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**Forestry and wood processing in
the Borderlands Growth Deal**



EGGER: Supporting the Borderlands Growth Deal



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Executive Summary

Forestry and timber is a major industry in the Borderlands, supporting high levels of rural employment and delivering significant growth and investment.

However, low levels of tree planting in recent decades - especially in the North of England - threaten to undermine the industry's opportunities to deliver a wide range of economic, environmental and social benefits across the region.

The Borderlands Growth Deal offers an opportunity to unlock the full potential of the industry, and EGGER recommends three simple initial actions to do this:

- A significant increase in tree planting, to be kick-started by creating a new Forestry Investment Zone in the Borderlands region;
- The creation of a Strategic Timber Transport Fund in the North of England to mirror the scheme in Scotland to improve forest roads as well as roads linking forests to main roads;
- A region-wide skills audit to identify potential gaps in future provision in the forestry and wood processing industry, followed by action to fill those gaps.

As the largest manufacturing company in Northumberland, EGGER is committed to the North of England. Our plant in Hexham employs 630 people, with a further 1,800 jobs supported in the wider economy. EGGER has invested almost a quarter of a billion pounds in the site in just over a decade, creating one of the most technologically advanced wood processing facilities in Europe to make high-quality chipboard for use at home and abroad - in kitchens, bedrooms, bathrooms, caravans, offices, hotels, student accommodation, shops and flooring for new homes. Today, two out of three kitchens in the UK typically use EGGER products in them.

We operate to the highest management standards - in terms of quality, environment and energy - and we are totally committed to making the very best products.

In the 30-plus years EGGER has been manufacturing in the UK, it has processed more than 13 million tonnes of renewable wood fibre and created 8.5 million tonnes of EGGER chipboard. During this time, it has produced enough melamine-faced chipboard to build one and a half kitchens in every home in the UK and enough tongue and groove flooring for two million homes.

To make these products, our Hexham plant takes in 130 lorry-loads of wood fibre every day. As we are open six days a week for 50 weeks of the year, that means 39,000 lorry-loads every year - and that's a lot of wood fibre.

Our EGGER Forestry team harvests more than 500,000 cubic metres of timber per year from forests throughout Scotland and northern England. Around 60 per cent is sold to local sawmills, which in turn supply EGGER with wood chips and sawdust. We also have to source wood fibre from other suppliers. EGGER is part of a very significant wood processing industry on both sides of the border, which supports thousands of jobs and delivers huge investment into rural areas which have few other large private sector employers.

To secure these vital rural jobs for future generations, we need more wood. We need to plant more, and to make the forests we have more easily accessible.

The Borderlands has a tremendous forest heritage, with the mighty Kielder in Northumberland and Galloway Forest Park in southern Scotland. However, while Scotland has around 18 per cent woodland cover and has set more ambitious planting targets (rising from the current 10,000 hectares annually to 15,000 hectares annually by 2025), the situation in northern England is very different. Despite the presence of Kielder, forest cover is only 10 per cent (considerably lower than the UK average of 13 per cent) and virtually no productive conifer forests have been planted for 30 years.

Modern productive planting is starting to stir again in the region, most notably at Doddington in Northumberland and the Lowther Estate in Cumbria - but these schemes are the exception rather than the rule. There is enormous potential to do much, much more planting in northern England - to deliver jobs, growth and investment to rural areas.

As well as new forest creation, a successful future for the industry means better forest roads to move harvested timber effectively and responsibly to market, and it means building on the skills base of the industry to ensure it is successful in future.

The proposals in this document are designed to deliver that future success. EGGER supports these proposals not just because they could benefit our own business, but because we believe they will enhance the entire forestry and timber supply chain in the Borderlands area.

Why forestry and wood processing matters in the Borderlands area

Forestry and wood processing is a significant employer and driver of economic growth in the Borderlands region - the area covered by five local authorities: Carlisle City Council, Cumbria County Council, Dumfries and Galloway Council, Northumberland County Council and Scottish Borders Council.

A 2015 report by the Universities of Northumbria and Cumbria, entitled *Developing the Framework for a Borderlands Strategy*, said: "In 2013, forestry employed 7,343 people across the Borderlands with 48% in Cumbria; 28% in Northumberland; 18% in Dumfries & Galloway and 6% in the Scottish Borders."

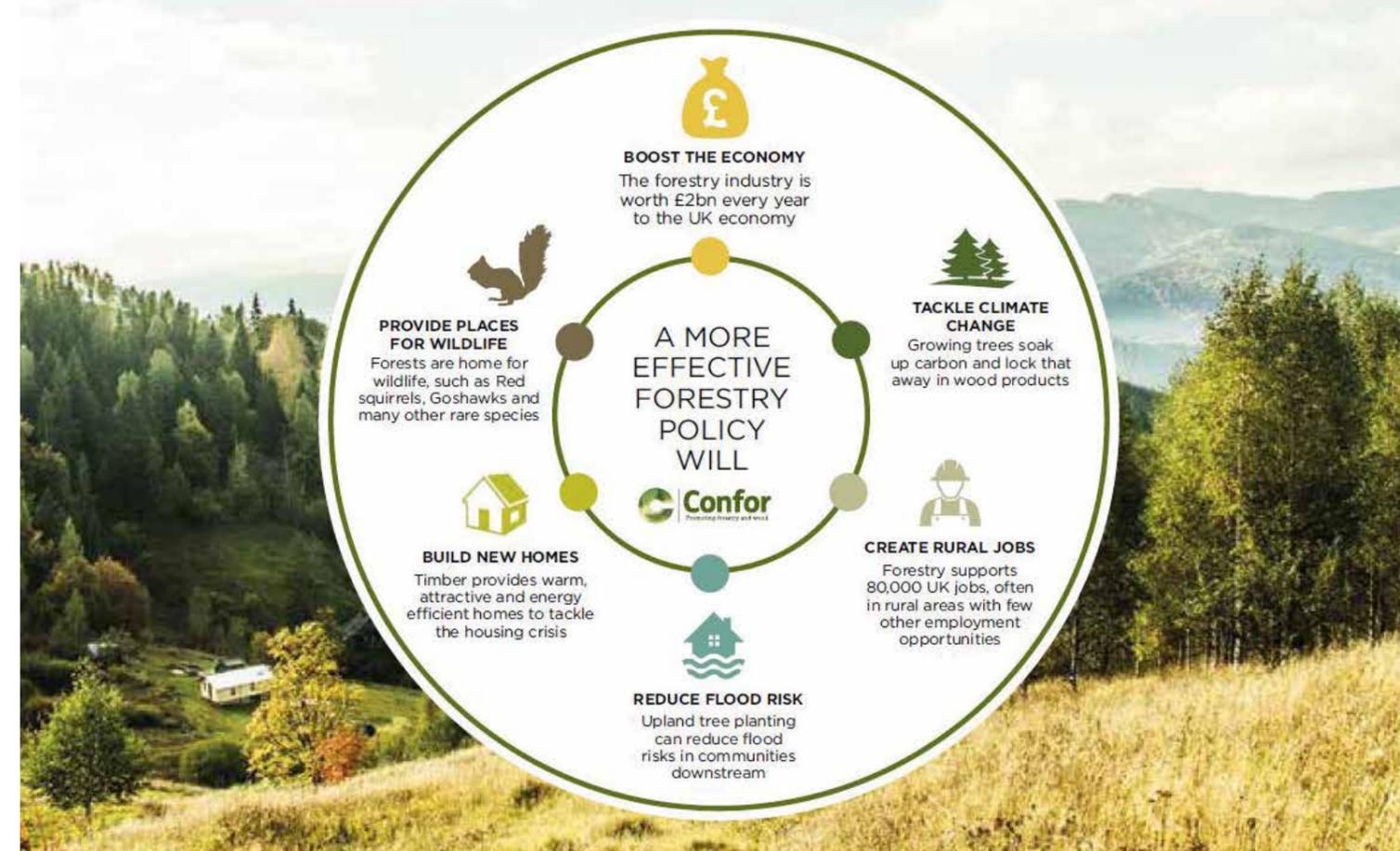
The report noted that employment in the sector had increased by more than 20 per cent since 2013. With strong supplies of timber coming onto the market due to historic planting, and continued investment in wood processing to reflect this enhanced supply, the sector has grown further since the report was written. However, there is an approaching 'timber gap' identified by forestry and wood-using trade body Confor, which shows a drop-off in supply within the next 10-15 years - making it imperative to increase future supplies and make good use of the wood we have now.

A 2016 report from EKOS economic consultants, *The Borderlands Inclusive Growth Initiative: A Framework for Unlocking Our*

Potential also highlights the importance of the industry in the region: "The [Borderlands] area has a strong and diverse rural base with strengths in forestry and agriculture. Forestry in particular is identified as a key sector across partners in terms of timber production, as a source of low carbon energy through biomass developments, and as a key tourism asset.

"There are 5,000 jobs directly supported by forestry in the Borderlands, with many more supply chain jobs supported – particularly important within the more fragile rural areas.

"Kielder Forest is one of the largest managed forests in Europe (c. 60,000 hectares) and the South of Scotland contains 25% of all of Scotland's forest resources (forest and woodland account for almost one third of all land area in Dumfries and Galloway). The region therefore has significant resources with potential to develop the sector."



Timber trade in southern Scotland and northern England is a 'border blind' industry, with deliveries regularly crossing the border. Historic planting of forests, especially in the 1970s and 1980s, has created a strong timber supply which is fuelling a successful, growing industry vital to our rural communities. EGGER, for example, is a bedrock employer in Hexham and the surrounding communities.

Forestry has a strong track record of employment, investment and environmentally-friendly growth - but more investment could lead to more growth. This in turn could lead to additional environmental and social (as well as economic) benefits for the Borderlands region.

Forestry and timber processing is a unique industry as more economic activity delivers more environmental benefit - because growing trees soak up carbon dioxide, which is then stored in wood products. This is by far the most efficient and cost-effective method of carbon capture and storage available.

Productive forests also help to reduce flood risks, improve soil quality, enhance biodiversity and provide an enormous range of opportunities for people to enjoy the forests - walkers, cyclists, horse riders, bird-watchers and many more. Kielder Forest has become a great tourist destination, while Glentress Forest in the Scottish Borders is one of the UK's premier mountain bike locations.

EGGER is a member of trade body Confor, which has highlighted the wide range of positive public goods delivered as a by-product of timber production in its response to the UK Government's consultation on post-Brexit support for our countryside. These are demonstrated in the Confor infographic above.

As well as delivering on the Borderlands' objectives of business growth, skills and rural productivity, a thriving forestry and wood processing sector can therefore also enhance the quality of place of the Borderlands and make it a more attractive destination. How to deliver this range of benefits through specific projects is explained on pages 8-11.



The Borderlands Growth Deal and the forestry and timber industry

As a significant industry with the potential for further growth, forestry and timber processing must be part of the Borderlands Growth Deal.

A deal to drive economic growth in the area on both sides of the England/Scotland border has been discussed since 2013 as part of the UK Government's City Deal programme. City Deals take long-term, strategic, collaborative approaches to improving regional economies. Each deal is tailored to its region, reflecting its individual economic strengths and weaknesses, and comprises a programme of interventions to support positive and transformative change.



Jake Berry MP

In January 2018, Mr Berry said: "I am looking forward to [continued] progress working with the Borderlands councils and the Scottish Government in the coming months on developing an ambitious sector led deal that will encourage growth and productivity to create thriving local economies both sides of the border."

The Borderlands Deal is different. It is based on a predominantly rural area and it is the first cross-border city region deal which involves local authorities from both England and Scotland. The UK Government (led by Secretary of State for Scotland David Mundell MP and Minister for the Northern Powerhouse and Local Growth, Jake Berry MP) is driving the agenda alongside the Scottish Government's Cabinet Secretary for Economy, Jobs and Fair Work, Keith Brown MSP.

Five local authorities - Carlisle City Council, Cumbria County Council, Dumfries and Galloway Council, Northumberland County Council and Scottish Borders Council - have come together to "promote the economic growth and competitiveness" of the area straddling the border. In 2017, they submitted a formal proposition to both the UK and Scottish governments for consideration - and the Borderlands Deal was given the formal go-ahead in the Chancellor Philip Hammond's Budget of November 2017.



The Borderlands Deal looks at eight key drivers, listed below, and EGGER believes the forestry and wood processing sector fits in well with these key drivers. The following pages then identify specific projects where the sector can deliver the aims of the Deal.

Digital - Investment in transformational digital infrastructure is critical to tackling barriers to long-term sustainable growth. EGGER supports improved digital connectivity that makes for a better value proposition when evaluating potential for inward investment.

Energy - Borderlands is a significant generator of clean energy and this can be better used to make the area more attractive to business. However, investment in renewable energy should be complementary to, not at the expense of, other established industries such as timber processing.

Business - The Borderlands Growth Deal highlights the need to support existing businesses like EGGER in adoption of new technologies and to be competitive in a post-Brexit world. As a company which embraces new technology, EGGER supports this aspect of the deal and looks forward to more information about how it will operate in practice. While the target is growth, consideration should also be given to how this can help established businesses in the Borderlands area, perhaps by looking at ways they can share expertise.

Skills - The Borderlands area contains world-leading Further and Higher Education providers who are real specialists in their area of expertise. Proposals for greater support of skills development are welcome, along with measures to ensure that the provision of skills matches the needs of large employers like EGGER.

Destination Borderlands - The Borderlands area is a premier outdoor recreation area. Much of this is due to previous investment in forestry planting such as Kielder and the Galloway Forest Park. EGGER believes it is possible to integrate much-needed new tree planting with outdoor recreation opportunities. For example, England's largest new forest for 30 years, being planted at Doddington in Northumberland, will improve access for walkers, cyclists, horse-riders and wildlife enthusiasts. Targeted investment in rural infrastructure can ensure traditional land uses, such as forestry can work seamlessly with modern demands for outdoor recreation. This can already be seen in places like Kielder and Glentworth Forest in The Scottish Borders.

Rural Productivity - The Borderlands is a large rural area that supplies vital raw material for large-scale timber processors such as EGGER. Post-Brexit prosperity for upland areas of the UK is a challenge and the economic benefits associated with forestry and timber processing will be critical. Borderlands could be the first area of the UK to recognise this link and make it a key pillar of its economic strategy.

Transport Connectivity - EGGER agrees that transport connectivity is critical to the future prosperity of the Borderlands area. Improved rail and road connections are vital to help make the case for continued private sector investment in the area.

Quality Of Place - The initiative recognises challenges for the Borderlands areas around population growth and attracting more working age people to the area. This should be linked with the potential for less inward migration post-Brexit and the need for greater investment in skills for people already living in the area.

Project 1

Create the Borderlands Forestry Investment Zone as the first FIZ in England

The Forestry Investment Zones (FIZ) initiative was announced by the UK Government in its Clean Growth Strategy launched in October 2017 with more detail in its 25 Year Environment Plan (25 YEP) published in January 2018.

The aim of a FIZ is to encourage large-scale woodland and forest creation by unlocking private finance and offering investors streamlined decision making and greater certainty in the regulatory process. A step change in approach is certainly needed to create new large-scale woodlands and forests; while the UK Government has set itself a target of around 7,500 hectares (ha) of new planting per year in England in the 25 YEP, only 7500 ha have been planted in the last FIVE years. The UK Government therefore looks likely to miss its 2015 target of planting 11 million trees by the end of 2020 (now extended to 2022). The targets in the 25 YEP must be treated as realistic policy goals and not merely aspirations if the potential of forestry and wood processing is to be unlocked in the region.

The Department for Environment, Food and Rural Affairs (Defra) has identified Cumbria, a key part of the Borderlands Initiative area, as the county in England where Local Enterprise Partnerships will identify suitable areas for large-scale woodland creation.

It is imperative that large-scale new planting of forests supports the significant wood processing industries in the Borderlands. Forestry Investment Zones are an excellent initiative to encourage more planting of commercial forestry, but this must go beyond Cumbria alone. We would like to see all the local authorities in the Borderlands Growth Deal area work with Defra, the Department for Business, Energy and Industrial Strategy (BEIS), the Scottish Government, Forestry Commission and others to ensure a detailed FIZ scheme is launched without delay to encourage much more new forestry planting in an area with such a strong footprint of wood-using businesses - but one which desperately needs greatly enhanced forest cover.

Despite the encouraging signs heralded by the new forests at Doddington and Lowther, meeting the 11 million trees target will be difficult - and the much higher target set in the 25 YEP impossible - without a step change in the current approach. Demand for timber

in the UK is rising, with prices for raw material at record levels. While new planting will not alleviate timber supply challenges in the short and medium term, it is imperative to give EGGER and others greater confidence to invest in processing facilities, as well as developing further the forestry sector in the Borderlands area in the longer term.

Immediate next steps

The Borderlands Inclusive Growth deal should include the appointment of a dedicated Forestry Investment Zone (FIZ) Officer to work with the UK Government to speed up and prepare to establish a Borderlands FIZ to include Northumberland in addition to Cumbria. We also suggest that an implementation group be established of leading private and public sector forestry representatives to assist the newly-appointed officer make the Borderlands FIZ a success by attracting private sector investment in new planting.

Costs for preparing an application for new forestry planting are high and the timescale for the various government agencies involved in approving applications are too long. As part of the FIZ initiative, the Borderlands Growth deal should include a forestry seed funding provision that can cover some of the upfront costs needed for large-scale forestry planting schemes. This fund can be administered by one of the local authority partners in the Borderlands area.

While FIZs are a UK Government initiative, the Scottish Government has not announced details of a similar scheme. We suggest, given the nature of cross-border trade across the Borderlands initiative

area that the Scottish Government should consider how it could work with a FIZ in northern England. Otherwise there is a danger that private sector investment might be channelled away from the Scottish Borders and Dumfries & Galloway in the southern Scotland towards the specific FIZ area alone.



Tree planters Oliver Day and Orlando Correia from the Forestry Workers Co-Op plant the first 660,000 trees at Doddington North Moor.



Project 2

A Strategic Timber Transport Fund for the North of England

The Borderlands Deal aims to deliver ‘border-blind’ projects which make a strategic difference in England and Scotland.

However, while the Strategic Timber Transport Fund (STTF) in Scotland has handed out more than £20 million, and has £7.85 million available for 2018/19, there is no similar scheme in England.

In Scotland, the funding supports both the TimberLINK shipping scheme and new roads and improvements to existing roads to reduce the impacts of timber haulage on rural communities.

Scotland’s STTF has made a real, positive difference to rural communities and there is a definite demand for a similar scheme in Northumberland and Cumbria. Timber moves regularly across the English-Scottish border and the ability to fund road improvements should be the same on both sides.

Funding Timber Transport Officers in Northumberland and Cumbria, to identify projects to draw down money from a Strategic Timber Transport Fund, would be an excellent starting-point.

This project could increase rural productivity, deliver business growth and improve the destination value of the English side of the border by reducing the impact on rural roads. It would also make rural transport movements more efficient.

Establishing a Borderlands strategic timber transport fund should also be linked to the establishment of a Borderlands Forestry Investment Zone [Project 1]. It will give a clear signal to investors that the region is serious about the forestry and timber processing sectors and is willing to put significant investment in place to support private sector activity.

Immediate next steps

Create posts for Timber Transport Group Officers in Northumberland and Cumbria, to bring together representatives of the forest and timber industries, national governments and the local authorities to address timber transport issues in the region. There are existing timber transport groups, but they have not been as effective as they might be due to a lack of specific funds and dedicated leadership posts.

This new group led by the Timber Transport Officers should decide on priorities for investment and come back with definite proposals that the Borderlands Growth Deal can invest in. The funds should be managed by the Forestry Commission with bids coming from local authorities and/or private land owners in the same way as funding operates in Scotland.

Longer-term consideration should be given to how the groups and funds operate to ensure there is no return to the situation where only part of the Borderlands region has access to Strategic Timber



Project 3

Future skills

The forestry and timber processing sector is increasingly reliant on fast-changing digital technology - and on recruiting skilled people who can work with that technology. EGGER’s Hexham plant and other timber processing plants in the Borderlands region are among the most advanced of their kind in Europe, thanks to significant investment.



Technology in the forest has also moved on dramatically, but there is still demand for more traditional skills, alongside the new technology. Operators who drive harvesters and forwarders to cut down and then transport wood to the forest road are in particular demand - and there are not enough new recruits in this area at a time when large quantities of timber are being harvested from productive forests planted in the 1970s and 80s.

There is a need to extend the provision, currently limited in the region to the Forest Machine Operator Skills Development course at Barony College in Dumfries.

More well-trained operators - being taught relevant digital skills as well as traditional ones - would help to tackle an approaching skills shortage and ensure that timber can be harvested and forwarded from the forest more efficiently and safely.

Funding from the Borderlands Deal could initially be used to carry out a future skills audit of large forestry and timber processing companies, to map that against current provision - and to invest in that future provision as required. It could be accompanied by an education programme to better inform young people in the Borderlands area about the significant opportunities presented in the forestry and timber processing sector.

Immediate next steps

Allocate funding for a future skills audit for the forestry and timber processing sectors

Make better public information available about the size of forestry and timber processing in the Borderlands area and the job opportunities available.

EGGER is committed to supporting the Borderlands Growth Deal and the wider forestry and timber processing industry. It has produced this document to enhance the profile of the industry among those discussing the Borderlands Growth Deal, to ensure its significance to rural communities on either side of the border is recognised and rewarded.

For more information, please go to www.egger.com and see the back cover for specific contacts.

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