

The development of the 2007-13 Structural Fund Programmes for Scotland: Comments from Forestry Commission Scotland

1. Issues spanning both programmes

- 1.1 As colleagues in government, we trust that you find these comments of value. Forestry Commission Scotland (FCS) welcomes the proposed programmes and is broadly in agreement with the aims and objectives outlined therein.
- 1.2 At present productivity is not low or stagnant within the forestry industry as stated in the Lowland and Upland Scotland Document (Operational Programme page 23). Indeed we are entering into a period of increased productivity both in terms of timber production and new planting and restocking of felled sites, which will peak around 2012. This trend applies to the whole forestry industry and much of Scotland will be facing a situation where there is a **severe shortage of skilled labour** to meet this rise in productivity. We would therefore ask that this statement be amended in the final programming document.
- 1.3 FCS welcomes the recognition by Scottish Enterprise that the forestry sector is an industrial priority in both programme areas (L+U Operational Programme page 14). Forestry is a dynamic and expanding industry and is central to regional development, and in particular the development of sustainable enterprises/Enterprise Growth (ERDF theme 1) and is vital in supporting rural and remote areas. It will provide new jobs in the timber processing industry as production expands in the coming decades. This increase in availability of a quality raw material as a local industrial feedstock will also provide opportunity for **value added jobs**, particularly in product design and development.
- 1.4 The forestry sector also makes a significant contribution to the key themes identified in the consultation, such as health and wellbeing (Operational Programme page 17), renewable energy (specifically biomass), tourism, and training/apprenticeships (H+I Operational Programme pages 21-25; Improving innovation, increasing the diversification and sustainable competitiveness of the rural economy (L+U Operational Programme pages 29-30). Many of these themes relate directly to the key themes of the Scottish Forestry Strategy.
- 1.5. Forestry is a vital natural and cultural asset in Scotland, and optimising the benefit of this resource will help realise its full economic and social potential. Forestry is well placed to contribute to sustainable communities/Community Regeneration (ERDF theme 2) and supporting the development of disadvantaged areas including fragile and peripheral areas, and deprived urban areas. As such we have several suggestions on how FCS and the wider forestry sector can assist in achieving the objectives of the Structure Fund Programme. These are outlined in general in the points below, then more specifically in the following pages:
 - Forestry is a key player in supporting **communities** through the development of woodfuel, community forestry, the National Forest Land Scheme, woodland crofts and a desire to add value locally to forest products. In particular a thriving forestry industry provides jobs in rural communities. The production and processing of forest products, mostly timber but including non-forest timber products, are potential growth areas.
 - **Tourism** is a major contributor to the economy of the region, and forestry plays a vital role in the support of this sector. Forestry provides major recreational and sporting opportunities as well as attractive landscapes.
 - Forest recreation, attractive environments and informal recreation opportunities have a major role in preventative medicine and we are increasingly aligning ourselves with **health** authorities and others in the field.

- Environment, sustainable development and equal opportunities are already embodied in forest policy and practice. **Gender** and other diversity issues within the forestry sector are a high priority and new working methods, procedures and working patterns will increase opportunities for women, and other under represented groups, in the forestry sector, particularly in value added jobs.
- Forestry has a track record of **effective delivery** both in terms of its normal business and specifically through projects supported by structural funds in both urban and rural areas.
- As an expanding industry forestry has good potential to offer employment schemes to help retain **young people**, particularly in rural and remote areas, and we can offer these opportunities at a range of skill levels, e.g. wildlife management and apprenticeships in forestry.
- The forest industry has been highly effective in developing **partnerships** in local communities and in supporting business development, e.g. 7stanes, and Laggan.
- Forestry is a key industry in throughout Scotland and the weak **transport** infrastructure in rural areas is a major challenge to the competitiveness of the industry. The Scottish Executive is committed to addressing this problem through a £13m programme of investment through the Strategic Timber Transport Fund (STTF), managed by FCS. More recognition of the problems facing transport networks, and a strategic link up with the Scottish Timber Transport Fund could be mutually beneficial. For example, by steps to increase access to wider markets regionally, throughout the UK and abroad for timber some distance from the trunk road network.
- **Infrastructure** development in island and remote areas can benefit many sectors, as well as the wider community.
- **Life sciences** are identified as being a key sector of the regional RTD performance. Innovative use and increased harvesting of non-timber forest products could provide a significant contribution to this sector. Particularly in complimentary medicine, cosmetics, food and drink.
- The creative industries including **product design** and development are identified as being key strengths in the regional economy. FCS is keen to see this sector develop in order to create added value jobs and capture new markets for the timber and related materials from which they are manufactured.
- We particularly welcome the recognition of the potential that **biomass** may have in the Highlands and Islands, especially in remote areas. Although not acknowledged in the Upland and Lowland Scotland document, biomass projects also have significant potential for rural and sustainable development in that area. Major biomass projects which will providing new local jobs and protecting those in existing industries facing escalating energy costs are already in development. Continued support is vital to help develop economies of scale for rural woodfuel supply. Many local heat and/or power biomass projects are also under development throughout rural Scotland, and support for these could contribute significantly to achieving wider programme objectives and as such should be recognised in both documents.

2. **ANNEX B FUTURE EUROPEAN STRUCTURAL FUNDS PROGRAMMES IN HIGHLANDS & ISLANDS 2007-2013: SUMMARY OF CONSULTATION QUESTIONS:- RESPONSE TO SIGNIFICANT QUESTIONS ASKED**

2.1 **Question 1 – Socio-economic factors**

- 2.1.1 Forestry Commission Scotland (FCS) broadly supports the analysis of the socio-economic factors affecting the Highlands and Islands. In particular we support the development of the economic infrastructure of the area with regard to renewable energy and tourism and the related key messages contained within this section.
- 2.1.2 The ERDF “SWOT” analysis rightly identifies the **renewable energy sector** as one of the region’s future opportunities and FCS is keen to work with local businesses and rural communities to develop sustainable woodfuel alternatives. There is already some development in this area in the Highlands & Islands but this needs to be reinforced by ongoing support to ensure that a strong and vibrant biomass industry continues to develop.
- 2.1.3 The strong natural and cultural heritage of the area also provides opportunities for growth relating to tourism. FCS would advocate the specific recognition of adventure sport and wildlife/wilderness tourism as key deliverers in this area. The contribution that these sectors can make to the rural economy is already recognised within the Lowland and Upland Scotland Consultation Document.
- 2.1.4 The challenges identified from the SWOT analysis broadly reflected the needs of the Highlands and Islands over the programme period. As a key player in supporting remoter rural communities, FCS can play a major role in meeting these challenges through active involvement in woodfuel, community forestry, the National Forest Land Scheme, woodland crofts and a desire to add value locally to forest products.
- 2.1.5 Along with the exploitation of renewable energies technology and the sustainable use of natural and cultural assets of the area for tourism, FCS also recognises the need to address issues in the ‘access’ infrastructure across the region. FCS considers that this should include the development of appropriate access routes to market for roundwood and forestry co-products, and that this may include the development of in-forest routes to remove timber traffic from small rural roads. Improved infrastructure will also enable more low value material, suitable for use as biofuel, to be available cost effectively.
- 2.1.6 For ESF, the key messages rightly identify the limited further and higher education opportunities in the region and the lack of local training opportunities. FCS is committed to lifelong learning and the training of staff in rural areas. In particular our apprenticeship scheme further develops vocational skills available in schools and provides employment based in a local, rural community setting. This in turn supports local further and higher education establishments creating a qualification pathway previously unavailable in these areas.
- 2.1.7 The challenges identified within the SWOT analysis include the need to improve the ability of the low waged and low skilled to progress in the labour market. FCS recognises the need for up-skilling in the workforce and ongoing development of the apprenticeship scheme will benefit FCS and the wider industry, which is currently facing a shortage of skilled workers. By recruiting to forestry through an apprenticeship scheme FCS can meet an industry need that can not currently be met by any other training mechanism and can develop highly skilled, flexible, adaptable and motivated individuals. At the end of the two-year scheme a number of employment pathways are available including direct employment by FCS, employment in the private forestry sector and self employment as a contractor. The core skills learnt during the training are widely transferable both within and outside the sector.

2.2 Question 2 and 3 – Proposed priorities ERDF

- 2.2.1 FCS **supports** the three broad priorities for action identified within the document. In particular Priority 3 – Sustainable Infrastructure, recognises the need to invest in renewable energies and the region’s environmental and cultural heritage in relation to tourism development.
- 2.2.2 In the renewables section the document states that ‘investment *per se* will not be eligible’ but then goes on to state that ‘support will be available for key infrastructure projects’. These statements seem somewhat contradictory and it is not clear exactly what is meant. FCS agrees with the need to support key infrastructure, but would like to see a clearer statement on what will be eligible.
- 2.2.3 FCS recognises that large-scale tourism infrastructure investments will not be possible under the programme but would ask that specific mention is made of adventure sport and wildlife/wilderness tourism opportunities as in the Lowland and Upland Scotland Consultation Document. Additionally, whilst we support the programmes desire to fund key regional events, the timing of the funding coming on stream will mean that it will be too late for many of the Year of Highland Culture 2007 projects. It will however be appropriate timing for other events such as the proposed Highland Housing Fairs in 2009 and 2011 as well as Scotland’s Year of Homecoming 2009.

2.3 Questions 4 and 5 – Proposed priorities ESF

- 2.3.1 The priorities identified within the document broadly meet the needs identified within the analysis. In particular Priority 2 identifies the requirement to invest more heavily in the workforce in order that employers can recruit skilled workers. The forestry sector is facing a severe shortage of skilled workers and new models for delivering training in rural and remote communities need to be considered. In particular FCS would like to see support for employment based learning, e.g. through apprenticeship schemes based within FCS and also through colleges with placements in the private sector.
- 2.3.2 FCS is piloting an apprenticeship scheme in the Highlands and Islands which is aimed at further developing vocational skills available in schools and which provides employment based in a local, rural community setting. FCS would wish to build on the success of this programme. We would welcome the opportunity to work in conjunction with other intermediate bodies to deliver training and skill development within the forestry sector assisting in the delivery of objectives 1 and 2 in the ESF.
- 2.3.3 Development of a workforce in the rapidly developing renewables sector is also crucial. Biomass in particular cuts across a number of sectors from growing biomass crops to design, installation and maintenance of systems. Appropriate training will give businesses and communities in the Highlands & Islands the opportunity to fully participate and maximise the benefits from the economic development of a strong renewables industry. Without a workforce covering all these sectors from forestry and agriculture through to designers, engineers and planners, the development of renewables and particularly the biomass industry will be constrained.

2.4 Question 8 and 9– Domestic policy and environmental sustainability.

- 2.4.1 FCS considers that the priorities outlined within the draft operational plan are in sync with Scottish domestic policy, in particular the Scottish Forestry Strategy. There are links with Key themes
- 1: Climate change,
 - 2: Timber
 - 3: Business development,
 - 4: Community development,

- 5: Access and health,
- 6: Environmental quality.
- 7: Biodiversity.

- 2.4.2 In particular, FCS welcomes reference to support for high value employment in remote rural areas, which is part of the FCS Rural Development Policy. We would welcome a wider focus on climatic change to encompass a wider agenda, including reduction in product miles, local processing and marketing, reducing carbon emissions, carbon offset, and adaptation to change.
- 2.4.3 We also point out that the Scottish Biodiversity Strategy places a duty on public bodies to further the conservation of biodiversity and this should receive recognition within the document to link with Scottish Forestry Strategy key theme 7: Biodiversity.

2.5 Question 10 - Equal opportunities

- 2.5.1 FCS supports the principal of equal opportunities and welcomes the integration of equal opportunities into the Operational Programme. We consider gender and other diversity issues within the forestry sector to be a high priority and support new working methods, procedures and working patterns to encourage the take up by women, and other under represented groups, of job opportunities in the forestry sector.

2.6 Question 12 - Challenge fund approach

- 2.6.1 FCS notes the intention to use Intermediate Delivery Bodies to manage parts of the funding. Whilst we understand some of the rationale behind this it is our view that the previous challenge fund method has worked well in the past. The broad partner representation in the challenge fund decision mechanism and the clear eligibility and priority guidance has ensured that funding decisions have been transparent and that all interested parties are given an equal opportunity to benefit. FCS would wish to see a substantial proportion of the funding delivered in this way.
- 2.6.2 FCS would consider an application for Intermediate Delivery Body status to assist delivery of objective 1 of the ERDF, sustainable enterprises, through the promotion and support of biomass projects, and objective 2 of the ERDF programme, community regeneration, through the WIAT initiative. We would welcome the opportunity to work in conjunction with other intermediate bodies to deliver training and skill development within the forestry sector assisting in the delivery of objectives 1 and 2 in the ESF.

2.7 CONCLUSIONS

- 2.7.1 For ERDF the SWOT analysis rightly identifies the **renewable energy sector** as one of the region's future opportunities and Forestry Commission Scotland is keen to work with local businesses and rural communities to develop sustainable woodfuel alternatives. Biomass projects have significant potential for rural and sustainable development at a local and regional level. Development of a workforce in the rapidly developing renewables sector is also crucial, with biomass use offering a range of opportunities. Without a workforce covering sectors such as forestry and agriculture through to designers, engineers and planners, the local benefits to be gained from the development of renewables, and particularly the biomass industry, will be constrained.
- 2.7.2 **Tourism** is a major contributor to the economy of the region, and forestry plays a vital role in the support of this sector. Forestry provides recreational opportunities and attractive landscapes. We welcome the recognition of the benefits that adventure

sports and wildlife/ wilderness tourism activities can bring. FCS recognises that large –scale tourism infrastructure investments will not be possible under the programme but would ask that specific mention is made of **adventure sport and wildlife/wilderness** tourism opportunities as in the Lowland and Upland Scotland Consultation Document.

- 2.7.3 The challenges identified within the SWOT analysis include the need to increase the ability of the low-waged and low-skilled to progress through the labour market. The forestry sector is facing a severe shortage of skilled workers and new models for delivering training in rural and remote communities need to be considered. In particular FCS would like to see support for **employment based learning**, through e.g. apprenticeship schemes based within FCS and also through colleges with placements in the private sector.
- 2.7.4 With regard to the key programme challenges, we would like to see strong support towards the enhancement and sustainable competitiveness of traditional industries. We would seek support for appropriate activities, recognising forestry as a key rural sector industry which offers real opportunities for growth and development, such as in the increasing demand for timber **frame construction and value added products**. In particular Priority 2 identifies the requirement to invest in the workforce in order to enhance employability, productivity, adaptability, inclusion and entrepreneurial expertise.

5 January 2007

3. FUTURE EUROPEAN STRUCTURAL FUNDS PROGRAMMES IN THE LOWLANDS AND UPLANDS SCOTLAND 2007-2013:- RESPONSE TO SIGNIFICANT QUESTIONS ASKED

3.1 Question 1 – Socio-economic factors

- 3.1.1 Forestry Commission Scotland (FCS) supports the general analysis of the socio economic factors affecting Lowlands and Uplands Scotland. However with regard to Rural Areas the document states that there is an over-reliance on key sectors characterised by low and sometimes stagnant productivity levels, such as agriculture and forestry.
- 3.1.2 At present productivity is not low or stagnant within the forestry industry as stated in the Lowland and Upland Scotland Document (Operational Programme page 23). Indeed we are entering into a period of increased productivity both in terms of timber production and new planting and restocking of felled sites, which will peak around 2012. This trend applies to the whole forestry industry and much of Scotland will be facing a situation where there is a severe shortage of skilled labour to meet this rise in productivity. We would therefore ask that this statement be amended in the final programming document
- 3.1.2 With regard to the key programme challenges, we would like to see strong support towards the enhancement and sustainable competitiveness of traditional industries. We would also seek support for forestry as a key rural sector industry, which offers real opportunities for growth and development, such as the increasing demand for timber frame construction and value added products.
- 3.1.3 We were disappointed that the potential of the renewable energy sector was not identified within the analysis of Lowland and Upland Scotland. This sector could provide valuable opportunities for development and diversification. For example, FCS is working with local businesses and rural communities to develop sustainable woodfuel alternatives and we are also supporting supply chain development and specialist skills training. There is the potential to create a strong and vibrant biomass industry with benefits for local jobs providing local income, which will help meet climate change targets and address fuel poverty particularly in rural areas. The Highland and Islands Consultation Document details many of the potential benefits of this sector for the rural economy and we would like to see these reflected in the Lowlands and Uplands Scotland Programme to bring it in line with the Scottish Executive's Biomass Strategy. FCS currently employs three woodfuel development officers, supported by EU structural funds, in the Lowland and Upland region in response to demand.
- 3.1.4 The challenges identified within the SWOT analysis include the need to increase the ability of the low-waged and low-skilled to progress through the labour market. FCS recognises the need for up-skilling in the workforce and has been piloting an apprenticeship scheme the Highlands and Islands which is aimed at further developing vocational skills available in schools and which provides employment based in a local, rural community setting. FCS would wish to build on the success of this programme and roll out this project through out Scotland.
- 3.1.5 By recruiting to forestry through an apprenticeship scheme FCS can meet an industry need that cannot currently be met by any other training mechanism and can develop highly skilled, flexible, adaptable and motivated individuals. At the end of the two year scheme a number of employment pathways are available including direct employment by FCS, employment in the private forestry sector and self employment as a contractor. The core skills learnt during the training are widely transferable within and outwith the sector. If extended this type of initiative will benefit FCS and the wider industry, which is currently facing a shortage of skilled workers.

3.2 Question 2 and 3 – Proposed priorities ERDF

- 3.2.1 FCS supports the three broad objectives and priorities for action identified within the document. In particular Priority 3 – Rural Development recognises the need to invest in tourism and the need to support the competitiveness of traditional industries. In particular we welcome the recognition of the benefits that adventure sports and wildlife/ wilderness tourism activities can bring.
- 3.2.2 As stated above we are however disappointed in the exclusion of the renewables sector from the priorities for rural development and would ask that this be reconsidered along the lines of the Highlands and Islands Programme.

3.3 Questions 4 and 5 – Proposed priorities ESF

- 3.3.1 The priorities identified within the document broadly meet the needs identified within the analysis. In particular Priority 2 identifies the requirement to invest in the workforce in order to enhance employability, productivity, adaptability, inclusion and entrepreneurial expertise.
- 3.3.2 The forestry sector is facing a severe shortage of skilled workers and new models for delivering training in rural and remote communities need to be considered. In particular FCS would like to see support for employment based learning, through e.g. apprenticeship schemes based within FCS and also through colleges with placements in the private sector.
- 3.3.3 Development of a workforce in the rapidly developing renewables sector is also crucial. Biomass in particular cuts across a number of sectors from growing biomass crops to design and installation of systems. Appropriate training will give businesses and communities in the Highlands & Islands the opportunity to fully participate and maximise the benefits from the economic development of a strong renewables industry. Without a workforce covering all these sectors from forestry and agriculture through to designers, engineers and planners, the development of renewables and particularly the biomass industry will be constrained and full local benefits not realised.

3.4 Question 6 and 7- Balance of funding in the ERDF and ESF programme

- 3.4.1 FCS would welcome more funds for rural development, and a greater proportion of funds for community regeneration would be justified on grounds of need, and of the significance of the scale of the problem.

3.5 Question 8 and 9– Domestic policy and environmental sustainability.

- 3.5.1 FCS considers that the priorities outlined within the draft operational plan are in sync with Scottish domestic policy, in particular the Scottish Forestry Strategy (SFS). There are links with Key themes

- 1: Climate change,
- 2: Timber
- 3: Business development,
- 4: Community development,
- 5: Access and health,
- 6: Environmental quality,
- 7: Biodiversity,

- 3.5.2 In particular, the FCS Woodland In and Around Towns (WIAT) initiative supports community development. FCS Rural Development Policy supports business development and high value employment in rural areas.

- 3.5.3 FCS would welcome a clearer focus on climate change and sustainable development to encompass a wider agenda, including reduction in product miles, local processing and marketing, reducing carbon emissions, carbon offset and adaptation to change.
- 3.5.4 We also point out that the Scottish Biodiversity Strategy places a duty on public bodies to further the conservation of biodiversity and this should receive recognition within the document, in line with SFS key theme 7: Biodiversity.

3.6 Question 10 - Equal opportunities

- 3.6.1 FCS supports the principal of equal opportunities and welcomes the integration of equal opportunities into the Operational Programme. We consider gender and diversity issues within the forestry sector to be a high priority and would encourage new working methods, procedures and working patterns will facilitate the take up by women, and other under represented groups, of job opportunities in the forestry sector.

3.7 Question 12 - Challenge fund approach

- 3.7.1 FCS notes the intention to use Intermediate Delivery Bodies to manage parts of the funding. Whilst we understand some of the rationale behind this it is out view that the previous challenge fund method has worked well in the past. The broad partner representation in the challenge fund decision mechanism and the clear eligibility and priority guidance has ensured that funding decisions have been transparent and that all interested parties are given an equal opportunity to benefit. FCS would wish to see a substantial proportion of the funding delivered in this way.
- 3.7.2 FCS would consider an application for Intermediate Delivery Body status to assist delivery of objective 1 of the ERDF, sustainable enterprises, through the promotion and support of biomass projects, and objective 2 of the ERDF programme, community regeneration, through the WIAT initiative. We would welcome the opportunity to work in conjunction with other intermediate bodies to deliver training and skill development within the forestry sector assisting in the delivery of objectives 1 and 2 in the ESF.

3.8 Question 14 and 15 - Spatial targeting for community regeneration and rural development

- 3.8.1 The FCS WIAT initiative targets community woodland development at deprived communities defined as having populations over 2000 and having high scores on the Scottish Index of Multiple Deprivation. WIAT aims to have accessible woodland within 1km of these communities. Spatial targeting of this nature is recommended to ensure resources are used where they are best needed. However, care must be taken not to neglect deprived rural communities, which are often harder to identify. There are many small communities where previous employment opportunities have been lost, e.g. coal mining. Programmes for rural development such as green jobs and environmental tourism are unlikely to be of assistance and these communities also tend to miss out on regeneration programmes.

3.9 CONCLUSIONS

- 3.9.1 We were disappointed that the potential of the **renewable energy** sector was not identified within the analysis of Lowland and Upland Scotland. This sector could provide valuable opportunities for development and diversification. For example, FCS is keen to work with local businesses and rural communities to develop sustainable woodfuel alternatives and we would also look to support supply chain development and specialist skills training in Lowland and Upland Scotland to bring it in line with the Scottish Executive's Biomass Strategy. FCS currently employs three woodfuel development officers, supported by EU structural funds, in the Lowland and

Upland region in response to demand. Development of a knowledgeable workforce in the rapidly developing renewables sector is also crucial.

- 3.9.2 Tourism is a major contributor to the economy of the region, and forestry plays a vital role in the support of this sector. Forestry provides recreational opportunities and attractive landscapes. In particular Priority 3 – Rural Development recognises the need to invest in tourism. We welcome the recognition of the benefits that **adventure sports and wildlife/ wilderness tourism** activities can bring.
- 3.9.3 The challenges identified within the SWOT analysis include the need to increase the ability of the low-waged and low-skilled to progress through the labour market. The forestry sector is facing a severe shortage of **skilled workers** and new models for delivering training in rural and remote communities need to be considered. In particular FCS would like to see support for employment based learning, through e.g. apprenticeship schemes based within FCS and also through colleges with placements in the private sector. We would welcome the opportunity to work in conjunction with other intermediate bodies to deliver training and skill development within the forestry sector assisting in the delivery of objectives 1 and 2 in the ESF.
- 3.9.4 With regard to the key programme challenges we strongly believe that there is a need to continue support to enhance the **sustainable competitiveness of traditional industries**. We would seek support for forestry as a key rural sector industry, which offers real opportunities for growth and development such as the increasing demand for timber frame construction and value added products. In particular Priority 2 identifies the requirement to invest in the workforce in order to enhance employability, productivity, adaptability, inclusion and entrepreneurial expertise.

5 January 2007