



Business Plan 2007-2009

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Foreword

ConFor's first Business Plan covered the period 2005-2006. This Plan will take the organisation through to end-2009.

ConFor is now established as an organisation in its own right having replaced the Forest Industries Development Council and following formal integration with the Forestry and Timber Association in 2006. In addition a range of business across the sector have joined, and continue to join, providing ConFor with a cross-sector membership and effective input and support for its role as the voice of the industry in the UK.

In its time so far ConFor has delivered at all levels from local through national to the EU level. The sector has, through ConFor, achieved an increased level of influence in governmental circles and visibility in the media. It can point to a wide range of tangible achievements. For example, the England wood fuel strategy is firmly in line with the policy that ConFor had been promoting, as is the Biomass Support Scheme in Scotland. The additional £6 million for forestry in Scotland in 2006 would not have been secured without the industry lobbying that ConFor instigated and co-ordinated. An early success was the campaign to reverse a potentially devastating reduction in levels of support for new planting proposed by the European Commission.

With the recruitment of new staff ConFor's influence and impact will grow, in particular in England and Wales, while closer links are being built with members in Northern Ireland.

ConFor is still growing in terms of membership, influence and impact. New members have been attracted by the belief it has and will make a difference. New members strengthen ConFor and promote a virtuous cycle of growth. Key to ConFor's work for the period 2007-09 will be a commitment to continue to promote strong communication with existing members, to continue to provide a quality service to members and to further build the membership base.

Confidence is returning to the sector and there is an important role for ConFor to play in helping to support the continued development of an industry which is both increasing in importance and relevance to the UK as well as its constituent countries, and at a local level. Target audiences such as politicians and civil servants have warmly welcomed ConFor's pan-sectoral remit as well as its professional approach.

Going forward there is an important job to do and the team at ConFor relish the opportunity to play their part.

Stuart Goodall
Chief Executive

1. Business context

1.1 Markets. We expect a number of key drivers to be affecting the demand and supply for members' timber and forest products over the next 2-3 years, and the principal ones are summarised below:

- Overall we believe that the current upward trends in demand for forest products and in timber prices will continue, creating a more positive market environment than has been evident for many years.
- We also expect timber supplies to be under increasing pressure globally and nationally, with continued growth both in newer markets such as biomass energy and in the emerging economies. The impact on hardwood supplies will depend on how much new woodland is brought into active management.
- Increasing timber and timber products prices may reduce our competitiveness against alternative construction and energy materials, dampening the overall positive outlook.
- Large scale processing investment is likely to follow the overall trend in manufacturing towards lower cost locations, while industry restructuring will favour horizontal rather than vertical integration.
- Product mixes and business methods will continue to evolve, with greater emphasis on consumer-led preferences, new supply chain linkages, different types of collaboration, and improved after-sales service.
- Within the UK, the role of the private growing sector will become increasingly important in conifer timber supply as commercial deliveries from the state sector peak.
- The market prospects for those in the forest services sector, such as contractors and hauliers, will continue to be under pressure.

1.2 Therefore we expect to be operating in an overall market environment that is favourable for the industry, but which will operate differently in different sectors, includes some real threats in terms of fibre supply and restructuring, and will increasingly require new and more end-customer oriented approaches to doing business.

1.3 Policy. As with markets, we believe the overall policy environment will continue to present opportunities for the industry. Climate change policies in particular should work in our favour, as should other related policies such as renewable energy and modern methods of construction. We cannot however

assume that these trends will automatically work in our favour, and some risks need to be countered:

- The emphasis in climate change policy will continue to be on emissions reduction, rather than on mitigation and sequestration.
- Most policy makers and influencers still regard forestry as an environmental, not an economic, issue; the benefits of economic activity for its own sake is little recognised.
- EU policy will continue to have a major influence, but neither the UK industry nor the UK government are yet recognised as influential in forest industries policy in Brussels.
- Continued devolution, politically in Scotland, Wales and Northern Ireland and administratively in England, makes for a highly complex and changeable policy context.
- Challenges of an ageing workforce are emerging in some quarters and effective training will be required to support business development and diversification.
- There is likely to be continued downward pressure on grants, though opportunities for one-off or capital grants may increase, especially related to climate change objectives such as bringing additional supplies of wood fuel to market.
- There is also likely to be increased debate over the role of the public forest estate, creating both risks and opportunities for the private sector.

1.4 We cannot therefore assume that the potentially favourable policy environment will necessarily work in our favour. A great deal of effort will be required to put our case, and to track the ebbs and flows of policy at national and regional levels. We should also continue to tackle excessive regulation and bureaucracy, since success in this will help bring more timber to market and support active, sustainable woodland management in particular amongst small woods where the burden is often felt most keenly.

1.5 Membership. Overall membership numbers for ConFor and its predecessors have been in decline over many years, with the absolute number of members dominated by the growing sector. The trends behind this have been:

- Reduced interest by woodland owners in their timber as a marketable commodity, following many years of depressed prices.

- Less independent management of woodlands, with a growing role of managing agents (though this trend also provides an opportunity to reach out to a wider number of owners).
- Lack of full attention to membership retention and recruitment in recent years given the uncertainty over the likely structure of FTA, UKFPA and ConFor.

1.6 As markets recover and ConFor's role becomes more established and secure, we do now have an opportunity to build membership numbers, income and loyalty and this will be a major priority over the plan period. The new Growing Sector Council will play a key role in identifying opportunities and actions to retain and recruit members.

2. Membership

2.1 A growing and active membership base is essential to the influence and reputation of any representative organisation. Over a period of many years, the membership of ConFor and its predecessors has been in decline.

2.2 The main reasons for this are listed in the previous section. It is important to note that the recent decline has been steady rather than terminal, and that we have continued to attract new members. Nevertheless, we do need to put more intensive effort into membership retention and attraction over this plan period. We also need to tailor our appeal and services to the very different categories of member that we have: growers, processors, individuals, associates, etc. Success in this will increase our legitimacy in representing the industry across the whole supply chain. It will also improve our ability to mobilise our membership more actively in defining our priorities and taking an active part in delivering them.

2.3 The main focus of our membership drive will be at regional level. National and regional staff will take greater responsibility for communicating with members locally, demonstrating the benefits of ConFor membership, informing them of our priorities and successes, and working to specific regional targets for retention and recruitment. Our best recruiters will of course be existing members prepared to recommend membership to their peers, and we must be able to provide them with arguments and material that they can use.

2.4 Specific actions over the plan period will include:

- Stronger management and use of our membership database and, if necessary, replacement of the underlying software. We will monitor membership trends more accurately and regularly and we will make more active use of the database for targeted communication.

- Agreement of targets with regional chairs and staff for retention and recruitment. We will build some incentives into this both for the staff involved and for the regional member groups, in terms of enabling more autonomy in the application of increased regional membership income.
- Continued communication to the membership through the quarterly magazine, monthly e-newsletters and more targeted material, demonstrating our priorities, activities and successes.
- Membership campaigns aimed at regions where our membership is relatively low, other sectors in particular forest services but also including smaller processors, and potentially wood-using businesses such as energy companies.
- Encouragement and support for woodland management companies to act as recruiters on our behalf.
- A review of how membership subscriptions in the growing sector are calculated and collected.
- In the processing sector, direct contact with potential new members to a programme agreed and reviewed regularly with the processing sector council.
- Support for “self-help” and special interest groups within the membership to enable more specialist advice and support to be provided to specific categories of member.

2.5 Throughout this, we will keep the mix of member services under review and identify opportunities for new services that may attract additional members and income. We do not plan however to distort the core purpose and competence of ConFor by adding services that may be expensive to deliver and which are already available elsewhere, for example technical support for smaller processors or training programmes.

2.6 The overall target over the period to 2009 will be to increase ConFor membership numbers by 15% and membership income by 5% in real terms.

3. Markets

3.1 The context section described a favourable market environment for softwood and hardwood material and products in overall terms, but including some real threats and challenges to specific sectors. ConFor cannot itself create new demand for timber, influence prices or affect the global trends that drive the scale and structure of the industry. We do however have an important role to play,

alongside others, in promoting the overall use of timber and arguing for the best, most sustainable use of it. Interestingly ConFor also has access through its members to a range of market information that could help assure and inform owners of woodland who are uncertain about dipping their toe into the wood supply market.

3.2 For growing sector members in particular, we will also promote the non-timber market potential of their woodlands, for example in carbon sequestration, tourism and recreation.

3.3 Our market promotion work over the plan period will include:

- Continuing to act as a channel for members' funding for the wood.for good campaign, and encouraging more members to contribute to it. We will retain our representation on the wood.for good Board.
- Promoting specific marketing projects to be delivered through wood.for good, particularly where UK-grown timber can be used, e.g. use of lower grade timber in construction.
- Encouraging the use of lower value timber in the biomass energy market, as a means of bringing currently under-managed woodlands into production.
- Providing market information and contacts to members, for example from timber merchants and processors seeking locally grown wood.
- Supporting the continued development of the Forest Carbon initiative, and working with other marketing partners that may emerge.
- Continuing to promote the principles of the Naturally Wood strategy.

3.4 Given the dependence of market demand on factors well beyond our control, we will not set specific targets in this area in terms of timber sales or market share. We will however monitor trends in those areas of the market that we are trying to influence, providing some indication of the appropriateness and value of our interventions.

4. Policy

4.1 As noted earlier, the overall policy environment for timber and forest products is potentially much more favourable than it has been for many years. It still contains many risks and challenges however, with policy makers still largely unsympathetic to commercially managed woodlands. Government structures are also increasingly complex, particularly under political and administrative

devolution, and so our policy work has to be tailored to a number of different levels of influence. We will need to work with the administrations in Brussels, Westminster, Holyrood, Cardiff and Belfast in distinctive and well targeted ways.

4.2 The main principles underpinning our policy work will continue to be:

- Concentrate on those policy issues which are of most relevance to members, and where we have the greatest opportunity to make a difference.
- Support our policy work with robust evidence and analysis: this will be essential to our effectiveness.
- Present our case in a constructive way, offering alternatives to the current position.
- Target our policy work towards the key influencers and contacts within each of the administrations that we need to work with.
- Work collaboratively with other private industry partners where we have common cause, for example with CEI-Bois and CEPF at European level, and with the TTF, CLA and others at UK level, and with public sector agencies such as the Forestry Commission and development agencies where there are shared objectives.

4.3 The key themes and messages that we will concentrate on to ensure maximum impact will be:

- Promoting the economic importance of well managed, productive woodlands, and the benefits of those for environmental and social returns.
- Encouraging investment in increased, more secure and more predictable timber supplies. Where appropriate a major and sustained level of new planting will be a goal over the Plan period.
- Encouraging selective financial support from government where market drivers will not produce the required effects: for example in new planting and development of wood fuel supply chains.
- Arguing for greater consistency and longer term stability in grant schemes and other aspects of policy.
- Arguing for reductions in the regulatory, administrative and other cost burdens imposed on the industry, for example in the certification of small woodlands, and looking ahead to identify and influence new regulation.

4.4 In addition to these relatively long term, continuous themes, we will also respond to specific consultations and policy issues as they arise and where the implications for our membership are clear, for example on the gang masters licensing regulations. We will however ensure that we select for attention only those issues that can be shown to have significant potential impact on our members.

5. Project work

5.1 In addition to the three main themes of business described in the previous sections, ConFor will continue to lead and participate with partners in specific project activity where we can demonstrate its relevance to our members and its value for money in our budgets. The principal areas of project work currently under way are:

- The Scottish Forest Industries Cluster, where ConFor has already agreed to assume the leadership role from March 2008.
- The England Forest Industries Partnership, where we are one of the three principal partners alongside FC England and the CLA, and where the future shape and direction of the Partnership is to be agreed by autumn 2007.
- The Wales Forest Business Partnership, where we are currently just one of a number of members.
- The EU funded Robinwood project in Wales to identify ways of promoting active management of woodland and bringing supplies of timber to market.
- The timber transport project group which works to promote and develop solutions to improve the infrastructure of timber transport throughout Britain.
- The Wood Using Industries R&D Group, where ConFor chairs this national group and provides project management support.
- UKWAS, where ConFor provides the secretariat and is represented on the Board.
- The Workforce Development Forum, which ConFor chairs and supports administratively.
- Naturally Wood, where ConFor also provides project management and administrative support. We intend to review the future shape and direction of Naturally Wood before the end of 2007.

5.2 At this stage, no additional project work is planned to 2009. We have probably reached our management and administrative capacity for work of this nature, and will only take on additional responsibilities if resources can be freed from other projects.

5.3 The biennial International Forestry Exhibition is promoted and managed by ConFor through a subsidiary company operated largely by volunteers. It plays an essential role in promoting the industry, and in building ConFor's reputation and visibility. It can also generate a surplus to ensure that the exhibition is self-funding. It has been recognised that there has been insufficient communication and coordination between ConFor and the exhibition company over the past 2-3 years, and this will be remedied during the plan period.

6. Communications

6.1 Effective and regular communications are crucial to our success both in building our membership and in influencing policy. A separate communications plan will be prepared, but the key elements for membership communication will be:

- Continued production of Forestry and Timber News on a quarterly basis.
- Continued distribution of monthly newsletters by e-mail.
- Launch of an enhanced website in October 2007.
- More regular, ad hoc communication to members as specific opportunities and needs arise.
- A commitment by the ConFor management team to attend regional member meetings.

6.2 For external communication, we will continue to target the trade press and the national business and environmental media. For the former, we will target 3-4 ConFor-related articles in the trade press each month, reporting on ConFor work and successes, promoting members' activities where appropriate and raising policy or market issues for debate.

6.3 For the national media, the key objective will be to support our agreed market and policy priorities, as well as to take opportunities to publicise members' successes and economic contributions.

7. Organisation

7.1 The ConFor Board will be the principal source of governance for the organisation, with responsibility for agreeing overall strategy, priorities and budgets, and for monitoring performance.

7.2 The Growing and Processing Sector Councils will provide direction on ConFor priorities in their respective sectors. The former will comprise the chairs or nominees of ConFor's regional members' groups, while membership of the latter will be open to all subscribing processor members.

7.3 Regional member groups in each of the 10 regions will be the principal means by which we identify local issues, mobilise members in support of ConFor lobbying and communication activities and organise local events. We need to develop a much more decentralised approach to membership support and participation, as well as enabling improved regional collaboration between growing and processing sector members.

7.4 The chairs of the regional groups in England and Scotland will have the option to nominate a national chair whenever they consider it necessary for dealing with a specific national-level consultation or policy issue.

7.5 The ConFor management team will take responsibility to be the principal point of contact between ConFor nationally and specified regional members' groups.

7.6 There will continue to be a full time national manager for Scotland. A full time manager for England will be appointed as soon as budgets allow, and a full time manager in Wales will be appointed in autumn 2007 (70% externally funded for three years). Part-time regional managers in the Home Counties and South West regions will remain in place, and additional executive support will be provided to the other English regions from winter 2007.

7.7 A team of three support staff in the Edinburgh office will be responsible for the website, design and publications, member database and services, financial control, office management, travel and accommodation, and secretarial support.

7.8 A team of three project managers, largely externally funded, will be responsible for managing the Scottish Cluster, timber transport project, R&D initiative, UKWAS and Naturally Wood. A decision will be taken in autumn 2007, along with our other partners, on whether an EFIP project manager should be appointed and on who should be responsible for employing them.

7.9 No further staffing requirements are anticipated over the plan period.

7.10 ConFor is already working towards the Investors in People standard, aiming for assessment in early 2008.

8. Budgets

8.1 The table below presents indicative budgets for the Plan period, showing the main sources of income and the main categories of expenditure.

| INCOME (£000) | 2007 | 2008 | 2009 |
|---------------------------------|-------------|-------------|-------------|
| Growing sector subscriptions | 240 | 250 | 260 |
| Processing sector subscriptions | 280 | 295 | 310 |
| Wood for good contributions | 70 | 70 | 70 |
| Project and other income | 300 | 300 | 300 |
| TOTAL INCOME | 890 | 915 | 940 |
| | | | |
| EXPENDITURE (£000) | | | |
| Staff costs | 405 | 417 | 430 |

| | | | |
|-----------------------------------|------------|------------|------------|
| Office running costs | 50 | 51 | 52 |
| Postage and stationery | 9 | 9 | 10 |
| Subscriptions | 10 | 10 | 11 |
| Management expenditure | 8 | 9 | 9 |
| Regional expenses | 46 | 50 | 52 |
| Wood for good contributions | 70 | 70 | 70 |
| Promotion/sponsorship | 59 | 61 | 63 |
| Project expenses | 170 | 172 | 175 |
| Professional and consultancy fees | 54 | 54 | 56 |
| Finance costs | 6 | 6 | 6 |
| Depreciation | 3 | 6 | 6 |
| | 890 | 915 | 940 |

9. Risk Assessment

9.1 Regular risk assessments will be undertaken as a routine element of management and Board meetings. The main *external* risks that might affect planning include:

- a change in the overall economic climate, affecting demand in our main construction and energy markets
- more aggressive marketing by competing materials
- climate change impacts on timber production and quality
- lack of recognition within Government of the importance of commercial forestry and of increased planting levels
- inconsistent and unstable policies across national and devolved administrations

9.2 The main *internal* risks to be monitored include:

- continued decline in membership numbers and income
- loss of support from larger subscribers
- failure to communicate activity and successes to members
- insufficient participation from and support to volunteer members
- lack of coherence and evidence in policy influence work
- lack of clarity in governance arrangements
- dilution of effort away from core objectives
- failure to recruit staff to fill vacancies