or market prospects for that segment. It is thus important to recognise that firm and statistically defensible conclusions cannot be fully drawn from the survey results.

7.3. The research team's long experience of both SMEs and FIBs gives it confidence that the broad picture of FIBs within the overall forest industry does not diverge in any major way from what is already known about the structure and features of the industry as generated by earlier research; or from what is recognised by FIBs and the Forest Industry Associations. The breadth and quality of forest industry business information kindly provided by the sample of 216 FIBs has not been achieved before (especially via a postal questionnaire). It is thus capable of forming a benchmark for future surveys of FIB health and viability. We return to this issue in section 8 of the report.

### THE MAIN SURVEY RESULTS & CONCLUSIONS

7.4. The principal findings and conclusions of this survey of forest industry businesses in Britain in Spring and Summer 2000 have been presented in sections 2-6 of this report. These can be brought together and summarised in relation to the subjects addressed in each section.

#### ***FOREST INDUSTRY BUSINESSES IN BRITAIN***

7.5. The report began with a review of the sample and survey responses secured by the research questionnaires used by the team. The main conclusions are :

- ☐ The 216 FIB survey responses represented a response rate of 19.0% of the two mailings of the questionnaire, which had been sent to a sample representing a third of the assumed private and voluntary sector FIBs, estimated to be around 3,250 FIBs.
- ☐ Despite the relatively low response rate the structure of the 216 participating FIBs is broadly similar in terms of employment and turnover size distributions, both as a whole and as three national groups, to other available SME and industry data sets. The main areas of under-representation are in the smaller employment and turnover groups.
- ☐ The FIBs in the survey, having a combined turnover of nearly £427 million and just under 3,000 employees, are sufficiently important to give confidence that the perceptions and views generated by the survey are representative of the forest industry as a whole.

The research team includes that despite the constraints the results of the survey provide a broadly acceptable representation of the recent, present and prospective situation of FIBs in Britain.

#### ***KEY FEATURES OF BRITAIN'S FOREST INDUSTRY BUSINESSES***

7.6. The principal business, industrial, organisational and timber segment characteristics of Britain's FIBs revealed by the survey are that :

- ☐ The typical FIB is relatively small : most employ less than nine people including working proprietors; are sole traders

or family-based partnerships; and over half have home-based businesses. Turnover is likely to be less than £500K per annum; average capital in the business is under £75K; and these measures vary between industrial segments.

- ☐ The industry is, however, dominated and to a large extent driven by the 42 largest FIBs which between them generate over 90% of the forest industry's turnover, and 80% of the capital employed in the sector.
- ☐ Nearly 84% of the 2950 workers in the present survey were male, of which over 95% are full-time : a significant proportion of these are sole trader/self employee workers. Less than 40% of full-time employees held technical or professional qualifications, although SMEs in the industry had a higher proportion of qualified employees than the larger businesses.
- ☐ The pattern of timber use by species in the FIBs in England, Scotland and Wales very much reflected the specie resource base of the three nations, being predominantly broadleaves in England and a higher level of conifer-based activity in Scotland and Wales.
- ☐ Each FIB owner or manager belonged to around 1.5 membership organisations, with the FCA, APF and ICF being the most common : the responses were largely of personal rather than corporate memberships.
- ☐ Over half of the FIBs in the survey have been formed during the past 20 years, reflecting both the growth of volume conifer supplies and also the recent policy interest in broadleaves and conservation. The FIB deathrates for the same period are not known.

In many of these feature areas, FIBs appear to be broadly similar to other SME and rural sectors, although comparative survey data for such sectors is currently not publically available. It is, however, very much a small private business sector.

### **PAST & FORECAST CHANGES IN BUSINESS PERFORMANCE**

7.7. The survey's attempt to gain an understanding of the business performance of FIBs over the recent three year period and to look ahead over the next 3-5 years has found that :

- ☐ The overall recent performance figure is relatively positive with nearly 75% of FIBs maintaining or increasing employment; very nearly as many (74%) maintaining or increasing turnover; and 60% maintaining or increasing profitability.
- ☐ Over 60% of FIBs reported that they had diversified their business base over the previous 3 years (although the nature of this diversification isn't known); and the survey evidence suggests that there is a positive association between diversification and business performance.
- ☐ FIBs are clearly positive in looking ahead, with 70% believing that they will still be in business in 5 years time; and with 40% of FIBs forecasting an improvement in their profitability.

These findings suggest a relatively healthy industrial sector (though with different degrees of positive perspectives amongst the sectors); and thus a continuing private sector FIB capability to meet the needs of Britain's forest industries in the years ahead.

### **THE MAIN BUSINESS PRESSURES IMPACTING ON FIBs**

7.8. The principal business pressures identified by FIBs as likely to impact on their future profitability included increasing costs, technical regulations, and finding time to win new business. Only some of these are regarded as being capable of being addressed by changes in government policy or priorities. In addition :

- ☐ The external factors seen as being most likely to improve the profitability of FIBs include reduced fuel and transport costs; increased roundwood prices; low inflation; and finding new markets for roundwood; and all of these were seen as desirable by FIBs.
- ☐ An important result of the survey was the finding that over half of the FIBs had experienced no effects to date through the introduction of Certification and UKWAS; and that positive benefits from these changes broadly counteracted the negative impact.

7.9. The conclusions that emerge from a consideration of the main current and future pressures facing FIBs are that FIB owners and managers have a clear idea about the changes in national policy and the global economy that they wish to see; and that they have (so far) taken on board Certification and UKWAS without too much difficulty. Fuel duty is the most important policy issue for government consideration.

### **FIB DEVELOPMENT NEEDS & SUPPORT**

7.10. The survey has provided some important insights into the development needs, priorities and potential of FIBs in Britain; and of their use of the present support network.

- ☐ Only around 40% of FIBs have a formal business plan or training plan, a situation broadly similar to other SME dominated sectors. There appears to be no relationship between possession of a business plan and FIB performance.
- ☐ The most important sources of business advice for FIBs are internal (self, colleagues, family and friends), and relatively little use is made of public sector agencies except in Scotland and Wales.
- ☐ Only 28% of FIBs have recently received external grants or funding; with these being more likely to be gained by the medium and larger-sized firms.
- ☐ Suggestions on changes in policy and priorities by the UK and national governments, the Forestry Commission, the Regional Development Agencies and the Forest Industry Associations, were many and varied; but broadly reflected the desire for reduced operating costs and greater policy stability.

7.11. The FIBs in the survey, especially the smaller ones, appear not to be fully aware of the current policy environment within which they operate; and an enhanced communication of this to FIBs may well be a policy priority for the near-term. These results from the survey have a number of important policy and development implications for the forest industry in Britain, and these are considered below.

### **POLICY & DEVELOPMENT IMPLICATIONS**

7.12. There are four inter-related forest industry policy and development areas where the results of the 2000 survey of FIBs are important for both government and the industry. These are FIB health and viability; sustainable forest management; rural, regional and SME development policy; and national industrial statistics and information. Each of these is briefly considered below.

#### **FIB HEALTH AND VIABILITY**

7.13. The survey results and FIB responses do suggest that it possible to measure and understand the broad patterns and trends in FIB business health and financial viability in a meaningful manner without placing too heavy a survey burden on individual businesses. The results presented in section 4 of this report provide relatively robust situation reports on recent and prospective performance; and sections 5 and 6 begin to provide an explanation for the trends shown. We believe that a short, 10 question, self answer response form (unaccompanied by the other detailed benchmark survey questionnaires) can provide a cost-effective means for the Forestry Commission and the FIAs to monitor FIB health and viability on a continuing longitudinal basis. We return to this in the final section of this report.

7.14. In terms of the present survey, the team conclude that, on the basis of the relatively small sample of participating FIBs, the business health and financial viability of the private enterprises in the forest industry is relatively strong. Recent profitability, turnover and employment performance has been generally positive; and the FIB forecasts for their continued existence over the coming five years is generally confident. In the context of the current depressed level of home-grown timber prices and the strength of Sterling, this suggests a relatively robust FIB sector. It is, moreover, an industry comprising many tough, family-based business units with a capability to survive despite low levels of turnover and low margins. FIBs will continue to play an important rural role.

#### **SUSTAINABLE FOREST MANAGEMENT**

7.15. Whilst there are some large internationally competitive wood-using forest industry businesses predominantly based on conifers, the majority of businesses involved in providing services associated with woodland management, timber harvesting and woodcraft industries are small. They share all the characteristics of small businesses in other sectors of the economy : limited capital, potential cash flow problems, limited client-bases, and difficulties in recruiting employees. The majority of work is carried out through short-term contracts, which ensures considerable flexibility and a very competitive business environment. There are relatively few barriers to entry for new businesses, except in mechanised harvesting, transport and wood processing where significant levels of capital are required to purchase new equipment. There are therefore relatively limited opportunities for businesses to build up any capital, develop their skills, and extend their client base. Yet the family and self-employed features of the sector have enabled FIBs to survive, and to continue their important role. The FIB sector in Britain will thus enable the sustainable management of the three nations' forests and woodlands to be maintained.

7.16. The sustainable management of British woodlands will, however, not only depend on the existence of FIBs providing



the services to manage woodlands sustainably, but also on the financial returns from investment in woodland. The perceptions and interests of woodland owners in their woodlands, and their willingness to fund the costs of managing their woodlands essentially provide the demand for FIBs. In turn, the owners' woodland management decisions are largely determined by the existence of markets for roundwood which will provide a sufficiently attractive financial return to owners to make woodland management worthwhile. The maintenance of strong markets for roundwood timber throughout Britain will thus have a major determining effect on achieving the sustainable management of forests and woodlands sought by government policy. The future of FIBs will thus largely reflect the market for timber.

7.17. At present there is no evidence to suggest that the introduction of the Certification and the UK Woodland Assurance Scheme has had any major effect on the business health and financial viability of forest industry businesses. The present survey has also shown a continuing creation of new FIBs over the past two decades (although no evidence exists on business closures or exits from the forest industry). This suggests a capability of potential, entrepreneurially-minded forest industry workers will continue to support the growth of the industry in Britain, both in relation to volume conifers and conservation. It will be important to monitor the health and financial viability of forestry industry businesses in the future because once existing businesses close it may be difficult to persuade people with the necessary skills back into the industry. The existing businesses therefore require continuing support, and a healthy market for home-grown timber is, on the evidence of the survey responses (sections 5 and 6), the best way to achieve this.

### ***RURAL, REGIONAL AND SME DEVELOPMENT POLICY***

7.18. There is an expectation in most of the Objective 1 and Objective 2 regional economic development strategies, currently being finalised throughout Britain as the requirement for securing regional development funds from the European Commission, that forestry and forest industry businesses will be a major source of enterprise and employment creation in rural areas over the next decade. This implies both a continued growth of FIBs throughout Britain, and (as noted above) an enhanced demand for home-grown timber bringing improved margins throughout the woodchain.

7.19. The survey responses have shown that there are business, market and infrastructure areas where FIBs can benefit from public sector and external funding support such as with training, fuel costs and timber market development initiatives. These are all areas where EU Structural Fund support should be possible in Britain's Eligible and Transition Areas. It will also be important for the UK and national governments to ensure that FIBs in unassisted areas also have access to business development support funding, especially as many of the unassisted areas have significant broadleaved woodland management needs. This must be addressed through the rural and regional development strategies currently being introduced throughout Britain; and both the Forestry Commission and the Forest Industry Associations have an important role to play in ensuring this.

7.20. It is also worth noting that the features of the typical FIB that have been revealed by the survey, namely of an SME based sector, means that those concerned with promoting the growth of the industry must also draw upon the emerging policy priority for SMEs in the European Commission and by the UK government. The new Enterprise Directorate-General established by the EC in January 2000 represents the Commission's determination to put SMEs, which it regards as the 'engines of job creation' at the heart of enterprise policy. This priority will be expected in all economic activities supported by the Commission.

7.21. This SME priority extends to a special interest in those people creating *Very Small Businesses* (VSBs) in Member States, which as the survey shows, encompasses a significant proportion of FIBs in Britain. The Commission in its 1999 research report, *Obstacles to the Creation of Very Small Businesses in the European Union*<sup>(1)</sup>, concluded that SMEs and VSBs (defined as employing less than 2 people) were a potentially rich source of new jobs, but could only develop within a supportive atmosphere within a policy framework geared to their needs. FIBs, as this survey has shown, are a sector of Britain's economy where VSBs play an important role. The Forestry Commission and the Forest Industry Associations have a contribution to make in encouraging UK and national governments to improve their rural, regional, enterprise and taxation policies in ways that will encourage and promote the employment creation role of SMEs and VSBs in the forest industry. This aspect represents an important policy linkage between the forest industry and other rural and industrial sectors.

### ***NATIONAL INDUSTRIAL STATISTICS AND INFORMATION***

7.22. A central conclusion of the research team is that tracking the business health and financial viability of the forest industry in Great Britain is currently difficult principally because of the dispersed nature of relevant enterprise and industry data within Britain's official statistics and industry information. The research team have sought to assemble enterprise-based information on the industry on three separate occasions during the past 18 months, and whilst this information is now more widely available within the industry and government, it is not yet of the consistency or quality required for monitoring sector health and change in a policy context.

7.23. As there are only an estimated 3,500 FIBs in the UK (i.e. Great Britain and Northern Ireland) it should not be an impossible or expensive task to establish and maintain a full FIB dataset to support policy. The research team find it interesting that Britain's expenditure on measuring the gaseous composition of stars in the universe in orders of magnitude is

more than on monitoring changes in key economic and environmental components of this planet. This is an area where innovation by the Forestry Commission and the Forest Industry Associations can readily establish an effective monitoring framework for the forest industry. This opportunity is addressed in the final section of our report.

7.24. A final point in relation to forest industry statistics and information is that the present survey has generated a significant body of quantitative data and qualitative information on FIBs in Britain. This report has presented the main results and tabulations from the survey; but a major research resource exists on FIBs which FCR and JCC hope will be made available for further research; and that it will form a benchmark for the future monitoring of changes, trends and challenges within Britain's forest industry.

<sup>(1)</sup> European Commission : Directorate General for Employment & Social Affairs. *Obstacles to the Creation of Very Small Businesses in the European Union*. Research Paper. (Brussels : European Commission, 1999).

## 8. MONITORING BUSINESS CHANGE & TRENDS IN THE FOREST INDUSTRIES

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8.1. In this final section of the report the potential for continuing to monitor changes and trends in the UK forest industries is considered; and possible FIB survey options are presented for consideration by the Forestry Commission, the Forest Industry Associations, and the Office for National Statistics. The section begins with a brief explanation of the need to introduce an improved operational and statistical definition of the forest industry (or forest industries) as the initial essential requirement for monitoring changes and trends. The basic indicators necessary to monitor business performance in a diverse FIB sector such as forestry are then identified; and the report closes with possible FIB survey options that can be considered for adoption in the future. It is an important rural and regional sector, and possible policy initiatives will be encouraged if an enhanced capability to assess their impact can be introduced. We believe that such a cost-effective capability can be put in place.

### THE DEFINITION OF THE FOREST INDUSTRY

8.2. The present survey and other recent research undertaken into the British forest industry at both national and regional levels have demonstrated the urgent need to introduce a new and consistent statistical definition of the forest industry that can form the basis for all future surveys and industry development research. As explained in section 2, the UK forest industry, as recognised by its member businesses and organisations, is at present statistically split between a number of Standard Industrial Classifications. Many of these SICs give no indication of forest industry businesses being involved; there are no means of aggregating businesses throughout the wood chain into a coherent forest industry statistical population; and no present means of readily measuring the scale, structure, performance and changes in the industry, its component segments and FIBs.

8.3. The time is now appropriate for the Forestry Commission and the Forest Industry Associations, preferably through the Forest Industries Development Council (FIDC), to work in partnership with the Office for National Statistics (and potentially the Eurostat Office in the European Commission) to define, agree and introduce a new operationally relevant statistical definition of the forest industry. This should be based on the wood chain concept, taking in all aspects of the forest industry from forest ownership to first stage wood-processing; and including all the supporting supplier, professional, advisory and voluntary organisations with a prime focus on multi-objective and multi-purpose forestry and timber. We believe that this is a policy priority. The present FCR-JCC research team has had to assemble FIB sample populations and data on three occasions over the past 18 months, and other research projects have also had to devote resources to re-inventing this particular wheel.

8.4. There is an understandable reluctance by national governments and international institutions to redefine economic sector statistics : this breaks comparability and long-term trend measures; and it can also involve a fundamental reallocation of reporting business units that then affects data on most economic sectors. This objective of minimising statistical re-definition has adversely affected the compilation and production of industry information for modern and new economy sectors such as electronics, biotechnology, media industries and the emerging e-commerce sectors as well as the forest industry. There is thus an understandable reluctance of government statistical agencies to redefine and represent economic statistics through the re-aggregation of populations of individual business remits.

8.5. In order to address both this core industry definition issue and the importance of maintaining existing industry group statistics, it is suggested that the Forestry Commission and the Office for National Statistics introduce data-tagging of all identifiable forest industry businesses and organisations in existing datasets. This would involve the following steps and tasks:

- ☐ Develop and define an *additional* SIC coding system covering all wood chain activities, perhaps grouped up into the broad industry categories used in the present survey (see section 2). A small Forestry Commission, FIDC and ONS working group could be established to do this.
- ☐ Identify all eligible forest industry businesses and organisations in the UK, using the FIA membership lists, industry directories, and other data sources; coding each business with the new forest industry SICs; and compiling these into a separate forest industry database.
- ☐ Comparing the new forest industry database with the Inter-Departmental Business Register (IDBR) database; and carefully tagging each identifiable IDBR unit with the new forest industry SIC codes; and providing details of those FIBs not on IDBR to ONS for inclusion within IDBR.

- ☐ Generating and producing forest industry statistics from the main IDBR database using the tagged enterprises and organisations, primarily by copying the FIBs onto a separate database file from which the industry tabulations can be produced.

8.6. This summary of the possible evolution of forest industry statistics does not address the complex technical, computing and administrative issues involved. However, such tagging has recently been undertaken by the Scottish Executive via FCR to generate business-based measures of the Foreign Direct Investment (inward investment) sector in Scotland for the first time; and this has demonstrated that tagging with new codings can be achieved without major cost or disruption. It would introduce a major improvement in understanding of the forest industry; could (on the basis of the Scottish FDI experience) be completed over a 3-4 month period; and would avoid a survey burden on the businesses involved.

### **KEY INDICATORS FOR BUSINESS PERFORMANCE**

8.7. This survey has confirmed that there is a clear trade-off between the breadth and quality of business information sought from businesses, and the level of the response achieved from the industry population receiving the survey questionnaire. In designing future surveys of the business health and financial viability of forest industry FIBs it will be important to maximise the response rate through minimising the amount of information sought from businesses : this must recognise the distinction made between surveys and censuses made in section 2 of this report. FIB health surveys should focus on a relatively small number of indicators, and ensure that the indicators used are consistently comparable over a long period to enable strategic changes and trends to be identified.

8.8. The business performance and health results from the present survey summarised in sections 4 to 6 of this report can form the basis for an on-going monitoring programme by the Forestry Commission and the relevant Forest Industry Associations through combining the tagged IDBR approach with a regular business health questionnaire survey. There are two points to note in relation to this:

- ☐ The measures of health and viability obtainable from a tagged-IDBR database will primarily be derived measures of past change (ie. Employment in year t – employment in year t-3) and broad indications of financial performance (where Census of Production or VAT data exists). It will not easily generate the 3 and 5 year perspectives in the present survey, nor enquire about issues of immediate policy import, but will generate time series on the industry, including business entries and exits.
- ☐ A regular industry survey will provide better indicators of qualitative aspects of business, industry and market change and prospects; an ability to enquire into the impact of operational or policy issues on the industry; and will evolve longer-term trends through internal linking of the basic population of businesses.

The ideal outcome would be to have IDBR providing industry-wide indicator-based measures of business and economic scale and change; and to re-enforce this with a rolling survey programme (using IDBR to generate samples) that focuses on business responses to a maximum of 10 change and performance questions together with FIB views on one policy issue.

### ***BASIC BUSINESS PERFORMANCE INDICATORS***

8.9. The business performance indicators that could form the basis for longitudinal monitoring of the FIBs in the British forest industry are suggested as being (with the FIB 2000 survey question number):

- 6 : What % of your business turnover is within specific forest industry market segments?
- 14 : What was your approximate annual turnover in the last financial year?
- 15 : How has your turnover changed in the last 3 years?
- 16 : What approximately were your total costs in the last financial year?
- 17 : In the last 3 years has the profitability of your business changed?
- 33 : Do you expect the profitability of your business to change in the next 3 years?
- 21 : How many employees do you presently have in your business?
- 22 : Has the number of employees changed over the last 3 years?
- 27 : Has your business become more diversified over the past 3 years?
- 29 : Do you still expect your business to be operating in 1, 3, 5 years?

8.10. These 10 measures will each require only a single figure to be provided or a multiple choice box to be ticked, and thus should not provide a major survey burden to these FIBs invited to respond. The survey form should be designed to occupy a single side of A4, with the other information on FIB categories provided by the revised IDBR dataset and the present benchmark survey database. The three options for deploying this survey are briefly discussed below. These ten structural and performance measures will, in combination, allow relatively robust indicators of FIB health and viability to be generated, including broad measures of industry churn (new starts and closures). They will also enable the results of the present benchmark survey to be continued in a comparable manner, and for the validity of the survey results in this report to

be confirmed or modified.

## FOREST INDUSTRY BUSINESS SURVEY OPTIONS

8.11. This report has identified the challenges and benefits of undertaking surveys of FIB health and viability, and has addressed the issue of how best to maintain an on-going monitoring of their performance and viability during a period of increasing competitive pressure on the UK forest industry and the rural economies. The results of this initial benchmark survey strongly support the case for maintaining a regular survey of enterprises in the industry. There appears to be three possible options in relation to planning and undertaking future FIB surveys in the forest industries:

- ☐ Association Based Membership Surveys
- ☐ Participation in Existing Business Surveys
- ☐ Tagged IDBR Industry Statistics

These options are not mutually exclusive, and could be undertaken in parallel with each other with little duplication of effort or additional burden on the FIBs involved. Each is briefly explained below.

### **ASSOCIATION BASED MEMBERSHIP SURVEYS**

8.12. It would be possible for the core forest industry associations within the FIDC to arrange to undertake a rolling annual survey programme of their members using the 10 performance indicators outlined in para 8.9 above. Provided all FIAs agreed to use the same survey form, date and procedure the responses should be higher than in the present benchmark survey. It would be possible for FIDC to undertake the organisation of the collation and analysis of the returned survey forms; and for the results to be reported both by member organisation and for the forest industry as a whole. The option of surveying a third of members each year could reduce the cost and burden, although an annual industry-wide FIB survey would be preferred provided the initial results were seen as justifying the expense involved. Whilst it would be statistically interesting to include a core group of FIBs providing annual returns as a means of identifying recent changes in business performance and prospects, the costs and statistical implications of this have to be carefully considered.

8.13. There are some constraints and challenges involved with this. Not all FIBs belong to the FIDC member organisations (or any association); the survey may have a continued difficulty in persuading equipment supplier groups (such as the mobile sawmiller manufacturers) to participate; and it may be difficult to fully establish the industry churn in terms of FIBs entering and leaving the industry purely through Association based returns. The last concern may be better addressed through the IDBR option reviewed below.

8.14. It may also be possible for the core forest industry associations to survey business performance and policy issues through the inclusion of simple reply paid survey cards in their magazines and journals. This approach, pioneered by the US magazine *Venture Capital* over two decades ago, allows an ongoing measure of performance and policy issue perceptions which can be reported in the following issue of the journal. The main concern here will be the bias in terms of FIA members actually reading their magazine. If the industry associations cooperated and shared a common reply paid survey, the basis of long-term industry performance monitoring could be established. It is also conceivable that Web-based surveys, allowing more rapid analysis and results, will become possible as more FIBs make use of e-business systems. These are issues for FIDC to pursue and this approach could perhaps be piloted within the Scottish Forest Industry Cluster Strategy as an initiative designed to improve industry and FIB consultation.

### **PARTICIPATING IN EXISTING BUSINESS SURVEYS**

8.15. There is a range of on-going businesses surveys that seek to identify and chart the absolute and relative business performance of enterprises within an industrial sector, region and type of business. Many of these are undertaken on behalf of industrial and trade associations, or by business organisations seeking to inform and influence government policy. Very few of these are relevant to the forest industry, and the selective review of existing surveys undertaken as part of the research for this assignment has identified no nationally representative business survey producing the business performance and viability measures generated by the benchmark survey, or sought by the Forestry Commission and the Forest Industry Associations.

8.16. There are two regular surveys of business performance in the UK which could possibly be expanded or re-presented to provide additional understanding of the health and viability of FIBs.

- ☐ **Dun & Bradstreet** provides, both directly and through associated companies, a series of annual and irregular reports on business change based on its comprehensive enterprise-based databases, including new company formation and business failures. These go back into the 1980s and thus provide long-term trends, and are available for both industries and regions. This is a prime independent source of information of the churn aspect of business change, but does not address business performance indicators as defined in the present survey. However, the FIBs on the D and B datasets would also have to be tagged in the same way as that proposed for the IDBR data.

- ❑ **The Chartered Institute of Purchasing & Supply (CIPS)** has evolved a business-based survey methodology to measure on a monthly basis changes in the levels of output, employment, new orders, stocks and input prices for manufacturing and service sector businesses throughout the UK. NTC Research, which undertakes the survey for CIPS, has recently introduced an enhanced survey for Scotland with the sponsorship of the Bank of Scotland. This is published monthly as *Report on Scotland* by the Bank. Similar enhancements for other regions on industries may thus be possible.

8.17. Other business surveys are undertaken on an irregular basis by such as the Federation of Small Businesses; but these do not report results by sector. These also often have a relatively small response base and do not provide comparative figures over a long period. The inclusion of an expanded forest industry business population in such surveys would involve a financial charge over a minimum number of years, and may not be the most effective approach. The CIPs survey focus on monthly changes in five business variables is not really appropriate to the majority of FIBs, which don't carry stocks; where prices change infrequently; and where orders or contracts are often lumpy and irregular. It appears that an alternative method would be more revealing.

### **TAGGED IDBR INDUSTRY STATISTICS**

8.18. A third option for monitoring the health and viability of forest industry FIBs is to use a tagged IDBR database (see para 8.5) to produce annual measures of employment, output and other business changes together with information on industry churn (new starts and closures). There are weaknesses in the present IDBR database coverage, especially for service sector companies; but all business units with PAYE and VAT records should be included (for instance, FCR and Cleggs are included!).

8.19. Multi-sectoral industry tabulations and measures of change using the IDBR dataset have not yet, we understand, been attempted; and calculating inter-year changes at the level of the individual reporting unit would also be an innovation that might require investment in software programming. The UK forest industry is, however, sufficiently small to suggest that creating and maintaining a parallel tagged IDBR database is both feasible and relatively cost-effective once the initial FIB tagging is completed. It may be sensible to pilot this for a part of the UK where supporting micro-level data exists; and as suggested, this could be an early project for support by the Scottish Forest Industries Cluster Group. Tagging IDBR to produce data subsets has been piloted in the Scottish Executive for Foreign Direct Investment plants, and there is thus an existing understanding of and experience in the process.

### **THE PREFERRED FIB SURVEY APPROACH**

8.20. It is possible to carefully plan a programme of forest industry business and industry monitoring that combines elements of the above three initiatives within a longer-term strategic business performance evaluation framework. This would combine:

- ❑ IDBR tagging of FIBs to provide the base FIB population. This could then be used to generate on-going annual counts of key indicators; the industry churn; and (potentially) inter-year business unit level changes. This dataset will provide both longitudinal industry measures, and the capability to compare forest industry performance with the total UK industry statistics – although this is also an area where database innovation is required.
- ❑ A simple coordinated Forest Industry Association annual survey of members to secure the ten business performance indicators outlined above (para 8.9), perhaps on a rolling 33% of the FIB population basis; and including one annual policy issue question agreed with FIDC and the Forestry Commission.
- ❑ A major baseline benchmark FIB audit every ten years, similar to the one presented in this report, which will provide the detailed overview of structure and change in the organisation, timber-use, business base and financial structures of the UK forest industry.

8.21. This combination will enable a greatly enhanced monitoring of the health and viability of forest industry businesses without a significant increase in the response burden for the FIBs involved. It may also be possible to improve the response rate through other means, and we now briefly discuss this.

## IMPROVING FIB SURVEY PARTICIPATION

8.22. The response rate for surveys of forest industry businesses could probably be improved through strong industry association support; using a simple and very short questionnaire; and a full reporting of results to the industry and to FIBs directly involved. It may, however, also be worthwhile exploring the possibility of paying or rewarding FIBs to participate in questionnaire based surveys, especially where these are major benchmark surveys of the industry. This has been introduced in some private sector surveys undertaken by private market research companies undertaking detailed market, product and technology research for their clients. It is relevant to note that a number of respondents and non-respondents to the questionnaire in the present forest industry survey made the point that answering took time and "*time means money*".

8.23. This is an issue worth further consideration, especially in the context of an industry dominated by very small, low turnover, FIBs with long working hours. A rolling annual survey of a third of the estimated 3,500 forest industry businesses (say 1,100 businesses) providing a £50.00 payment for each fully completed and returned questionnaire would involve an overall payment to the industry of some £55K. Given that this could encompass data to contribute to such as the Forestry Commission's Sawmill Survey and an annual policy or operational question, the costs and benefits of respondent payments are worthy of further consideration. The difficulty will then be that other surveys approaching forest industry businesses outwith the survey framework agreed by the Forestry Commission and the Forest Industry Associations will gain a relatively poor response.

8.24. There are important policy, operational and financial issues to be considered in moving towards a payment based approach to securing industry statistics and information. The key determining factor will be the strength of FIA demands for improved industry information, and the ability of the FIAs to persuade their members to participate. The present survey was channelled through the FIAs, and the response rate via this route suggests that only a proportion of FIBs regard better information as an operational priority. There is thus an important marketing and promotional effort required by FIAs to begin the process of improving information on FIB performance and prospects to the stage where it can readily contribute to policy development for the forest industry in Britain. We are confident, however, that this improvement can be achieved in a cost-effective manner by the Forestry Commission and the Forest Industry Associations.

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## ANNEX 1 : THE FOREST INDUSTRY BUSINESS SURVEY PARTNERS

The Owners and managers of the following forest industry businesses kindly gave their valuable time to complete and return the survey questionnaire. The Forestry Commission, the Forest industry associations, FCR and John Clegg & Co acknowledge their important contribution and formally thank them for their participation and partnership.

A. Adams Forestry Contractor	Eskdale Wood + Wildlife Management	Michael Scott Forestry Consultants
A. M. Lane	Essex Forest Services	Michael Wilson (Woodland Services)
A.G. Sinclair	Euroforest Ltd	Nelson Potter Limited
A.J. Charlton & Sons Limited	Exmoor Tree Services	Nicholls Farm & Forestry
A.J.C. Knell	F.G Woodland Services	Norfolk Woods & Hedges
Abbey St Bathans Estate	Farm Forestry Co Ltd	Northern Forestry
Aborcare	Flempton Hall Limited	Northern Woodland Consultancy
Aboretum International Ltd	Forest Fencing Plc	Oliver & Lang Brown
Acorn Tree and Woodland Services	Forestry Operations	P & R Berry
ADZHILL	Forestry Operator Training Services	Partek Forest Ltd
Alan Lindsay Forestry Contractor	Fountain Forestry	Paul Sandys Timber Marketing
Alba Trees plc	G. D. Forestry Contracting	Peter & W E Cramb
Alun R. Jones	G.L. Jones	Pineridge Farm
Andrew Hampton	Garden of Eden Tree Care Ltd	Plummer Bros
Andrew Heggie	George Booth & Sons	Plummer Brothers
Angus Tree Surgeons	George Brown & Son	Ponsse UK Ltd
Arboretum Internationale Ltd.	George Bruce Associates	Poulton Wood Works
Argyll Green Woodworkers Association	Good for Wood	Powell Forestry
B A Morgan	Gower Charcoal	Prees Heath Forest Nurseries
B&J Johnson	Graham V. Darrah	Pritchard Timber Contractors
Badenoch Land Management Ltd	Greenhills Nursery Ltd	R & H Swailes
Barnes Branch & Co Ltd	Griffiths Forestry Associates	R A J Mackie
Barony College	Gwyddelwern Sawmills	R. Baty & Sons
Bartholomew Partnership	Harpers Transport	R. G. M. Instruction
Ben Reid & Co Ltd	Harrogate Urban Forestry	R. M. Middlemiss Timber Extraction
Berite (Sawmills) Ltd	Harry Adock Ltd	R.D.S. Roundwood
Bill Cowie Estate Services	Hastings & Co	R.M. Law (Cupar) Ltd
Bill McKenzie	Hevingham Sawmills	R.T. Nicholson & Son
Blackbird Charcoal	Hillockhead Training Service	Rammerscales Sawmill
Blount Mill Limited	Ian Harcourt Timber Harvesting	Red Rock Forestry
Bodfari Charcoal	Ian Swindlehurst	Ridgeway Forestry
Border Consultants	Iggesund Forestry (UK)	Ridgeway Timber
Brian Charman & Associates	Independent Forestry	Ridgeway Woodlands
BSW Harvesting Ltd.	Interesting Timbers	Robert Waugh & Sons
BSW Timber plc	J P Handy (Forestry)	Roger McKinley Advisory Service (RMAS)
Butterleigh Sawmill	J. & J. Law	Rother Forestry
C. Arnot & Son Ltd	J. A. Dolwin	Scottish Woodlands Ltd
Central Tree Services	J. Roberson & Sons	Seven Star Timber
Chantler Timber	J. Walker	Silvanus Services Ltd
Charles Ransford & Son Ltd	J.H. Landscapes	Simon Hull
Cheviot Trees Ltd	James Baxter & Son	Simon Simpson
Chirnside Sawmills	James Brown & Son	Spains Hall Forest Nursery
Chris & Joan Wadsworth Forestry and Garden Services	James Callander & Son Ltd	Stan Bradley
Christie Elite Nurseries Ltd	James Cordiner & Son Ltd	Strathmore Estates
CKD Finlayson - Hughes	James Coutts Yule	Stump Grinding Services Ltd
Clapcote Forestry Ltd	James Jones & Sons Limited	Swailes Forestry
Clark Mactavish Ltd	Jason Turner Forestry	Sylvan Resources Ltd
Clifford Jones Timber Ltd	John Clegg & Co	T. Pogson
Coed Cymru	John Thomson Construction Ltd	T.E. Neve & Son
Coille Haulage	Johnston Contractors	Taylormade Timber Products Ltd
Colin Brolly Forestry	Jon Colley, Forestry Contractor/Instructor	Teifi Forest and Field
Complete Woodlands	Jonathan Walker	Ternex (London) Ltd
Cut Above Specialist Tree Services	Jones Bros	The Buccleuch Estates Ltd
D & O Transport	K. T. & J. Butler	Thomlinson's Sawmill
D. & E. Robinson	Kleen Kutt	Tilhill Economic Forestry Ltd
D. Love & Son Timber Contractor	L. G. Roberts & Son	Timber Plant & Haulage Ltd
D. MacCulloch	Landscape and Woodlands	Treeline
D. Pickard and Sons	Lawson E J Chater	Treespanner Timber
D. T. Bedwell & Son	Len Carr Consultancy	Treewise
D.E. Perkins (Forest Management) Ltd	Living Wood	Treewood Harvesting
DAUKSTA	Lockerbie Sawmill Ltd	Treework Training Services
David Ford Transport	Longleat Forestry	Treework Training Services
David Hornby	Longlyf Timber Products	Valley Sawmills
David J Orange & Co	Lonisaf Welsh Hardwoods	W. McLaughlin & Sons
David Parsons	Lonsdale Forestry Limited	Wessex Woodlands Mgt Ltd
David Rice Forestry	Lonsdale Forestry Ltd	Whitmore's Timber Co. Ltd.
Dorwood Timber	M & H Filsell & Sons	WJB Henderson - Upland and Forest Contracts
Doyle Timber Merchants	M.E. & M.E. Tilley	Woodland Regeneration Services
DVW Fencing Ltd	Mamhead Sawmill	Woodland Tree Service
Elmcroft Tree Nursery	Manor Farm Conservation Services	Woodwise Forestry Services
English Woodlands	Mark Tibbetts Forestry	Wyevale Transplants (Forestry) Ltd
English Woodlands Timber Ltd	Meades Sawmills	



## ANNEX 2 : THE SURVEY METHODOLOGY, RESPONSE & IMPLICATIONS

A2.2. This initial survey of the commercial health and viability of forest industry businesses (FIBs) in Great Britain has had to confront a variety of operational and methodological challenges to secure the benchmark picture of the industry presented in this report. These challenges are discussed in the main report together with a short overview of the survey approach and methodology adopted by the research team. In order to improve the readability of the report it was decided that a fuller explanation of the survey methodology, response rate and future survey implications would be provided in this separate annex, with the main points summarised in section 2.

A2.3. The annex begins by describing the scope and definitional parameters agreed with the Steering Group for the survey; and then examines the construction of the base forest industry business population through the main forest industry associations and from other FCR-JCC in-house sources. The sampling strategy adopted by the team is then explained; and the response to the two mailings of the FIB health and viability questionnaire is then set out. The annex closes with the team's suggestions on future FIB monitoring surveys, an issue discussed more comprehensively in the final section of the main report.

### FIB SURVEY SCOPE & DEFINITIONS

A2.4. An important first step in planning a long-term monitoring survey of the industry is to establish the types of forest industry businesses to be included : it could include businesses involved in growing trees to secondary processing and retailing, and for example, include businesses involved with both British grown and imported timber. In this initial part of this section of the report we set out the parameters to the survey as agreed with the Steering Group.

#### *THE SCOPE OF THE FIB SURVEY*

A2.5. A broad operational definition of the forest industry will include all businesses involved in using, supplying or marketing wood and wood products that have been imported into Britain, together with those using home-grown timber. Because the focus of the survey is to assist in monitoring the delivery of sustainable management of woodlands in Britain, it was decided by the Steering Group that the survey should concentrate on those businesses which are involved directly or indirectly with British-grown timber. During early discussions the Steering Group recognised that growing trees and forest ownership are businesses, and that theoretically both could be included within the overall monitoring framework. However, it was felt that as the financial position of woodland owners had been subject to a number of surveys over the years and was relatively well known, the survey should exclude woodland owning businesses. This project could thus be focused on forest industry businesses where less information was known.

A2.6. It was also agreed that the scope of the survey should be restricted to covering forest industry businesses in Britain throughout the wood chain from the "woodland or tree gate" up to and including primary processing. The survey would not cover secondary or tertiary processing, distribution of processed products or retailing. Within the British forest industry wood chain it was important to take a relatively broad definition and include businesses involved with plant production, arboriculture, craft products, equipment suppliers and training. The different segments within the British forest sector wood chain which were identified for inclusion in the baseline survey of forest industry businesses are:

- |  |   |
|--|---|
| <input type="checkbox"/> Forest Nurseries              | <input type="checkbox"/> Equipment Suppliers        |
| <input type="checkbox"/> Arboricultural Businesses     | <input type="checkbox"/> Trainers                   |
| <input type="checkbox"/> Forest Managers & Contractors | <input type="checkbox"/> Timber Merchants           |
| <input type="checkbox"/> Silvicultural Contractors     | <input type="checkbox"/> Mobile Sawmillers          |
| <input type="checkbox"/> Harvesting Contractors        | <input type="checkbox"/> Static Sawmillers          |
| <input type="checkbox"/> Timber Haulage Contractors    | <input type="checkbox"/> Charcoal & Coppice Workers |

These industry groups are relatively self-contained; are recognised as such by the forest industries; and most have trade associations to promote their business interests. These groups have thus formed the basis for one of reporting aspects of the survey; and it is recommended that they also shape the new forest industry tagging of existing national enterprise databases as recommended in the main report.

#### *THE DEFINITION OF PRIVATE SECTOR BUSINESSES*

A2.7. The initial brief for this survey was to assess the financial health of Small and Medium Sized Enterprises (SMEs) in the Forest Industries Sector in Britain, but at the request of the forest industry associations on the Steering Group it was agreed to expand the survey to include all private sector businesses within the thirteen product and service segments rather than simply SMEs as originally proposed. The reasons for this extension of the survey were that only a few additional FIBs would be added; that the survey should be taken as an opportunity to gain a little more knowledge of these bigger units; and that these larger FIBs played an important role in shaping the business environment for SMEs through sub-contracting and their influence on key forest industry markets. It was also decided to include operational FIBs within the NGO sector where

appropriate, although most FIBs would be private sector businesses

A2.8. It was also decided that in relation to SMEs, the standard recognised European Commission SME definition should be used since it is intended to repeat this survey at intervals in the future so that trends in the health and financial viability of SME forestry businesses could be established and compared with FIBs as a whole. The European Commission's present definition of SMEs is as follows:

- ☐ **Medium Sized Enterprises** : have fewer than 250 employees; an annual turnover not exceeding 40 million Euro (£26 million), and/or an annual balance sheet not exceeding 27 million Euro (£17.5 million); and conform to the criterion of independence (as defined in paragraph 3 of OJL 107 of 30.04.1996, page 8).
- ☐ **Small Sized Enterprises** : have fewer than 50 employees; an annual turnover not exceeding 7 million Euro (£4.5 million); an annual balance sheet not exceeding 5 million Euro (£3.3 million); and conform to the EC's criterion of independence.

A2.9. It is estimated that around 15 businesses in the forest industries sector in Britain using domestically grown timber that do not come within the European Commission's SME definition. Consequently, the Steering Group decided that the survey should be broadened to cover all British forest industry businesses including these larger business units.

### **THE GEOGRAPHICAL COVERAGE**

A2.10. Many of the forest industry associations have members in Northern Ireland and occasionally in Eire, and the Steering Group thus considered whether to have a United Kingdom focus to include these. In the event it was decided to restrict the survey to the known population of FIBs in the three member nations of Great Britain, but that future monitoring surveys might have a UK focus should the Northern Ireland Forest Service and the industry associations find it helpful. Tabulations of survey results would be provided for the three nations to support the now devolved structure of forestry policy; and the survey database was designed to enable tabulations and analyses for regions within the nations should this be required at a subsequent date.

## **IDENTIFYING THE FIB POPULATION**

A2.11. There is currently no comprehensive publicly available database of forest industry businesses in Britain, and it is therefore it is difficult to establish a robust survey sampling strategy without good knowledge on the base population. The Interdepartmental Business Register (IDBR), a confidential register of businesses maintained by the Office of National Statistics (ONS), is a potential source of FIB populations, but businesses held according to their SIC coding which currently does not allow tabulations at the wood chain level required by the industry. It is also difficult and time-consuming to access, and to produce FIB population estimates would take a number of months. In the longer term, there appears to be considerable potential for using the IDBR for monitoring the health and financial viability of forestry businesses to provide more comprehensive statistics on a more cost effective basis. This subject is further explored in Sections 7 and 8 of this report.

### **ASSEMBLING THE BASE POPULATION**

It was decided that the quickest and most effective way of estimating the approximate number of forest industry businesses within the parameters set by the Steering Group was to ask the principal industry trade and professional organisations and the equipment suppliers how many companies they had registered with them or they supplied equipment to. In taking this approach to building the base FIB population it was recognised that there would be some overlap of membership amongst the various organisations for businesses involved in certain types of activities, and it was assumed this could amount to approximately 10%. The following organisations and businesses were approached to ask if they would be kind enough to provide us with their estimates of the number of forest industry businesses they dealt with by activity/ sector component:

- |  |  |
|--|--|
| <input type="checkbox"/> Horticultural Trades Association      | <input type="checkbox"/> Forestry and Arboricultural Safety & Training Council |
| <input type="checkbox"/> Arboricultural Association            | <input type="checkbox"/> Beacon Forestry                                       |
| <input type="checkbox"/> Institute of Chartered Foresters      | <input type="checkbox"/> Forester Standrange Ltd                               |
| <input type="checkbox"/> Association of Professional Foresters | <input type="checkbox"/> Fuelwood Harvesting                                   |
| <input type="checkbox"/> Forestry Contracting Association      | <input type="checkbox"/> Timber Resources International                        |
| <input type="checkbox"/> National Small Woods Association      |  |

A2.12. These organisations generously agreed to provide the research team with estimates of FIB numbers, and the results are given in table A2.1 by organisation and sector component. The totals supplied by each organisation and the estimated total number of businesses involved in each activity in the wood chain gave a preliminary estimated total of 3895 forestry industry businesses. This was the initial base FIB population.

Table A2.1 : Estimated Number of Forest Industry Businesses in Britain Based on Returns

Sector Component	HTA	Arb Assn	ICF	APF	FCA	Other	Total No of Businesses
Forest Nurseries	30						30
Arboricultural Businesses		200		100			300
Forest Managers & Contractors			367	100			467
Silvicultural Contractors				50	214 <sup>(2)</sup>		264
Harvesting Contractors				260	437		697
Timber Haulage Contractors				<10	36	340 <sup>(3)</sup>	385
Charcoal & Coppice Workers				<10	55	40 <sup>(4)</sup>	104
Equipment Suppliers				100	40		140
Trainers				10		200 <sup>(7)</sup>	210
Mobile Sawmillers						600 <sup>(5)</sup>	600
Timber Merchants						200 <sup>(6)</sup>	200
Static Sawmillers						500 <sup>(6)</sup>	500
<b>Total</b>	<b>30</b>	<b>200</b>	<b>367</b>	<b>638</b>	<b>782</b>	<b>1600</b>	<b>3895</b>

Footnotes : (1) Total membership 2000. (2) Excludes forest managers, chain saw operators, machine operators and estates. (3) Based on haulage working party database. (4) NSWA registered businesses. (5) Estimate derived from main agents for Woodmizer, Lucas, Forester, Trekkasaw and Beacon Forestry. (6) Beacon Forestry. (7) FASTCo. It includes colleges and individuals.

### CONFIRMING THE BASE FIB POPULATION

An initial review of the preliminary total for each sector component by the research team and the industry association staff indicated that some adjustments to the initial FBI base population shown in table A2.1 above should be made. The resulting changes and the reasons for them are:

- ☐ **Forest Managers & Contractors:** Total number of businesses reduced by 10% to 420 businesses to allow for membership of multiple organisations.
- ☐ **Silvicultural Contractors:** Total reduced by 10% to 238 businesses to reflect the cross over in membership of organisations.
- ☐ **Harvesting Contractors:** Similar reduction of 10% of estimated number of businesses.
- ☐ **Timber Haulage Contractors:** The initial estimate of the number of haulage businesses was thought to be an over-estimate; and thus the total number was reduced by 11.7%. A number of hauliers on the database that was used were not specialist timber haulage businesses, only moved roundwood or wood products occasionally, and some may have left the industry as a result of the recent difficult economic conditions.
- ☐ **Charcoal & Coppice Workers:** Number reduced by 10% due to possible multiple membership or organisations.
- ☐ **Equipment Suppliers:** Relative to the number of businesses directly involved in the wood chain, the estimated number of equipment supplying businesses seemed very high. The estimated number of equipment supplying businesses was therefore reduced by approximately 28.5% to 100.
- ☐ **Trainers:** Preliminary estimates of number of individuals and organisations involved in training was 210. There was not expected to be a significant cross over in membership of organisations so the total was only reduced by approximately 5%.
- ☐ **Timber Merchants:** There should have been no significant possibility of double counting since numbers were provided by Beacon Forestry from its own detailed and regularly updated database, rather than through trade associations.
- ☐ **Mobile Sawmillers:** The initial estimate of 600 for the number of mobile sawmilling businesses was derived from the number of units sold to businesses provided by each UK agent for the main manufacturers of mobile mills. It was recognised that a number of mobile saws might not still be in use; others may only be used very occasionally; and some users could not be regarded as "a business". The estimate of 600 mobile sawmilling businesses in Britain seemed intuitively high and in excess of the estimated number of static sawmills. It was therefore decided on the basis of industry discussions to reduce the initial estimate of the number of businesses by one third to 200.

A revised estimate of the number of forest industry businesses in Britain after making the changes to the initial total figures is given in Table A2.2.

**Table A2.2 : Revised Estimate of the Total Number of Forest Industry Businesses in Great Britain in Spring 2000 : The Revised Base Population**

Sector Component	Est. No. of Businesses	% of Total Businesses
Forest Nurseries	30	1.0
Arboricultural Businesses	300	9.2
Forest Managers & Contractors	420	12.9
Silvicultural Contractors	238	7.3
Harvesting Contractors	625	19.2
Timber Haulage Contractors	340	10.4
Charcoal & Coppice Workers	94	2.9
Equipment Suppliers	100	3.1
Trainers	200	6.2
Mobile Sawmillers	200	6.2
Timber Merchants	200	6.2
Static Sawmillers	500	15.4
<b>Total FIBs</b>	<b>3247</b>	<b>100.0</b>

Source: Industry Estimates (2000), see paras 11-12.

A2.13. The base population of forest industry businesses in Great Britain is therefore just over 3,200 units, which broadly approximates to the number of forestry and logging business units in the available IBDR tabulations which probably encompasses the first six FIB categories show in table A2.2. The experience of the research team together with the detailed knowledge of the industry associations gives confidence that this revised base population is certainly the right order-of-magnitude, and probably within 200 business units of the true core FIB population which itself will be constantly changing through new starts and closures. Assembling a more robust FIB database is an industry priority.

### THE SAMPLING STRATEGY

A2.14. It is important in understanding the research team's sampling strategy to distinguish between *an industry census* and a *sample survey*. A comprehensive census of the forest industry would have required a more comprehensive and detailed research assignment with a major resource requirement to assemble, collate and confirm a micro database of all known FIBs; an industry wide mailing; and correspondingly larger analytical and reporting tasks. The absence of a known FIB dataset and the resources available precluded a census, which anyway would need a statutory requirement to respond if it was to achieve a near complete response. This is not yet possible or needed, and a sampling approach was therefore agreed with the Steering Group.

A2.15. A key aim of the survey was to seek a representative sample for assessing the health and financial viability of forest industry businesses. It was argued that this could be achieved through mailed questionnaires asking for base-line business information being sent out to 1200 businesses, approximately one third of the estimated number of forestry industry businesses identified as the base population. This assumed a minimum response rate of about 15%, but hopefully achieving a significantly higher figure. Using the same percentages of businesses in each component of the forest sector as in Table A2.2, 1200 questionnaires sample were allocated to each sector on an identical percentage to their share of the base population. The distribution of questionnaires by sector used for this survey is given in Table A2.3.

**Table A2.3 : Distribution of Questionnaires by Forest Industry Sector Component**

Sector Component	No of Questionnaires	% Total
Forest Nurseries	11	1.0
Arboricultural Businesses	110	9.2
Forest Managers & Contractors	155	12.9
Silvicultural Contractors	88	7.3
Harvesting Contractors	230	19.2
Timber Haulage Contractors	124	10.4
Charcoal & Coppice Workers	35	2.9
Equipment Suppliers	38	3.1
Trainers	74	6.2
Mobile Sawmillers	74	6.2
Timber Merchants	74	6.2
Static Sawmillers	187	15.4
<b>Total</b>	<b>1200</b>	<b>100.0</b>

### QUESTIONNAIRE DEVELOPMENT

A2.16. A detailed self-answer questionnaire was developed in conjunction with the Steering Group and with other Trade Organisations who were supporting the survey, but not represented on the Steering Group. This allowed the team to pilot the questionnaires and to consequently fine tune some of the questions : the final questionnaire used in the survey is included as Annex 3 to this report. A copy of the questionnaire was then submitted to the Survey Control unit for formal approval which was duly received in early 2000. It should be noted that the content and size of the questionnaire was increased in discussion with the Steering Group and industry associations. The research team made the point that the response rate achievable would be affected by the size of the questionnaire, and that what would be achieved would be a benchmark collection of valuable information on a wide range of issues but with a lower level of response. Future FIB surveys could then build on this benchmark knowledge through the application of regular short surveys. This issue is discussed in section 8 of the main report.

### QUESTIONNAIRE DISTRIBUTION TO FIBs

A2.17. The industry organisations and companies who assisted in generating the base forest industry FIB population through checking membership records and databases were unable to provide the consulting team with the names and addresses of individual businesses. This was firstly not permitted under their Data Protection Act registrations; and, for some agents and companies such information was commercially confidential. Each organisation or company therefore kindly agreed to undertake the distribution of the questionnaires in accordance with the number of businesses they had estimated as forming their membership in each sector. The numbers of FIB questionnaires distributed is shown in Table A2.4.

**Table A2.4 : Number of Questionnaires Distributed by Each Organisation & Sector Component**

Sector Component	HTA	Arb Assn	ICF	APF	FCA	Other	No of Questionnaires Distributed
Forest Nurseries	11						11
Arboricultural Businesses		74		36			110
Forest Managers & Contractors			99	55			155
Silvicultural Contractors				17	71		88
Harvesting Contractors				86	144		230
Timber Haulage Contractors					14	110	124
Charcoal & Coppice Workers					22	14	35
Equipment Suppliers				27	11		38
Trainers						74	74
Mobile Sawmillers						74	74
Timber Merchants						74	74
Static Sawmillers						187	187
<b>Total</b>	<b>11</b>	<b>74</b>	<b>99</b>	<b>221</b>	<b>262</b>	<b>532</b>	<b>1200</b>

There are two research challenges associated with relying on other organisations and companies to distribute survey questionnaires. These are in:

- ☐ **Ensuring a Geographical Spread:** It had to be assumed, and confirmed by the industry organisations, that their databases held membership records on a largely random geographical basis. They were asked to match this random structure through selecting businesses to which questionnaires would be sent on a systematic basis i.e. every fifth or tenth record (etc) as was appropriate.
- ☐ **Multiple Questionnaires per FIB:** It was not possible to avoid businesses receiving more than one questionnaire, given each organisation was responsible for selecting the businesses which would be sent questionnaires; and that no organisation knew who the other organisations were sending questionnaires to. It is possible that perhaps 10% of the businesses might have received duplicates, although the research team is only aware of five businesses receiving questionnaires from more than one industry organisation.

A2.18. The questionnaires were sent to named executive contacts in the participating industry organisations in an envelope along with copies of a Briefing Note, which gave the background to the survey and its aims and objectives, and a covering letter. The envelopes were left unsealed as some of the organisations wished to include their own letter helpfully supporting the survey. All letters were posted to the industry organisations by 24<sup>th</sup> January; and the questionnaires to the individual FIBs were distributed by organisations in the following week, with an SAE to enable their return to the research team.

### THE SURVEY RESPONSE

A2.19. Completed questionnaires started arriving at the research team from 31<sup>st</sup> January, and the resulting MS Access survey database was closed to responses on 24 March. An analysis of the completed questionnaires returned by 24<sup>th</sup> March,

according to the component of the forest sector in which the businesses operated, is given in Table A2.5 below.

**Table A2.5 : Analysis of Businesses by Sector Component who Returned Questionnaires After Initial Mailing**

Sector Component	No of Distributed Questionnaires	No of Completed Questionnaires Received	% Response Rate
Forest Nurseries	11	14	127.3
Arboricultural Businesses	110	10	9.1
Forest Managers & Contractors	155	35	22.6
Silvicultural Contractors	88	32	36.4
Harvesting Contractors	230	18	7.8
Timber Haulage Contractors	124	11	8.9
Charcoal & Coppice Workers	35	6	17.1
Equipment Suppliers	38	2	5.3
Trainers	74	7	9.5
Mobile Sawmillers	74	14	18.9
Timber Merchants	74	6	8.1
Static Sawmillers	187	14	7.5
<b>Total</b>	<b>1200</b>	<b>169</b>	<b>14.1</b>

Note : The sector to which a business belonged was estimated from the response given to question 6 on each returned questionnaire. The exceptional response for the nursery sector was because some nurseries that were not in the original sample received questionnaires as a result of belonging to other associations.

The response level and initial cross-tabulations of survey responses were discussed at a meeting with the Steering Group in March 2000, and it was agreed that:

- ❑ The overall response rate of 14.1% was disappointing. There were a number of possible reasons for this including the length of the questionnaire; questionnaire fatigue; the questionnaire being sent out at a particularly busy time of the forestry calendar and tax year; and perhaps the general low level of timber prices reducing the desire to help the industry.
- ❑ The results from the sample might not be fully representative of forest industry businesses overall as there appeared to be relatively low levels of response from harvesting contractors, haulage contractors, timber merchants, and static sawmill businesses. As the latter were thought to be primarily involved with handling, or using, coniferous logs, it was thought that the overall results might be biased towards the businesses that use broadleaves.

A2.20. The Steering Group therefore felt that the results of the survey would be improved if the response rate for completed questionnaires could be raised for the low response categories mentioned in the above paragraph. The Forestry Contracting Association, the Association of Professional Foresters, and the UK Forest Products Association all kindly agreed to assist in sending out reminder letters, further questionnaires and Briefing Notes to those businesses that had not responded when first mailed. The resurvey packs were sent to these three organisations for distribution on 27<sup>th</sup> April, and responses started arriving from 1<sup>st</sup> May. The database was finally closed on 1<sup>st</sup> June 2000 so that analysis work could be started.

### ***THE OVERALL SURVEY RESPONSE***

An analysis of the response rates to the survey from the initial and second mailings of questionnaires is given in Table A2.6. The results show that the second mailing of questionnaires to business operating in the targeted components of the forest sector resulted in a 10.4% response rate which lifted the overall response rate for the survey to 19.0%. Despite the low response rate it was felt that the businesses which responded provided a broadly acceptable representative sample for measuring the health and financial viability of forest industry businesses. An increased overall response rate would improve confidence levels, but would not necessarily change the overall results.

Table A2.6 : Survey Response Rate Analysis

Activity	Initial Mailing	Second Mailing	Total
Questionnaires Mailed	1200	463	1663
Questionnaires Returned	180	48	228
Useable	169	47	216
Uncompleted, "Gone Away"	10	2	12
<b>Response Rate (%)</b>	<b>14.1%</b>	<b>10.4%</b>	<b>19.0%</b>

**RESPONSE RATES BY KEY FOREST INDUSTRY FEATURES**

A2.21. The FIB response rates to the business health and viability questionnaire have been analysed and considered in terms of the key forest industry. The main response rate features are summarised below in relation to those industry features known to the Steering Group and research team in advance of the mailings, namely the forest industry segments. All other FIB variables such as employment and turnover size, organisational status, age of business, and types of timber used, were *unknown* to the Steering Group and research team in advance of the survey. It is thus not possible to analyse survey response rates by these industry features for this initial benchmark monitoring survey, but the survey results will enable a response rate framework for future surveys to be developed.

Table A2.7 : Analysis of Useable Returned FIB Questionnaires by Industry Sector

Sector Component	# of Distributed Questionnaires	# of Completed Questionnaires	Response Rate %
Forest Nurseries	11	16	145.4
Arboricultural Businesses	110	10	9.1
Forest Managers & Contractors	155	37	23.9
Silvicultural Contractors	88	32	36.4
Harvesting Contractors	230	27	11.7
Timber Haulage Contractors	124	14	11.3
Charcoal & Coppice Workers	35	6	17.1
Equipment Suppliers	38	2	5.3
Trainers	74	8	10.8
Timber Merchants	74	12	16.2
Mobile Sawmills	74	21	28.4
Static Sawmills	187	25	13.4
<b>Total</b>	<b>1200</b>	<b>216</b>	<b>18.0</b>

A2.22. The FIB response rate to the survey varied markedly between the 12 core sectors, from a poor 5.3% for equipment suppliers to the 145% return by Forest Nurseries; but with the 216 useable completed questionnaires representing an [18.0%] overall response rate. It is possible to make some observations on the pattern of responses shown in table A2.7 above.

- ☐ There has been a re-classification by the research team of some of the returned questionnaires reflecting the comments of the FIBs involved and the pattern of their business turnover as revealed by Q6 in the questionnaire. This explains the additional five plant nursery questionnaires generating a 146% response rate.
- ☐ It is possible (and in our experience probable) that business owners in equipment supplies, training and arboricultural services do not see themselves as being a part of the forest industry, and consequently saw no need to respond.
- ☐ It is interesting to note that the response rate from FIBs in sectors with a strong and recognised industry association are also disappointing, especially where the associations specifically requested their members to participate. This is particularly disappointing given that some of these sectors such as Sawmilling have expressed a need for improved industry information as a means of better planning the development of their industries.
- ☐ There may also be a reluctance in many SMEs in the forest industry to respond to enquiries on their financial structure and business performance especially during a period when margins throughout the woodchain sectors included in the survey are low and under pressure from historically low timber prices.

A2.23. These factors have all contributed to the relatively low response rate to this initial survey, but against this must be set the major increase in detailed knowledge of FIBs in Britain from the 216 businesses that responded. In this sense, the results and FIB perceptions presented in the main report provide an essential benchmark for the more precise monitoring of the health and viability of FIBs.

## ANNEX 3 : THE FIB BUSINESS HEALTH QUESTIONNAIRE

COMMERCIAL-IN-CONFIDENCE

### FINANCIAL PERFORMANCE AND PROSPECTS OF FOREST INDUSTRY BUSINESSES

*We would be grateful if you could spare a few minutes of your valuable time to complete and return this confidential questionnaire to help the forest industry assess the health and viability of businesses in the forest sector.*

#### PROFILE OF YOUR BUSINESS

1. Name of Company/Organisation \_\_\_\_\_
2. Contact Name \_\_\_\_\_ Title \_\_\_\_\_
3. Contact Position \_\_\_\_\_
4. Contact Address \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
  
Postal Code \_\_\_\_\_
5. Telephone No \_\_\_\_\_ Fax No \_\_\_\_\_  
  
E-Mail \_\_\_\_\_
6. Please state the approximate % of your business' work spent on the following activities?
 

<input type="checkbox"/> Arboricultural Activities	<input type="checkbox"/> Processing of Roundwood
<input type="checkbox"/> Plant Growing & Supply	<input type="checkbox"/> Processing of Sawn Timber
<input type="checkbox"/> Woodland Management & Consultancy	<input type="checkbox"/> Rural Crafts
<input type="checkbox"/> Woodland/ Silvicultural Contracting	<input type="checkbox"/> Agricultural Activities
<input type="checkbox"/> Roundwood Harvesting	<input type="checkbox"/> Landscaping/Amenity Work
<input type="checkbox"/> Roundwood Marketing	<input type="checkbox"/> Training Provision
<input type="checkbox"/> Roundwood Transport	<input type="checkbox"/> Sales of Equipment
	<input type="checkbox"/> Other– please specify _____
7. Which types of trees/timber is your business involved with? (please tick one)
 

<input type="checkbox"/> Mostly Coniferous	<input type="checkbox"/> Mostly Broadleaved	<input type="checkbox"/> Coniferous and Broadleaved
--	---	---
8. How many different companies does your business work for as a contractor or sub-contractor?  
\_\_\_\_\_
9. Which of the following organisations does your business belong to? (Please tick all that apply)



☐ ICF      ☐ APF      ☐ FCA      ☐ UKFPA  
☐ Arb A      ☐ NSWA      ☐ Other \_\_\_\_\_

### KEY FEATURES OF YOUR BUSINESS

10. Type of Business: (Please tick one)
- ☐ Sole Trader      ☐ Partnership      ☐ Private Ltd Company  
☐ PLC      ☐ Other (please specify) \_\_\_\_\_
11. Which best describes the business? (Please tick one)
- ☐ Family/Personally Owned      ☐ Independent      ☐ Subsidiary of Another Company
12. Is your home your place of business? (Please tick one)
- ☐ Yes      ☐ No
13. In which year was your currently named business established? \_\_\_\_\_
14. What was your approximate annual turnover in your last financial year?
- £ \_\_\_\_\_
15. How has your turnover changed in the last 3 years? (Please tick one)
- ☐ Gone up      ☐ Gone down      ☐ About the same
16. What approximately were your total costs in your last financial year?
- £ \_\_\_\_\_
17. In the last 3 years has the profitability of your business or subsidiary (Please tick one)
- ☐ Increased?      ☐ Decreased?      ☐ Stayed the Same?
18. How much capital is employed in your business or subsidiary? (Please tick one)
- |  |  |   |
|--|--|---|
| <input type="checkbox"/> 0 - £10,000     | <input type="checkbox"/> £11k - £30k     | <input type="checkbox"/> £31k - £75k      |
| <input type="checkbox"/> £76k - £125k    | <input type="checkbox"/> £126k - £175k   | <input type="checkbox"/> £176k - £250k    |
| <input type="checkbox"/> £251k - £350k   | <input type="checkbox"/> £351k - £550k   | <input type="checkbox"/> £551k - £750k    |
| <input type="checkbox"/> £751k - £1.5m   | <input type="checkbox"/> £1.51m - £2.5m  | <input type="checkbox"/> £2.51m - £4.5m   |
| <input type="checkbox"/> £4.51m - £8.51m | <input type="checkbox"/> £8.51m - £12.5m | <input type="checkbox"/> £12.51m - £28.5m |
| <input type="checkbox"/> £28.51m +       |  |   |
19. How is the capital of your business made up in percentage terms?
- \_\_\_\_\_ % Own Personal Money/Equity Shares  
 \_\_\_\_\_ % Family/Friends  
 \_\_\_\_\_ % Partnership Capital  
 \_\_\_\_\_ % Parent Company  
 \_\_\_\_\_ % Bank Overdraft  
 \_\_\_\_\_ % Bank Loan

\_\_\_\_\_ % Hire Purchase/ Lease Payments

\_\_\_\_\_ % Government / EU Grants

\_\_\_\_\_ % Property Mortgage

20. Does your business currently have a formal business plan? (Please tick one)

☐ Yes      ☐ No      ☐ Don't Know

21. How many employees are there in your business and how many have technical or professional qualifications?

Qualifications	Male		Female		Total	
	Full Time	Part Time	Full Time	Part Time	Full Time	Part Time
Technical						
Professional						
Neither						
Total						

22. How has the number of employees changed over the last 3 years? (Please tick one)

☐ Gone Up      ☐ Gone Down      ☐ Unchanged

23. Does your business have a training plan? (Please tick one)

☐ Yes      ☐ No      ☐ Don't Know

24. Who does your business get advice from at present? (please tick as appropriate)

☐ Your Accountant      ☐ Training & Enterprise/ Local Enterprise Company

☐ In-house      ☐ Business Shop

☐ Yourself      ☐ Marketing Consultant

☐ Management Consultant      ☐ Family or Friends

☐ Other (Please specify) \_\_\_\_\_

25. Has your business received any external grants or funding, in developing your business from other organisations e.g. training or marketing grants? (Please tick one)

☐ Yes (Go to Q26)      ☐ No (Go to Q27)      ☐ Don't Know (Go to Q27)

26. If yes, please give details \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

27. Has your business become more diversified in the last 3 years? (Please tick one)

☐ Yes (Go to Q28)      ☐ No (Go to Q29)      ☐ Don't Know (Go to Q29)

28. If yes, in what way? \_\_\_\_\_  
 \_\_\_\_\_

29. Do you expect your business still to be operating in: (please tick a, b & c)

(a) 1 year's time      ☐ Yes      ☐ No      ☐ Don't Know

(b) 3 year's time ☐ Yes ☐ No ☐ Don't Know

(c) 5 year's time ☐ Yes ☐ No ☐ Don't Know

### YOUR CURRENT BUSINESS CHALLENGES

30. What are the **five** biggest difficulties that your business faces at present? (Please rank these on a scale of 1 to 5 with 1 indicating your biggest difficulty).

- ☐ To increase sales  
☐ Decreasing sales  
☐ Cash flow management  
☐ Falling profitability  
☐ Obtaining access to capital  
☐ Finding reliable qualified employees  
☐ General business regulations e.g. working time directive, national min. wage  
☐ Technical regulations e.g. environmental, health & safety, ISO  
☐ Your management/ business skills  
☐ Finding time to investigate new business opportunities  
☐ Increasing costs  
☐ Other (please specify) \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_

31. What has been the impact of the introduction of Certification of woodlands and timber on your business so far. 1 (Please tick all that apply) Certification has ....

- ☐ Increased Turnover ☐ Decreased Turnover ☐ Increased Costs  
☐ Required New Skills ☐ Opened New Markets ☐ No effect/ Don't know

32. What do you think the biggest long-term impact of Certification will be on your business?

\_\_\_\_\_  
 \_\_\_\_\_

### YOUR FUTURE BUSINESS PROSPECTS

33. Do you expect the profitability of your business in the next 3 years to:

- ☐ Increase? ☐ Decrease? ☐ Stay the same?

34. Which five external factors (a) do you think will have the biggest direct influence on improving the profitability of your business (b) would like to see occur which will improve your profitability during the period to 2002? (Please rank the five factors separately in the columns headed (a) and (b) both on scales of 1 to 5 with 1 having the greatest influence)

(a) Five Factors which will occur

(b) Five Factors you would like to see occur

- |       |  |       |
|-------|--|-------|
| _____ | Increased Imported Timber Prices                   | _____ |
| _____ | Increased British Roundwood Prices                 | _____ |
| _____ | Higher FC Woodland Grants                          | _____ |
| _____ | Higher Environmental Grants                        | _____ |
| _____ | More Flexible Regulations on Timber Use            | _____ |
| _____ | Government Forest Policy Changes                   | _____ |
| _____ | Reduced Regulations on Small Businesses            | _____ |
| _____ | Finding New Markets for Roundwood                  | _____ |
| _____ | Finding Markets for Processed Wood/ Timber         | _____ |
| _____ | Different Forest Enterprise Procedures & Practices | _____ |
| _____ | Improved Health of Woodlands Market                | _____ |
| _____ | Better Access to Capital                           | _____ |

_____	Continued Availability of EU Regional Funding	_____
_____	Lower Interest Rates	_____
_____	Lower Taxation	_____
_____	Reduced Fuel/Transport Costs	_____
_____	Continued Low Inflation	_____
_____	Implementation of Agenda 2000 Proposals	_____
_____	Investing in New Technologies	_____
_____	Others (Please specify) _____	_____
	_____	
	_____	

35. What practical help would most benefit your business? (Please specify)

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

36. Who do you think could best provide the help you would like? (please specify).

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Any Other Comments that you may wish to make will be welcomed.

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Thank you very much for taking the time to complete this short confidential questionnaire.

It is intended that this survey is repeated again in 3 years time to see how the situation facing small and medium sizes businesses has changed. If you do not want to take part in the next survey, please tick the box ☐

Please return this completed questionnaire in the Free Post Envelope enclosed to Firn Crichton Roberts Limited, Venture Court, 35 High Street, Pittenweem Fife. KY10 2PG.

If you would like to discuss any aspect of the survey, please call either: John Firn, Tel: 01333 312065, or Guy Watt, Tel: 0131 229 8800.

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## ANNEX 4 : BUSINESS SUPPORT ISSUES IDENTIFIED BY FOREST INDUSTRY BUSINESSES

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This annex to the report lists in full the responses made by forest industry businesses to the three open-ended qualitative response questions put to business owners in the survey questionnaire. These were:

- ☐ Question 35 : *What practical help would most benefit your business?*
- ☐ Question 36 : *Who do you think could best provide the help you would like?*
- ☐ Final Question : *Any other comments that you wish to make?*

No guidance was provided to FIBs on areas and issues to address in these two questions. The responses thus give an important insight into the perceptions of help and support that forest industry businesses require, and on who they see as being best placed to provide this. The responses in a confidential format to prevent identification of individual respondents are listed in full below. The main conclusions emerging from this aspect of the survey have been reported and reviewed in section 6 of the report. In a small number of cases the names of individual companies and organisations in the forest industries have been replaced by..... (general references)..... to prevent disclosure or identification of individual respondents.

### WHAT PRACTICAL HELP WOULD MOST BENEFIT YOUR BUSINESS?

Record #	Question 35 : What practical help would most benefit your business?
1	A realisation that small sawmills survive and provide local employment. But we need proper financial grants and assistance. A forestry NTO to train our staff, not just as a branch of LANTRA.
2	None - unless it came without any strings whatsoever.
3	Lower fuel taxation. Less form filling. Restrictions on cheap imports. Increase roundwood prices to encourage private owners to market.
5	The development of a keen hardwood market in Scotland, especially for beech.
6	Understanding of the problems facing the haulage industry, although timber haulage is more profitable than general haulage. Return loads (general haulage) helps to create more profit whilst hauling timber, (the "primary" load).
7	FC to control the removal of timber from their forests very much better. One contractor has been caught removing roundwood - has been fined - and still works in FC forests. FC do not want to acknowledge supervision, & control of ops is very poor.
8	Abolition of VAT on fuel, 85% of our income is from fuel wood sales. Promotion of fuelwood sales and less cheap imports of charcoal..
9	Government.
12	We would like to see funding for new investment in machinery and plant. It is very difficult for a small family business to take the gamble and invest heavily. We would also like to see an end to all the cheap imported timber flooding the country.
13	A dramatic reduction in unnecessary regulation imposed by Government Agencies responsible for the Environment, Health and Safety and driven by young, out of college. Little real experience, therefore, no common sense would be empire builders! Compared to the French, the Germans, and all the other Europeans we suffer the most by far and are becoming a Nanny State where the individual is not expected to be responsible for his actions!
15	Better timber prices.
16	The availability of flexible - mobile technical and professional staff. More enforcement of government legislation.
17	An Advisor on funding, particularly grants. There seems to be plenty of funds available until you attempt to secure it, particularly for small companies who are keen to take a lead in training.
18	Business Management Training. Business Marketing Training. Ways to market bi-products.
19	Stability in the forestry industry. Education of buyers of plant material to put quality before price.
20	Mostly economic. We can do the practical if the economics are better.
21	Local marketing group set up to promote sales of woodland products. Help with advertising services provided. More contact with land/woodland owners to manage woodlands productively making the most of grants available. Encourage farmers to plant where it has become uneconomic to farm.
22	Improve buoyancy of timber market and reinstate off-set of woodland losses against other income to assist in management of unprofitable woodlands.
25	Developing new business, increasing sales.
26	Abolish the new changes to the WGs. It is the beginning of the end of a fairly simple WGs system. I submit many applications after 31st October and this new requirement is disastrous.
27	Government support for forestry planting and a drop in the value of sterling must happen otherwise the UK industry will collapse!
29	Government intervention on the importation of sawn timber from abroad (Latvian).
30	Support for regional produce groups so that we can, while staying small-scale and local, gain access to regional contracts with national companies.
31	I see chaps with chainsaw cert. working who haven't got a clue, whereas I have been working in a woodland environment safely for six years and have trouble finding cash to cover a course that I would find basic, useless, apart from getting a piece of paper that says I'm competent (chainsaw). Free/cheaper assesFIBnt would help. Access to capital/grants to invest in plant to increase production. A little would go a long way. Student loan scheme, why not a woodland loan scheme?
32	Training for computers and e-mail. Grant assistance with capital/employment expansion.
34	Rebated fuel, Grant aid on new equipment, for Hauliers.
35	Big companies paying quicker. Realistic managers - many want or expect unworkable prices. Owners/managers need to realise the importance of the contractor within the industry, this industry should be able to pay enough to live on. At every level of forestry everyone seems to want to con every one else.
36	More money for work involved. Local contractors for local work. No grant aided machines in non grant areas.
37	A higher price for small round wood, e.g. firewood, pulpwood. Assistance in marketing sawn timber of Welsh origin both conifer and hardwood. Specialist users requiring relatively small quantities of produce.
38	Stop some people who are telling woodland owners that their timber is worth more than it is. I am working for 1987 prices which I am sure that most people are not.
39	Government to recognise, and publicise, that timber growing is a legitimate industry and that local interests outweigh those of urban visitors. Publicity that forests have to and will pay their way, meaning through timber production and that environmental issues generally do not unless subsidised by the land/forest owner or the taxpayer. Banks and the Inland Revenue to be more sympathetic to small businesses. DTI and similar bodies prepared to help underpin small schemes, and not always large ones. Stimulation of wider uses of timber generally, in quantity not DIY: certification will aid DIY but seems more a retailing marketing ploy, paid for by the growers. We need timber to be competitive with other materials. Resumption of support for commercial conifer planting to forestall a shortfall of wood supply from 2030 onwards (too late for 2015/20!).
40	Increased number of long term contracts which give confidence to invest!
41	Increased value of thinnings.
42	Government influence in achieving a competitive exchange rate. Development of an integrated cost effective transport structure. Proactive promotion by government of Scotland as a location for Forest Industry Investment.
45	An accessible market for small quantities of lower quality woodland produce. Most of my clients/woodland owners would be happy to carry out all operations that would be beneficial to their woodlands if they could approach a breakeven financial basis.

Record #	Question 35 : What practical help would most benefit your business?
46	The small private estates and landowners will only invest in woodland management if there is revenue from the sale of timber greater than the cost to harvest, grant aid or taxation benefits. To return confidence back to the private sector, the benefits must be sustainable. Timber prices will only improve with a weaker £. Therefore, improved direct grants for management or indirectly through tax breaks would appear the only option.
47	A bit more help from Government as regards to educating the general public on the importance of the use of coniferous roundwood (if home-grown) for supplying the home markets.
48	Drop in £.
49	Assistance with marketing our products.
50	1 - Import tax on imported timber to get prices up. 2 - Practical marketing help, tried business link - useless. 3 - Reduce rules and regulations, stifling small industry. Stuff the EEC!
51	Limit import of raw timber product from outside EU.
52	1 - A co-ordinated approach to bringing roundwood to market. Private growers to enter into long term supply contracts - Timber Marketing Group idea is good but where is the timber. 2 - Environmental, health & safety, FSC criteria to be strictly enforced (as in UK) in competing countries.
53	Retaining and prospects for other rural employment without the industrial wood sector.
54	1 - Better prices for the timber to be harvested. 2 - Paid when timber is at forestry road (not loads away). 3 - Continuity of work. 4 - Work nearer home.
55	Higher round timber prices.
56	A clear policy for land management, and a stable and predictable woodland grant scheme.
57	1 - Political or economic intervention to weaken pound against importers of timber to UK. 2 - Improved Government grants - paying owner for non-commercial benefits provided by woodland (and wanted or required by others). 3 - Generic marketing of timber to increase per capita use of timber - tied into "green" fiscal policies. 4 - Forestry representative bodies to shout harder and louder about the industry plight - should be ahead of agriculture in these issues.
58	Speed up tree planting grant applications. Allow commercial crops of forestry eg. Softwoods on lowland land. Make Forestry Commission Woodland Officers more numerous and more publicly noticeable. Increase Forestry Commission presence at agricultural shows. Reduce spacing of new plantings (go back to pre 1988 3x3m spacings).
59	Training.
60	Access to capital investment. Arbor training.
62	Easier access to tender lists, help with technical jargon, such as ISOS's etc., so as to make a permanent transition from sub-contractor to contractor without having to join a large national company.
63	Get rid of all the 'cowboys' at all levels.
64	Government or Council recycling for waste timber and cardboard.
66	REAL joined up Government with a simple body responsible for land use and rural affairs.
67	Grants for capital investment. Help with employment and training.
68	Injection of capital to enable purchase of machinery and help fund retraining. Also the offer of long term contracts.
69	1. Higher level of funding for forestry & environment. 2. This higher funding to be available/more accessible to all existing and prospective landowners. 3. Speedier implementation of grant consultations and approvals and better recognition of financial drivers behind owners' objectives.
71	a) Improved access to training/certification for my own business. B) Better enforcement of training qualifications and health and safety regulations by both public and private employing bodies (cut out the cowboys).
72	Training programme for forest workers.
74	Developing professional qualifications.
75	Reduction in the amount of unnecessary regulation by the Forestry Authority.
76	A) Easier access to capital at a sensible rate of interest to fund up-grading of equipment and new ventures. B) A subsidised (Reduced) rate for fuels used in forestry industry. C) The implementation of an environmental tax on/for all imported forestry products which could be or are already produced by our own industry (for example imported charcoal made from tropical hardwoods shipped half way around the world with associated huge waste of energy, when public could buy better quality English (UK) product locally benefiting our own woodlands).
77	Legislation & bureaucracy trouble shooting.
78	A reduction in the value of sterling. Reduction in Fuel Tax.
79	Mostly outside the realms of practical help, i.e. less complex grants, legislation, etc.
80	A change in attitude from all those in 'power'. Woodlands and forestry are long term projects which we, or our children, are unlikely to benefit from, but which bring untold benefits to many. There are no short term 'fixes'. Current thinking is too narrow. There should be no political connection.
82	Allowance for forestry workers on the fuel used for saws etc. We pay road tax on the petrol used to run kit not used on the road. Need to be able to purchase petrol exempt from road vehicle duties, or claim a refund at the end of the tax year. This could be paid for by the pleasure boat users that buy red diesel.
83	Long term supply contracts to such as FC who could reduce their dependence on their own nurseries by such contracting out.
84	Someone clearing my overdraft.
85	Better timber prices
86	A) If all other British contractors went to clear up Windblown in Europe. B) Closer liaison by other bodies (F.C.A.; big wigs of the industry) with contractors, especially with on site visits. C) An Association of small contractors.
87	Grants for new machinery.
88	Realistic rates.
89	Access to grants which we do not receive as we are part of a larger group of companies. This is the reason given by the local development agency for not giving assistance with capital expenditure and job creation although they then give assistance to larger ... (forest industry companies).

Record #	Question 35 : What practical help would most benefit your business?
90	Encouragement/streamlining of small business regulation. Simplify employment procedures. Understanding of the multipurpose/multibenefit role of forestry & woodland management. Get away from the timber only concepts to tackling the huge range of new opportunities (and money sources available).
91	More financial help for training - i.e. when training is required this means hire of work which means no earnings and probable extra high costs of pay for training which means a double loss, also a better understanding of small contractors difficulties with work candidates, i.e. weather and equipment depreciation.
92	Less regulations. Red tape. Bureaucracy. More commercial forestry policies & encouragement via taxation and grants. Lower interest rates and fuel costs. Higher imported timber prices via import duties on Non EEC timber imports. Less mamby pamby, pie in the sky, wishy washy rubbish from the present government as regards forestry policy & aspirations.
93	Reduced regulation on small operations eg understand I will need planning permission and waste carrier license to set up a village composting scheme.
94	Less book work and red tape.
95	Better prices for extracting.
96	General business advice - courses to develop management and ITC in relation to forestry. Simplification of FA paper work especially WGS. Reduction of hours wasted filling in tiny details for environmentalists i.e. "where is the scalloped part of the ride"?
97	Being able to tender for larger amounts of standing timber (long-term contracts). Staff training. Confidence in on-going work to enable me to invest in the most cost-effective harvesting machinery.
98	Being paid rates that would enable us to make a profit.
99	Impartial advice from Business Planning Consultants, marketing and PR advice, rural tax benefits, IT system update and training.
100	Help with new Roundwood markets.
101	More lobbying of Parliament and stress more on commercial planting as opposed to 'urban' regeneration.
102	Awareness by timber buyers of just how low margins are for people on the forest floor. If rates are not improved very soon there are going to be very few people left, which would then lead on to problems further up the ladder - makes a mockery of the huge amounts invested and yielded by the companies doing all the conversion!
103	Greater awareness of the benefits of using horses in forestry.
104	Our business would benefit most if the powers that be, could explain to woodland owners that first & second thinnings in the present state of the industry are absolutely worthless as the cost of processing far out weighs any value of the timber.
105	Greater flexibility with our bank re. overdraft limits. Extension of meaningful forest establishment grants in line with challenge fund pilot schemes. (Government policy).
106	None. I am not big enough for small percentages in tax, costs, prices, etc to affect me when looked at individually. In the past no help has been available when I've made enquiries. 15 years ago I moved to a new site and asked ... (the local rural development agency)... to help in anyway they could. Frankly it was a waste of time.
107	Free, skilled labour. Capital injection.
108	Machinery grants so that we can saw timber more quickly and not have to buy imported.
111	I am not wishing to significantly expand my business. Help in presenting invoices to obtain prompt payment.
112	4 wheel drive vehicle. Quad bike and trailer. More capital.
113	Lower fuel costs. Lower taxation.
114	Improvements in staff and structure.
115	Better training of sub-contractors who can work both mechanically and manually. With the forestry industry becoming so mechanical, the current manual workers need the opportunity to be able to move into the mechanical side whilst still retaining their very useful manual skills which are still needed.
116	A higher level of management expertise.
117	More business support for timber contractors (that I employ) in terms of financial advice and grant funding.
118	The reduction in the importing of timber.
119	Probably nothing connected directly to the state of the forestry business. At my level I think that general rural confidence is at a low level and most businesses see it to be just ticking over, at best.
120	1 - Stable and predictable demand for young planting stock. 2 - Promotion of tree planting with an effort to resist imports of young planting stock and of finished timber. 3 - Stable grant levels for planting.
121	Being able to make plans for 6 months instead of 6 weeks.
122	Training assessFIBnts for staff in forestry-related tasks.
123	IT training (preferably free!).
124	1 - WIG grants graded from 50% to (say) 80% of costs depending on quality of application and applicants track record. 2 - Free, or low cost certification (FSC) for small woodland managers with no realistic chance of otherwise absorbing the current costs of this - yet who can really deliver genuine multi-purpose benefits in small, otherwise uneconomic woods.
125	Continued promotion of British hardwoods in general substitution of other materials eg. Concrete, steel, plastic with wood.
126	GIS/IT Training.
127	Continuation of training grants. Higher prices paid to contractors.
128	Grant aid for new equipment.
130	Grant-aided training schemes.
131	The F.C. & M.A.F.F. actively encouraging farmers and other landowners to manage their woodland and create new woods.
132	Greater access to grants by small businesses who work with us. More FE hardwoods diverted from the pulp mills. Lots more and better targeted research - the great spruce project has finished. Divert resources to sustainable forestry and associated processing. Bring control of forest policy to regional government and control of state forests under local democratic control.
133	More contracts available.
134	Useful training grants on the job able to reject trainees is not suitable.
135	(i) Reduced fuel costs/taxation. (ii) Better value added markets for roundwood. (iii) Funding for research into timber use. (iv) Promotion of timber to public.



Record #	Question 35 : What practical help would most benefit your business?
136	Grant aided training i.e. first aid, machine operator certification, computer skills. Some sort of confidence in the long term viability of ... (UK pulp)... mills allowing secure capital investment in better machinery, less staffing changes in the FC so contractors have got some sort of long term rapport with them.
137	In our experience three 1200 acre woodlands under our management now have a total staff of 3 1/2 men, this is backed-up by minimal expenditure on contractors. The fact is that the woods do not pay and the estates cannot conceive to put money into their woodlands. Only a strong Government interest in commercial forestry with support for timber values will ever help the forest labour (contractors) market. All the Government help is in environmental grants which are positive to that work and negative to a profitable and on-going forestry business.
138	Cheaper advertising costs
139	At present I am subjected to an annual check for both training and assesFIBnt abilities. This I have to arrange at the convenience of the Standards Officer. This is not easy as I now run less than 10 courses a year. Should I not come up to standard my income from this source ceases immediately.
140	Reduced (or subsidised) transport & fuel costs for rural production. Reduced admin cost of certification/WGS - merge into one system. Tax relief on environmentally approved works. Increased; sustainable profits from forestry ownership. Financial reward for the provision of non-timber benefits.
141	Clearer short & long term forest policy from central government. Much more open and decisive management from Forest Enterprise, and consistency between regions.
142	A more straight forward and easier to access grant aid system. Greater encouragement for small woodlands to be managed effectively. Lower fuel costs for woodland/forestry related businesses.
143	Marketing of produce, reduced regulation.
144	Increased funding for WGS/higher levels of grant/more resources to FC (FA). Import restrictions on timber. Development of rail transport networks for timber.
146	A positive attitude from the Forestry Authority.
147	Training on using new technologies (use and servicing) to improve productivity.
149	Grants or interest free loans for capital for equipment (pump - priming money). Regular supplies of hardwood logs - in smaller lots. Discovery of woodlands that have been managed and can produce decent logs!
150	Administrative and childcare to allow me to do some proper work!!
151	Assistance to relieve the major burdens attached to employing anyone and the paperwork & fear of not following rules and regulations to the letter. Also, raise the VAT threshold to a reasonable level for partnerships, allowing the slack to be taken up when having to jump into VAT head first.
152	Reduce diesel costs.
154	W.D.A. and F.C. should fund marketing and development work instigated by individuals like myself, and back groups like Welsh Timber Forum and their Scottish counterpart. Funding for networking and attending conferences should be directed at individuals (perhaps through W.T.F. or W.D.A.).
155	Practically our company is managing well, Externally we need timber prices to rise, landowners/farmers to emerge from their current financial distress. Woodland owners are aware of the loss of potential income from their forestry assets, they are reluctant to spend more money in the meantime. More co-operation between the Forestry Commission and Landowners, recent grant changes do not benefit Landowners.
156	None - as a rider bureaucratic buff and interference has substantially increased and continues to do so - attack this factor.
157	Welsh Assembly policies for woodlands of Wales, Rural Development Plan for Wales 2000-2006 and planning policies need to ensure that employment is the focal point/issue. Ensure delivery at grass roots is achievable. Review whether the central policies of Forest Enterprise are applicable in Welsh Woodlands - current policies are not inductive of employment in Wales.
159	Regulations on importation of plant. Encouragement and rules on use of native stock. Less regulation and quicker processing of grants.
161	Financial assistance in training young recruits. Supply of better quality and more motivated young employees.
162	More assistance to small businesses from financial institutions regardless of turnover, profit, or credit scoring.
164	A coordinating of all forest industries to promote greater use of timber. A reduction in the cost of transport.
165	1. Co-operation from Local Planning. 2. A return to investment forestry and timber production.
166	A large shed for storage of timber which has come out of the kilns would relieve a bottle-neck.
167	Help in sourcing flexible, reliable and multi-skilled staff.
168	Some control of imports ie. battens from Latvia.
169	Duty-free fuel.
171	A strong lead in Forest Skill Training from a co-ordinated effort from all the relevant bodies to produce one National Registrar of Instructors, Work Manuals and Certification which is relevant to the customers' needs.
172	Grants for expansion and advice on how to obtain them.
173	Lower interest rates/weaker Sterling
174	- Log price to stay low and stable. Price of end product to rise by 10%+. Price of co-products to rise by 10%+. Increase in automation loading to reduce unit labour costs. Drop in fuel tax for HGVs.
176	Can't think of any at the moment.
178	Support for small and medium sized sawmills to develop new markets for non spruce conifers (pine, larch and Douglas fir).
179	Less Government Regulation.
180	Guarantee of roundwood supply.
181	Increased markets. Increased business generally in harvesting particularly, but also planting, spraying and fencing.
183	Acknowledgement by the public of the benefits of forestry and the use of home grown timber. Promoting the benefits instead of accepting the anti-felling/environmental arguments.
185	The lowering of the value of the Pound. Import duty being put on imported timbers, especially where I.M.F. aid has been given. Where this aid is lining the pockets of entrepreneurs to the detriment of the British Timber Trade and Taxpayer!
186	1. On training a greater policing of standards and funding for training. 2. No imports of timber. 3. Financial advice.

Record #	Question 35 : What practical help would most benefit your business?
187	Scrapping of landfill tax or a recycling programme for wood.
188	Increased emphasis on commercial forestry and the value of the UK processing industry recognised. More control, or some control on the so called "green policies".
189	Educationalists devising a course for training 'hands on' tree surgeons that actually produces people who are more fit for work than those currently being 'turned out' as a result of the bums on seats mentality.
190	Continuity of regular work. Regular chouse (weekly) with no hassle! Lorry hauliers not regulating the amount of timber you move (which is roadside). Companies should also be fined if their part of the agreement is not upheld, i.e. (markets for movement of timber) e.g. at one particular time I had a total of 750 tonnes roadside paying 11 men weekly.
191	A better career opportunity for forestry workers which is non existent at present. People leaving college with craft certificates etc are restricted to mostly piece work for contractors. Local estates and the forest companies and Commission do not hire people now as can be seen in the drop in forestry employment figures.
192	All lawmakers (E.U. and British) to stop making new rules and laws which impinge on small businesses and to think before making changes. We don't need grants/loans/advice/business links/ etc. etc. - just all go away and leave businesses to get on with what they are good at!
193	Make available capital grants on same basis in Borders as grants are made in adjoining counties e.g. Northumberland.
194	Long-term competitiveness needs the enterprise companies to liaise with national government and local planners to evaluate the forest resource and encourage additional planting and industrial investment based on consolidating the existing resource and maximising the value through cluster development. Industrial sites must be made available - the N.I.M.B.Y. syndrome should be overcome by long lead strategic planning and local encouragement of targeted add-on investment in afforestation schemes.
195	Being able to have continuity of work. Being able to command decent rates for the work. Reduce value of pound, thereby reducing timber imports.
196	Knowing that I have continuity of work for at least 3 years.
197	Far more restrictions on importing timber into this country. More Government promotion for buying British timber. Woodland owners have had their markets entirely restricted by certification and other red tape. Timber markets were fine under FE, WGS guidelines and other guidelines already in place.
198	Grants for upgrading machinery. Development of Welsh Timber Forum as a co-ordinating/marketing body for sawn timber.
200	More F.C. planting
201	More EU funding to help pay for increased training costs being forced on us. Pressure put onto Government to decrease fuel taxes for chainsaw/small engine users. Realisation that the number of people who wish to go into practical forestry is declining and the provision of help e.g. money or material help to new entrants.
203	Less difficulty borrowing capital.
204	Money management. Timber technology.
205	More commitment to contractors in the medium/long term contracts. Higher quality standards and penalties for bad workmanship in thinnings. Bad thinnings for short term financial gain (both parties) makes the future of my business more difficult.
207	Funding for training for relevant certification.
208	Help in improving cash flow, educating the public in terms of "cutting out the devious traveller types" and employing certified contractors. Public doesn't understand the concept of insurance, "insurance becomes invalid if contractor isn't qualified" even though anyone can get insurance!
209	Financial help to take on and train new starts as in apprenticeships.
211	Reduction in costs. Reduction in paperwork/red tape.
212	A reduction in the duty paid on road diesel.
213	Grants for Training
214	Automatic certification for machine operators with proof of competent working procedures for over 7 years. Full funding for trainees work based training and a Forestry Contracting Apprenticeship scheme. Grants and Subsidies similar to those received by farmers.
215	Grants, higher volumes of raw material from FC, lower tonnage prices from FC.
216	Reduced Government interference and hostile legislation. More realistic exchange rate (Pound is too strong).

## WHO DO YOU THINK COULD BEST PROVIDE THE HELP YOU WOULD LIKE?

Record #	Question 36 : Who do you think could best provide the help you would like?
1	UK Government.
2	FCA
3	A political party willing to adopt the above.
4	Business development advice/cashflow management. Forestry apprenticeship scheme to train new labour for the industry. College. Bank. Local Enterprise Companies.
5	Entrepreneurs.
6	The Government
7	FC.
8	Government legislation on VAT
11	None.
12	The Government by banning imports and setting up Development Circuits as they used to do.
13	Government.
16	H.S.E. and other government departments.
17	The Forestry Commission
18	Local Enterprise Cos. Professional organisations e.g. FCA (would need funding) Arb Assoc.
19	All organisations (and there are too many) with an interest in the industry should try to "sing from the same hymn-sheet"!!
20	Government and a properly financed and effective land body in FORESTRY - The Forestry Commission - it is pathetically underfunded, its influence is eroded by better funded environmental and 'friendly' organisations, it has lost control of a lot of research work.
21	The forestry authority. N.S.W.A. F.C.A.
22	Central government & forestry authority.
25	NOT FC staff, 5b funded projects, e.g. Marshes Woodland Initiative, Local Authority staff/quangos, but industrialists, and others outside forest industry.
26	If there is anyone out there with the common sense intelligence and influence to keep the WGs simple - then they can help. Alas, no such person exists!
27	Government
29	Government
30	We have the expertise. We need funding to set up and run the groups.
31	F.C, E.U Local Enterprise Council? I hear so much about grants etc. But gaining access is pot luck as to who answers the phone at the other end. Lots of folk I know have given up trying. Even my old Prof, from university!
32	Local enterprise companies
35	Sawmills, management, owners & contractors all need to work together to help increase the value of the product at every stage of production. Thus increasing profits all round.
36	Government. F.C.
37	Welsh Development Agency as part of their remit to assist the rural economy.
38	Me.
39	Government - FC, DTI, Inland Revenue. TRADA - Encourage research into uses of materials. Banks. TGA - Publicity and Parliamentary lobbying for growers cause.
40	Forestry Commission.
41	Timber merchants.
42	Government.
45	I wish I knew!
46	Strong representation on the RDA's.
47	Government/Forestry Commission.
48	Government.
50	1 - Government - tax on imports. 2 - Trade associations. 3 - Government/Local Authorities.
53	Landowners - as profitable harvesting has disappeared they have withdrawn from the marketplace leaving the workforce high and dry. A subsidy for energy from biomass could come from taxation/rating of woodland to encourage management.
54	Don't import so much timber from abroad.
55	More grants.
56	The Government.
57	1 - Government/FC. 2 - Forestry representative bodies with support from industry (fewer rep bodies required). 3 - Environmentalists in promoting our green credentials.
58	Thought this was the aim of your contract!
59	FC, APF
60	FCA. Government bodies.
61	N/A
62	A higher level of respect rather than suspicion to the manual worker from the work providers, and more acceptance that often experience & skills are a better qualification than any degree, diploma, NVQ, etc.
63	See Q.9 + Government.
64	Local Council
66	Government.

Record #	Question 36 : Who do you think could best provide the help you would like?
67	Forestry Authorities.
68	The larger timber companies & F.E.
69	1. Government. 2. Government/FC/Devolved Forestry Strategies. 3. FC.
71	a) Trade organisations (FCA, etc.) b) Reform of ACTUAL (as opposed to STATED) management policies of Forest Enterprise and other bodies employing forestry contractors.
72	The industry.
74	Grant aid made available for small business people to be able to take 'time out' to gain further training/qualifications.
75	David Bills. Needs to get a grip of the Forestry Authority before it cripples the entire industry.
76	A) The Government with funding being handled by trading organisations i.e. F.C.A. B) The Government via MAFF similar to reduced duty on red diesel for agricultural use. C) The Government encouraged and supported by trading organisations and environmental groups.
78	Government.
79	Motivation to get around the current problems outlined in 35. A help time for sole traders!
80	Unsure
82	Change of Government policy and Dept. of Transport.
83	F.C.
84	A healthy donation from Firn Crichton Roberts Ltd & John Clegg & Co! Who else?
85	God!
86	A) F.C.A. B) Managers (Woodland and Timber Harvesting companies).
87	Local Council or Scottish Enterprise.
88	Government.
90	Government. Forestry Commission (certainly in England) have yet to embrace the real impact of multipurpose/multibenefit forestry & proactively promote it. More "joined up Government" if FC is a Government Department!
91	Discussions between small silviculture contractors and major employers in the business.
92	The government if they had the will, understanding & correct advice. But is this likely? No! Nothing changes.
93	Trade organisations.
94	Government.
95	Cheaper machines.
96	1 - Professional associations. 2 - Local business enterprise forums. 3 - Forestry Authority/Central Government.
97	FE would be able to help, but they are the contractors main competitors in roundwood sales.
98	Prices at the Mills need to go up.
99	Lottery.
100	FC, EU.
101	APF.
102	At present time the most likely body to carry out the above would be the FCA as it is my perception that most other bodies have their own agenda!
103	FCA.
104	Someone who can actually understand how much the cost & time involved.
105	Our bank! UK Government/Scottish Executive/E.U.
108	The government agencies.
111	Computer training.
112	You only get what you work for, and for a chainsaw operator/establishment, its just a constant struggle.
113	Government.
114	Owners of business
115	Government training courses.
116	External consultants.
117	Don't know.
118	My fellow small time timber merchants, workers, contractors etc have suggested buying a submarine and "torpedo" the incoming ships, but jokes aside it is the strong pound and nothing else that is practical.
119	I feel that as far as new planting goes, that regulations and generally bureaucracy is sometimes a bit cumbersome.
120	Government and Forest Authority.
121	Forest Enterprise could help by making contracts for 6 months, and not give the contractors 5 year terms, tendering should be at Forestry Enterprise's head office, and not locally, and everyone of the tender list should have the same chance of success if their tender price is lowest. The clause that Forest Enterprise will not except the lowest price is rubbish if they are not going to except any tender why are they on the tender list, and anyone who they do not want should not be given the chance to tender. (I carry out a lot of work for FC).
122	APF
124	Forestry Authority, Rural Development Commission.
125	Industry wide advertising, collaboration between processors.
126	Specialist Firm.
128	Government.
130	FCA.
131	F.C./M.A.F.F.
132	Welsh Assembly
133	Timber suppliers.

Record #	Question 36 : Who do you think could best provide the help you would like?
134	Local enterprise companies = local business = local employment = money back into other local businesses = tax less dole etc. more money for.
135	Government.
136	FCA, Forestry Commission, A Conservative Government! Certainly not these buggers that we're lumbered with at the moment!
137	The Forest Enterprise could be a much larger source of contract work. We've been in business 40 years and never had any work from them.
138	A combined approach by, for example, FCA members, to attempt to obtain reduced rates from say "Yellow Pages" etc
139	A prerequisite to notify FASTCO/NPTC of courses well in advance and be prepared for a spot check at anytime.
140	Chancellor of the Exchequer. Reformed CAP/Rural grant structures (including WGS). Forestry Commission - only if they stand up and fight.
141	Welsh Assembly.
142	I'm not sure.
143	Anyone who is rewarded according to their performance!
144	Government - forest & transport policy.
146	Forestry Authority.
147	F.C.
149	LECS should help with finance but don't. TGA perhaps with log supplies. F.C with stricter conditions for grants - better woods in future.
150	Part-time staff (self employed).
151	The Government.
152	Government.
154	W.D.A. (funding and help in kind/consultancy) Techs (training). Welsh Timber Forum should judge what goes on in Wales (I want to be judged by my peers not by quangos).
155	GOD! Again our business turnover is reliant on external factors. Growth currently can only be achieved fast by merging with similar companies of similar sizes. T.G.A., C.L.A. need to keep the pressure on the government, other grants could go (restocking).
156	N/A
157	National Assembly for Wales.
159	Government at all levels: Local, Scotland, UK and Europe working together to promote rural industry.
161	Government schools.
162	Finance Companies/Banks.
164	Politicians?
165	Government change to bring back investors and stop conservationists having the main say.
167	Unsure
168	Mr Blair!!
171	Fastco, Lantra, F.C.A., A.P.F., Forestry Commission, Arbor Assoc., N.P.T.C., H.S.E.
172	Local/Central Government. Enterprise Councils.
174	The market. The sawmill and electronics industries. The Government.
178	Forestry Commission
179	The Government.
183	Forestry Commission. English Forestry Strategy/Forum is focused on recreation.
185	The Government! They should decide if they want us to manufacture anything in the UK or if we should go down the path of becoming Europe's playground.
186	1. Greater communication between training organisations. 2. Help, through FC, on diversification.
187	Local Council.
188	A forestry authority which supports "forestry" and the industry instead of wholly backing the "green" element.
189	Colleges.
190	A regulating body that contractors could contact who are not involved with any association, i.e. Forestry Commission.
191	Government assistance through tax breaks or grants to boost employment in forestry.
192	As above.
193	It doesn't matter who it is so long as help is provided.
195	FC. Forestry Harvesting companies. Government possibly.
196	Forestry Commission.
197	Government departments.
198	W.D.A., F.C.
200	F.C.
201	The FCA has developed a network that should be able to help but it seems to have become too "top heavy" and Scottish looking, remember the rest of the U.K.
204	Accountant. TRADA.
205	The people who monitor the Woodland Certificates for quality control. The FCA and FE for contracts that work both ways.
208	Laws on Insurance Firms, Arb. Associations to publicise the fact - no qualifications - no insurance. Press releases.
211	Government - Reduce fuel costs.
212	The Government.
214	Government through FCA and Forest Enterprise.
215	WDA, FC, Local Government.

Record #	Question 36 : Who do you think could best provide the help you would like?
216	Self-help

### ANY OTHER COMMENTS THAT YOU WISH TO MAKE?

Record #	Final Question : Any Other Comments That You Wish To Make?
1	We need to do something to keep out forestry imports, round timber, sawn timber, pulp etc.
6	In October 1990 my first fuel invoice was for 28p per litre plus VAT. In January 2000 fuel currently costs 65p per litre plus VAT, a difference of £1.68 per gallon. Thus costing 24p per mile extra (calculating 7 MPG).
7	
8	Forestry has 'too many chiefs and not enough Indians!' (Quote N.J. Matthews MD, Clapcote Forestry Ltd). Point 32 continued - once again we have allowed ourselves to be tied up with red tape. Most of our woodlands could & do already conform to certification. I could go on!
17	I wish the Forestry Industry would take more notice of the existence of arboriculture and understand and publicise the differences.
19	Last season (98/99) was a disappointment, following several years of reasonably profitable trading. The current season is encouraging so far, but I am less confident for the future in view of WFS changes.
20	(You haven't asked what our business is!!) [Yes we did!]
21	Some of my most profitable business has come from establishment and maintenance of new plantations. The extension of the community forests with their increased grants and the continuation of the farm woodland premium scheme would improve business.
25	Trading in the present environment is difficult and I see little hope for improvement until there is a clearer understanding amongst FC staff in particular about what the industry needs. For example, I can accept that WFS/FWPS grants may need to be revised to meet policy requirements. How these changes are introduced is damaging to the industry, there is no indication that FC attitude will change.
28	I am semi-retired, devoted to Arboricultural Consultancy and Post-Graduate Research project.
29	As a medium sized company producing pallet and fencing timber we have tried so hard to beat off competition from imported prices, but now find it impossible. Our production has increased over the last year with little or no effect. Almost all our sales in p/wood below cost.
31	Schemes such as "woodlots" are fantastic. Made lots of contacts. Nature of most coppice workers is local so it has opened up new markets. Environmental grants, including woodland management for specific projects on interest would be positive. I'm not in it for money, I love my job, but at the end of the day I have to provide basics for living. More people like me forced out = bad for coppicing.
34	If we don't get help, sooner or later we won't be in business.
35	What's the difference between a pizza and a forestry contractor? A pizza can feed a family of 4!
37	It is unlikely that markets will improve in the near future. A more positive and encouraging approach from Government who seem to lack interest.
38	Small wood markets would benefit eg. if most imports would stop which I think it will in years ahead.
39	Timber is a global commodity and cheap timber supplies will continue for several years until overseas labour costs catch up with ours: meantime we should concentrate on manufacturing quality products downstream from the forest, to stimulate timber demand.
40	As a harvesting contractor increased imported timber prices and higher British prices would not necessarily mean better working rates.
42	From a private growers perspective I would register concern with regard to FE timber marketing policy and the resulting adverse effects experienced on both the timber and woodland investment markets.
46	Up to September 1999 I was the owner/manager of .... (a woodlands management company)... with a £1.3 - £1.5M turnover: 3 Regional offices, 10 managers/admin/technicians+ 30-40 subcontractors. The company was placed into voluntary liquidation by the Directors due to bad debt and poor trading conditions. The downward pressure on margins must be balanced by volume. Unfortunately, if the volume of work is not available, small-medium sized companies will suffer.
50	The Forestry Commission's marketing to small/medium sized sawmills is abysmal, surely an ongoing regular contact would benefit all concerned in future planning.
54	I built myself up to 6 skidders, one grab and 16 employees, and all because one bad employee of mine did a bad job, I get the boot. Now I am down to 8 employees because Forest Enterprise tars all the gangs the same. Pity if there was a union we may get this sorted,
55	Do not want to participate in next survey only because I will have retired.
57	My company is very diverse with agriculture, let properties and investments elsewhere dominating. I have answered as best I can from only the forestry point of view.
58	Retail prices of forest trees are now less than in 1990. Costs of production have more than doubled. Forestry Commission source little of their tree requirement from the Private Sector. I enclose copy of our trade info. Pack outlining desperate state of our industry. Probably contains all you need to know about forest tree nursery problems.
59	Only been in business since August 1998.
60	Most of the forest industry is based around harvesting. There is little or no help available for establishment contractors.
62	Why does forestry not receive as much support as agriculture?
63	We need an apprentice system so young people new to the industry can survive piece-work/low wages. This needs to be across the board - implemented by the WHOLE industry.
64	Since the introduction of Landfill Tax, no waste cardboard is collected and the site for chipping and recycling waste timber has closed. Now all the waste goes to the local tip, and the Council benefits from the Landfill Tax. What happened to recycling?
68	The cheap import of timber and the strong pound is taking its toll on markets, declining prices of low value timber i.e. chipwood and pulpwood and firewood and increased fuel costs all add up to a very poor outlook.
69	Survey answers are inevitably a snapshot. ... (This major forest management company).... has invested heavily in EMS, QMS, Certification, IT-based forest planning etc. with as yet no payback, all during a period of collapsing timber prices and the impact on client morale. It WILL get better.
75	Our company like most others has been able to contain or reduce all real costs except those inflicted on us by the Forestry Authority, which are totally out of proportion to the value of grants or public benefit gained.

Record #	Final Question : Any Other Comments That You Wish To Make?
76	The setting up of a truly specific UK Quality Assurance mark, that only includes UK produced timber products unlike the misleading F.S.C. logo whose products could still have been derived from tropical hardwoods and shipped around the world. Furthermore, promotion for the same on a local and national level.
77	Invariably all new policies & legislation play into the hands of larger companies. The proprietors of smaller companies have to be jacks of so many trades that it becomes increasingly difficult to see the wood from the trees!
80	Most of the problems with forestry are human nature and attitude related, as with other businesses, and no amount of timbering will address those!
82	Expansion of support for businesses working in rural areas. Not just businesses based in 5B areas.
83	Better to have half the area planted at twice the level of grant than nothing planted at half that level. (challenge funding OK).
84	I wish you well.
86	This industry is knackered. It appears that it is going down the road of coal, steel, fishing, farming and every other major industry that once was in this country. Basically nobody seems to give a toss so long as it can be cut to the bone and the relevant profits go to the big companies and harvesting operators. Our rates are cut yet final produce (building timber, chip board, paper, etc.) does not get cheaper. What, really, is anyone going to be able to do about it! See you in 3 years if I'm still here.
92	The forestry industry is in serious decline, by the time this government realises the damage it has inflicted via interest rates, & allowing cheap imports to undercut our markets whilst concentrating on secondary issues, it will be too late.
93	Don't know that I really qualify for inclusion in your survey, my operation is just a part time retirement project.
97	Being allowed to tender for the standing timber the FE harvest themselves.
98	We as Harvesting Contractors have mostly to accept what price we are given. There is no negotiation anymore. I have to increase the hours worked to make it work. Eg. From 60 hours with one person to 90-100 hours with 2 people.
100	Diversification is essential and also looking to Europe and beyond for business.
104	At this present time we are clearing a soft wood mainly scotch pine of a diameter of 8" - 12". The millers are offering around £11 per ton and our fixed costs are £18 per ton. At this rate you can see we won't be about for very long.
105	A prize should be awarded to whomsoever can devise a scheme to make government take forestry (i.e. productive forestry) seriously. Nothing to date seems to have worked and the F.C are a dead loss.
106	The whole problem that faces this industry and many others are cheap imports. Lets face it we've just got to ride out the storm. In reality who's going to help.
108	I would like to use 100% British roundwood in my sawmill. If I had help with some higher productive machinery selling the increased production would be no problem.
111	I have low overheads and charge relatively modest fees, providing good value for money. Have a pension from previous employment, so can afford to choose interesting work.
112	I sell bundles of scrub birch to race courses for making fences. Landowners never pay me, although THEY claim the grants for scrub clearance.
113	Cut back on imported timber.
114	Our business development hinges on the 'value' of woodland - be it its timber value, the grant aid available, the value attached by the owner etc.
118	There is also the business that I now pay my staff less than £12 an hour on a piece work basis self employed but some of the Countries that are sending us timber pay there staff £12 a month. That is not a level playing field.
119	Any injection of confidence would be welcome but it is difficult to expect much in the way of positive change from the market-place generally and government type help seems to be focused on a different planetary level.
120	Native provenance planting stock - is widely being promoted and could benefit GB forest nurseries. However, I see it as a distraction to planting - increasing scheme costs, introducing delays and requiring extra internal paperwork and traceability legislation, while being scientifically unproven.
124	To succeed in small woods management, it is clear to me that we need to reverse the trend towards lower and lower unit costs (with consequent damage to environment) and promote skilled, sensitive work which achieves multi-purpose objectives in our plethora of small, neglected woods.
126	FE Timber marketing should be broken up.
128	More tax incentives for planting (as before). Control of imported timber to encourage more use of neglected woodland. Tight control of unwanted insect pests in imported timber.
129	I think that I am one of a dying breed on the edge of retirement so am not really a useful sample.
132	Time you called in for a chat and to see the next generation of products.
134	Prompt payment for work done. Large harvesting companies & F.C.A. have ensured there are more than enough harvesting contractors, so now they can treat us as they like!
136	Some other outlet for low grade hardwood thinning is needed. Perhaps a wood waste fuelled power station in the central south or south east is desperately needed.
137	E.N.N. Trust and many others use volunteers. This should be discouraged. Well paid workers spend their leisure working, taking from the small contractors.
139	I began running chainsaw courses 20 years ago. I developed my own certificates of competence. To meet HASWA obligations now I have to jump through a hoop and competence can only be assessed independently of the instructor.
140	The basic production of timber is no longer seen as economically profitable. The costs of replanting, compliance with sundry regulations and the compulsion to provide non-timber benefits at a net cost (loss) in driving away investment.
142	This is not a good time to be starting in the forestry sector!
147	All work sites need to adhere to all the Health & Safety & Environmental rules. Whether private or F.C. How can we be considered professional if we do not all work to the same standards?
148	There is a problem with timber companies when contractor signs a contract note. Firstly the problem falls on the Contractor, then the Area Manager starts talking verbally which he can deny against the contractors.
149	Someone in authority (FC, DG, TGA Chair?) should get over to the media that farming is not the only rural industry.



Record #	Final Question : Any Other Comments That You Wish To Make?
151	I feel cheated by ... (my agricultural college)... for taking me on as a student in Urban Forestry, only to have the title changed in year 3 to "Forestry". The real con was we didn't learn tree surgery or forestry to any serious level. I've wasted 3 years, lots of money and effort, only to find the jobs that the course was designed for don't exist for us. Most people don't work with trees at all now (fellow students).
154	I have no incentive to directly employ other people and see my strategy at present as "survival in order to fight another day". My increased profitability proves my point: my sawmill will be one of the most modern and innovative in mid-Wales within the next 2 years.
156	1. This form takes longer than 25 minutes to do properly. 2. See 35 above. 3. The FE in particular and the Associations in general are weak in supporting the industry (Timber Production and Processing) against government policy changes in English, Scottish and Welsh forums.
157	In planning terms, a much wider definition of 'forestry' is required. We are encouraged to diversify to survive but are prevented by this narrow definition of forestry.
161	The only real constraint to our expansion is quality labour being hard to find - we are importing more each year because we cannot find labour to make products in the South East for £5.00-£6.00/hr.
164	The success of the forest industry will depend on finding new timber products that encourage profitable sawmilling and other timber processes.
165	Government needs to evolve 2 strategies, one for timber production and one for conservation, instead of the mish mash we now have.
168	As a small family business our only problem is having to compete with Imported Timber (poplar) prices - we are currently obtaining a lower price for our product than we were getting 3 yrs ago. The oak market continues to be favorable.
172	More emphasis on recycling tree waste and uses for woodchip should be explored.
183	Not all the business is on home-grown timber so figures on turnover and staff would be misleading.
186	Good Luck!
189	It would make all our lives easier in the UK if our industry could have one general label, i.e. urban forestry, arboriculture and commercial timber harvesting are simply specifics within the whole.
190	I used to make a good living from the forestry employing 11 men, I now have decided to pack up my machines and work for someone else.
191	I feel that the forest workers are having to certificate themselves in craft skills to a greater extent out of their own pockets. However there is no respect for forestry as a career at present and wages are extremely low. A higher quality of work force needs to be attracted into the work force with better pay.
193	The UK trade cannot survive in the face of ever falling sawn timber import prices from countries that do not have the tax and regulations that apply in the UK.
195	I am heart broken.
198	Replace Coed Cymru with a more practical and helpful organisation.
211	This Labour Government has the haulage industry on its knees due to increased running costs.

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## ANNEX 5 : THE STEERING GROUP & EVALUATION TEAM

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### THE STEERING GROUP

Alastair Johnson	Forestry Commission, Economics & Statistics (Chair)
Marcus Sangster	Forestry Commission, Policy & Practice
Simon Gillam	Forestry Commission, Economics & Statistics
Bob Stubbs	Highlands & Islands Enterprise
Peter Wilson	Forest Industries Development Council
David Sulman	UK Wood Processors Association
Barrie Hudson	Forestry Contracting Association
Ian Forshaw	Forest Enterprise, Harvesting & Marketing
Andy Mason	Forestry Commission (England), Marketing

### THE EVALUATION TEAM

John Firn	Firn Crichton Roberts Ltd
Guy Watt	John Clegg & Co
Caroline Firn	Firn Crichton Roberts Ltd
Lesley Rennie	Firn Crichton Roberts Ltd
Mike Bentley	John Clegg & Co
Lisa Smith	Firn Crichton Roberts Ltd
Doris Carson	John Clegg & Co
Lauren Colvin	Firn Crichton Roberts Ltd