

Coillte Teoranta. Fifth Report of the Seventh Joint Committee on State-Sponsored Bodies

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Reviewed by Niall OCarroll, Former Chief Inspector, State Forest Service.

Your present reviewer may perhaps be forgiven for deprecating the fact that this report deals with research in one section (13.2) whose length totals one line and a half: “Coillte also carries out forest research, for its own purposes, for the Department and for the EU in relation to forest health”. That is all. No assessment of the contribution of previous decades of research to the current success of the company. No data to indicate recent downward trends. No discussion of the implications of the current shift of emphasis from long-term projects to short-term contracts. A startling omission in a report of 80 A4 pages.

The report usefully brings together statistical data concerning the first seven years of the Company’s activity, some of it hitherto unpublished.

The Committee in its report praises the Company’s financial performance, which it describes as very satisfactory, having moved from a situation of a £4.2 million loss in 1989 to a profit of £12.52 million in 1995. It also shows that over the same period employment in the company has fallen from 2,476 to 1,326. It is not so happy about the quality of management and maintenance of the forest estate, quoting the Assistant Secretary to the effect that the Department are a little concerned with the level of Coillte maintenance, and emphasises the responsibilities of the Company to rectify any problems in relation to its

husbandry of the asset created from taxation over a long period. It questions the low level of expenditure on pruning. It is also disinclined to accept that a staff of 765 industrial workers is adequate to meet the needs of the forest.

This leads to the question of monitoring and supervision. The Committee takes the view that the present inspectorate staff of the Forest Service is inadequate to deal with the Department's present responsibilities both in regard to the planting grant and premium schemes together with the felling licence and replanting requirements.

The Committee understands that "the Department is not responsible for forest maintenance and would hold the view that they have no role in monitoring this aspect of Coillte's performance". This appears to overlook the fact that a General Felling Licence such as that issued to Coillte each year to validate its harvesting programme includes "the cutting down of trees in any specified wood on the land in the ordinary course of thinning, *in accordance with the general practice of good forestry*, that wood." (emphasis added). Who is to independently judge the quality of the forestry through the rotation if not the Forest Service Inspectorate? Further, the fact that Section 12(1)(a) of the Forestry Act, 1988, requires the Company to carry out its work in accordance with "efficient silvicultural practices" surely puts the onus somewhere to monitor that? And where else but the Department?

The Committee notes that in 1994 "the non-Coillte sector planted 23% of broadleaves in marked contrast with the 4-5% by Coillte", leaving the reader to infer that the 23% is the more desirable alternative. This may be a 'politically correct' suggestion but it gives no thought to the effect of such a broadleaf planting proportion on the overall level of wood production (and ultimate economic viability), and more urgently, the consequences for owners when the premiums dry up in 15 or 20 years with no significant income from the crop. (This consideration is even more acute in the case of farmer afforestation.) Twenty years is a short time in forestry.

There is a technical discussion of the Company's accounting procedures which is largely inaccessible even to someone who has been exposed to remedial tuition in such matters. But there is no reference to the straightforward fact that the annual addition of a theoretical value for current wood increment is questionable when the basic valuation of the asset transferred on Vesting Day – the forests – was based on the method of Discounted Cash Flow (DCF, or Net Discounted Revenue NDR). This approach takes account *now* of all future increment. Double counting surely? The practice of adding the increment was discontinued in 1994, but the reason given refers only to "Financial Reporting Standard No. 3" which a lay person would not normally have at the fingertips. In fact, the whole document reads as one emanating from a source more comfortable with a balance sheet than with a forest working plan. Perhaps that should not come as a surprise in the circumstances, but it is a sad look out for the future of forestry.

The Committee specifically recommends that a screen of five metres depth be left standing between clearfelling coupes and public roadways. This seems to reflect a somewhat hypocritical view that what cannot be seen is not happening. We should be proud of the fact that our work has come to fruition and that the cycle of production is about to recommence.

In the matter of the possible vertical integration of Coillte into the sawmilling sector the Committee is dubious, and recommends extreme caution.

It is difficult to see the basis for the apparent assumption (page 67) that the cost of planting new land is somehow related to the potential yield class of that land.

One must be permitted to express a high degree of surprise, indeed considerable concern, at the revelation that “in 1995 there were 1300 visits by Teagasc staff to farmers who had enquired about site suitability of their land for forestry”. As far as one is aware, Teagasc had no forestry advisory unit at that time.

The editing of the text could have been better. There is an impenetrably garbled parenthesis on page 63 “(site and site are permitting)”. A competent spell-check facility ought to have highlighted the misspelling “concensus” (page 7), and also the solecistically erroneous “premia” which appears on page 42, while the correct *premiums* appears five times in the same passage. Could not the Committee have been told that the latter years of forestry training were based in Kinnitty and not Avondale? And must we continue to be inflicted with an initial capital in lodgepole pine?

The Committee makes a number of recommendations, among them the following.

1. The preparation of detailed reports by the Forest Service Inspectorate on many aspects of Coillte’s operations.
2. A more thorough examination of the Company’s annual felling proposals.
3. The re-introduction of a three year diploma level forestry training course.
4. An “urgent evaluation” of the strength of the Forest Service’s Inspectorate.
5. Amendment of the Forestry Act, 1988, to include the words “sustainable yield basis” in the statement of the Company’s objectives.

This reviewer has personal as well as professional reasons for welcoming these recommendations, particularly the last.

The Committee acknowledges the assistance received from its consultant appointed for the purpose of this report, Mr. Paddy Howard (former Assistant Secretary, Department of the Marine, not his namesake formerly of the Forest Service).

The members of the Committee were Deputies Liam Kavanagh (Chairman), Martin Cullen, Seamus Brennan, Frances Fitzgerald, Seamus Kirk, Jim O’Keefe, Sean Ryan, and Senators Michael Finneran, Feargal Quinn, Dick Roche and Shane Ross.