

**THE ROLE OF TIR GOFAL  
IN STIMULATING  
WORK FOR  
LAND-BASED CONTRACTORS  
IN WALES**

Final Report for

**Countryside Council for Wales, Fforwm Tirlun  
and the Welsh Development Agency**

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## **S1. Executive summary**

### **S1.1. Introduction**

Tir Gofal is the Welsh Assembly Government's agri-environment scheme and forms part of the Wales Rural Development Plan. The Countryside Council for Wales (CCW), with its partners Fforwm Tirlun and the Welsh Development Agency, requested tenders to carry out research on the role of Tir Gofal in stimulating work for contractors. Agra CEAS Consulting Ltd. were subsequently awarded the contract. This document presents our final report on the research.

This contract was carried out between September 2005 and February 2006 and involved a face-to-face survey of 114 land-based contractors who provide services to landholders participating in Tir Gofal conducted between November 1st and December 9th 2005. This sample amounted to some 20% of those contractors who had added their contact details to CCW's contractor database. The survey was supplemented by a consultation with stakeholders and a review of literature.

### **S1.2. Background**

Previous research into the socio-economic impacts of Tir Gofal (Agra CEAS Consulting 2005a) estimated that the scheme had generated additional work for land-based contractors equivalent to 170 new full-time jobs.

"Landscape planning, creation & management" (which includes land-based contractors) is one of the business sectors within the Assembly Government's Environmental Goods and Services business support programme. Since agri-environment will be a continuing theme within the 2007-13 Rural Development Programme, it is important to assess how strong a driver this will be for business development in the land-based contracting sector in order to demonstrate support for the Lisbon Agenda for growth and employment. This requires a more detailed assessment of this sector, the impact of Tir Gofal upon it, and an assessment of its future potential. Issues to ensure that this potential is met also need to be identified. This summary therefore provides:

- a profile of this sector, based upon interviews undertaken;
- estimates of the business impact of Tir Gofal on employment, turnover and business income;
- an assessment of the overall importance of Tir Gofal to these businesses, both now and in the future; and,
- identification of the constraints and training and development issues needed to help this sector fulfil its potential.

The key results from this research, upon which the following analysis is based, are included in Appendix 4:.

### **S1.3. General profile of the land-based sector**

Using the information gathered from the contractors sampled it is possible to derive a general profile of contractors involved in the land-based sector. Around two-thirds of contractors predominantly provide labour with the remainder supplying materials. This pattern is generally consistent across all CCW regions, although the provision of labour services is highest in the north and east and lower in the south. In terms of the distribution of all contractors, however, this is heavily skewed towards the north and west, which together account for almost 7 out of every 10 contractors<sup>1</sup>.

It is clear that the sector is characterised by a large number of new and relatively young businesses, with 20% of businesses being less than 5 years old and a further 20% being between 5 and 10 years old. In terms of business size (as measured by turnover) there is a marked contrast between contractors offering labour services only compared with those offering materials. It is usual for businesses offering labour to be relatively small with one third having an annual turnover of less than £25k and a further third having a turnover between £25 and £50k. In contrast, one third of contractors offering materials have an annual turnover in excess of £500k, with 44% having a turnover between £100k and £500k. Correspondingly, suppliers of materials tend to have larger full-time workforces (mean = 5.1) whereas businesses offering labour have relatively fewer full-time employees (mean = 2.5).

In addition, the research established that it is newer businesses (i.e. those operating for 10 years or less) that are more likely to provide services to Tir Gofal agreement holders. The majority (60%) of all contracting businesses are not associated with existing farm businesses. Only around a fifth of contractors are part of an existing farm business with a further fifth having diversified from a farm business (contractors derived from existing farm businesses, however, are more likely to provide contract labour only).

This all points to a sector that is characterised by:

- a large number of young, independently established small businesses, responding positively to the employment opportunities offered by Tir Gofal through the establishment of new businesses to provide labour services; together with,
- a smaller number of larger, well-established contractors, supplying both labour services and materials.

Their distribution, heavily skewed to the north and west of Wales, is of importance since these younger, smaller businesses, together with the more mature and larger businesses, will collectively make an important contribution to rural employment (and the social sustainability of rural communities) in fragile rural areas. In addition, they could be an important source of business growth in these areas, given the likely continued emphasis on agri-environment programmes in Wales.

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<sup>1</sup> Based on the CCW list of 577 contractors – it is however unclear how comprehensive this is.

#### **S1.4. Impact on turnover and income**

The type of work undertaken by contractors can be categorised in terms of services offered with some of these, such as fencing, hedgelaying and woodland services, offered by a large proportion of labour contractors. Of contractors supplying materials, almost three-quarters supplied timber products and almost half supply wire for fencing. In general, the majority of Tir Gofal work is undertaken in autumn and winter, with just over a third of all Tir Gofal related work undertaken in spring and summer. Exceptions to this are dry stone walling, woodland and stoneworking/building restoration. In addition, miscellaneous work (e.g. plant hire, scrap removal, pest control, etc.) tends to be the most evenly distributed through the year.

In terms of the impact of Tir Gofal on turnover and business income, clear differences are apparent between contractors supplying labour only and those supplying materials. The former derive, on average, 28% of turnover and 26% of business income from Tir Gofal compared with averages of 18% (turnover) and 16% (business income) for suppliers of materials. In both cases, however, the mean contribution is higher than the median, suggesting that Tir Gofal makes a relatively high contribution to turnover and income for a smaller number of businesses, and a lower contribution for a larger number of businesses. Even here, however, the median figures showing the contribution of Tir Gofal are, for labour suppliers 20% (turnover) and 18% (business income). For materials suppliers (which tend to be larger businesses in any case) the median figures fall to 10% (turnover) and 5% (income). In terms of work activity, it is clear that Tir Gofal contributes the largest proportions of turnover and income for contractors involved in boundary-related activities, a point also made by the stakeholders consulted. It is also noticeable that businesses providing 'miscellaneous' activities appear to derive the best margins on turnover and may be obtaining a 'premium' for some of the services that they provide.

This suggests that:

- for the smaller, newer labour supplying contractors, Tir Gofal is an important source of business, supplying on average around one quarter of both turnover and business income; and,
- for larger, well established materials suppliers, Tir Gofal is relatively less important, although not insignificant, as a source of turnover and business income in providing almost one fifth of turnover and one sixth of business income.

#### **S1.5. Impact on employment**

The survey results indicated that 93 additional people have been employed or retained as a result of Tir Gofal, of which the majority (60%) have been jobs that are retained, the balance being new jobs. Two thirds of the new and retained jobs are full-time, with a further quarter being part-time. Just over half the 93 jobs are within younger businesses (10 years and under) despite the fact that these businesses make up only around 40% of the population of contractors (i.e. these businesses are more than proportionately responsible for employment creation and retention).

Around 60% of the 93 jobs are with labour suppliers, split evenly between new jobs and retained jobs, whereas materials contractors are much more likely to have retained existing jobs than to have created new employment. In fact material suppliers tend to retain full-time and part-time employees as a consequence of Tir Gofal at almost three times the rate compared to labour contractors. However, the rate of retention of full and part-time workers among labour contractors was also relatively high which suggests that the land-based contracting sector in general depends relatively heavily on part-time workers – possibly for the flexibility that this provides. Finally, the extent of sub-contracting among those contractors sampled was limited, with around 11% indicating that they had sub-contracted Tir Gofal-related work. The main cause of sub-contracting work was excess demand.

This all suggests that Tir Gofal-related activities appear to make an important contribution to rural land-based employment opportunities, both in securing existing full-time and part-time jobs and in creating new employment with contractors. The importance of the newer smaller businesses in this is readily apparent.

#### **S1.6. Sourcing of materials and services**

Around 80% of materials are sourced within Wales - but note that this refers to the origin of purchase and does not guarantee that the origin of manufacture is also in Wales. However, within this 80%, a large degree of local purchasing is evident with around one-third of materials being sourced within 10 miles, 23% within the same region and 23% inter-regionally (but still within Wales). Consequently, just over one fifth of all materials are sourced from outside Wales.

However, there is a clear distinction between the sourcing of materials between the two business types with labour contractors tending to source the majority of their materials either within 10 miles or within the same region and materials contractors, on the other hand, sourcing the greatest proportion of their needs from outside Wales. In addition, there is considerable regional variation in the pattern of material sourcing by contractors with those in the south obtaining the largest proportion (almost half) of their materials from outside Wales. The main reasons for this are:

- lack of availability of materials (cited by 86%); and,
- price (cited by 24%).

Consequently, increasing the availability of materials is the biggest single change needed (cited by 85%) to help ensure contractors sourced more material from within Wales.

All this suggests that it is likely that Tir Gofal is enhancing its contribution to rural development via the local procurement that it stimulates. The relatively large amount of materials sourced within 10 miles is quite positive, particularly as this helps to retain employment and income generated by the scheme within the local area. However, further enhancing of local supply chains, which would help increase this positive impact, is required especially in south Wales.

### **S1.7. Importance of TG to businesses, and likely business responses**

Despite the fact that Tir Gofal accounted for only 26% of business income for contractors supplying labour and only 15% of business income for materials suppliers, a much higher proportion of businesses considered that Tir Gofal is currently essential or important to the business - 56% of labour contractors and around 75% of materials suppliers. When considering the future, however, these proportions rise to 67% and 77% respectively.

In contrast, only a third of labour contractors, and just over a fifth of materials suppliers, think that Tir Gofal will not be important to their business in the future.

When examined by age of business, Tir Gofal is currently considered essential or important to a greater proportion of younger businesses (68%) than older businesses (54% for businesses aged between 11 and 20 years; and 64% for those aged over 20 years). However, looking into the future, this proportion increases for all businesses to 71% (10 years old or less), 67% (11-20 years) and 72% (20 years plus).

Half of all contractors think they will be bigger in the future, and of these 40% (i.e. 20% of all contractors) consider that Tir Gofal will have a large role in this business growth, whilst the majority 60% of these do not consider that Tir Gofal will be a major factor.

One third of respondents anticipate that their businesses will remain the same size, and of these 71% of these (i.e. 27% of all contractors) think that Tir Gofal will play a large role in maintaining the size of the business. The remaining 29% do not consider that Tir Gofal will be a major factor.

So collectively, some 47% of contractors think that Tir Gofal will play a large role in their business growing or remaining the same size. Only 9% of businesses think that they will be smaller in the future.

Finally, the response of businesses to Tir Gofal can be noted in terms of investment decisions. The main type of investment stimulated by involvement in Tir Gofal-related activities was in new machinery and equipment. Investments in training courses and buildings, however, were more likely amongst material supplier respondents. In terms of future investment decisions, only 15% of the overall sample indicated that they were planning investments as a result of their involvement with Tir Gofal.

From this we can note that:

- There is confidence in this sector about the likelihood of business growth or business stability. A relatively large majority (around 70%) of businesses who consider that Tir Gofal will be “essential” or “important” to their business in the future. Almost half of all contractors consider that Tir Gofal will play a “large role” in driving business growth or maintaining business stability. A smaller proportion of material suppliers consider Tir Gofal to be “essential” to their business

compared to labour contractors, most likely due to the fact that contractors who predominantly supply materials tend not to be associated with any one particular agri-environment scheme or even the agricultural sector. In general, material suppliers tend to display a lesser degree of specialisation towards Tir Gofal compared to labour contractors.

- In terms of its current role, Tir Gofal is currently of greatest importance to the youngest group of businesses and least important to the oldest group, reflecting the more dynamic response to Tir Gofal from the younger, smaller businesses that was noted earlier.
- However, Tir Gofal is not considered to be such a strong driver that it influences investment decisions above a minority (15%) of businesses, although it may be that these are a subset of the smaller, younger, dynamic businesses already referred to.

### **S1.8. Capacity of businesses to grow and develop as a result of Tir Gofal**

The above indicates a strong potential for Tir Gofal (and possibly other elements of the forthcoming Welsh agri-environment programme in Wales in the 2007-13 RDP) to be an important contributor to the Lisbon Agenda in terms of acting as a driver for business growth for small-scale land-based contractors in rural Wales. An issue concerns identifying possible constraints to this potential and identifying future business development needs.

As far as constraints are concerned, the limited role for Tir Gofal foreseen by some contractors in terms of their business growth might be related to identified issues that currently limit the usefulness of Tir Gofal to contractors. By far and away the most important of these (cited by 60% of respondents) concerned the deadlines for the completion of work, especially for labour contractors. This is an issue that the Assembly may wish to revisit at an appropriate time, although it is recognised that any changes should not undermine the achievement of the environmental objectives of Tir Gofal.

The most commonly cited current training needs to help businesses to develop are similar for providers of labour and material, namely machinery operation and health and safety legislation. Material suppliers also identified manual handling, whilst labour contractors identified skills issues related to fencing, hedging and stone walling. By far the most frequently cited *future* business training need identified was information technology. This is consistent with other studies which have identified that Information and Communication Technology (ICT) skills are lacking throughout the environmental and land-based sector (see for example LANTRA, 2003). Labour suppliers also noted customer service skills and communication skills.

### **S1.9. Conclusions**

The original socio-economic evaluation of Tir Gofal estimated that the scheme had generated additional work for land-based contractors equivalent to 170 new full-time jobs. The 20% survey of contractors carried out here revealed an additional 93 jobs, of which 35 were new jobs and 58 existing jobs retained, and (of the total 93) 60 were full-time. This provides corroboration for the original estimates of 170 new full-time jobs: scaling up the 35 new jobs from the 20% sample to the whole population would suggest 175 new jobs, although the degree of statistical significance that

should be attached to this calculation is unclear as a result of uncertainty over the relationship between the sample used and the population of contractors in Wales.

The research has shown that the business response to the opportunities offered to the land-based sector has been characterised by:

- a large number of young, relatively small businesses, independent of existing farm businesses, supplying labour, taking on additional employment, and having positive aspirations about business growth and the importance of Tir Gofal in achieving this;
- a smaller number of similar businesses with a similar outlook, but which are either part of an existing farm business or which have diversified from a farm business;
- in both cases, however, for those businesses engaged in Tir Gofal related work, this work makes a significant contribution (around a quarter on average) to turnover and business income;
- a smaller number of larger, older businesses predominantly supplying materials, for whom Tir Gofal is (in proportion to the size of their business) relatively less important, but still not insignificant (just under a fifth of turnover on average); and,
- business confidence about the likelihood of continued growth is high, as is business appreciation of the likely role of Tir Gofal in stimulating that growth.

Importantly, the distribution of these businesses (and of the additional employment they create) is heavily skewed toward the north and west of Wales, areas which are predominantly rural and in some cases isolated from the main centres of economic activity. Through the stimulation of new, small-scale businesses, and business growth of existing land-based contractors, with the additional employment opportunities that this creates, it is clear that TG has demonstrated its value as a driver in contributing to rural economic regeneration. It is unlikely that any other single scheme contributes these proportions of turnover and business income shown to businesses in this sector. In policy terms, there is clearly a close synergy between measures promoted under the Wales Rural Development Plan and broader economic objectives (such as the Lisbon Agenda) that (in European programme terms) can be stimulated under Structural Fund (SF) programmes. Formal recognition of this impact, and the development of the 2007-13 RDP and SF programmes in Wales to make the most of such synergies is important if the business opportunities available to rural Wales as part of the continued roll-out of the agri-environment programme are to be optimised.

### **S1.10. Recommendations**

1. Just under half of the contractors sampled reported issues with the scheme that limits its usefulness to them, the most frequently cited issue being deadlines for the completion of work. There may be scope in the future to mitigate these problems as the scheme develops, for example, by introducing greater flexibility into the scheme, particularly where valid reasons exist for missed deadlines or non-use of local materials.

2. In terms of the materials used for Tir Gofal-related projects it was found that, Wales-wide, around one-fifth are sourced from outside Wales (but with a much lower figure in south Wales).

This has obvious implications both for the use of local provenance materials and the “leakage” of Tir Gofal payments out of the country. There is therefore scope to investigate “plugging the gaps” in the materials supply chain. For example, incentives could be created for Welsh manufacturers and suppliers of materials to develop and expand their services so that both the supply of and access to Welsh provenance materials is improved.

3. Comprehensive views on the training and skills development challenges faced by contractors were received from the majority of stakeholders consulted. In order to alleviate this situation there may be a case for instigating better training options targeted at contractors involved in all agri-environment schemes established under the Wales Rural Development Plan. Such an approach not only recognises the switch in emphasis from Pillar I CAP activity to Pillar II, but also the positive impacts that such schemes have on wider rural development issues.

The main training needs identified fall into two main categories: practical skills and business management skills. It is likely that the delivery of training would involve a range of providers to ensure that those gaps identified can be adequately filled.

4. The survey element of this research was based on a database of businesses supplying labour and materials to Tir Gofal beneficiaries. However, CCW do not make any claim as to the quality of these contractors. This leaves open the possibility that some businesses are providing a better service than others. The Assembly Government could therefore consider the merits of an accreditation scheme for labour contractors and material suppliers when it assumes administration of the scheme in 2007. This may serve to enhance the quality of works carried out under Tir Gofal and would reduce the risk of quality providers being undercut by those whose performance fails to reach a minimum standard.

#### **S1.11. Possible areas for further research**

This study has also identified a number of areas where future research might be productive:

1. The extent to which contractors charge a premium for Tir Gofal-related work is not clear. There may be a risk that the inflation of contractor costs might eventually become a barrier to entry to Tir Gofal, and agri-environment schemes in general.

2. Some respondents acknowledge the fact that Tir Gofal-induced stock reductions may have led to the loss of some on-farm labour. However, it was also recognised that the additional work created by Tir Gofal is likely to have off-set these job losses and is likely to have led to improved employment opportunities overall. At this point the net impact remains unknown.

3. It is evident that many farmer-contractors also benefit from the contracting opportunities presented by Tir Gofal. The seasonal nature of some capital work projects was also cited as helping to counteract the seasonal employment effects that are associated with the agricultural calendar. Further research may highlight the extent to which Tir Gofal can safeguard the viability of such farms.

4. The difference between contribution to turnover and business income highlighted by this research may suggest that the incentive for contractors to undertake Tir Gofal-related activities is variable, due to the fact that greater margins on turnover can be obtained from other activities. The extent to which this creates problems in the availability or affordability of contractors for Tir Gofal-related work is currently unclear and such would benefit from more detailed investigation.

5. Contractors in the south source, on average, the largest proportion of their materials from outside Wales. The extent to which suppliers of materials in the south are substituting local provenance materials for non-Welsh materials is unclear and follow-up research with beneficiaries, contractors and Tir Gofal officers would increase understanding of the driving forces behind this practice.

6. Finally, this research noted a difference between the mean and the median contribution of Tir Gofal for businesses supplying materials. The fact that median contribution to income is proportionally much smaller than median contribution to turnover suggests that a small number of businesses find Tir Gofal products more profitable than is generally the case. Further research to understand this relationship in more detail might be revealing.



## **I. Introduction**

Tir Gofal is the Welsh Assembly Government's agri-environment scheme and forms part of the Wales Rural Development Plan. The Countryside Council for Wales (CCW), with its partners Fforwm Tirlun and the Welsh Development Agency, requested tenders to carry out research on the role of Tir Gofal in stimulating work for contractors. Agra CEAS Consulting Ltd. were subsequently awarded the contract. This document presents our final report on the research.

This contract was carried out between September 2005 and February 2006 and involved a face-to-face survey of 114 land-based contractors who provide services to landholders participating in Tir Gofal conducted between November 1<sup>st</sup> and December 9<sup>th</sup> 2005. This sample amounted to some 20% of those contractors who had added their contact details to CCW's contractor database.

The research was carried out by Dr Dylan Bradley, Matthew Morris, Dr Victoria Schoen and Dr Remi Gauthier for Agra CEAS Consulting. The survey was carried out by Promar International and managed by Eifion Williams.

This report begins by explaining the background to Tir Gofal including the scheme objectives and structure. Chapter 2 summarises the objectives of the research and the main research questions. Chapter 3 describes the methodology employed in this study while Chapter 4 provides a review and summary of literature relevant to this research. The characteristics of the sample are described in Chapter 5 and the impact of Tir Gofal on the contractors sampled is considered in Chapter 6. Stakeholder views on the broader research issues are presented in Chapter 7. Finally, conclusions and recommendations are contained in Chapter 8.

Appendix 1 contains a list of references cited in this report. Appendices 2 and 3 contain a copy of the survey questionnaire and stakeholder topic guide, respectively. Appendix 4 contains the main points from the Executive Summary in bullet point form.

### **I.1. Background to Tir Gofal**

Tir Gofal is the principal agri-environment scheme operating in Wales today. The scheme ensures a minimum standard of environmental care across the whole farm whilst preventing environmental improvements on part of the farm being negated by intensification on the rest of the holding. The scheme, which is available on farmed land throughout Wales, is designed to support the farming community in protecting the countryside whilst at the same time promoting sustainable agriculture.

Tir Gofal is complemented by Tir Cynnal, which is the Welsh Assembly Government's entry-level agri-environment scheme. Introduced in 2005, Tir Cynnal has less demanding requirements than Tir Gofal and is aimed at encouraging more farmers into agri-environment schemes (and hence larger areas into environmental protection more quickly), than would be possible with Tir Gofal in isolation. Additionally Tir Cynnal helps farmers meet cross-compliance requirements and acts as a

stepping-stone towards Tir Gofal participation. Essentially Tir Cynnal provides 'broad and shallow' coverage which provides access to holdings that may have previously been ineligible under Tir Gofal.

Tir Gofal is currently delivered by the Countryside Council for Wales (CCW) (in partnership with the Welsh Assembly Government and other organisations<sup>2</sup>). From 2007 Tir Gofal is to be administered directly by the Welsh Assembly Government. The scheme will become an important component of a 'pyramid' of agri-environment schemes (i.e. Tir Cynnal, Tir Gofal and a new top-tier scheme targeting specific environmental problems) which will be included in the new Rural Development Plan for Wales for the period 2007 to 2013.

#### **1.1.1. Tir Gofal objectives**

Tir Gofal has four stated objectives:

- to protect and enhance habitats of importance to wildlife;
- to protect and enhance the beauty of the landscape;
- to protect and enhance historic and archaeological features; and,
- to provide opportunities for new access to the countryside.

Tir Gofal agreements apply to the whole farm and last for ten years with a break clause after five years.

#### **1.1.2. Tir Gofal structure**

Tir Gofal is comprised of obligatory management prescriptions and voluntary options and is available on farmed land throughout Wales. The intention is to reward farmers for caring for the wildlife, historical and cultural features on their land (see Box 1.1).

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<sup>2</sup> Forestry Commission, CADW (Welsh Historic Monuments) and the Snowdonia National Park Authority.

**Box 1.1: Structure of Tir Gofal**

**1. Obligatory section:** designed to ensure that farms comply with a series of measures which are aimed at ensuring that land entered into the scheme is compatible with good environmental practice. Activities in this part of the scheme include, *inter alia*, the retention and management of traditional field boundaries, the protection and maintenance of historic and traditional landscape features and landforms, the protection of water features from damage or pollution, and the management of stocking rates, including stock reduction and exclusion from certain habitats. The payment per hectare in return for these activities is tiered according to farm size.

**2. Farm management plan:** created for all agreements and includes the obligatory management of certain mandatory habitats such as semi-natural broad-leaved woodland, saltmarsh and upland heath. Each habitat is subject to a series of detailed management prescriptions, each with specific environmental objectives, which are proven to provide environmental and/or biodiversity benefits. For example, the prescriptions for semi-natural broad-leaved woodland include stock exclusion or the maintenance of light grazing in order to encourage saplings and a diverse woodland structure, as well as the creation of a programme of managed work to maximise the environmental, economic or recreational use of the woodland. In return, agreement holders are paid between £10 per hectare/year and £125 per hectare/year depending on the level of grazing.

**3. Optional measures:** ensures that farmers with little wildlife habitat can still contribute towards the objectives of the scheme. Activities under this section include hedgerow restoration, establishing new crops, winter stubbles, wildlife cover crops, management of grassland for farmland birds, establishing new habitats, etc.. Again, payments are made according to a fixed price menu.

**4. Capital works:** includes activities such as habitat enhancement and creation, restoration of historic features, and 'special projects' such as pest control on lapwing breeding sites.

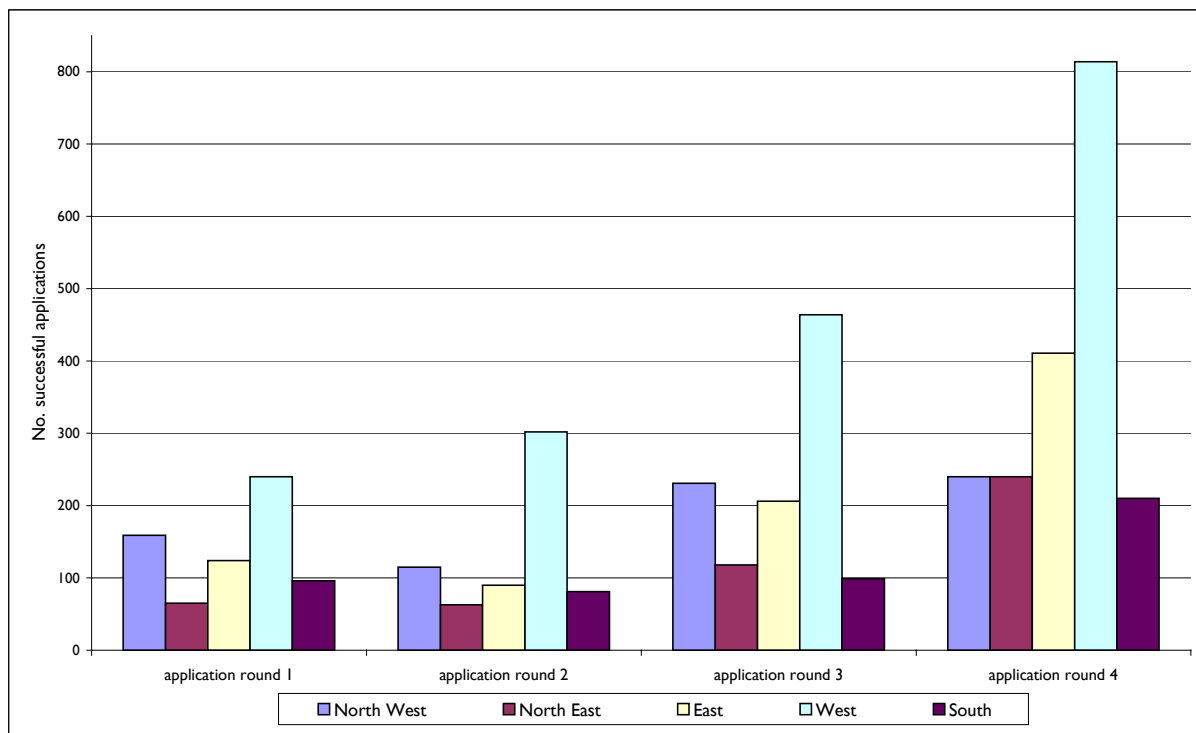
The development in policy represented by Tir Gofal reflected a growing dissatisfaction with area-targeted schemes and as such Tir Gofal differs from earlier Welsh agri-environment schemes in a number of ways. Primarily, Tir Gofal is a 'deep and narrow' approach to sustainable agriculture which covers all of Wales and as such all qualifying holdings can benefit from the support that the scheme provides whilst at the same time contributing to rural development objectives. This approach should in theory result in a wider distribution of environmental and biodiversity benefits, greater potential for contiguous habitats, coalescence of protected areas, and the provision of wildlife 'corridors' that assist the movement of species between fragmented habitat patches.

Tir Gofal has undergone some changes since its initial launch. The scoring system has been amended from a competitive to a queuing system. The current application process ensures that all successful applications provide a minimum level of environmental benefits. The scoring is based on a mixture of presence/absence criteria and a series of 'weightings' ensure that higher-priority activities, such as those applied to key habitats, attract additional points. The scoring system is based on proven ecological principles and as such the application process has been optimised so as to deliver maximum environmental and biodiversity benefits (CRER, 2002).

A number of other changes involved with simplifying the Tir Gofal application and administration process have also occurred (including a reduction in the number of prescriptions and different assessment procedures).

A review of Tir Gofal intended to ensure compliance with EU Regulations relating to the Single farm Payment resulted in a proposal by the CCW and Welsh Assembly Government to alter payment rates (CCW, 2005)<sup>3</sup>. Prior to this, Tir Gofal payment rates, unlike rates for the other agri-environment schemes that apply in Wales<sup>4</sup>, had not been reviewed since 1998.

There have been over 5,000 applications for Tir Gofal during the current EU Rural Development programming period (2000-06) with an associated total expenditure of over £30 million. Figure 1.1 shows the number of successful Tir Gofal applications broken down by region and each of the four application rounds that have taken place since the introduction of the scheme in 1999.



**Figure 1.1: Breakdown of successful Tir Gofal applications by application round and CCW region (at Jan 6, 2006)**

Source: CCW.

<sup>3</sup> The National Assembly for Wales, who have already accepted the proposals, are currently awaiting approval from the European Commission. The date of implementation is being discussed.

<sup>4</sup> Environmentally Sensitive Areas (ESAs), Tir Cymen (the predecessor to Tir Gofal), the Habitat Scheme and the Organic Farming Scheme.

## 2. Objectives of the research

Previous research into the socio-economic impacts of Tir Gofal (Agra CEAS Consulting, 2005a) found that in the vast majority of cases (92%) Tir Gofal agreements had resulted in greater labour requirements. For those noting an increase in labour requirements this amounted to some 70 extra person-days per year. Across the sample as a whole, i.e. including those cases where no extra demand for labour was created this amounted to 66 additional person-days per year.

When this additional 65.6 days from the sample was applied to the 1,166 agreements that were in place at the end of 2003 it equated to 76,490 extra days of work. Almost half (49%) of this is carried out by contractors, equivalent to 37,480 days or 170 new jobs<sup>5</sup>.

Although it was clear from this research that a significant proportion of the extra work generated by Tir Gofal was carried out by contractors, it was not clear whether this was due to existing contractors doing extra work (or taking on additional labour), or whether the work was carried out by new contractors able to establish themselves as a result of Tir Gofal.

The overall objective of this research is therefore to investigate the impact of Tir Gofal on the contracting sector in greater detail by looking at the role it plays in stimulating work for land-based contractors in Wales. The detailed objectives (from the terms of reference) are as follows:

1. To estimate the number of contractors benefiting from Tir Gofal, their distribution within Wales, the size of the business as measured by turnover, employment, type of business and age of business.
2. To assess the extent to which Tir Gofal is acting as a driver for the development of new contracting businesses and the expansion of existing contracting businesses through estimating:
  - the impact of Tir Gofal on turnover and income;
  - the impact of Tir Gofal on employment (full-time, part-time and casual/seasonal);
  - the impact of Tir Gofal on business confidence and current or future investment plans; and,
  - the extent of sub-contracting.
3. To assess the extent to which Tir Gofal contractors source materials and services locally, regionally, more widely within Wales and outside Wales and the reasons for this distinguishing:
  - reasons why materials are not sourced locally or from within Wales and key issues in relation to the supply of these materials that would need to be changed if a greater proportion of materials were to be sourced locally.
4. To assess the capacity of the contracting business to grow and develop, highlighting:
  - how the businesses see their businesses growing;

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<sup>5</sup> Based on 220 days per year and assuming that contractors are not simply working longer hours.

- current and future training and skill development needs concerning the environmental standards to which their work is carried out;
- future training and business development needs; and,
- any issues regarding Tir Gofal specifications that limit the usefulness of Tir Gofal to contractors.

### 3. Methodology

The role of Tir Gofal in stimulating work for contractors was researched by means of primary data collection through a face-to-face survey and subsequent analysis. The survey is supplemented by a literature review and a consultation with stakeholders.

A database of potential contacts for the survey was created from the lists of approved contractors/suppliers that are maintained by each of the CCW regional offices. Because contractors often provide services in more than one region, approximately one-quarter of the 745 contacts originally supplied were removed following a deduplication exercise. The remaining contacts were then allocated to one of ten work categories based on the description of services that accompanies each contractor listed in the CCW directory. Contacts were then further sub-divided into 'labour' or 'material' suppliers (i.e. farm supply shops, timber yards, nurseries, etc.), again based on the CCW description of services. Finally, the region allocated to each contact was checked using a mixture of postcode, address and telephone STD code<sup>6</sup>.

A 20% sample rate, as specified by CCW, was then applied to the remaining 577 records to produce an overall survey quota of 115 (see Table 3.2). Although 114 of the target 115 interviews were achieved, some difficulties were experienced in achieving the precise quota for all regions/work categories, particularly in Pembrokeshire and the North of Wales. Where targets could not be achieved in the timeframe allowed, excess quota was shifted between regions and/or work categories with the 20% sample rate being adhered to as closely as possible. Overall the interview stage proceeded smoothly with participants displaying a good level of interest in the content and objectives of the survey.

While the sample universe originates from the list of approved contractors maintained by the CCW it was by no means certain whether *all* of the contractors on the list provide or had provided materials or services to landholders participating in Tir Gofal. Consequently the questionnaire (see Appendix 2) was structured to ensure that only those contractors providing services to Tir Gofal farms were included in the survey. Once survey eligibility had been confirmed the questionnaire then confirmed the main service offering (i.e. labour or materials) before moving on to obtain basic background information about the contracting business and the type of services offered. Finally, the impact of Tir Gofal on the contractors business was investigated. A series of brief questions were also asked about the sourcing of materials used by the contractors, the anticipated future training, skills and equipment needs, and finally the role played by Tir Gofal in the expected future performance of the business.

The actual interviews were conducted face-to-face at the place of work of the contractor concerned. In order to keep the burden on respondents to an acceptable level, the duration of the interview was

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<sup>6</sup> This was done to ensure that contractors were allocated to the region where they actually located, rather than where they provide their services as respondents generally operate in more than one region.

limited to around 20 minutes. In order to adequately cover the topics required by the terms of reference in the allotted timeframe the questionnaire consisted of a series of 'closed' questions.

### 3.1. Research issues

The 20% sample of contractors used for this research was obtained from a list of 577 self-selected businesses. The list originated from a directory of suppliers that is maintained by the CCW and which is made available to Tir Gofal agreement holders<sup>7</sup>. While we are confident that the list accounts for a large proportion of all of the contractors who offer services to Tir Gofal landholders (and is reasonably representative in terms of geography, the range of services offered and the size of contractors), there are likely to be others who are not on the list. Consequently it is not possible to aggregate the sample to the population level as the true size of the population is unknown.

The relatively small sample size (n=114) is likely to make detailed analysis of the sample problematic, particularly at the regional and work category levels. For example, Table 3.1 breaks down the CCW contractor lists by region and type of work undertaken. This highlights the variability in the proportion of contractors by both region and work category. Table 3.2 shows the impact that this has on the size of individual segments in the sample. In general the reader should bear in mind the number of respondents for each piece of analysis (i.e. the 'n' number) and exercise caution when assessing the robustness of the results.

**Table 3.1: Breakdown of Tir Gofal contractor database by region and work category**

| Work category                    | Carms      | Cered     | North      | Pembs     | Powys     | South     | Total      |
|----------------------------------|------------|-----------|------------|-----------|-----------|-----------|------------|
| Boundary miscellaneous           | 3          | 2         | 20         |           | 2         | 2         | 29         |
| Dry stone walling                | 3          | 3         | 35         |           | 12        | 5         | 58         |
| Fencing                          | 9          | 6         | 19         | 10        | 23        | 21        | 88         |
| Fencing and hedgelaying          | 14         | 9         | 7          |           | 17        | 1         | 48         |
| Hedgelaying                      | 12         | 4         | 4          | 21        | 6         | 3         | 50         |
| Miscellaneous                    | 25         | 6         | 26         | 7         | 4         | 12        | 80         |
| Stonework / building restoration | 3          | 2         | 3          |           | 1         | 10        | 19         |
| Woodland                         | 16         | 3         | 20         | 4         | 3         | 9         | 55         |
| Timber products                  | 22         | 6         | 13         | 11        | 8         | 16        | 76         |
| Trees / shrub suppliers          | 5          | 5         | 30         | 10        | 6         | 18        | 74         |
| <b>Total</b>                     | <b>112</b> | <b>46</b> | <b>177</b> | <b>63</b> | <b>82</b> | <b>97</b> | <b>577</b> |

Finally, it is likely to be difficult for contractors to assign causality to Tir Gofal. This is because additional labour demands requiring contractor input may arise for a number of reasons and it is by no means certain that contractors are always aware that they are employed specifically as a result of Tir Gofal<sup>8</sup>.

<sup>7</sup> However, CCW does not guarantee the quality, capability or capacity of any of the contractors listed in the directory.

<sup>8</sup> In order to combat this the questionnaire was designed to screen out contractors who had no direct experience of the scheme.

**Table 3.2: Breakdown of survey sample by region and work category**

| Work category         | Service type | Region, survey quota and total interviews achieved |           |           |           |          |          |            |           |           |           |           |           |           |           |           |           |           |           |            |            |            |
|-----------------------|--------------|--|-----------|-----------|-----------|----------|----------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|------------|------------|------------|
|                       |              | Carms  | Quota     | Total     | Cered     | Quota    | Total    | North      | Quota     | Total     | Pembs     | Quota     | Total     | Powys     | Quota     | Total     | South     | Quota     | Total     | Total      | Quota      | Total      |
| Misc. Boundary        | Labour       | 3  | 1         | 1         | 2         | 0        | 0        | 20         | 4         | 5         | 0         | 0         | 0         | 2         | 0         | 0         | 2         | 0         | 0         | 29         | 5          | 6          |
| Dry stone walling     | Labour       | 3  | 1         | 1         | 3         | 1        | 1        | 35         | 7         | 8         | 0         | 0         | 0         | 12        | 2         | 2         | 5         | 1         | 1         | 58         | 12         | 13         |
| Fencing               | Labour       | 9  | 1         | 1         | 6         | 1        | 1        | 19         | 4         | 6         | 10        | 2         | 3         | 23        | 5         | 5         | 21        | 4         | 4         | 88         | 17         | 20         |
| Fencing & hedgelaying | Labour       | 14   | 3         | 3         | 9         | 2        | 2        | 7          | 1         | 1         | 0         | 0         | 0         | 17        | 4         | 4         | 1         | 0         | 0         | 48         | 10         | 10         |
| Hedgelaying           | Labour       | 12   | 2         | 2         | 4         | 1        | 1        | 4          | 1         | 1         | 21        | 4         | 2         | 6         | 1         | 1         | 3         | 1         | 1         | 50         | 10         | 8          |
| Miscellaneous         | Labour       | 25   | 5         | 5         | 6         | 1        | 1        | 26         | 5         | 5         | 7         | 1         | 1         | 4         | 1         | 1         | 12        | 2         | 2         | 80         | 15         | 15         |
| Stonework/restoration | Labour       | 3  | 1         | 1         | 2         | 0        | 0        | 3          | 1         | 1         | 0         | 0         | 0         | 1         | 0         | 0         | 10        | 2         | 1         | 19         | 4          | 3          |
| Woodland              | Labour       | 16   | 3         | 3         | 3         | 1        | 1        | 20         | 4         | 1         | 4         | 1         | 2         | 3         | 1         | 1         | 9         | 2         | 2         | 55         | 12         | 10         |
| Timber products       | Materials    | 22   | 4         | 4         | 6         | 1        | 1        | 13         | 3         | 3         | 11        | 2         | 2         | 8         | 2         | 2         | 16        | 3         | 4         | 76         | 15         | 16         |
| Trees/shrub suppliers | Materials    | 5  | 1         | 1         | 5         | 1        | 1        | 30         | 6         | 5         | 10        | 2         | 1         | 6         | 1         | 1         | 18        | 4         | 4         | 74         | 15         | 13         |
| <b>Total</b>          |              | <b>112</b>   | <b>22</b> | <b>22</b> | <b>46</b> | <b>9</b> | <b>9</b> | <b>177</b> | <b>36</b> | <b>36</b> | <b>63</b> | <b>12</b> | <b>11</b> | <b>82</b> | <b>17</b> | <b>17</b> | <b>97</b> | <b>19</b> | <b>19</b> | <b>577</b> | <b>115</b> | <b>114</b> |

## 4. Literature review

A literature review was carried out to supplement the primary data gathered through our survey. The sub-sections below present the (limited) information available.

### 4.1. Economic Evaluation Environmentally Sensitive Areas

Agra CEAS Consulting examined the socio-economic impact of Stage II and III Environmentally Sensitive Areas (ESAs)<sup>9</sup> (Agra CEAS Consulting, 1997) and Stage IV ESAs<sup>10</sup> (Agra CEAS Consulting, 1998). The main methodology included a face-to-face survey of scheme participants and non-participants, supported by a telephone survey of up and down stream industries.

In response to a question about attitudes to the future removal of the scheme, 14% (Stage II and III ESA participants, n=211) and 17% (Stage IV participants, n=318) indicated that withdrawal of the ESA scheme would result in changes to machinery requirements. Of the 30 Stage II and III participants (and 54 Stage IV participants) who reported that withdrawal of the scheme would lead to a reduction in machinery requirements, 33% (Stage II and III) and 50% (Stage IV) indicated that they would make greater use of outside contractors (i.e. 5% and 16% of all participants, respectively) and 25% (Stage II and III) and 33% (Stage IV) would use their own machinery more or reduce purchases (i.e. 12% and 10% of all participants, respectively).

The overall impact on contractors was small, but positive, particularly for small-scale local contractors. Additional work for contractors typically resulted from increased demand for capital works, such as hedgelaying and dry stone walling services.

### 4.2. Socio-economic effects of the Countryside Stewardship Scheme

This study by Agra CEAS Consulting (Agra CEAS Consulting, 1996) examined the socio-economic impact of the Countryside Stewardship Scheme (CSS) in England from the perspectives of impact on labour, use of inputs, farm output and income. It also examined the knock-on effects on ancillary industries both upstream and downstream of the farmers participating in the scheme. The main methodology involved the use of a postal survey of scheme participants supported by localised case study surveys amongst ancillary industries and a small number of farm (scheme participant) audits.

The survey found that almost all of the 43% of respondents (n=460) who reported that participation in CSS had led to changes in the use of contractors/advisors indicated that usage had increased (97% of the 43%, i.e. 42% of total respondents). In terms of the net change in use of outside contractor/advisors (changes in days used during the last 12 months), there was a net increase of 5,716 man days used across the sample (i.e. 30 additional days per beneficiary using additional

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<sup>9</sup> Stage II ESAs: Breckland, Clun, North Peak, Suffolk River Valleys, Test Valley; Stage III ESAs: Avon Valley, Exmoor, Lake District, North Kent Marshes, South Wessex Downs, South West Peak.

<sup>10</sup> Stage IV ESAs: Blackdown Hills, Cotswold Hills, Dartmoor, Essex Coast, Shropshire Hills, Upper Thames Tributaries.

contractors or 12 additional days if those not reporting an increase in the use of contractors are also included). Again, 97% of this increase was accounted for by the increased use of outside contractors.

There was also a large increase in the usage of contractors where financial commitments were greater than £40,000. For example, for those who reported a change in the use of contractors/advisors the average increase for farms with commitments over £40,000 was 61 man days compared with 24 man days for those receiving total commitments under £40,000. Additionally it was also found that where capital payments accounted for between 20% and 50% of total payments the use of outside contractors tended to be greatest.

Other findings included:

- The average use of outside contractors/advisors tended to be higher (i.e. above average) for non-farmer owners and below average for farmer-owners and tenants.
- Where the area of CSS commitment was over 50 hectares, use of contractors tended to be greater than those with less than 50 hectares committed.
- There was though considerable variation in the amount of annual expenditure on outside contractors between CSS participants.
- Of total CSS work that was classified as capital, 60.7% was undertaken by existing farm labour and 39.3% by outside contractors/consultants.
- For maintenance work, 84.6% was undertaken by existing farm labour and 15.4% by outside contractors/consultants.

Grossing up the information on labour changes and use of contractors to the national level, the estimated total impact for the 12 month period respondents referred to was:

- The creation of 25 full-time and 65 part-time jobs (approximately equal to about 50 FTEs).
- The hiring of 48,250 man days at a cost of about £5.7 million (approximately equal to about 220 FTEs).

### **4.3. Economic evaluation of the Upland Experiment**

This study by the Countryside & Community Research Unit (University of Gloucestershire) and ADAS Consulting Ltd. (CCRU, 2003), identified the impacts of the Upland Experiment, the aim of which was to integrate the delivery of rural development and environmental measures. The research primarily involved a telephone survey of beneficiaries and eligible non-beneficiaries.

More than half (56%, n=64) of the beneficiaries interviewed indicated that outside contractors/agencies had provided major input into grant-aided projects. The research also found that external sources of labour were almost as important as that provided by the main farmer (59% reported major input) and more important than the input provided by family members and other farm workers (16% and 6% reported major input, respectively).

Case studies also revealed that ‘outside contractors’ were predominantly locally based and included other farmers in the area, which was an important factor in terms of keeping the employment and income generated by the scheme within the local area.

#### **4.4. Socio-economic evaluation of Tir Cymen**

An evaluation of the socio-economic effects of Tir Cymen (the predecessor of Tir Gofal) estimated that the scheme generated 29 days of environmental work per year on each of the farms sampled, as well as safeguarding another 19 days of environmental work that was already being carried out on the farms (ADAS, 1995). Extrapolating these estimates, ADAS suggest that during the first five years of the scheme, Tir Cymen would have generated the equivalent of 154.4 person years of work, or approximately 31 FTEs per year.

WWF (2000) built upon the work by ADAS by looking at the scale of the impact that could be expected from Tir Gofal. The report estimated that in terms of employment generation, Tir Gofal would generate 17,400 days work (or 67 FTEs) on environmental projects during the first year of the scheme and 67,715 days (or 260 FTEs) by 2006/07. It was argued that Tir Gofal should aim to attract 10,000 farmers into the scheme, which it was estimated would generate around £16 million income per annum for Welsh farmers and around 1,115 FTEs involved in environmental work.

#### **4.5. Socio-economic evaluation of Tir Gofal**

This evaluation of Tir Gofal (Agra CEAS Consulting, 2005a) investigated the socio-economic impacts generated by the scheme between 1999 and 2003. Primary data on the impact of Tir Gofal on farm was obtained via a face-to-face survey of 251 participants, some 20% of total beneficiaries at the time. Farm business revenue and expenditure derived from the survey was used in conjunction with an Input-Output model of the Welsh economy to consider the impact of Tir Gofal in the wider economy.

The research found that 92% of respondents indicated that their Tir Gofal agreement had resulted in greater labour requirements. For those noting an increase in labour requirements this amounted to some 70 extra person-days per year. Across the sample as a whole, i.e. including those cases where no extra demand for labour was created this amounted to 66 additional person-days per year. Almost half (49%) of this additional work was carried out by contractors, which equates to 170 new jobs<sup>11</sup>.

Capital projects, such as work on boundary features and new public access, were the most time consuming activities accounting for 55.4 extra person-days per farm per year across the whole sample. Changes in labour requirements varied by farm type with sheep/beef farms in Severely Disadvantaged Areas (SDA) showing the greatest levels of increased demand overall and the greatest use of contractors to meet this demand.

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<sup>11</sup> Calculated as 65.6 extra days work on average across 1,166 agreements signed at the time, 49% of which was carried out by contractors with an assumed working year of 220 days and assuming that contractors are not simply working longer hours.

#### **4.6. Mid-term evaluation of the Wales Rural Development Plan (RDP)**

The mid-term evaluation of the Wales Rural Development Plan (Agra CEAS Consulting, 2003) was designed to enable the Welsh Assembly Government to fulfil its obligations to the European Union and to also provide a national perspective on its operation. Information was gathered from contextual statistics, administrative records and from telephone and face-to-face surveys of beneficiaries and non-beneficiaries.

Evidence from the surveys relating to Tir Gofal and the Organic Farming Scheme indicated that impacts from the schemes were occurring beyond scheme beneficiaries. Just over 40% of farms participating in Tir Gofal and 31% of those in the Organic Farming Scheme reported an increase in the use of contractors. Tir Gofal payments for capital works and traditional activities (for example, hedgelaying and wall maintenance) were also seen to provide positive benefits to the suppliers of these goods and services. This finding was supported by the view that the incomes of non-farming suppliers, particularly hedging and fencing contractors, had been either maintained or improved by Tir Gofal and the Organic Farming Scheme. However, a minority of respondents (6% for Tir Gofal and 9% for the Organic Farming Scheme) had reduced their use of contractors.

It was also observed that the activities demanded by each scheme prescription do not continuously take place, and are often limited to certain times of the year, and consequently the use of contract labour is sometimes the most efficient way for landholders to achieve their management commitments. This also implies that the demand for additional contractor labour may be seasonal.

Survey evidence from the woodland schemes that fall under the RDP revealed that just over 40% of Woodland Grant Scheme (WGS) participants had increased their use of contractors since they joined the scheme, while 7% said that their use of contractors had decreased. Overall, it was found that the WGS and Farm Woodland Premium Scheme (FWPS) had resulted in additional employment opportunities and work for contractors, although this was relatively modest in extent after the initial establishment phase had been completed. In some instances contractors had been engaged to undertake additional work in order to provide an alternative to taking on more workers<sup>12</sup>.

Overall, the research revealed that participation in RDP schemes led to an increased use of contractors in approximately one third of cases and maintained the use of contractors in a further 61% of cases.

#### **4.7. Synthesis of RDP mid-term evaluations (EAGGF Guarantee)**

This meta-evaluation for DG Agriculture of the European Union provided a synthesis of the national/regional mid-term evaluations (MTE), covering the period 2000 to 2003, carried out under the Rural Development Regulation (RDR) across the EU-15 (Agra CEAS Consulting, 2005b). This

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<sup>12</sup> Of course, contractors may have been employed for their specialist skills rather than to make up for any lack of capacity in the farm labour force.

was achieved primarily via desk research and analysis of the MTE reports submitted to the European Commission for each Rural Development Programme.

In the UK, evidence from Scotland indicated that the local contracting base had benefited from assisted forestry activities, particularly in terms of part-time employment. Overall, contractors perform 70% to 80% of planting and it was clear that such activity introduces additional money into the local economy.

In Wales, the average 5 hectares of assisted woodland created per beneficiary holding requires approximately 500 man-hours of labour per year, only half of which was supplied from the existing farm labour pool. In Northern Ireland, 23% of respondents reported that assisted forestry actions required no additional labour, 50% reported an additional week or less per year, 10% reported 1 week to 1 month per year, and 9% reported 2 to 4 months per year. The majority (80%) reported that the work could be carried out when demand for labour from other farm activities was slack and that overall there had been a limited impact on employment.

Overall, the evidence from the UK MTEs suggests that the assisted forestry activities increase labour demand, which is met from a combination of existing farm labour and the contracting sector.

#### **4.8. Summary of literature**

In summary, the literature suggests that the positive effects of agri-environment schemes on contractors generally outweigh any negative effects, with only a minority of agreement holders experiencing a decrease in the amount of land-based/environmental work upon joining a scheme. However, all of the literature reviewed found a net increase in the amount of on-farm work as a direct consequence of landholders joining a scheme, a good proportion of which is met by off-farm labour (primarily by contractors). In general the amount of additional work tends to increase both with scale (i.e. the larger the farm the more environmental work that is created) and with the amount of money involved in capital works-related activities. However, it is also recognised that the amount of additional work generated by agri-environment schemes can vary considerably between agreement holders and regions.

The land-based contracting sector is therefore seen to benefit from the additional work created on-farm by agri-environment schemes, both in terms of income and employment. Several studies cited that contractors involved in traditional farm boundary-related activities, such as fencing, hedgelaying and dry stone walling, benefit the most from money disbursed under the schemes. In some cases external sources of labour were as, if not more important as that provided by the main farmer. Several studies also noted that outside contractors were predominantly locally based which was an important factor in terms of keeping the employment and income generated by the scheme within the local area. Finally, it was reported that activities linked to agri-environment schemes are often seasonal, which implies that at least some demand for additional contractor labour will also be seasonal. The main findings from the literature have been summarised in Table 4.1).

**Table 4.1: Summary of findings relating to the impact of agri-environment schemes on the use of contractors**

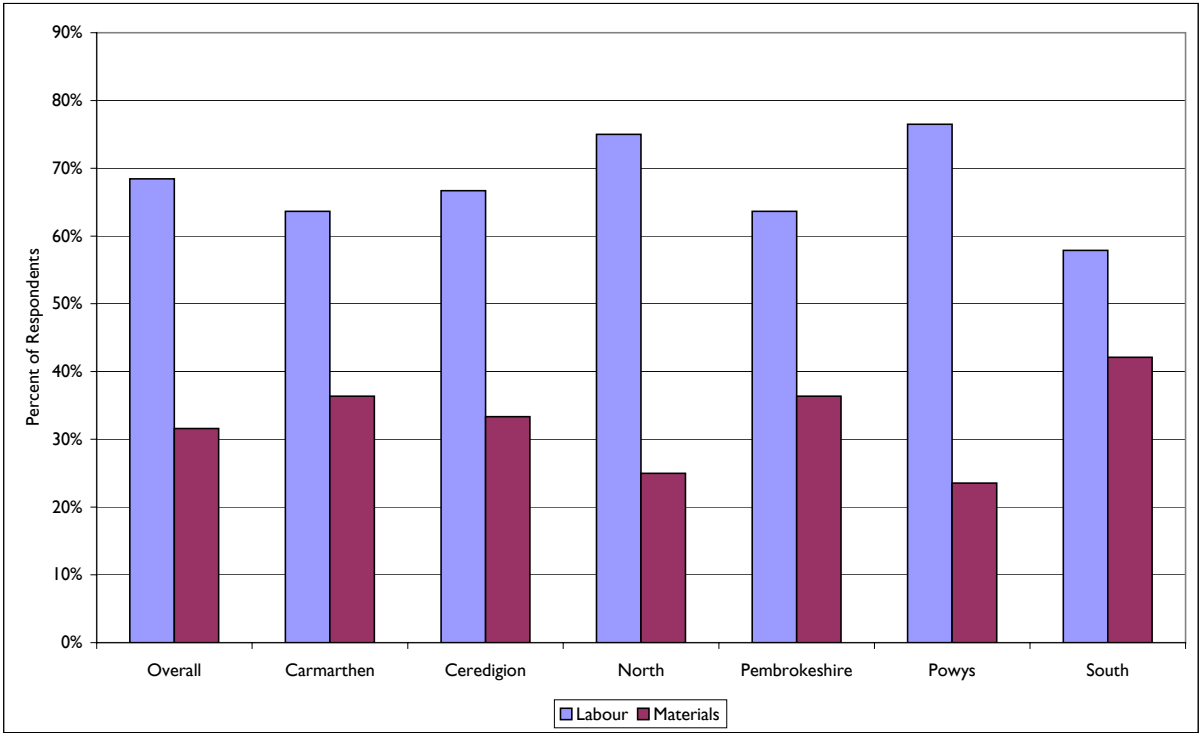
| Research details   | Main findings   |
|--|---|
| <ul style="list-style-type: none"> <li>• <b>Countryside Stewardship Scheme</b></li> <li>• England</li> </ul>   | <ul style="list-style-type: none"> <li>• Overall impact on the use of additional contractors/advisors equivalent to 30 additional days per beneficiary.</li> <li>• Large increase in the usage of contractors where financial commitments were greater than £40,000.</li> <li>• Considerable variation in the amount of annual expenditure on outside contractors between CSS participants.</li> </ul>  |
| <ul style="list-style-type: none"> <li>• <b>Environmentally Sensitive Areas</b></li> <li>• England</li> </ul>  | <ul style="list-style-type: none"> <li>• Overall impact on contractors small but positive.</li> <li>• Particularly for small-scale local contractors.</li> <li>• Additional work from demand for capital works such as hedgelaying/dry stone walling services.</li> </ul>   |
| <ul style="list-style-type: none"> <li>• <b>Upland Experiment</b></li> <li>• England</li> </ul>                | <ul style="list-style-type: none"> <li>• Majority of beneficiaries indicated that outside contractors/agencies had provided major input into grant-aided projects.</li> <li>• External sources of labour were almost as important as that provided by the main farmer.</li> <li>• Outside contractors were predominantly locally based and included other farmers in the area which was an important factor in terms of keeping the employment and income generated by the scheme within the local area.</li> </ul>   |
| <ul style="list-style-type: none"> <li>• <b>Tir Cymen</b></li> <li>• Wales</li> </ul>                          | <ul style="list-style-type: none"> <li>• Estimated 29 days of environmental work per year generated per farm.</li> <li>• During the first five years of the scheme, Tir Cymen generated equivalent of 154.4 person years of work.</li> </ul>  |
| <ul style="list-style-type: none"> <li>• <b>Tir Gofal</b></li> <li>• Wales</li> </ul>                          | <ul style="list-style-type: none"> <li>• Tir Gofal had resulted in greater labour requirements (amounting to 66 additional person-days per year).</li> <li>• Around half of additional work carried out by contractors – this equates to 170 new jobs for contractors.</li> <li>• Capital projects, such as work on boundary features, were the most time consuming activities.</li> <li>• Changes in labour requirements varied by farm type - sheep/beef farms in Severely Disadvantaged Areas (SDA) showing the greatest levels of increased demand overall and the greatest use of contractors to meet this demand.</li> </ul>  |
| <ul style="list-style-type: none"> <li>• <b>Rural Development Plan (RDP)</b></li> <li>• Wales</li> </ul>       | <ul style="list-style-type: none"> <li>• 40% of Tir Gofal and 31% of Organic Farming Scheme participants reported increase in use of contractors.</li> <li>• Incomes of non-farming suppliers (e.g. hedging and fencing contractors) had been either maintained or improved by the RDP.</li> <li>• Only a minority of respondents had reduced their use of contractors.</li> <li>• Activities demanded by schemes do not continuously take place and are often limited to certain times of the year.</li> <li>• Contract labour sometimes most efficient way for landholders to achieve their management commitments.</li> <li>• Implies that the demand for additional contractor labour may be seasonal.</li> <li>• Participation in RDP schemes led to an increased use of contractors in approximately 1/3 of cases and maintained the use of contractors in a further 61% of cases.</li> </ul> |
| <ul style="list-style-type: none"> <li>• <b>Rural Development Regulation (RDR)</b></li> <li>• EU-15</li> </ul> | <ul style="list-style-type: none"> <li>• In Scotland, local contracting base benefited from assisted forestry activities, particularly in terms of part-time employment..</li> <li>• Contracting activity introduces additional money into the local economy.</li> <li>• In Wales, average 5 hectares of assisted woodland created per beneficiary holding requires approximately 500 man-hours per year, only half of which was supplied from the existing farm labour pool.</li> </ul>  |

## 5. Survey sample characteristics

This Chapter presents an overview of the sample. Sub-section 5.1 presents general characteristics and is followed by consideration of the type of services and materials offered to Tir Gofal participants (sub-section 5.2). Sub-section 5.3 provides an initial overview of business size as represented by employees and turnover.

### 5.1. General characteristics

The regional distribution of respondents is shown in Figure 5.1. The majority of respondents provide labour (68%) with the balance (32%) providing materials. This pattern is apparent in all regions, although the proportions do change with a relatively higher provision of labour in Powys and the North and a relatively lower provision of labour in the South. This is likely to reflect a number of factors including the type of agricultural activity undertaken in different regions, perhaps especially in the case of labour where activities such as stone walling are relatively labour intensive, and also, especially in the case of material supply, distance from markets.



**Figure 5.1: Regional distribution of respondents (n=114)**

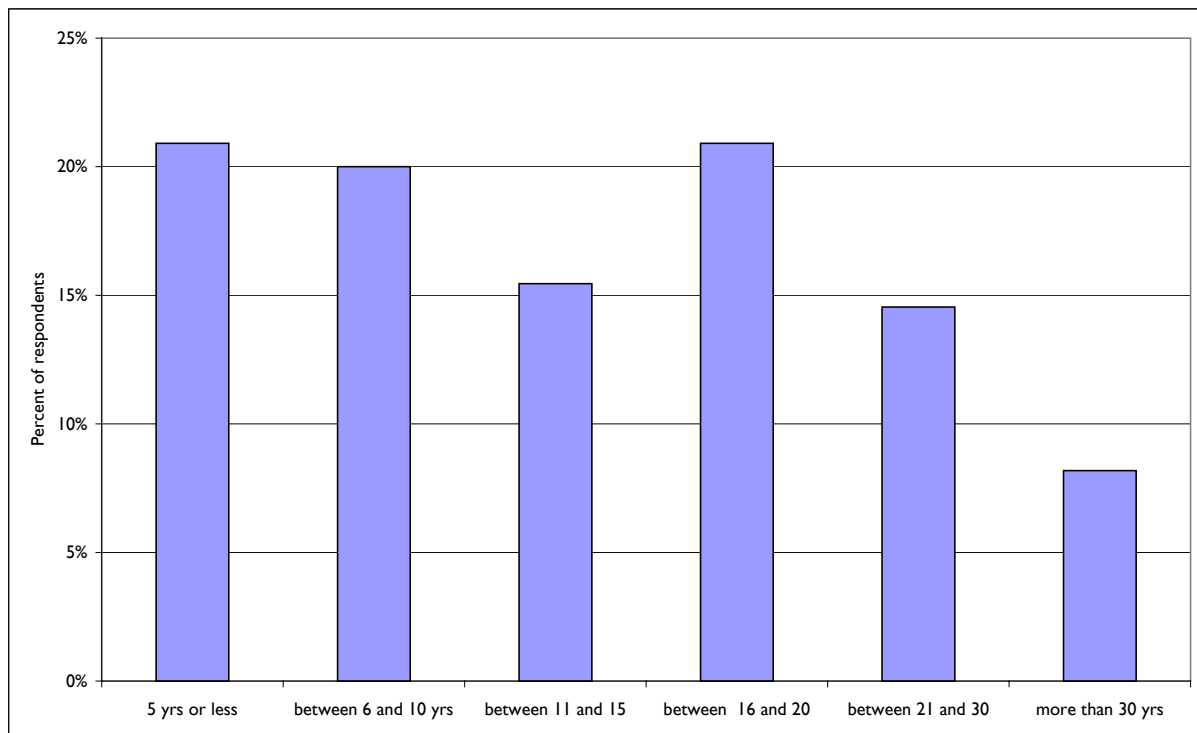
Table 5.1 shows the breakdown of type of business according to whether they provide labour or materials. It shows, as might be expected, *a priori*, that where the business is part of an existing farm business it is more likely to be providing labour and that where the business is not associated with farming it is more likely to provide materials. Where the business is classified as being diversified

from a farm business there is little difference in the proportion providing labour and that providing materials.

**Table 5.1: Business type distribution**

| Business type:                                  | Labour | Materials | Total |
|---|--------|-----------|-------|
| Part of existing farm business                  | 26%    | 14%       | 22%   |
| A new business diversified from a farm business | 19%    | 17%       | 18%   |
| A business not associated with a farm business  | 55%    | 69%       | 60%   |

The age of firms is considered in Figure 5.2 which demonstrates that it is typically younger firms who are providing labour and materials to Tir Gofal farmers. This is likely to reflect the fact that agri-environment schemes in general, and the services that they require, are a relatively new phenomenon dating from the mid-1980s. It is also likely to reflect a general increase in the demand for contractors, and consequent increase in contracting services, as farm labour supply has been decreased over time.



**Figure 5.2: Number of respondents per business age category (n=110)**

Table 5.2 presents business age by region. In order to increase sample size fewer age categories have been used. Some 41% of businesses have been established for less than 10 years, with 36% established for between 11 and 20 years. It is interesting to note that, in general, firms in Powys and the South have an older age profile than for Wales as a whole, whilst those in Pembrokeshire and

Carmarthen in particular have a younger age profile. It is not clear why this should be the case and it may be simply a function of the relatively small sample size.

**Table 5.2: Regional analysis of business age**

| Business age     | Carms. | Cered. | North | Pembs. | Powys | South | All Wales |
|------------------|--------|--------|-------|--------|-------|-------|-----------|
|                  | n=21   | n=8    | n=36  | n=11   | n=16  | n=18  | n=110     |
| 10 years or less | 52%    | 38%    | 39%   | 82%    | 31%   | 17%   | 41%       |
| 11 to 20 years   | 38%    | 50%    | 42%   | 18%    | 25%   | 39%   | 36%       |
| over 20 years    | 10%    | 13%    | 19%   | 0%     | 44%   | 44%   | 23%       |

## 5.2. Labour services and products provided by contracting firms

Labour services and the provision of materials are covered separately in sub-sections 5.2.1 and 5.2.2 respectively. Where contractors indicated that they provided services and materials they have been included in both groups.

### 5.2.1. Labour services

Table 5.3 analyses the distribution of contracting services offered by their geographical location. Some services are offered by a large proportion of contractors, for example, fencing, offered by 70% of the sample across Wales, hedge laying, offered by 54% of the total and woodland services offered by 52%. In contrast, less than 10% of the sample offer plant protection application, scrap removal and hay making. None of the contractors sampled offer plastic collection/recycling and given that the Waste Management Regulations<sup>13</sup> came into force at the start of 2006 this may represent a growth area for the land-based contracting sector.

Although the number of respondents in each region is often small and care should be exercised, the Table shows that some activities are over represented in some regions whilst others are under represented. For example, dry stone walling and other stonework services are offered by 70% and 41% of contractors in the North respectively. This compares to 43% and 23% of contractors across Wales and is likely to result from a concentration of stone boundary features in this region. The distribution of Tir Gofal farms is also likely to be a factor.

In contrast, relatively few contractors offer stone working services in Pembrokeshire (but note sample size) or Powys, whilst a greater proportion of contractors in these regions offer hedge laying services.

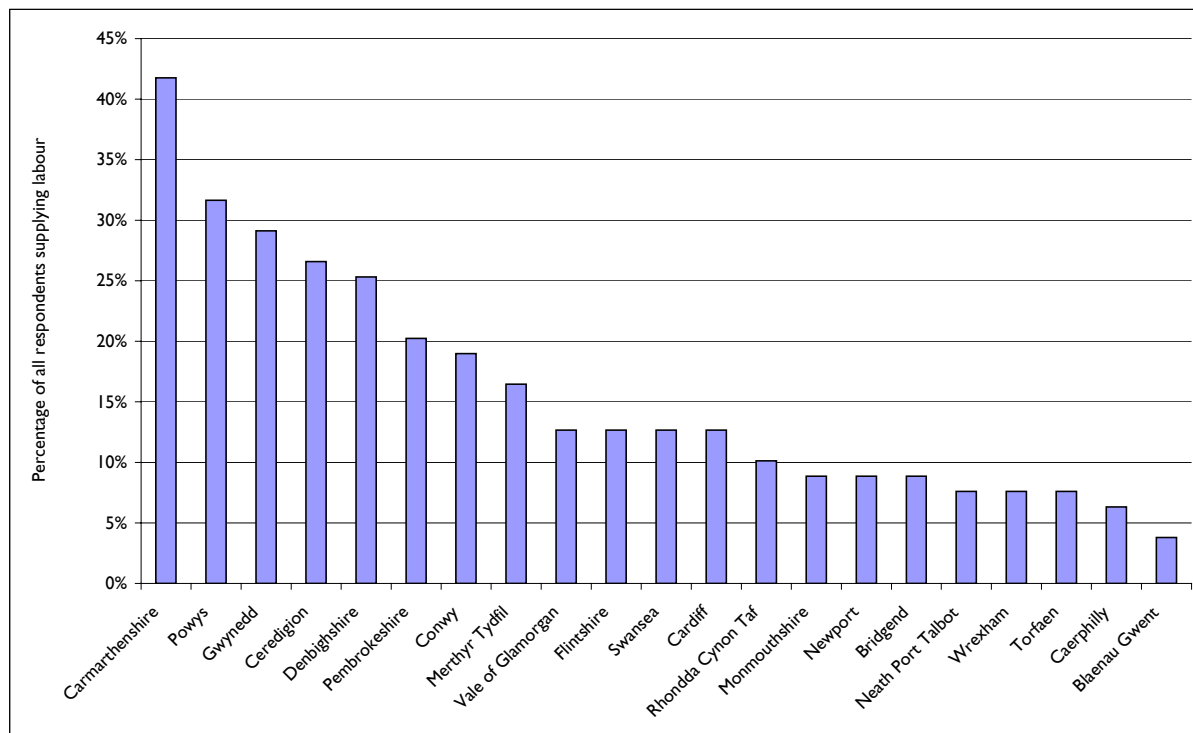
<sup>13</sup> The Waste Management (England and Wales) Regulations (known as the Agricultural Waste Regulations), Statutory Instrument 2005 No. 894. See <http://www.opsi.gov.uk/si/si2005/20050894.htm#16> for more details.

**Table 5.3: Geographical location of labour services**

| Business offering                | Carms. | Cered. | North  | Pembs. | Powys  | South  | All Wales |
|----------------------------------|--------|--------|--------|--------|--------|--------|-----------|
|                                  | n = 14 | n = 6  | n = 27 | n = 7  | n = 14 | n = 11 | n = 79    |
| Fencing                          | 79%    | 67%    | 70%    | 71%    | 71%    | 55%    | 70%       |
| Hedge laying                     | 57%    | 33%    | 56%    | 86%    | 64%    | 27%    | 54%       |
| Dry stone walling                | 29%    | 33%    | 70%    | 29%    | 7%     | 55%    | 43%       |
| Other stonework                  | 21%    | 17%    | 41%    | 0%     | 7%     | 18%    | 23%       |
| Building construction            | 21%    | 17%    | 30%    | 0%     | 0%     | 18%    | 18%       |
| Building restoration             | 7%     | 17%    | 37%    | 0%     | 21%    | 18%    | 22%       |
| Plant protection application     | 14%    | 0%     | 4%     | 0%     | 0%     | 0%     | 4%        |
| Scrap removal                    | 0%     | 0%     | 0%     | 0%     | 7%     | 9%     | 3%        |
| Plastic collection/recycling     | 0%     | 0%     | 0%     | 0%     | 0%     | 0%     | 0%        |
| Woodland services                | 36%    | 50%    | 56%    | 86%    | 50%    | 45%    | 52%       |
| Pond creation/maintenance        | 14%    | 33%    | 7%     | 0%     | 21%    | 0%     | 11%       |
| Ground works                     | 14%    | 33%    | 19%    | 43%    | 36%    | 18%    | 24%       |
| Public Rights of Way maintenance | 7%     | 17%    | 11%    | 0%     | 21%    | 0%     | 10%       |
| Bracken control                  | 7%     | 17%    | 7%     | 0%     | 14%    | 18%    | 10%       |
| Hay making                       | 21%    | 0%     | 0%     | 0%     | 21%    | 0%     | 8%        |
| Others                           | 36%    | 67%    | 19%    | 43%    | 21%    | 45%    | 32%       |

Note: A single firm may provide more than one service.

Figure 5.3 takes the analysis a step further and shows the areas where contractors have provided their services. The results are a function of the distribution of agricultural activity in Wales and the accessibility of each county. Some 42% of contractors have provided services in Carmarthenshire, as have 32% of contractors in Powys. At the other end of the extreme, just 4% have provided services to farmers in Blaenau Gwent.



**Figure 5.3: Geographical distribution of contractor coverage**

### 5.2.2. Materials

Table 5.4 shows the geographical distribution of sampled contracting firms providing material. In this case the sample at the regional level is too small to be statistically robust, but the data are included for illustrative purposes. Almost three quarters (72%) of suppliers of materials supply timber products and almost half (47%) supply wire for fencing.

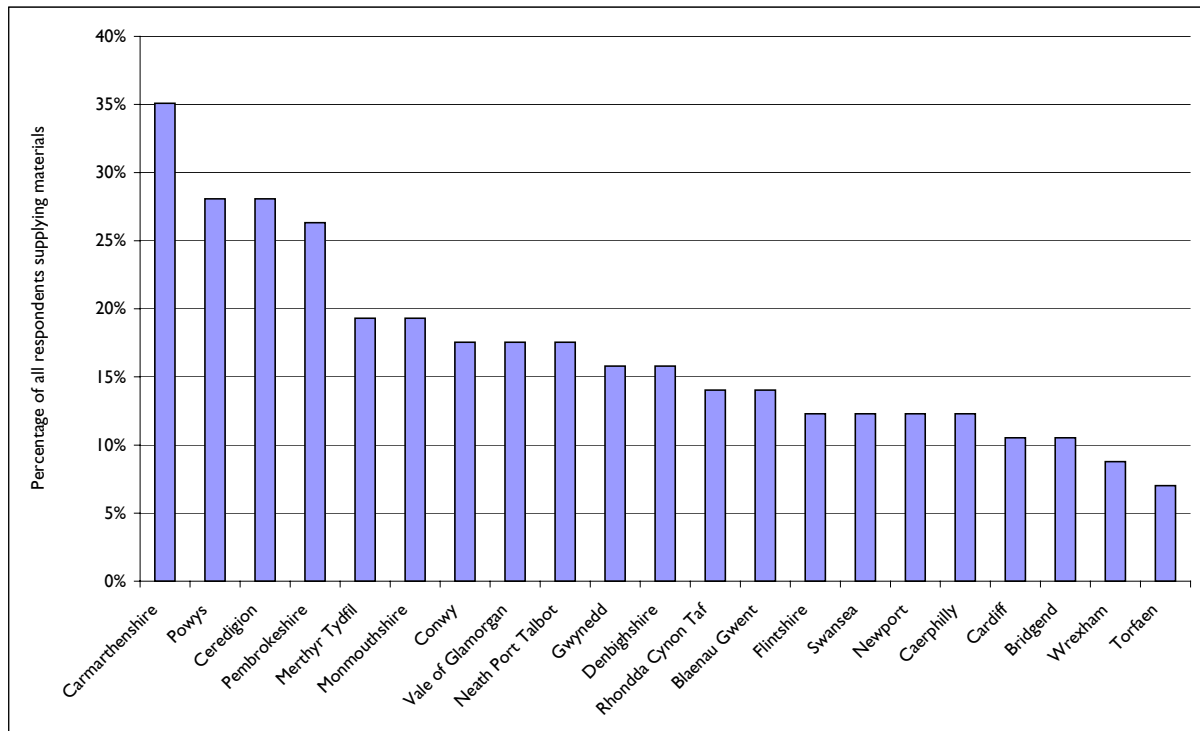
**Table 5.4: Geographical distribution of material suppliers**

| Business offering       | Carms. | Cered. | North  | Pembs. | Powys  | South  | All Wales  |
|-------------------------|--------|--------|--------|--------|--------|--------|------------|
|                         | n = 9  | n = 3  | n = 15 | n = 6  | n = 12 | n = 12 | n = 57     |
| Timber products         | 44%    | 33%    | 87%    | 67%    | 83%    | 75%    | <b>72%</b> |
| Wire for fencing        | 44%    | 0%     | 47%    | 33%    | 83%    | 33%    | <b>47%</b> |
| Bark/mulches            | 11%    | 33%    | 13%    | 17%    | 25%    | 0%     | <b>14%</b> |
| Animal related products | 22%    | 0%     | 20%    | 0%     | 17%    | 0%     | <b>12%</b> |
| Seed mixes              | 11%    | 0%     | 20%    | 17%    | 17%    | 8%     | <b>14%</b> |
| Trees/shrubs            | 44%    | 33%    | 53%    | 17%    | 25%    | 25%    | <b>35%</b> |
| Building materials      | 0%     | 0%     | 13%    | 0%     | 50%    | 0%     | <b>14%</b> |
| Machinery rental        | 0%     | 0%     | 13%    | 0%     | 25%    | 0%     | <b>9%</b>  |
| Others                  | 44%    | 100%   | 33%    | 17%    | 33%    | 42%    | <b>39%</b> |

Note: A single firm may provide more than one type of material.

Figure 5.4 shows the counties within which respondents have supplied materials to farmers. As with Figure 5.3, this mirrors both the distribution of agriculture within Wales and the accessibility of

individual counties. More than a third (35%) of suppliers have dealt with farmers in Carmarthenshire. Less than 10% of respondents have dealt with customers in Torfaen or Wrexham.

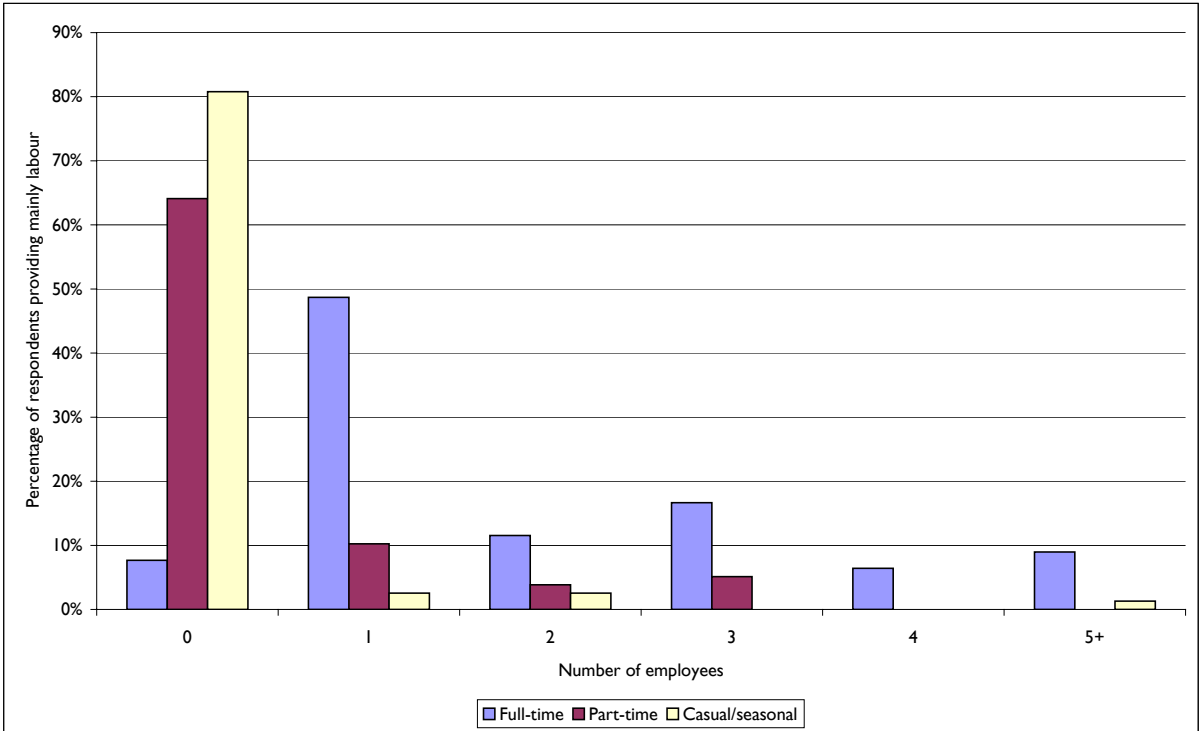


**Figure 5.4: Geographical distribution of supplier coverage**

### 5.3. Business size in terms of employees and turnover

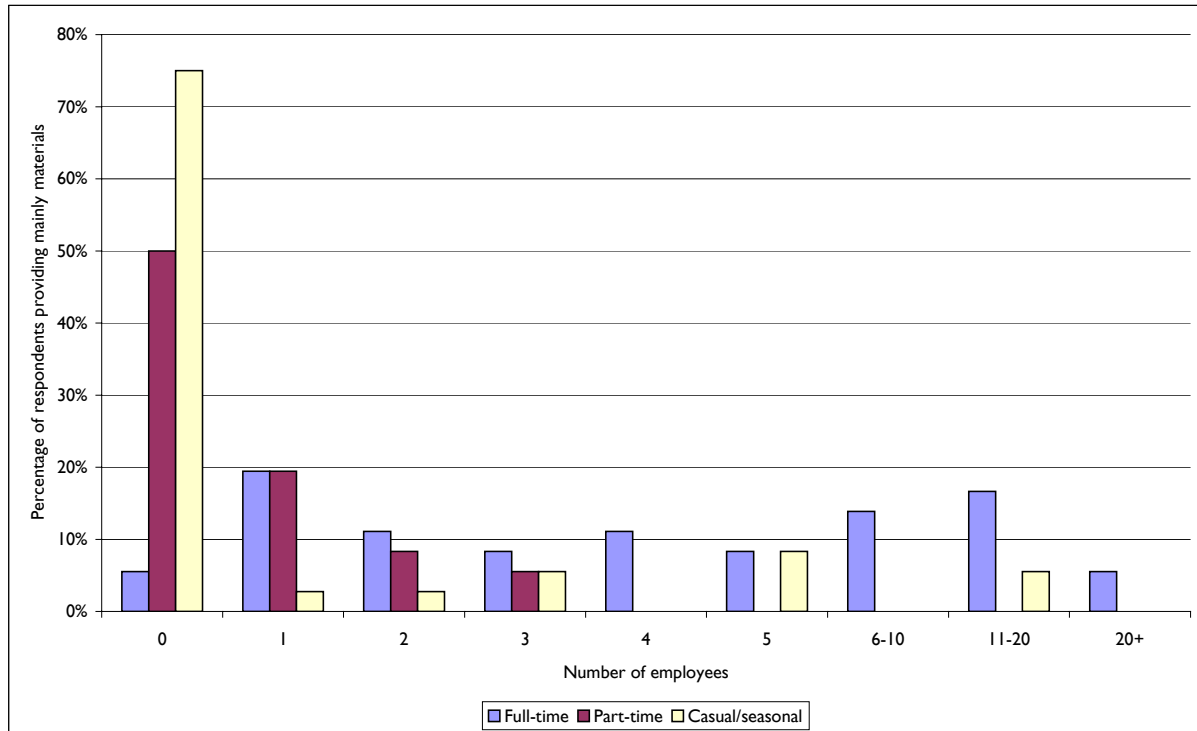
#### 5.3.1. Number of employees

The size of firms surveyed was measured in terms of number of employees who were categorised as full-time, part-time or casual/seasonal. Most contracting companies (i.e. those offering labour) had few full-time employees as Figure 5.5 shows and most had no part-time or casual/seasonal staff. The average number of full-time employees was 6.3, part-time 0.4 and casual/seasonal 0.2. The unexpectedly high average for full-time employees is the result of one very large company with 301 full-time staff. If this company is removed the average number of full-time employees falls to 2.5 (with the number for part-time and casual/seasonal remaining the same).



**Figure 5.5: Structure of employment in businesses offering predominantly labour (n = 78)**

The same information is presented in Figure 5.6 for those firms supplying predominately materials. Although, again, most companies have few full-time employees, there are nonetheless more full-time employees than within the labour supplying sample. There were 9.4 full-time employees on average (in part due to the presence of one company with 101 full-time staff and another with 64), an average of 0.6 part-time staff and 1.3 casual/seasonal employees. Again, if the two companies employing 101 and 64 employees are removed the average number of full-time employees falls to 5.1.



**Figure 5.6: Structure of employment in businesses offering predominantly materials (n = 36)**

### 5.3.2. Turnover

Figure 5.7 presents the structure of turnover in businesses offering predominantly labour. Almost a third (32%) of these businesses have a turnover between £25,000 and £49,999. Although some 14% of businesses have a turnover in excess of £100,000, it is more usual for businesses to be relatively small with a third having a turnover less than £25,000 and 13% with a turnover below £10,000.

Figure 5.8 presents the same information for businesses supplying materials. Here it is clear that businesses have larger turnovers with just more than a third (34%) having a turnover in excess of £500,000. In general there is less pattern to turnover amongst this group of businesses with 19% having a turnover below £50,000, but 16% having a turnover between £100,000 and £199,999 and the same proportion having a turnover between £300,000 and £399,999.

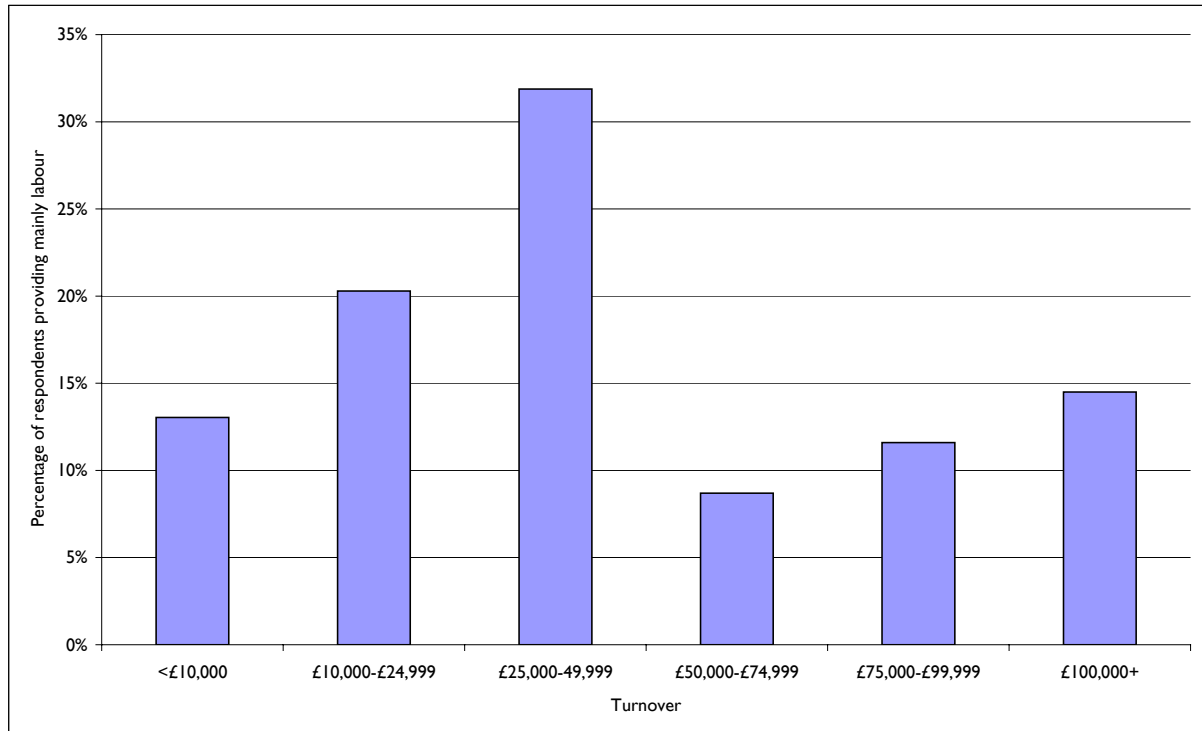


Figure 5.7: Structure of turnover in businesses offering predominantly labour (n = 69)

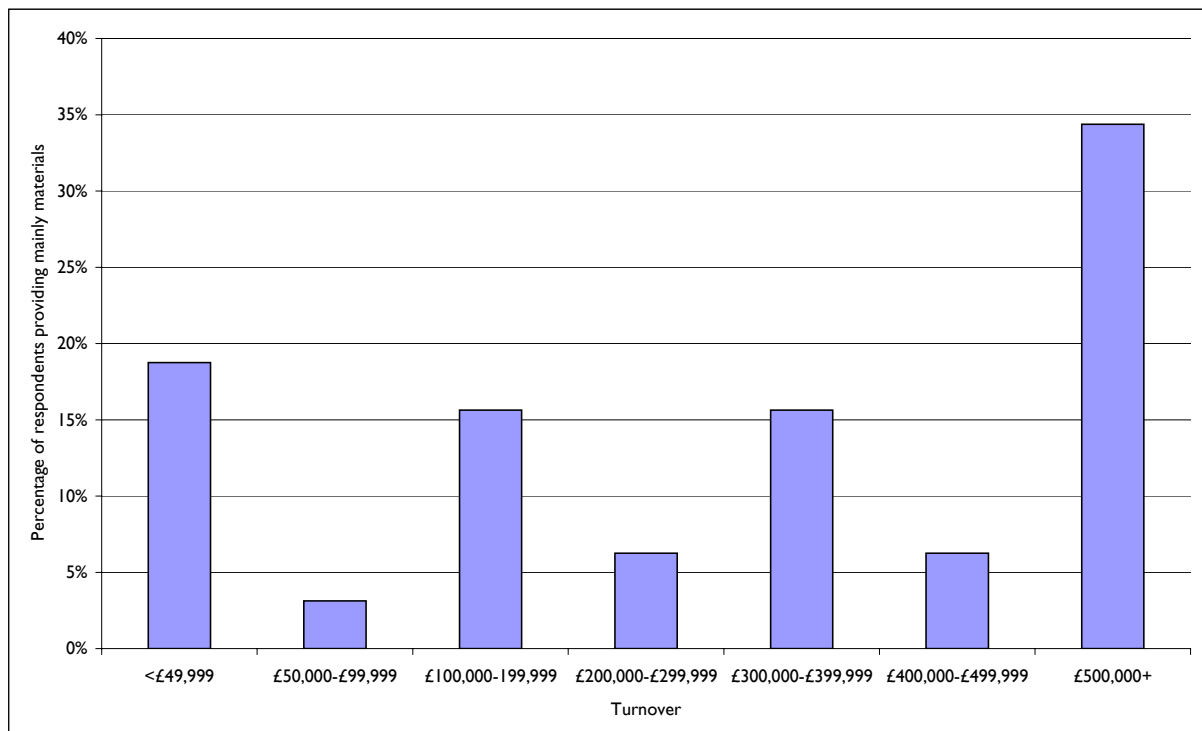


Figure 5.8: Structure of turnover in businesses offering predominantly materials (n = 32)

Table 5.5 shows turnover by region for those businesses primarily supplying labour. The all Wales total is the same as presented in Figure 5.7 above. Although the sample size at the regional level is generally too small for the results to be considered robust, these data are included by way of illustration. The main point to note is that while the majority (52%) of businesses at the all Wales level have a turnover between £10,000 and £49,999, this is not always the case regionally with some very large businesses in the South. In Pembrokeshire and Ceredigion the majority of businesses have a turnover between £25,000 and £74,999, whereas in Carmarthen the majority of businesses have a turnover between £10,000 and £24,999.

**Table 5.5: Turnover by region for respondents primarily supplying labour**

| Turnover        | Carms  | Cered | North  | Pembs | Powys  | South  | All Wales |
|-----------------|--------|-------|--------|-------|--------|--------|-----------|
|                 | n = 10 | n = 6 | n = 27 | n = 6 | n = 10 | n = 10 | n = 69    |
| <£10,000        | 20%    | 17%   | 11%    | 0%    | 20%    | 10%    | 13%       |
| £10,000-£24,999 | 50%    | 0%    | 15%    | 0%    | 30%    | 20%    | 20%       |
| £25,000-49,999  | 10%    | 50%   | 41%    | 17%   | 40%    | 20%    | 32%       |
| £50,000-£74,999 | 0%     | 33%   | 0%     | 67%   | 0%     | 0%     | 9%        |
| £75,000-£99,999 | 0%     | 0%    | 22%    | 0%    | 10%    | 10%    | 12%       |
| £100,000+       | 20%    | 0%    | 11%    | 17%   | 0%     | 40%    | 14%       |

Table 5.6 presents a regional breakdown of turnover for businesses predominately supplying material. The all Wales column contains the same data as shown previously in Figure 5.8. Again, the sample size is very small and the data are included for completeness only.

**Table 5.6: Turnover by region for respondents primarily supplying materials**

| Turnover          | Carms | Cered | North | Pembs | Powys | South | All Wales |
|-------------------|-------|-------|-------|-------|-------|-------|-----------|
|                   | n = 6 | n = 3 | n = 9 | n = 2 | n = 4 | n = 8 | n = 32    |
| <£49,999          | 33%   | 67%   | 22%   | 0%    | 0%    | 0%    | 19%       |
| £50,000-£99,999   | 17%   | 0%    | 0%    | 0%    | 0%    | 0%    | 3%        |
| £100,000-199,999  | 33%   | 33%   | 11%   | 50%   | 0%    | 0%    | 16%       |
| £200,000-£299,999 | 0%    | 0%    | 0%    | 0%    | 0%    | 25%   | 6%        |
| £300,000-£399,999 | 0%    | 0%    | 11%   | 50%   | 0%    | 38%   | 16%       |
| £400,000-£499,999 | 0%    | 0%    | 22%   | 0%    | 0%    | 0%    | 6%        |
| £500,000+         | 17%   | 0%    | 33%   | 0%    | 100%  | 38%   | 34%       |

Table 5.7 splits businesses mainly supplying labour into two age groups and shows that there are only minor differences in turnover with older businesses being slightly more likely to have a turnover in excess of £100,000.

**Table 5.7: Turnover by age for respondents primarily supplying labour**

| Turnover        | 15 years or less | 16 years or more | All Wales |
|-----------------|------------------|------------------|-----------|
|                 | n = 35           | n = 32           | n = 67    |
| <£10,000        | 11%              | 13%              | 12%       |
| £10,000-£24,999 | 14%              | 28%              | 21%       |
| £25,000-49,999  | 40%              | 22%              | 31%       |
| £50,000-£74,999 | 11%              | 6%               | 9%        |
| £75,000-£99,999 | 11%              | 13%              | 12%       |
| £100,000+       | 11%              | 19%              | 15%       |

The same information is presented in Table 5.8 for businesses primarily supplying materials, although in this case sample size is insufficient to consider the results robust and the data are included for interest only.

**Table 5.8: Turnover by age for respondents primarily supplying materials**

| Turnover          | 15 years or less | 16 years or more | All Wales |
|-------------------|------------------|------------------|-----------|
|                   | n = 21           | n = 10           | n = 31    |
| <£49,999          | 24%              | 10%              | 19%       |
| £50,000-£99,999   | 5%               | 0%               | 3%        |
| £100,000-199,999  | 24%              | 0%               | 16%       |
| £200,000-£299,999 | 5%               | 10%              | 6%        |
| £300,000-£399,999 | 10%              | 30%              | 16%       |
| £400,000-£499,999 | 5%               | 10%              | 6%        |
| £500,000+         | 29%              | 40%              | 32%       |

Turnover by type of business was not examined in detail because respondents were able to specify all services/products they supply and categorising the businesses into discrete groups was not therefore possible.

#### 5.4. General profile of the land-based contracting sector

A generalised portrait of the businesses involved in the land-based contracting sector in Wales can be set out on the basis of information collected in our survey. This is shown in Box 5.1.

**Box 5.1: Generalised profile of land-based contractors in Wales**

- Around two-thirds of all contractors predominantly provide labour with the remainder supplying materials (n.b. there is a degree of overlap with some contractors providing both labour and materials).
- This pattern is generally consistent across all regions, although the provision of labour services is highest in the North and Powys and lower in the South.
- The nature of the services and materials provided tends to reflect the type of agricultural activity undertaken (as well as the nature of the landscape and the distribution of Tir Gofal farms).
- Contracting businesses that are part of an existing farm business are more likely to provide labour than materials.
- Contractors who have been operating for ten years or less are more likely to provide services to Tir Gofal agreement holders.
- Some services are offered by a large proportion of contractors. For example, fencing, hedgelaying and woodland services are offered by 70%, 54% and 52% of the businesses sampled, respectively.
- Some services (e.g. stonework), are over-represented in some regions (i.e. in the North of Wales there is a high concentration of stone boundary and other stone features).
- The provision of services is a function of the distribution of agricultural activity and the accessibility of each county. For example, around 42% of the contractors sampled provide services in Carmarthenshire while just 4% provide services in Blaenau Gwent.
- For materials, almost three-quarters of the contractors sampled supply timber products and almost half supply wire for fencing.
- Most contracting companies offering labour had few full-time employees and most had no part-time or casual/seasonal employees (average of 2.5, 0.4 and 0.2, respectively)<sup>14</sup>.
- Suppliers of materials on average tended to have a larger workforce (5.1, 0.6, 1.3, respectively)<sup>15</sup>.
- Financially it is usual for businesses predominantly offering labour to be relatively small having a turnover of less than £25,000. However, almost one third had a turnover of between £25,000 and £49,999 and 14% had a turnover in excess of £100,000.
- The situation for businesses supplying materials is somewhat different with just over one-third having a turnover in excess of £500,000 and 16% had a turnover between £100,000 and £199,999.
- There is some regional variation in turnover. For example, in Pembrokeshire and Ceredigion the majority of businesses predominantly supplying labour had a turnover between £25,000 and £74,999, whereas in Carmarthen the majority of businesses had a turnover between £10,000 and £24,999.
- There were only minor differences in turnover according to business age.

<sup>14</sup> This figure excludes the employees of one very large business. Inclusion of this business increases the mean to 6.3

<sup>15</sup> This figure excludes the employees of two large businesses. Inclusion of these businesses increases the mean to 9.4



## 6. Survey analysis

This Chapter provides an analysis of the impact of Tir Gofal-related activities on the contractors sampled. It should be noted that when 'labour' contractors are mentioned this refers to those contractors whose businesses are based primarily on manpower (whether skilled or unskilled), although in some cases they might also provide materials. Similarly, 'material' contractors are those whose business is based primarily on the supply of materials (i.e. fencing posts, gates, trees, shrubs, seed mixes, wire for fencing, etc.), although some of these also provide labour.

There are 8 main sub-sections providing an overview of the impact of Tir Gofal-related services and products on the contractors sampled. Section 6.1 provides an overview of businesses offering Tir Gofal services/products; Sections 6.2 and 6.3 describe the financial and employment impact of the scheme; Section 6.4 looks at the impact of the scheme on business confidence and decisions; Section 6.5 describes the impact on business workloads; Section 6.6 looks at the issues that limit the usefulness of Tir Gofal to land-based contractors; Section 6.7 describes the impact of the scheme on the sourcing of materials; and Section 6.8 looks at the capacity of the land-based contracting sector to grow and develop.

### 6.1. Overview of businesses offering Tir Gofal services/products

In contrast to the general data presented in Chapter 5, activities considered here are only those provided to Tir Gofal beneficiaries. A geographic overview of services/products is provided in sub-section 6.1.1, an overview by business age is contained in sub-section 6.1.2 and finally, sub-section 6.1.3 considers the seasonal distribution of activities.

#### 6.1.1. Geographic distribution of activities

Table 6.1 shows the labour services offered to Tir Gofal beneficiaries by region. A large proportion of the services offered by the contractors sampled have involved traditional farm boundaries, with 63% offering fencing, 50% hedgelaying and 35% dry stone walling. The overall proportion of labour contractors providing woodland services to Tir Gofal participants was also high at 42%. In contrast, none of the contractors sampled had provided plastic collection/recycling services and less than 10% have provided pond creation/maintenance, public rights of way maintenance, building construction, bracken control, scrap removal, hay making and plant protection application to Tir Gofal participants.

Although the number of respondents in each region is often small and care should be exercised, Table 6.1 shows some regional variation in the services offered. For example, while fencing and hedgelaying are generally offered by between 50% and 70% of the contractors sampled, in Pembrokeshire and the South, the proportion offering these services is lower. Fewer respondents have offered woodland services to Tir Gofal beneficiaries in the South (9% compared to 42% overall). In contrast, some activities have been offered more frequently in some regions, most notably in the North where dry stone walling, stonework and building restoration have been offered by a higher

proportion of contractors than in the sample as a whole (67%, 33% and 26% respectively, compared to 35%, 14% and 13%).

These regional differences in the range of activities undertaken for Tir Gofal farmers largely correspond to the characteristics of the landscape and dominant type of farming in each region. For example, the North is characterised by its dry stone walls and traditional stone buildings and unsurprisingly the demand for Tir Gofal contractors specialising in stonework is highest in this area.

Previous research (see Section 4.5) has also shown that upland sheep and beef farms in Severely Disadvantaged Areas (SDA) of the Less Favoured Area (LFA), which are the dominant type of Tir Gofal farm, tend to generate the greatest demand for outside contractors (Agra CEAS Consulting 2005). The North of Wales (which itself is dominated by SDA sheep and beef farms in the LFA), also includes the Snowdonia National Park and Tir Eryri (an agri-environment scheme that is located exclusively in the Snowdonia area). Both of these provide incentives to encourage farmers to restore landscape features, such as dry stone walls and traditional buildings and as such are likely to create additional demand for land-based contractors over and above that created by Tir Gofal (see stakeholders comments on this subject in Chapter 7).

**Table 6.1: Activities carried out by ‘labour’ contractors as a result of Tir Gofal**

| Business offering                              | Carms. | Cered. | North | Pembs. | Powys | South | All Wales |
|--|--------|--------|-------|--------|-------|-------|-----------|
|  | n=14   | n=6    | n=27  | n=7    | n=13  | n=11  | n=78      |
| Fencing  | 71%    | 67%    | 67%   | 43%    | 77%   | 36%   | 63%       |
| Hedge laying                                   | 57%    | 50%    | 56%   | 57%    | 62%   | 9%    | 50%       |
| Dry stone walling                              | 21%    | 17%    | 67%   | 14%    | 8%    | 27%   | 35%       |
| Other stonework                                | 0%     | 0%     | 33%   | 0%     | 8%    | 9%    | 14%       |
| Building construction                          | 0%     | 0%     | 11%   | 0%     | 0%    | 0%    | 4%        |
| Building restoration                           | 0%     | 0%     | 26%   | 0%     | 23%   | 0%    | 13%       |
| Plant protection application                   | 7%     | 0%     | 0%    | 0%     | 0%    | 0%    | 1%        |
| Scrap removal                                  | 0%     | 0%     | 0%    | 0%     | 8%    | 9%    | 3%        |
| Plastic collection/recycling                   | 0%     | 0%     | 0%    | 0%     | 0%    | 0%    | 0%        |
| Woodland services (tree planting, maintenance) | 36%    | 50%    | 56%   | 57%    | 38%   | 9%    | 42%       |
| Pond creation/maintenance                      | 7%     | 33%    | 4%    | 0%     | 23%   | 0%    | 9%        |
| Ground works (ditching, earth banks)           | 14%    | 17%    | 7%    | 14%    | 31%   | 0%    | 13%       |
| Public Rights of Way maintenance               | 7%     | 0%     | 7%    | 0%     | 8%    | 0%    | 5%        |
| Bracken control                                | 7%     | 0%     | 4%    | 0%     | 0%    | 9%    | 4%        |
| Hay making                                     | 0%     | 0%     | 0%    | 0%     | 15%   | 0%    | 3%        |
| Others   | 7%     | 17%    | 7%    | 29%    | 15%   | 27%   | 14%       |

Note: A single firm may provide more than one service. The total number of responses was 212 which means that contractors overall provide on average at least 2 different services.

Table 6.2 presents the materials offered to Tir Gofal beneficiaries by region for the interested reader, although the sample sizes are too small to provide a robust analysis. At the all Wales level, the majority of those sampled provided materials associated with farm boundary-related activities, such as timber products (53%) and fencing wire (28%), which fits with the type of labour services

offered and with previous research<sup>16</sup>. Indeed, when those supplying labour as well as material are also included (see the red column in Table 6.2), the proportion of those offering these materials increases. The proportion of contractors offering trees and shrubs, which are used both for boundary and woodland purposes, was also relatively high (42%) compared to other materials.

**Table 6.2: Types of materials offered as a result of Tir Gofal-related activities**

| Business offering                            | Carms. | Cered. | North | Pembs. | Powys | South | All Wales | All Wales |
|--|--------|--------|-------|--------|-------|-------|-----------|-----------|
|  | n=8    | n=3    | n=9   | n=4    | n=4   | n=8   | n=36      | n=53      |
| Timber products                              | 38%    | 33%    | 56%   | 50%    | 75%   | 63%   | 53%       | 62%       |
| Wire for fencing                             | 38%    | 0%     | 11%   | 25%    | 75%   | 25%   | 28%       | 36%       |
| Bark/mulches                                 | 13%    | 0%     | 0%    | 25%    | 50%   | 0%    | 11%       | 11%       |
| Nest boxes and other animal related products | 0%     | 0%     | 0%    | 0%     | 50%   | 0%    | 6%        | 4%        |
| Seed mixes                                   | 13%    | 0%     | 0%    | 25%    | 25%   | 13%   | 11%       | 9%        |
| Trees/shrubs                                 | 38%    | 33%    | 56%   | 25%    | 25%   | 50%   | 42%       | 38%       |
| Building materials                           | 0%     | 0%     | 0%    | 0%     | 50%   | 0%    | 6%        | 8%        |
| Machinery rental                             | 0%     | 0%     | 0%    | 0%     | 0%    | 0%    | 0%        | 8%        |
| Others                                       | 38%    | 67%    | 22%   | 50%    | 50%   | 13%   | 33%       | 25%       |

Note: The figures in red include labour contractors who also provide materials.

The findings presented in this sub-section are reflective of the fact that the majority of capital works projects under Tir Gofal (c. 80%) involve boundary-related activities. There are variations in the services and materials offered by region and this reflects both the dominant type of farming in each region as well as the regional characteristics of the landscape.

### 6.1.2. Age distribution of activities

Table 6.3 compares the age profile of labour contractors by the types of activities they have provided to Tir Gofal landholders. There are few appreciable differences in the services provided according to the age of the business. Although it is interesting to note that no businesses established for more than 21 years offer building construction or restoration. This may be because interest in (and funding for) the latter is a fairly recent phenomenon. The range of services offered tends to greater among those contractors who have been in business between 11 and 20 years compared to the younger and older businesses which tend to specialise in boundary-related and woodland services. The provision of activities such as dry stone walling, building construction and building restoration also tend to be skewed towards the middle age group.

<sup>16</sup> Agra CEAS Consulting (2005) found that 80% of the capital works payments disbursed to Tir Gofal participants by the end of 2003 involved traditional farm boundaries (equivalent to some £5,647,000). This was broken down as follows: Fencing (44%), dry stone walling (15%), gates/stiles (10%), hedgerows (9%) and slate fencing (less than 1%).

**Table 6.3: Age profile of contracting businesses providing labour**

| Business offering            | 10 years or less | 11 to 20 years | 21 years or older | All ages |
|------------------------------|------------------|----------------|-------------------|----------|
|                              | n=29             | n=31           | n=16              | n=78     |
| Fencing                      | 72%              | 48%            | 81%               | 63%      |
| Hedgelaying                  | 62%              | 39%            | 56%               | 50%      |
| Dry stone walling            | 31%              | 48%            | 19%               | 35%      |
| Other stonework              | 10%              | 23%            | 6%                | 14%      |
| Building construction        | 0%               | 10%            | 0%                | 4%       |
| Building restoration         | 14%              | 19%            | 0%                | 13%      |
| Plant protection application | 0%               | 3%             | 0%                | 1%       |
| Scrap removal                | 3%               | 3%             | 0%                | 3%       |
| Plastic collection/recycling | 0%               | 0%             | 0%                | 0%       |
| Woodland services            | 59%              | 23%            | 56%               | 42%      |
| Pond work                    | 7%               | 6%             | 19%               | 9%       |
| Ground works                 | 17%              | 6%             | 19%               | 13%      |
| Public rights of way         | 7%               | 0%             | 13%               | 5%       |
| Bracken control              | 3%               | 3%             | 6%                | 4%       |
| Hay making                   | 3%               | 0%             | 6%                | 3%       |
| Others                       | 17%              | 0%             | 31%               | 14%      |

Note: 2 respondents did not provide the age of their business.

Table 6.4 examines the age profile of businesses supplying materials (businesses mainly supplying labour, but also supplying materials are included here as well to boost the sample). A higher proportion of those businesses in the youngest age category provide timber products to Tir Gofal participants whilst a higher proportion of businesses in the oldest age category provide trees and shrubs.

**Table 6.4: Age profile of contracting businesses supplying materials**

| Business offering       | 10 years or less | 11 to 20 years | 21 years or older | All Wales |
|-------------------------|------------------|----------------|-------------------|-----------|
|                         | n=24             | n=13           | n=12              | n=53      |
| Timber products         | 71%              | 69%            | 58%               | 62%       |
| Wire for fencing        | 42%              | 31%            | 42%               | 36%       |
| Bark/mulches            | 13%              | 8%             | 17%               | 11%       |
| Animal related products | 0%               | 0%             | 17%               | 4%        |
| Seed mixes              | 4%               | 15%            | 17%               | 9%        |
| Trees/shrubs            | 38%              | 31%            | 58%               | 38%       |
| Building materials      | 8%               | 8%             | 8%                | 8%        |
| Machinery rental        | 13%              | 8%             | 0%                | 8%        |
| Other                   | 29%              | 15%            | 17%               | 25%       |

Note: 4 respondents did not provide the age of their business.

### 6.1.3. Seasonal distribution of activities

The seasonal distribution of Tir Gofal-related work is shown in Table 6.5 for all respondent businesses. Overall, the highest levels of activity are in the autumn and winter (27% and 36%, respectively) and lowest in spring and summer (22% and 15%, respectively). The emphasis on the

autumn and winter months is a general reflection of the agricultural calendar, with work not related to Tir Gofal, for example lambing and harvesting, taking precedence in the Spring and Summer.

**Table 6.5: Average seasonal distribution of Tir Gofal-related work**

| Season | Labour | Materials | Overall |
|--------|--------|-----------|---------|
| Spring | 22%    | 23%       | 22%     |
| Summer | 17%    | 11%       | 15%     |
| Autumn | 27%    | 25%       | 27%     |
| Winter | 35%    | 40%       | 36%     |

Note: n=114.

Figure 6.1 presents the seasonal distribution of Tir Gofal-related activities undertaken by the contractors sampled and clearly highlights the seasonal-nature of some of them. While hedgelaying has to take place between autumn and early spring<sup>17</sup>, it is interesting to note that most activities associated with Tir Gofal, particularly those associated with farm boundaries, primarily take place during the autumn and winter (the traditional low point in the agricultural calendar). This supports the contention that contracting work related to Tir Gofal may be seasonal made in Agra CEAS Consulting (2003) (see Section 4.6). The exceptions to the pronounced seasonality are dry stone walling, woodland and stonework/building restoration.

Activities undertaken in the miscellaneous work category tend to be the most evenly distributed across the year. Based on the descriptions contained within the CCW directory these contractors tend to provide a range of general services<sup>18</sup>, some of which are likely to be great demand at peak times in agricultural calendar (which probably explains why they conduct on average 25% of their work during the Summer). Overall, however, this group of contractors provides a range of predominantly non-seasonal services, which may explain why their workload is more evenly distributed throughout the year compared to the other contractor groups.

<sup>17</sup> Hedges are best planted in the autumn. Deciduous species (e.g. hawthorn, blackthorn, beech and hornbeam) should be planted as soon as possible after leaf-fall (i.e. October/November). Planting can continue until March, provided weather and ground conditions are suitable. Evergreens are best planted either in September, or in April/early May, to avoid the risk of frost (BTCV, 2002).

<sup>18</sup> For example, general building/contracting work, plant hire, pest/weed control, scrap removal, plastic recycling, relief farm labour, machinery hire, farm/environmental advisory services/consultancy, and general groundwork/landscaping.

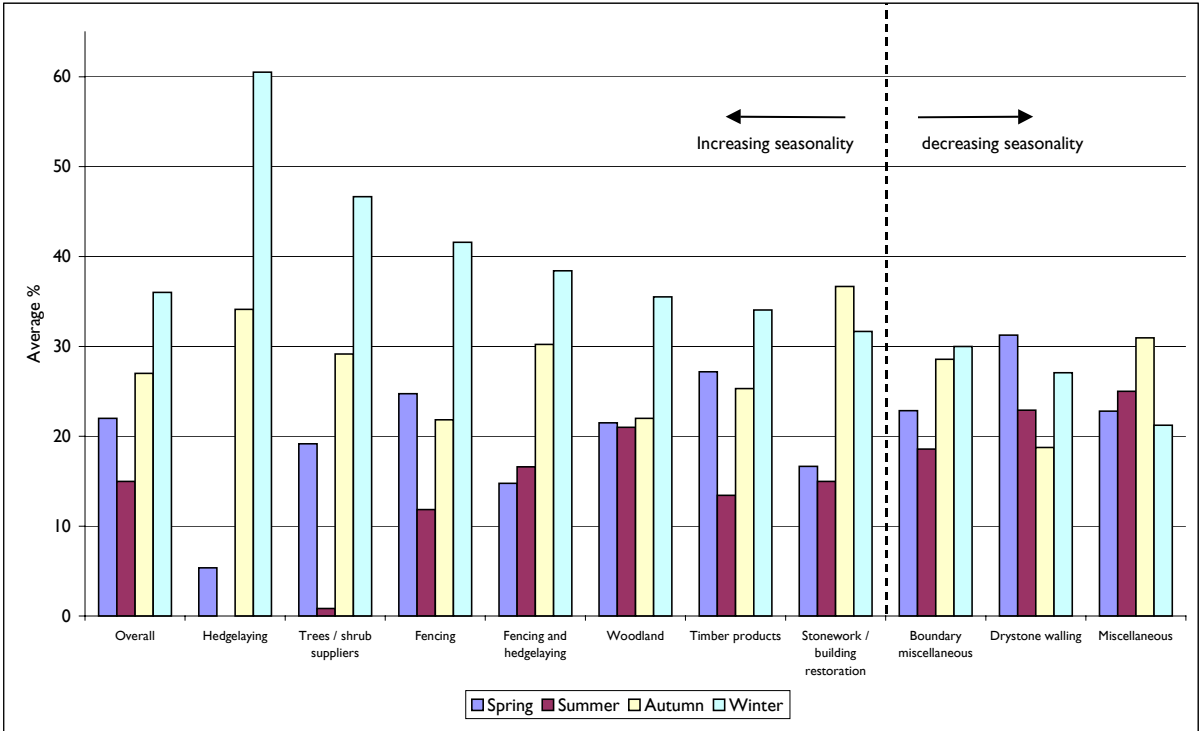


Figure 6.1: Average seasonal distribution of Tir Gofal-related work by type of activity

6.2. Financial impact of Tir Gofal

6.2.1. Financial impact by region

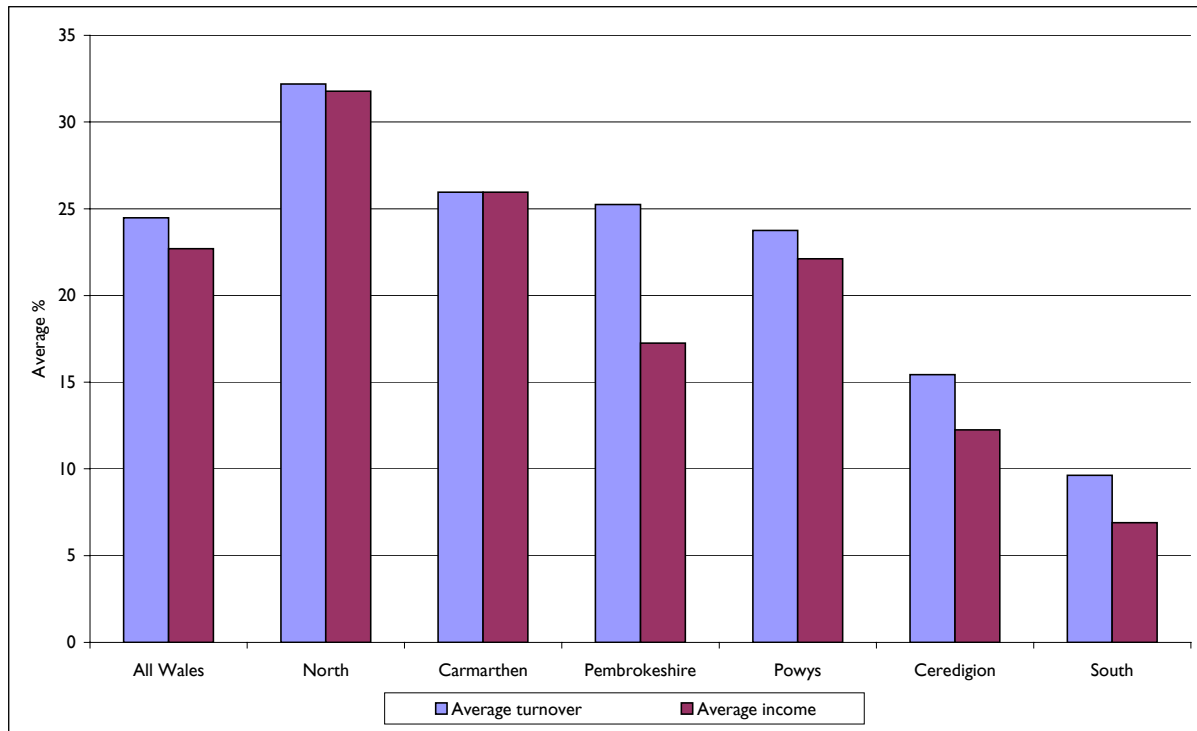
Figure 6.2 shows the average proportion of turnover and income<sup>19</sup> derived from Tir Gofal-related activities for all businesses. On average the proportion of turnover and income derived from the scheme was around 24% and 23%, respectively indicating that services/products provided to Tir Gofal beneficiaries are generally as profitable as other activities engaged in. There is considerable regional variation in both the overall contribution of Tir Gofal to turnover and income and also in the relationship between the two.

Respondents in the North derive the largest proportion of turnover and income from Tir Gofal (over 30% in both cases and for reasons outlined elsewhere in this report) while those in the South derived less than 10% in both cases and contribution to income was lower than contribution to turnover suggesting that Tir Gofal activities are less profitable than other activities engaged in. This was also the case in Pembrokeshire where Tir Gofal contributed a quarter of turnover, but just 17% of income.

Generally this difference between contribution to turnover and income may suggest that the incentive for contractors to undertake Tir Gofal-related activities is variable, due to the fact that greater margins on turnover can be obtained from other activities. The reasons for this are

<sup>19</sup> In this context income can be equated with profit, i.e. unlike turnover, it is net of costs.

complex, but are likely to be a function of the nature of the farming in each region (see Section 6.1), the relative geographical distribution/density of Tir Gofal agreements, and the availability of land-based work outside of Tir Gofal which is more rewarding financially<sup>20</sup>. The extent to which this creates problems in the availability or affordability of contractors for Tir Gofal-related work is unclear and may warrant further investigation.



**Figure 6.2: Average proportion of turnover and income from Tir Gofal by region**

### 6.2.2. Financial impact by business activity

The impact of Tir Gofal on turnover and income by type of activity is shown in Table 6.6. As was shown in Figure 6.2, on average, around a quarter of the turnover and income of the contractors sampled is derived from Tir Gofal-related activities. As might be expected *a priori*, contractors who predominantly provide materials derive less of their turnover and income from Tir Gofal (by 10% in both cases) compared to those who mainly supply labour. This is primarily because material contractors are less dependent on Tir Gofal as they are more likely to have a more diverse range of products and customers. However, the reader should bear in mind that the figures presented may underestimate the role played by Tir Gofal amongst this group as they may be less aware that their products are to be used by Tir Gofal beneficiaries.

The difference between the mean and median contribution of Tir Gofal is revealing. This indicates that the relatively high contribution to turnover and income experienced by a small number of some

<sup>20</sup> For example, general agriculture activity, other environmental schemes and planning designations such as Areas of Outstanding Natural Beauty (AONB), Sites of Special Scientific Interest (SSSI), National Parks (i.e. Snowdonia, Pembrokeshire Coast and Brecon Beacons), and work for Local Authorities and other organisations requiring land-based contractors (i.e. the Forestry Commission, utility companies).

respondents is masking the fact that for most, contribution from Tir Gofal is relatively small. This suggests that some contractors and suppliers are far more engaged with supplying Tir Gofal services than others. The role of the scheme as a driver for these particular businesses will therefore be more significant than it is at the aggregate level.

It is also interesting to note the difference between the mean and the median contribution of Tir Gofal for businesses supplying materials. The fact that median contribution to income is proportionally much smaller than median contribution to turnover suggests that a small number of businesses find Tir Gofal products more profitable than is generally the case. Further research to understand this relationship in more detail might be revealing.

**Table 6.6: Average proportion of turnover and income from Tir Gofal-related activities**

|                                    | Main business offering |        |           |        |         |        |
|------------------------------------|------------------------|--------|-----------|--------|---------|--------|
|                                    | Labour                 |        | Materials |        | Overall |        |
|                                    | Mean                   | Median | Mean      | Median | Mean    | Median |
| Proportion turnover from Tir Gofal | 28%                    | 20%    | 18%       | 10%    | 24%     | 15%    |
| Proportion income from Tir Gofal   | 26%                    | 18%    | 16%       | 5%     | 23%     | 10%    |

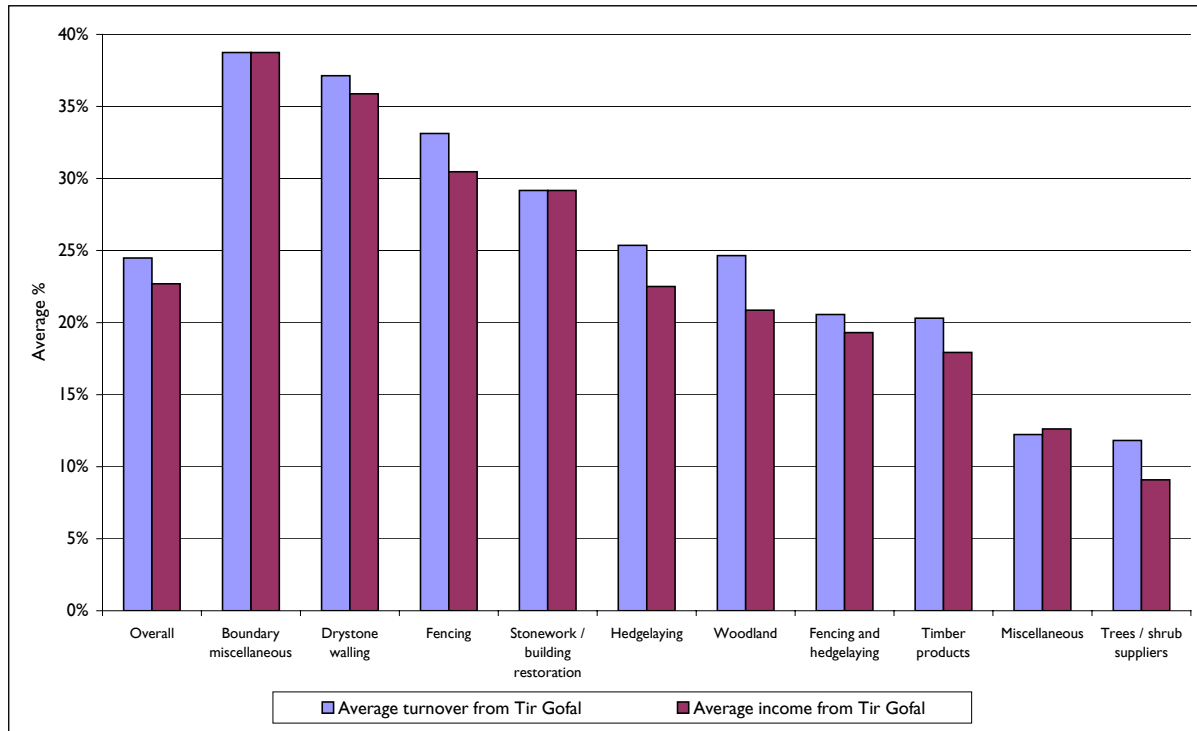
Figure 6.3 shows the average turnover and income derived from Tir Gofal broken down by the type of work undertaken. The categories used here are the discrete identifiers used in the CCW contractor list rather than the multiple response question asked in the survey. The Figure shows that Tir Gofal contributes the largest proportions of turnover and income for contractors involved in most of the boundary-related activities<sup>21</sup>. The exception is hedgelaying, where a greater difference between contribution to turnover and income is also noted. This suggests that the profitability of Tir Gofal-related activities in this category is lower than the other activities contributing to turnover and this may explain the relatively lower contribution that Tir Gofal makes to turnover.

This finding is consistent with the stakeholders surveyed who reported that the most positive impacts on income resulting from Tir Gofal-related activities appear to occur where contractors are involved in boundary-related activities (see Section 7.1). However, the reader should bear in mind the fact that a large proportion (c. 80%) of money disbursed under the capital works element of Tir Gofal goes on boundary-related activities and as such the one might expect a relatively positive impact on those contractors who provide this type of service.

The ratio between the average contribution of Tir Gofal to turnover and to income varies between activities with stonework/building restoration, miscellaneous boundary activities and dry stone walling achieving the highest ratios of income to turnover. Hedgelaying, woodland activities, and the supply of materials (i.e. timber products, trees/shrubs) exhibit the lowest ratios. This suggests that non-Tir Gofal activities may be financially more attractive to contractors providing the latter type of services/materials.

<sup>21</sup> Note that the 'boundary miscellaneous' category includes contractors that provide fencing, hedgelaying and dry stone walling services.

Contractors in the ‘miscellaneous’ category appear to derive the best margins on turnover. Since these contractors tend to provide a more diverse and often more specialised, but not necessarily more skilful, range of activities it is possible that they are obtaining a ‘premium’ for some of the services they provide. The fact that these contractors tend to undertake more work in the summer compared to other contractors suggests that much of this ‘premium’ may be derived from the provision of labour during busy periods in the agricultural calendar.



**Figure 6.3: Average proportion of turnover and income from Tir Gofal by activity**

While the survey did not specifically investigate the degree to which contractors depend on Tir Gofal for income it is apparent that some, particularly those involved in boundary-related activities (but see comments above on hedgelaying), on average, obtain a large proportion of their income from the scheme. For example, Table 6.7 shows selected statistics for the proportion of turnover from Tir Gofal for two types of contractors who predominantly supply labour (dry stone walling and fencing), and two who mainly supply materials (timber products and tree/shrubs). Although the number of respondents in each category is low, the figures appear to suggest that the former group, and labour contractors in general, may be more dependant on Tir Gofal-related activities financially compared to the latter group<sup>22</sup>.

<sup>22</sup> However, the reader should bear in mind that figures presented may underestimate the role played by Tir Gofal, as material suppliers may be less able to assign causality to the scheme compared to labour contractors.

The Table also shows that the median contribution to turnover is lower than the mean for the fencing, timber products and tree/shrub supplier categories. This implies that the mean is biased upward by a small number of respondents who are more reliant on Tir Gofal activities for turnover than most.

**Table 6.7: Selected statistics for proportion of turnover from Tir Gofal for dry stone walling, fencing, timber products and tree/shrub suppliers**

| Work category           | Type      | Measure            | Proportion of turnover from Tir Gofal |
|-------------------------|-----------|--------------------|---------------------------------------|
| Dry stone walling       | Labour    | No. of respondents | 12                                    |
|                         |           | Mean               | 37%                                   |
|                         |           | Median             | 38%                                   |
| Fencing                 | Labour    | No. of respondents | 19                                    |
|                         |           | Mean               | 33%                                   |
|                         |           | Median             | 25%                                   |
| Timber products         | Materials | No. of respondents | 16                                    |
|                         |           | Mean               | 20%                                   |
|                         |           | Median             | 10%                                   |
| Trees / shrub suppliers | Materials | No. of respondents | 12                                    |
|                         |           | Mean               | 12%                                   |
|                         |           | Median             | 6%                                    |

There is a threat that some contractors might suffer from a reduction in the supply of Tir Gofal-related work in the future. For example, Tir Gofal capital works projects are scheduled over two five-year periods and thus the amount of work available tends to reduce as Tir Gofal agreements mature<sup>23</sup>. For the time being new entrants into the scheme compensate for the drop-off in capital work from the older agreements<sup>24</sup>. However, as the uptake of the scheme reaches its budgetary limits, and existing schemes mature, the amount of work that is available to the land-based contracting sector overall might start to plateau. Furthermore, shortages in Tir Gofal-related work may develop at the regional level, where, for example, clusters of agreement holders commission work in a relatively short space of time. This may have adverse effects on smaller and more locally based businesses, particularly those who have difficulty in providing their services over wider areas.

### 6.3. Employment impact of Tir Gofal

#### 6.3.1. Employment impact by business activity<sup>25</sup>

For those contractors reporting a change (n=38) the total number of people employed or retained a result of Tir Gofal-related activities was 93<sup>26</sup>. Of these the majority (58, or 62%) were existing staff

<sup>23</sup> Capital works are scheduled over two 5-year periods. During each of these periods agreement holder are allocated up to £3,500 per year for boundary-related activities. There is an additional £20,000 budget for environmental work that is allocated over the full 10-year lifetime of the agreement. In the first 5-year period it is not unusual for agreement holders to utilise the majority of the £20,000 environmental budget as well as all of the money available for boundary-related work. Therefore, the amount of money available for capital works in the second 5-year period tends to be smaller compared to the first 5-year period.

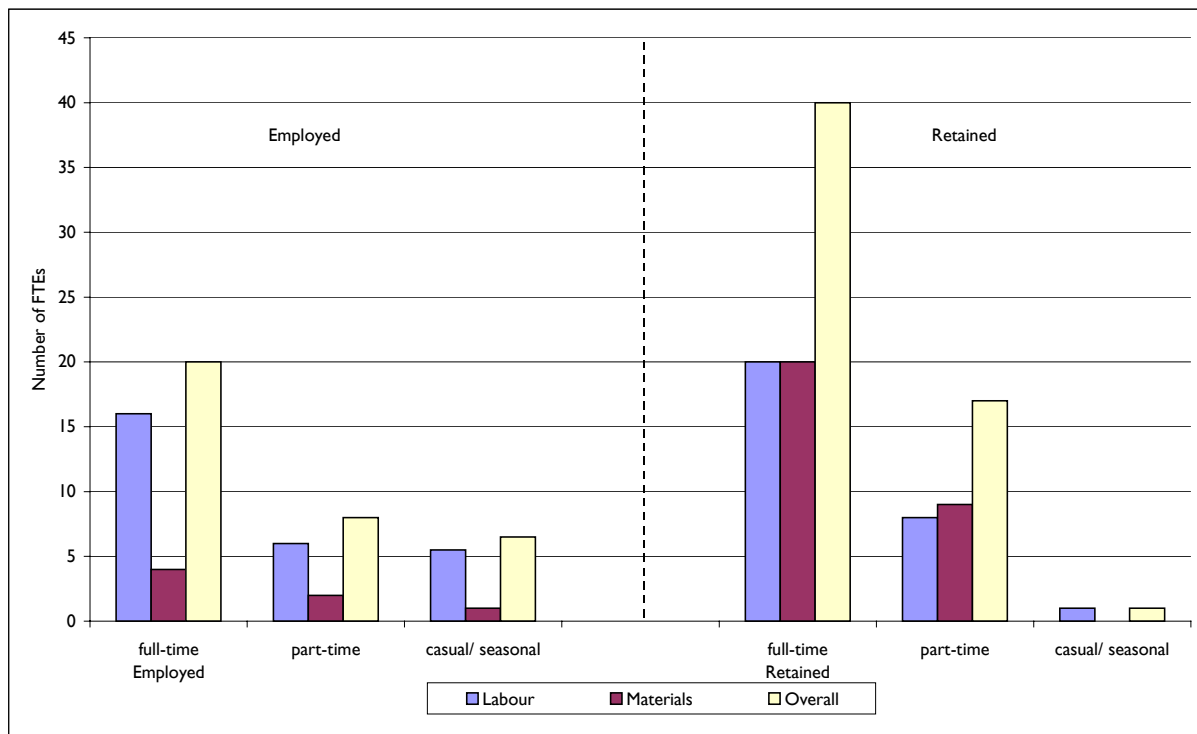
<sup>24</sup> Additionally agri-environment participants with expiring Tir Cymen and ESA (Environmentally Sensitive Area) agreements tend to be brought into Tir Gofal or Tir Cynnal where possible.

<sup>25</sup> The number of respondents noting an impact on employment was too small to allow a meaningful regional analysis.

who were been retained and 35 (38%) were new employees, which suggests that job security for employees in contractors providing Tir Gofal-related work has been enhanced. Most of these positions were full-time (65%), with 27% part-time and 9% casual/seasonal positions.

The original socio-economic evaluation of Tir Gofal estimated that the scheme had generated additional work for land-based contractors equivalent to 170 new full-time jobs (Agra CEAS Consulting, 2005a). The 20% survey of contractors carried out here provides corroboration for the original estimates: scaling up the 35 new jobs from the 20% sample to the whole population would suggest 175 new jobs. However, the degree of statistical significance that should be attached to this calculation is unclear as a result of uncertainty over the relationship between the sample used and the population of contractors in Wales.

Figure 6.4 shows the number of jobs created and maintained among those contractors who reported a positive change in employment as a result of Tir Gofal-related activities. The figures show that Tir Gofal tends to impact more on job retention (and hence job security) compared to job creation. This is particularly the case for materials contractors who tended to retain full-time and part-time employees at almost three times the rate compared to labour contractors (2.0 and 0.9 FTEs per materials contractor compared to 0.7 and 0.3 FTEs per labour contractor, respectively).



**Figure 6.4: Employment creation and retention among contractors reporting a change**

<sup>26</sup> Of the 38 contractors reporting a positive change in employment 1 retained staff only, 15 employed new staff only, and 21 both retained existing staff and employed new staff.

The relatively high rates of employment retention among material contractors is due to the fact that this type of contractor is more likely to be involved in retail/wholesale businesses that probably rely more on part-time workers. It is also interesting to note that rate of retention of full and part-time workers among labour contractors is also relatively high (compared to job creation) which suggests that the land-based contracting sector in general depends relatively heavily on part-time workers. This is probably because land-based contractors rely on flexibility in their workforce in order to cope with fluctuating demand during different seasons (see Section 6.1).

As would be expected *a priori* labour contractors generated the majority of new full-time jobs at 0.6 full-time FTEs per contractor (where a positive impact was reported). However, for the sample as a whole (i.e. including those who did not report a change), the overall rate of employment creation was 0.2 FTEs.

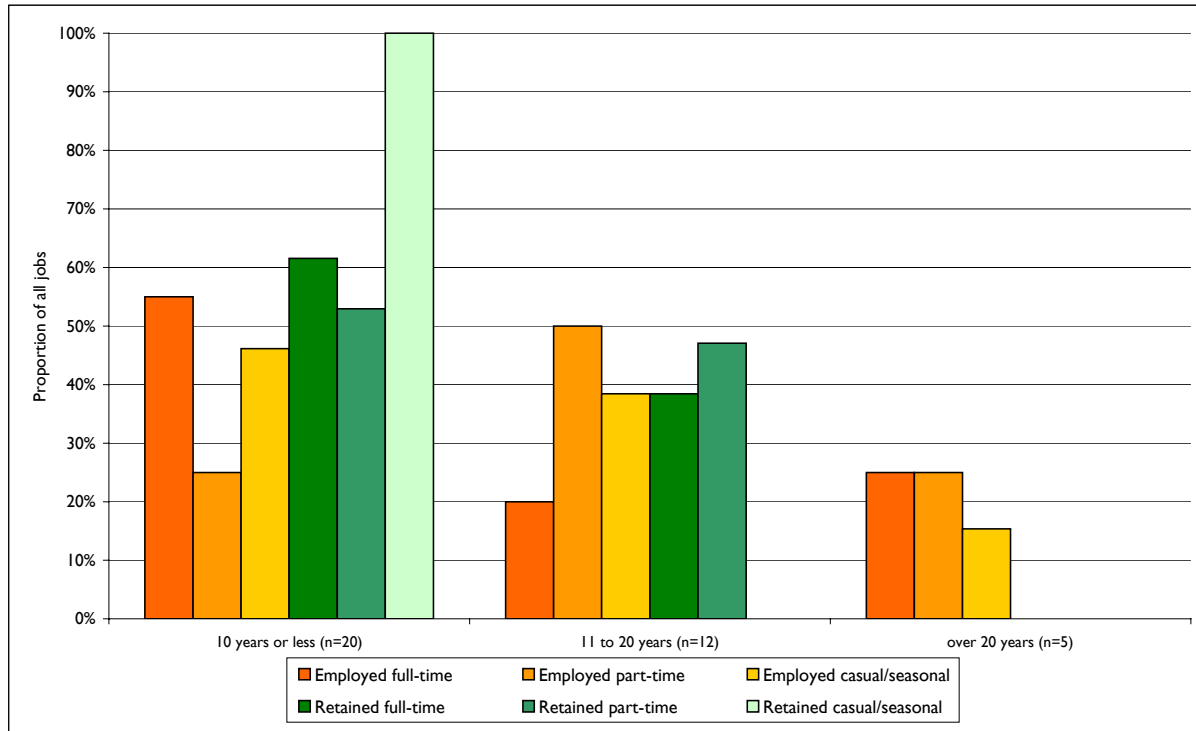
Overall, for those contractors reporting a positive change the survey results suggest that Tir Gofal-related activities make an important contribution to rural land-based employment opportunities, particularly in securing existing full-time and part-time jobs. However, taking the sample as a whole (i.e. including those who did not report a positive change in employment) the overall rates of Tir Gofal-related full-time employment creation and retention was relatively modest at 0.2 FTEs and 0.4 FTEs per contractor, respectively<sup>27</sup>.

### **6.3.2. Employment impact by business age**

Figure 6.5 shows that the majority of jobs created and maintained were skewed towards younger businesses, with 54% of all jobs created or maintained involving contractors who have been in business for 10 years or less and 32% involving businesses aged between 11 and 20 years (although the reader should note the low sample sizes). As would be expected *a priori* this suggests that the rate of business expansion (and hence growth potential), in terms of employment, is greatest among younger businesses compared to older businesses (see Section 5). However, although not shown here, younger contracting businesses overall tend to have fewer employees compared to older businesses, with contractors in the oldest age band (over 20 in business) having the most employees of all types (i.e. full-time, part-time and seasonal/casual).

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<sup>27</sup> Due to the small number of contractors reporting a positive change in employment as a result of Tir Gofal (n=38) a meaningful analysis of the rates of employment by the type of activity undertaken was not possible.



**Figure 6.5: Extent of employment creation and job retention by age of business**

#### 6.4. Impact of Tir Gofal on business confidence and decisions

The number of respondents noting an impact on business confidence and decisions was too small to allow a meaningful regional analysis.

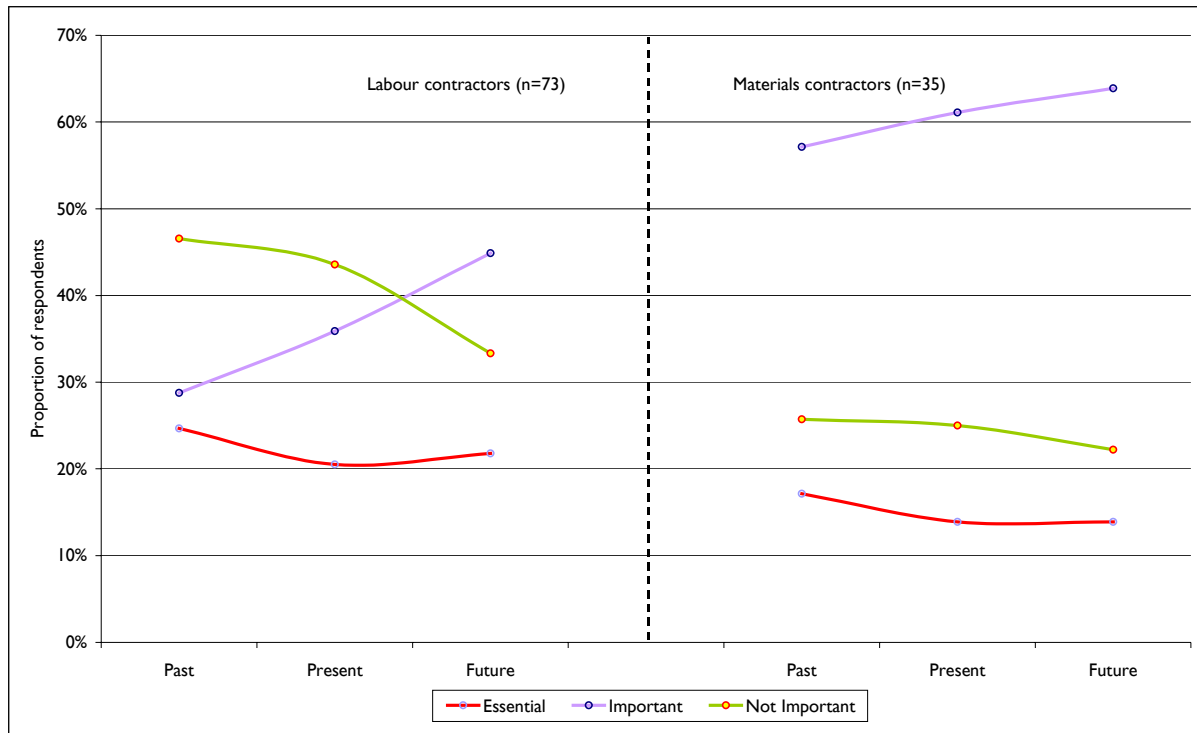
##### 6.4.1. Impact on business confidence by business activity

Figure 6.6 shows the level of importance assigned to Tir Gofal-related activities in the past, the present and in the future. This shows that the level of importance attached to the scheme is (proportionally) similar between labour contractors and suppliers of material. While the proportion of respondents who consider the scheme to be ‘essential’ has reduced with time (albeit marginally), the proportion of respondents reporting that the scheme is or will become ‘important’ to their business increases, most notably amongst labour contractors. The reasons for this are most likely due to the increasing uptake of Tir Gofal over time (see FIG 1.1. in Section 1) which suggests that the scheme, due to both first round and secondary effects<sup>28</sup>, may be playing an increasingly important role in the rural economy.

Again, while most material suppliers perceive Tir Gofal to be ‘important’ to their business a smaller proportion consider it ‘essential’ compared to labour contractors. This is probably due to the fact that contractors who predominantly supply materials tend not to be associated with any one

<sup>28</sup> First round effects describe the impact of a public intervention on direct addressees (i.e. Tir Gofal participants) and on the inner circle of indirect addressees (i.e. suppliers, customers, employees). Secondary effects describe the impact produced by an intervention over and above its first round effects (e.g. via supplier effects, income multiplier effects, impulsion effects) (MEANS, 1999).

particular agri-environment scheme or agricultural sector. In this sense material suppliers tend to have a more diverse customer mix compared to the suppliers of labour who tend to display a greater degree of specialisation towards Tir Gofal. Also, because they are one stage removed from the scheme itself, material suppliers are less likely to be aware that Tir Gofal is the reason for at least some of their sales.

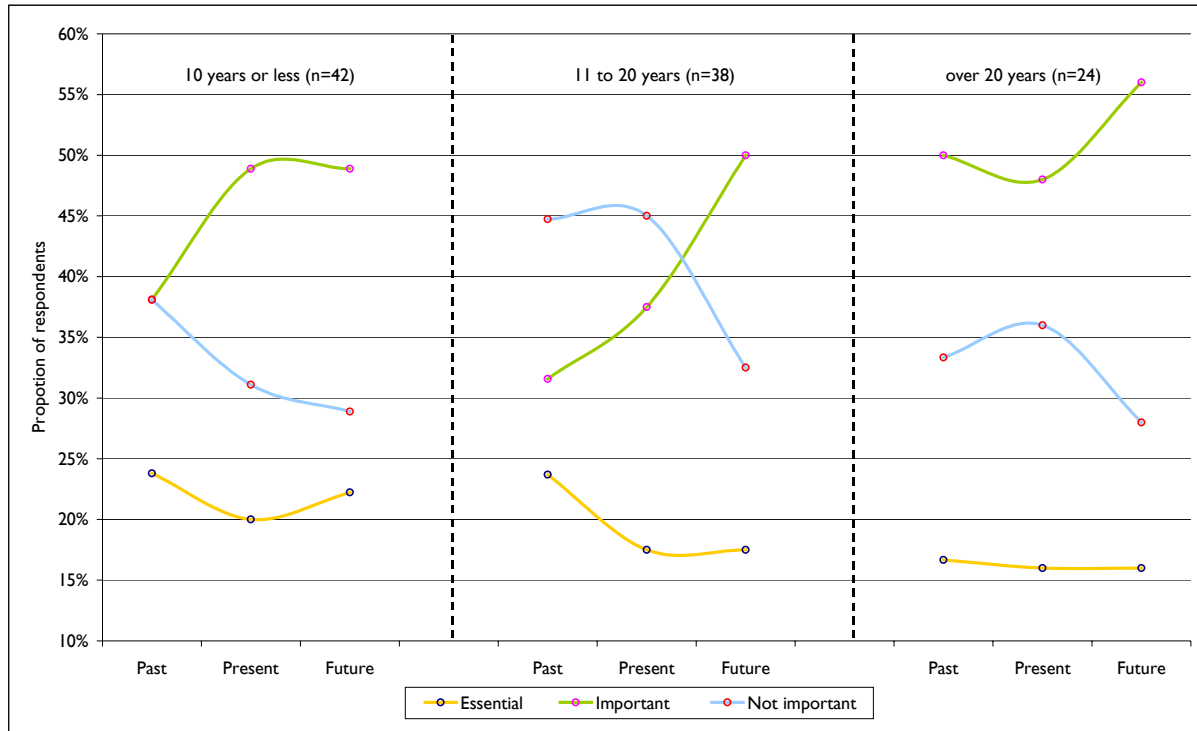


**Figure 6.6: Level of importance assigned to Tir Gofal-related activities**

#### 6.4.2. Impact on business confidence by business age

Figure 6.7 shows the importance of Tir Gofal to the contractors sampled broken down by the number of years the contractor has been in business. The figures tend to show that Tir Gofal is currently of greatest importance (i.e. ‘essential’) to the youngest group of businesses (10 years or less) and least important to the oldest group (21 years or older). Moreover, an increasing proportion of the youngest group reported that Tir Gofal is expected to become more ‘essential’ to their business in the future, although still not as ‘essential’ as it was in the past. In contrast an increasing proportion of businesses aged between 11 and 20 years indicated that Tir Gofal would simply become more ‘important’ with the proportion reporting that the scheme being ‘not important’ reducing over time (as is also the case for the other age groups). While the survey did not investigate the reasons driving these expectations it is more likely that the younger businesses are expanding, and thus place more importance in Tir Gofal in the future, compared to the more mature businesses that may have already developed to their maximum size (see Section 5.3).

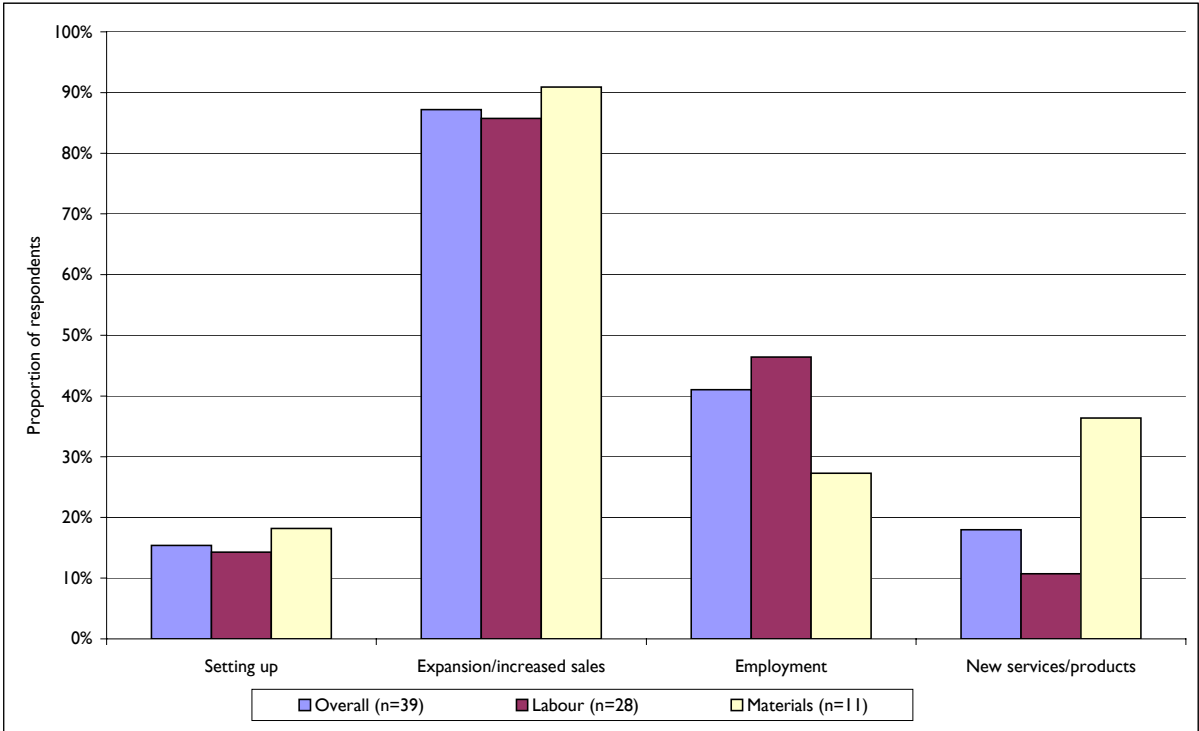
These findings are consistent with the comments of some stakeholders who indicated that Tir Gofal (and its predecessor Tir Cymen) has created a market for contractors to expand into, as well as providing a secure baseline that facilitates longer-term planning (see Section 7.4).



**Figure 6.7: Level of importance of Tir Gofal-related activities by contractor age band**

### 6.4.3. Impact on business decisions by business activity

The impact of Tir Gofal on recent business decisions is shown in Figure 6.8. Of those reporting a change (n=39) the majority indicated that the scheme has led to increased sales and/or expansion of the business. This suggests that while Tir Gofal tends not to be a major factor in the creation of new business, it does act as a driver of expansion and increased sales. This finding correlates well with the earlier findings on employment that suggested that the scheme had mainly enhanced the security of existing jobs rather than creating new ones (see Section 6.3). Where employment was created, this was noted by a greater proportion of labour contractors than material suppliers. As might be expected *a priori* a greater proportion of materials contractors reported new services and/or products as a result of Tir Gofal. This is probably because Tir Gofal management prescriptions and capital works projects often mandate the use of specific materials and items, such as Welsh oak gates and conservation seed mixes. Material suppliers are therefore likely to have capitalised on this through the introduction of new products and services aimed specifically at the agri-environment market.



**Figure 6.8: Impact of Tir Gofal on recent business decisions**

Note: respondents could cite multiple answers.

Table 6.8 shows the extent to which the sample have invested in new machinery/equipment, training courses and/or buildings as a result of their involvement with Tir Gofal. Overall the main type of investment was in new machinery and equipment which all labour contractor respondents reported. Investments in training courses and buildings were more likely amongst material supplier respondents, although the small sample size should be noted.

**Table 6.8: Business investments made as a result of Tir Gofal-related activities**

| Main business type    | New machinery/equipment | Training courses | Buildings |
|-----------------------|-------------------------|------------------|-----------|
| Labour (n= 26)        | 100%                    | 19%              | 4%        |
| Materials (n= 7)      | 71%                     | 43%              | 29%       |
| <b>Overall (n=33)</b> | <b>94%</b>              | <b>24%</b>       | <b>9%</b> |

Note: respondents could cite multiple answers.

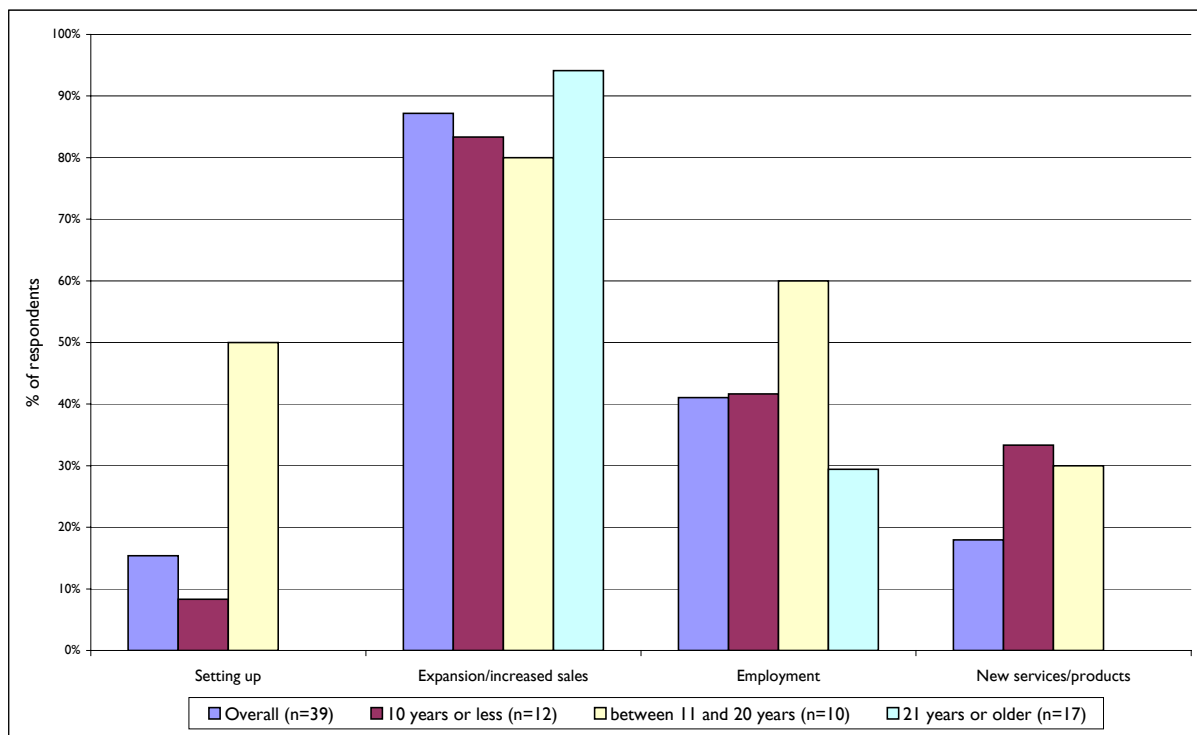
In terms of future investment decisions, 15% of the overall sample (n=114) indicated that they were planning investments as a result of their involvement with Tir Gofal. Again, the majority of these future investments are expected to be in machinery/equipment.

**6.4.4. Impact on business decisions by business age**

Figure 6.9 shows the impact of Tir Gofal on recent business decisions by business age group (the reader should note the small sample size). As would be expected *a priori* no businesses that have

been established for more than 21 years cited Tir Gofal as a factor in setting up. Tir Gofal’s influence in setting up businesses was most pronounced amongst the 11 to 20 year old businesses which suggests that these may have seen an early opportunity to provide services. Businesses between 11 and 20 years old were far more likely to have increased employment as a result of Tir Gofal than all other groups.

Only 10 respondents indicated that Tir Gofal has had a negative impact on their business. Of these 4 (labour) contractors reported a reduction in sales and the remainder provided other reasons including a lack of work, project deadline problems and difficulties in sourcing materials to the correct quality and price.

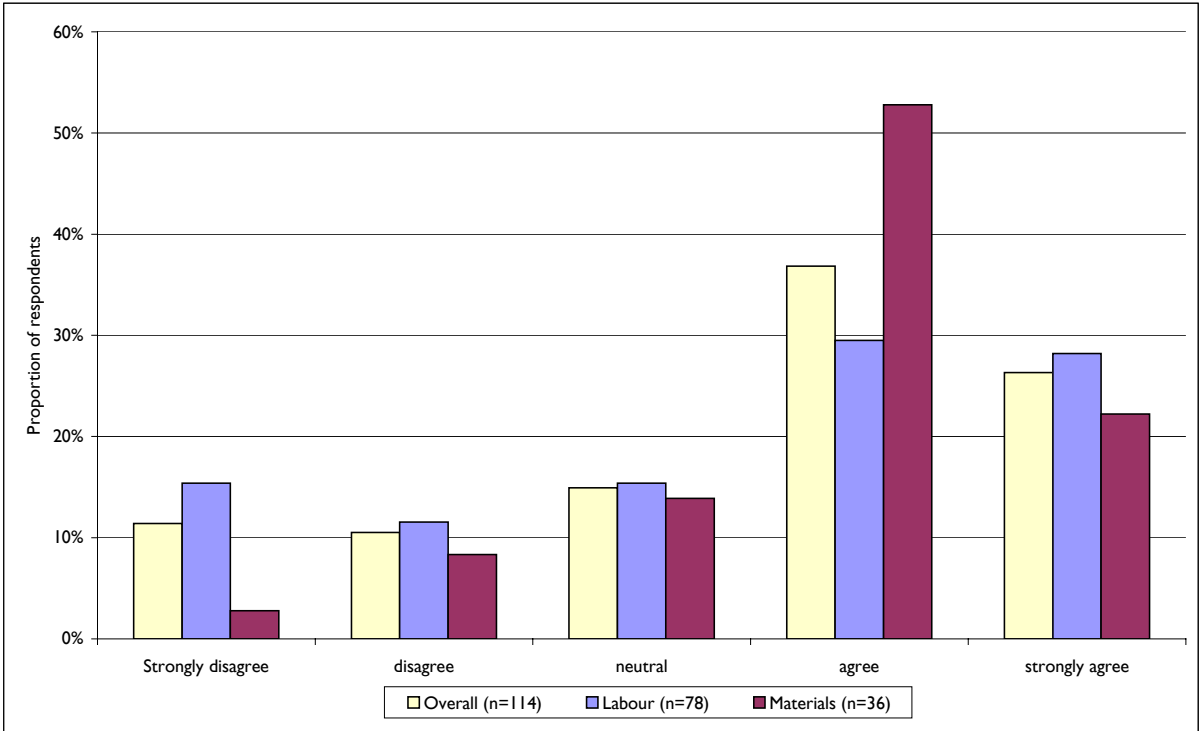


**Figure 6.9: Impact of Tir Gofal on recent business decisions by contractor age group**

Note: respondents could cite multiple answers.

### 6.5. Impact of Tir Gofal on business workloads

Figure 6.10 shows the impact of Tir Gofal on business workload. The majority of respondents (63%) agreed or strongly agreed that they had more work as a result of Tir Gofal. Although not shown the proportion of respondents who answered positively was skewed towards the younger contractors (10 years old or less) whereas those who were neutral or negative were skewed towards the middle and oldest group. Of those who disagreed or strongly disagreed, the majority were businesses aged 11 years or older. Additionally, of those respondents who did not agree with the statement the majority (71% and over), were predominately labour supplies who were mainly involved non-boundary-related activities. Again, this tends to support the earlier finding that Tir Gofal has been particularly beneficial to contractors involved in fencing, hedgelaying and dry stone walling.



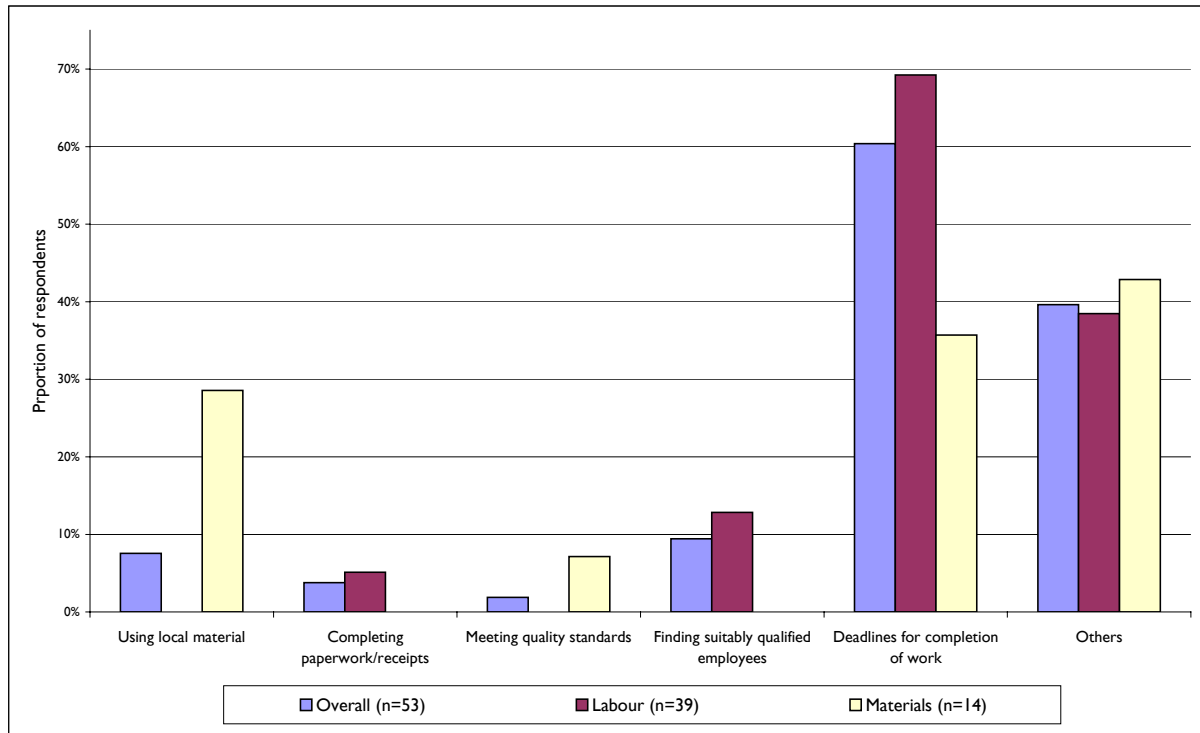
**Figure 6.10: Impact of Tir Gofal on contractor workloads**

The extent of sub-contracting among the contractors sampled was limited with around 11% overall (n=114) indicating that they had sub-contracted Tir Gofal-related work. The majority of the respondents reporting that they sub-contract work were relatively young businesses who predominantly supply labour. The main cause of sub-contracting work was excess demand (cited by 73% of respondents), followed by insufficient skills (cited by 36%), problems with travelling long distances (cited by 27%) and insufficient equipment (cited by 18%)<sup>29</sup>. The main activities sub-contracted were boundary-related.

**6.6. Issues limiting the usefulness of Tir Gofal to contractors/suppliers**

Figure 6.11 considers the extent to which Tir Gofal specifications limit the usefulness of the scheme to the contractors/suppliers surveyed. Just under half (46%, n=114) of the contractors sampled reported that there are issues with the scheme that limit its usefulness to them. Of these most (60% overall) indicated that the deadlines for the completion of work demanded by Tir Gofal were problematic. This issue was particularly prominent for labour contractors (69% of respondents). Material suppliers (29% of respondents) more frequently cited issues surrounding the use of local materials (N.B. the number of responses here is small and care should be taken when interpreting these results). The most frequently cited ‘other’ issues included payment rates being set too low, the lack of quality standards, having to use local provenance materials and badly/incorrectly specified projects.

<sup>29</sup> N.B. respondents could cite multiple answers.



**Figure 6.11: Issues that limit the usefulness of the scheme**

Note: respondents could cite multiple answers.

## 6.7. Impact of Tir Gofal on the sourcing of materials

### 6.7.1. Proportion of materials sourced at different scales

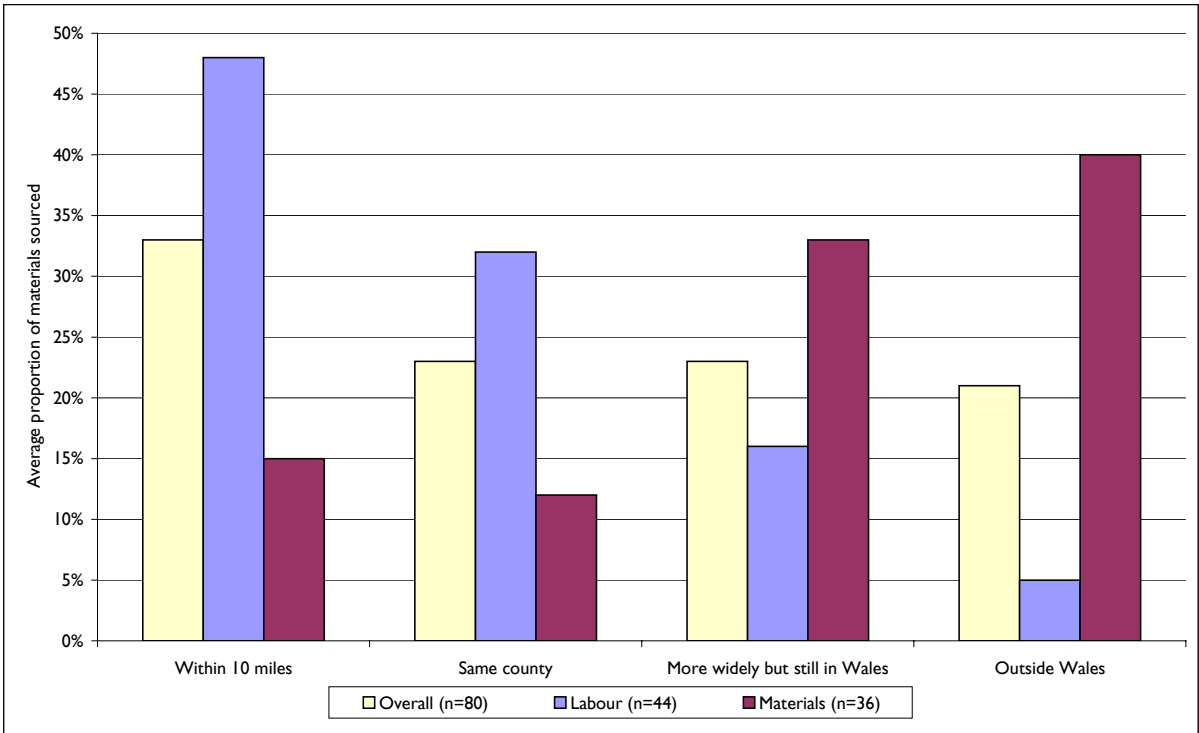
Figure 6.12 shows the proportion of materials sourced by the contractors sampled at four different levels of geography: within ten miles of the contractors business; within the same county as the contractor; more widely (i.e. inter-regional), but still within Wales; and, outside of Wales<sup>30</sup>. The majority (79%) of the materials used by the contractors sampled are sourced within Wales, with around one-third being sourced within 10 miles, 23% within the same region and 23% inter-regionally (but still within Wales). Just over one fifth of all materials are sourced from outside Wales. The relatively large amount of materials sources within 10 miles is quite positive, particularly as this should help to retain employment and income generated by the scheme within the local area. The benefits of this phenomenon have been noted by other studies (see Section 4.3), and it is therefore likely that Tir Gofal is enhancing its contribution to rural development via the local procurement that it stimulates.

There is a clear distinction between the sourcing of materials between the two contractor types. Labour contractors, for example, source the majority of their materials either within 10 miles (48%)

<sup>30</sup> Note that the answers provided for each geographical level were mutually exclusive (i.e. the amount sourced more widely, but still within Wales, excludes the amount sourced within 10 miles of the contractor, and so on).

or within the same region (32%), whereas material contractors source the majority of their materials from outside Wales (40%), with only 15% being sourced within 10 miles and 12% within the same county.

However, in terms of the actual *origin* of manufacture the reader should note that there is often a big difference between the origin of purchase of a material and its origin of manufacture. While the majority (96%) of materials sourced by labour contractors come from within Wales, the proportion that is actually manufactured within Wales is probably much lower. In this sense it is likely that material contractors, who are closer to the distribution and/or retail side of the supply chain, more accurately describe the proportion of materials that actually originate from within Wales. According to this interpretation, some 40% of the items sourced by suppliers do not originate from within Wales. However, with only around 18% of the turnover of material suppliers being attributed to Tir Gofal (Table 6.6) the ‘leakage’ of Tir Gofal expenditure out of Wales through the purchase of materials is likely to be relatively small<sup>31</sup>. This is consistent with the results of other studies, for example, Agra CEAS Consulting (2005a), which estimated that around 4% of Tir Gofal expenditure leaks out of the Welsh economy, either as taxes or imports.



**Figure 6.12: Average proportion of materials sourced at different geographical scales**

<sup>31</sup> N.B. material contractors are probably less likely to be able to assign causality to Tir Gofal and as such the survey results may be an underestimate of the true picture.

### 6.7.2. Regional differences in the sourcing of materials

When the sourcing of materials is broken down by region (Figure 6.13) it can be seen that there is considerable variation in the pattern of material sourcing with contractors in Pembrokeshire, Powys and Carmarthenshire drawing the majority of their materials either within 10 miles or within the same county. In contrast, contractors in Ceredigion (but note sample size) and the North tend to source a greater proportion of their materials either inter-regionally or from outside Wales.

Contractors in the South source, on average, the largest proportion of their materials from outside Wales. Obviously the relatively good transportation infrastructure in this region of Wales facilitates the transport of materials from England. However, the extent to which suppliers of materials in the South are substituting local provenance materials for non-Welsh materials (e.g. for price reasons) is unclear and may warrant further investigation.

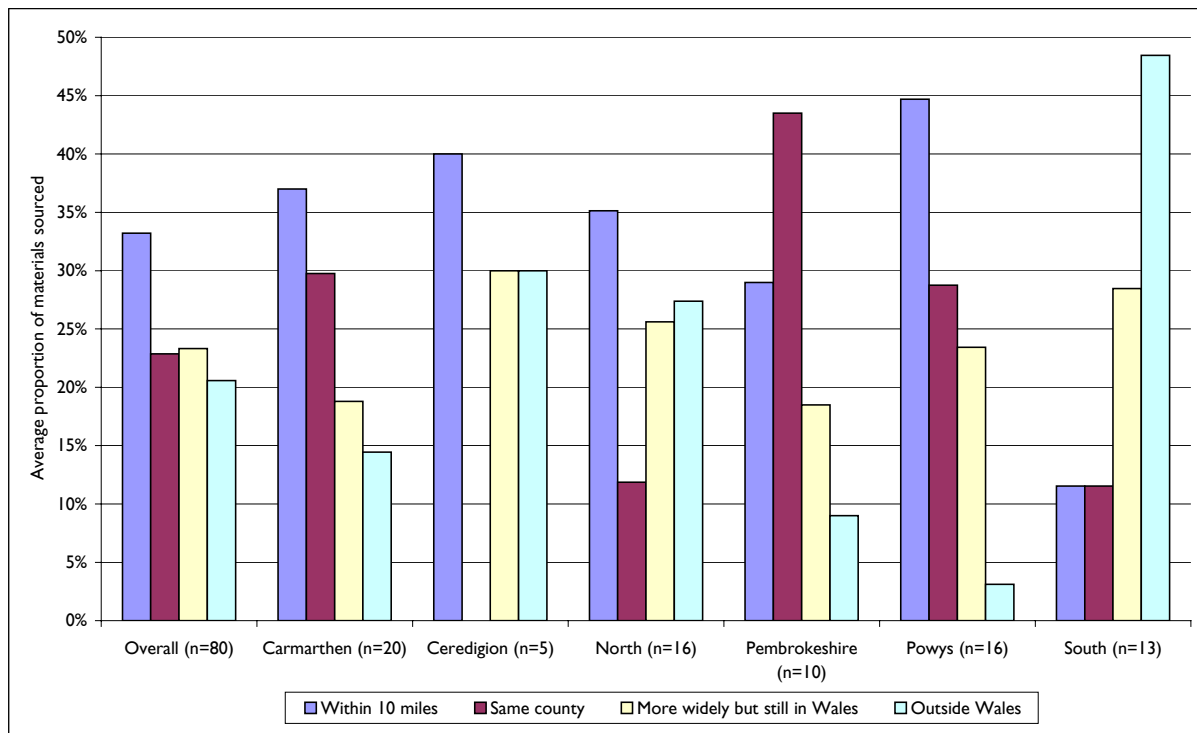


Figure 6.13: Avg. proportion of materials sourced at different scales by region

### 6.7.3. Reasons for non-Welsh procurement

Table 6.9 shows the reasons why contractors fail to source materials and/or services from within Wales. Overall, lack of availability (cited by 86% of respondents) and price concerns (cited by 24%) dominate the issue, with labour contractors displaying greater concern about the price of materials and material suppliers naturally highlighting quality issues. The Table also shows that most contractors agree that greater availability (i.e. via retail/wholesale outlets) would lead them to source more of their materials from within Wales.

**Table 6.9: Causes and cures of non-Welsh materials procurement**

| Reasons      | Why are materials/services are not sourced within Wales |                  |           | Changes needed to ensure that contractors source more materials from within Wales |                  |           |
|--------------|---|------------------|-----------|---|------------------|-----------|
|              | Labour (n=21)   | Materials (n=30) | Overall % | Labour (n=20)   | Materials (n=28) | Overall % |
| Price        | 29%   | 20%              | 24%       | 30%   | 21%              | 25%       |
| Availability | 81%   | 90%              | 86%       | 80%   | 89%              | 85%       |
| Quality      | 5%  | 13%              | 10%       | 10%   | 18%              | 15%       |
| Other        | 10%   | 13%              | 12%       | 0%  | 11%              | 6%        |

Note: respondents could cite multiple answers.

## 6.8. The capacity of the contracting sector to grow and develop

### 6.8.1. Current training and skills development needs

Table 6.10 shows the current and future training/skill development needs that contractors require to meet the standards that their work must meet. Overall the most commonly cited training needs for both types of contractor are similar, these being machinery operation (cited by 61% of the respondents overall) and health and safety legislation (cited by 38% overall). However, different emphasis was placed on certain training needs by the two business types. For example, material suppliers highlighted the need for manual handling, planning legislation training, vehicle operation and the safe use of pesticides (but note the small sample size). Labour contractors focused more on skills such as those relating to boundary features and risk assessment.

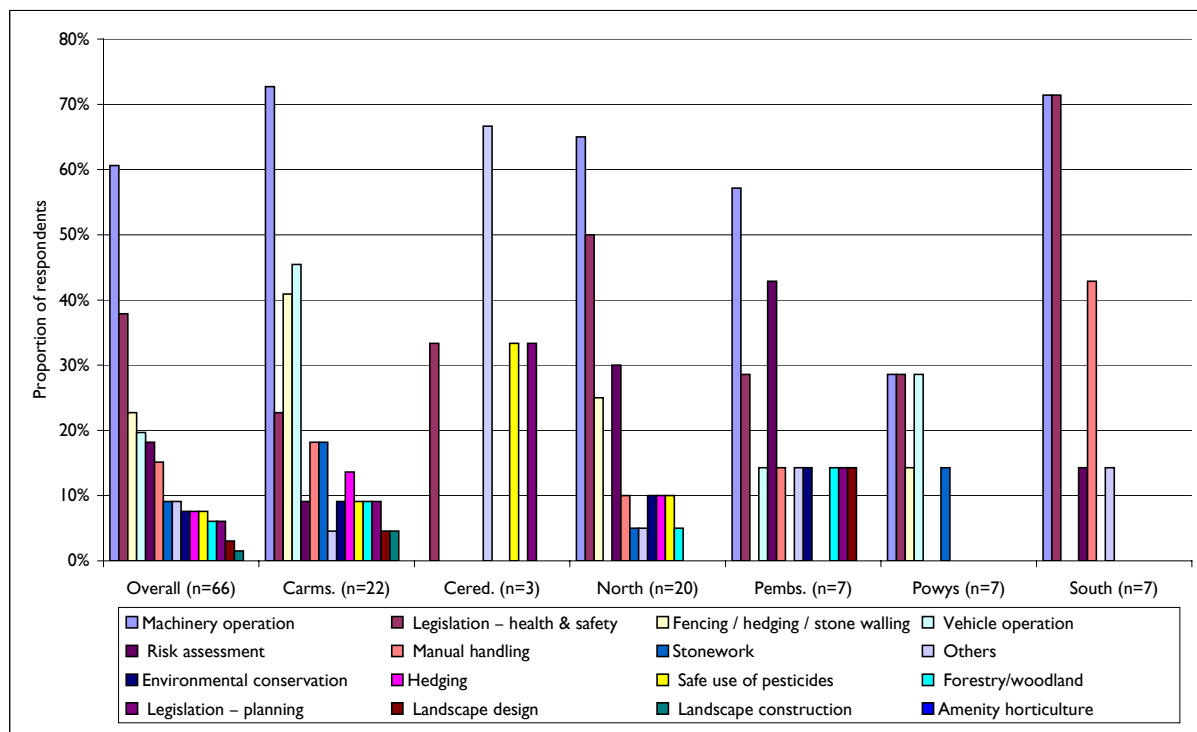
It is interesting to note that the greatest need for training in health and safety legislation is from the material suppliers. While this type of contractor tends to have a larger full-time workforce (see Section 5.3.1) it is not clear whether this represents a decision to further enhance health and safety in these businesses or whether this training is required to meet current standards.

**Table 6.10: Summary of training and skill development needs**

| Specific Training Needed          | Labour (n=49) | Materials (n=17) | Overall (n=66) |
|-----------------------------------|---------------|------------------|----------------|
| Machinery operation               | 65%           | 47%              | 61%            |
| Legislation – health & safety     | 33%           | 53%              | 38%            |
| Fencing / hedging / stone walling | 29%           | 6%               | 23%            |
| Others                            | 24%           | 35%              | 27%            |
| Risk assessment                   | 20%           | 12%              | 18%            |
| Stonework                         | 12%           | 0%               | 9%             |
| Hedging                           | 10%           | 0%               | 8%             |
| Environmental conservation        | 8%            | 6%               | 8%             |
| Forestry/woodland                 | 8%            | 0%               | 6%             |
| Manual handling                   | 6%            | 41%              | 15%            |
| Landscape design                  | 4%            | 0%               | 3%             |
| Safe use of pesticides            | 4%            | 12%              | 6%             |
| Landscape construction            | 2%            | 0%               | 2%             |
| Legislation – planning            | 2%            | 18%              | 6%             |
| Amenity horticulture              | 0%            | 0%               | 0%             |
| Vehicle operation                 | 0%            | 12%              | 3%             |

Note: respondents could cite multiple answers.

Figure 6.14 provides a summary of the training and skill development needs by region. The relatively low sample size in some regions means that care should be taken when interpreting these results.



**Figure 6.14: Summary of main training and skill development needs by region**

Note: respondents could cite multiple answers.

### 6.8.2. Current equipment and technology needs

Table 6.11 shows the equipment and technology needs identified by the sampled businesses. Overall the top three most frequently cited items were hand and power tools, protective gear and chain saws. The needs identified by each type of contractor were generally very similar, the notable exceptions being communications equipment and computers and computer software, which were more frequently identified by material suppliers. Contractors offering labour, on the other hand, were more likely to require specialised fencing tools or machinery.

**Table 6.11: Summary of equipment and technology needs**

|                                     | Labour (n=76) | Materials (n=34) | Overall (n=110) |
|-------------------------------------|---------------|------------------|-----------------|
| Other hand tools / power tools      | 76%           | 85%              | 79%             |
| Protective gear                     | 67%           | 79%              | 71%             |
| Chain saws                          | 62%           | 59%              | 61%             |
| Trailers                            | 57%           | 68%              | 60%             |
| Communication equipment             | 47%           | 74%              | 55%             |
| Towing vehicles                     | 51%           | 62%              | 55%             |
| Tractor units                       | 58%           | 47%              | 55%             |
| Computers                           | 46%           | 74%              | 55%             |
| Computer software                   | 45%           | 74%              | 54%             |
| Specialised fencing tools/machinery | 46%           | 29%              | 41%             |
| Delivery vehicles                   | 28%           | 35%              | 30%             |
| All Terrain Vehicles (ATVs)         | 25%           | 38%              | 29%             |
| Hedge trimmers                      | 25%           | 32%              | 27%             |
| Telescopic handler                  | 25%           | 21%              | 24%             |
| Fork lift                           | 20%           | 29%              | 23%             |
| Others                              | 21%           | 24%              | 22%             |
| Sprayers                            | 21%           | 18%              | 20%             |
| Stone cutter                        | 16%           | 21%              | 17%             |
| Mowers                              | 12%           | 15%              | 13%             |
| Pumps                               | 9%            | 18%              | 12%             |

Note: respondents could cite multiple answers.

### 6.8.3. Future training and skills development needs

By far the most frequently cited future business training need identified was information technology (see Table 6.12). While the extent to which a gap currently exists in the level of IT skills was not investigated as part of this research, other studies (for example, LANTRA, 2003), have identified that Information and Communication Technology (ICT) skills are lacking throughout the environmental and land-based sector and thus the results from this survey appear to reinforce this finding.

Although the sample size for material suppliers was small, the main finding from this analysis is that labour contractors are far more likely to consider that they have training needs. Customer service skills and communication skills were the joint second most frequently cited training need at 32% of the sample. In contrast, material suppliers only cited customer service skills as being a training need in 6% of cases and communication skills were not cited at all.

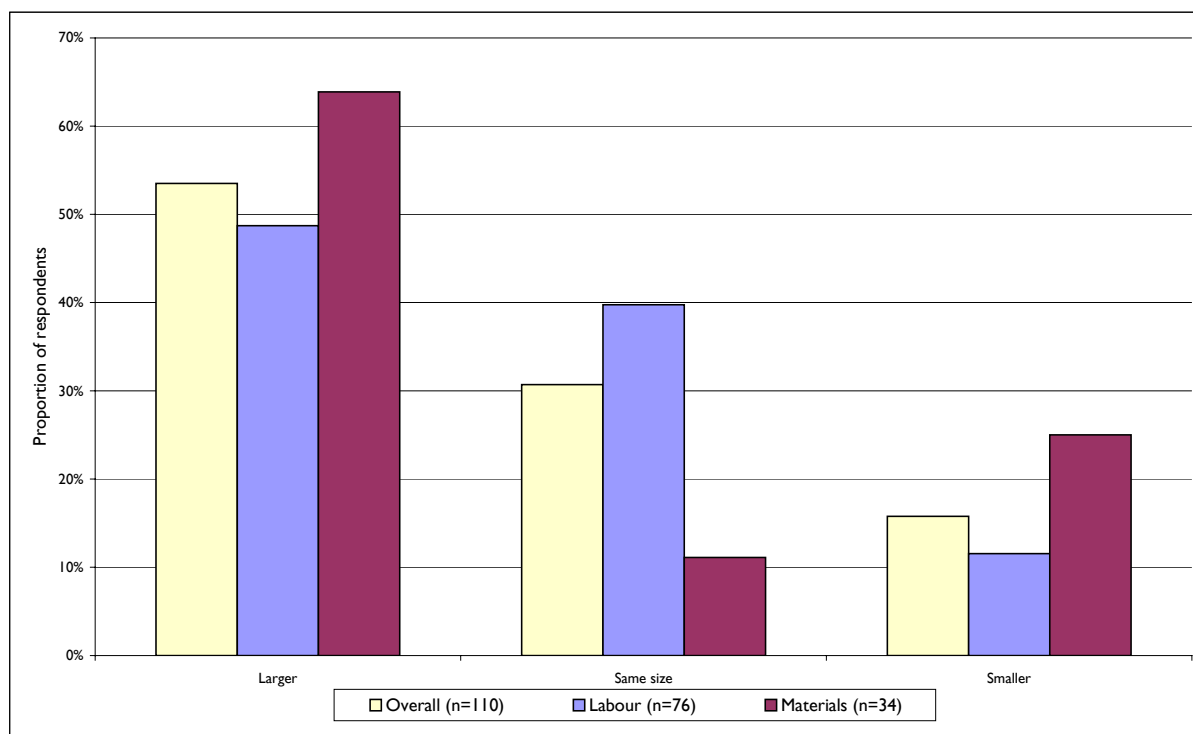
**Table 6.12: Summary of future business/management qualifications/training needs**

| Future training                    | Labour (n=34) | Materials (n=11) | Overall (n=45) |
|------------------------------------|---------------|------------------|----------------|
| Information technology             | 65%           | 29%              | 94%            |
| Customer service skills            | 32%           | 6%               | 38%            |
| Communication                      | 32%           | 0%               | 32%            |
| People management skills           | 24%           | 0%               | 24%            |
| Numeracy                           | 18%           | 0%               | 18%            |
| Team working and leadership skills | 18%           | 0%               | 18%            |
| Finance/accountancy                | 9%            | 6%               | 15%            |
| Contract management                | 12%           | 0%               | 12%            |
| Others                             | 9%            | 3%               | 12%            |
| Project management                 | 9%            | 0%               | 9%             |

Note: respondents could cite multiple answers.

#### 6.8.4. Anticipated future change in contracting businesses

The majority (54%) of contractors sampled anticipate that their turnover will be larger in the future (see Figure 6.15). Material contractors appeared to be more confident about the future with 64% predicting an increase in turnover (compared to be 49% for contractors who mainly supply labour). Just over 30% of all contractors predicted that their turnover would remain the same and the remainder (16%) anticipated a decline. It is also interesting to note that material suppliers generally had a more volatile outlook with only just over 10% expecting turnover to remain the same over five years. Overall 77% of the businesses that predicted that their turnover would either increase or remain the same were aged 20 years or younger and 41% were aged 10 years or younger. This may reflect a business lifecycle with younger businesses expecting (or at least hoping) to expand.



**Figure 6.15: Anticipated change in turnover in five years time**

Table 6.13 shows the breakdown of future turnover expectations by the type of work undertaken. It is interesting to note that contractors providing farm boundary services tend to have more modest expectations regarding future turnover compared to contractors providing non-boundary-related services and materials (although note small sample sizes for some categories).

**Table 6.13: Expected size of contracting business in five years time**

| Work category                          | Larger | Same size | Smaller |
|--|--------|-----------|---------|
| Stonework / building restoration (n=7) | 100%   | 0%        | 0%      |
| Trees / shrub suppliers (n=12)         | 92%    | 0%        | 8%      |
| Woodland (n=19)                        | 80%    | 0%        | 20%     |
| Boundary miscellaneous (n=11)          | 71%    | 29%       | 0%      |
| Timber products (n=8)                  | 56%    | 0%        | 44%     |
| Dry stone walling (n=16)               | 50%    | 42%       | 8%      |
| Hedgelaying (n=3)                      | 50%    | 50%       | 0%      |
| Fencing (n=16)                         | 42%    | 32%       | 26%     |
| Fencing and hedgelaying (n=12)         | 27%    | 73%       | 0%      |
| Miscellaneous (n=10)                   | 25%    | 63%       | 13%     |

### 6.8.5. The role played by Tir Gofal in the future development of contracting businesses

The influence of Tir Gofal on the future size of the businesses surveyed is shown in Figure 6.16. Overall, 50% of the businesses anticipated that their business would be larger, 38% expected it to be the same size and 9% smaller. Only a minority (4%) of respondents felt that Tir Gofal would have no impact on the size of their business in the future. In general the majority of respondents who expected their business to be larger in five years time did not expect Tir Gofal to play a large role in the expansion. In contrast, respondents who expected their business to remain the same size did foresee Tir Gofal playing a large role. Similarly, Tir Gofal was not seen as a major contributing factor for those contractors who expected their business to be smaller in the future. Substantially more material suppliers who expected their business to expand did not expect Tir Gofal to play a role in this compared to labour contractors. Again, this may be at least partially related to the fact that these businesses are more removed from Tir Gofal and may therefore under-estimate its impact.

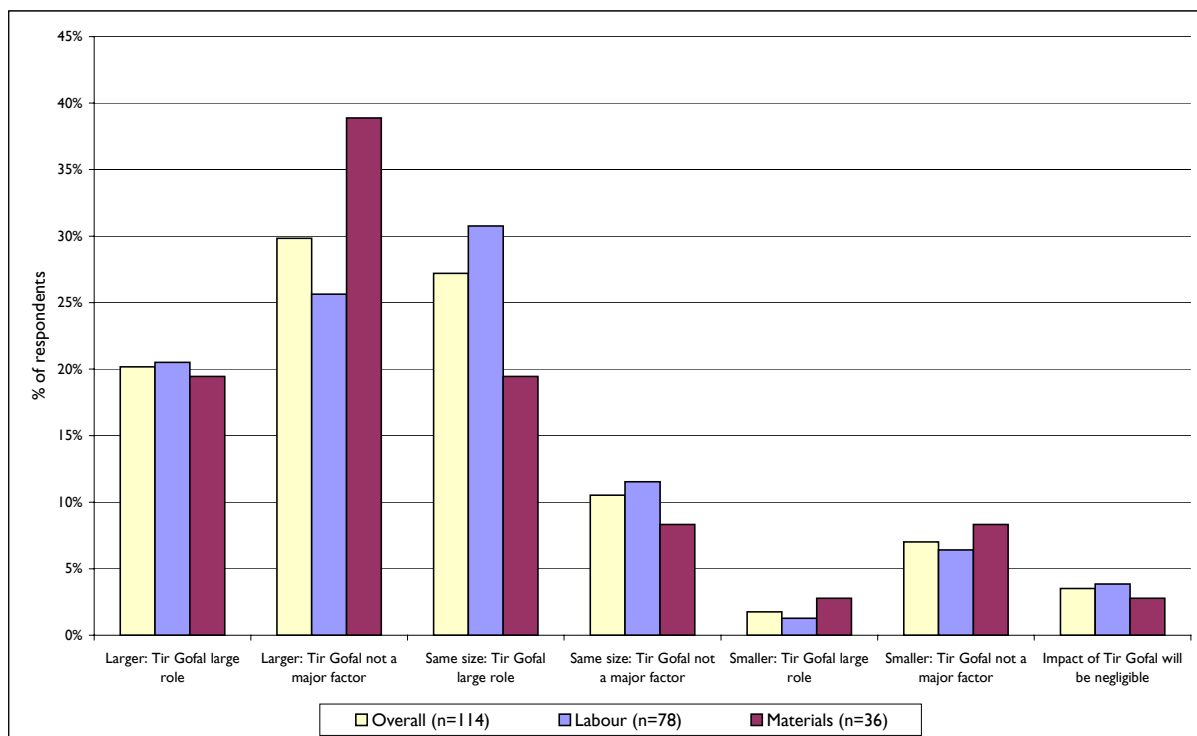


Figure 6.16: Role of Tir Gofal in future size of business

Table 6.14 shows the anticipated future role of Tir Gofal split by the age of business. Overall respondents whose businesses are in the older age groups tend to expect Tir Gofal to play a more important part in the future size of their businesses compared to those in the youngest business age group.

**Table 6.14: Role of Tir Gofal in future size of business by age of business**

| Anticipated future size of business        | 10 years or less<br>(n=45) | 11 to 20 years<br>(n=40) | over 20 years<br>(n=25) | Overall<br>(n=110) <sup>1</sup> |
|--|----------------------------|--------------------------|-------------------------|---------------------------------|
| Larger - Tir Gofal large role              | 13%                        | 30%                      | 16%                     | 20%                             |
| Same size – Tir Gofal large role           | 27%                        | 20%                      | 36%                     | 26%                             |
| Smaller – Tir Gofal large role             | 0%                         | 3%                       | 4%                      | 2%                              |
| Larger – Tir Gofal not a major factor      | 31%                        | 30%                      | 28%                     | 30%                             |
| Same size – Tir Gofal not a major factor   | 16%                        | 8%                       | 8%                      | 11%                             |
| Smaller – Tir Gofal not a major factor     | 9%                         | 8%                       | 4%                      | 7%                              |
| Tir Gofal will be insignificant/negligible | 4%                         | 3%                       | 4%                      | 4%                              |
| <b>Total</b>                               | <b>100%</b>                | <b>100%</b>              | <b>100%</b>             | <b>100%</b>                     |

Note: <sup>1</sup> Four respondents did not provide the age of their business.

## 7. Stakeholder views

A wide range of stakeholder organisations<sup>32</sup> were approached by Agra CEAS and asked to provide comments on the issues examined by this research, namely the:

- impact of the scheme on income and employment;
- extent to which farmers go beyond the farm-gate to meet extra labour requirements;
- impact of the scheme on business confidence and investment plans;
- impact of the scheme on sub-contracting;
- nature of the activities undertaken for Tir Gofal-related work;
- issues regarding Tir Gofal specifications that limit the usefulness of the scheme to contractors;
- sourcing of materials used for Tir Gofal-related work; and,
- key training and skills development challenges faced by contractors (in order for them to meet the environmental standards demanded by Tir Gofal).

The organisations approached were as follows:

- LANTRA (the Sector Skills Council for the environmental and land-based sector);
- Country Land & Business Association;
- National Farmers Union Cymru;
- Farmers Union of Wales (FUW);
- Dry Stone Walling Association;
- Agrisgôp (part of Farming Connect, provides farmers with the opportunity to develop skills and business plans);
- Farming Connect (offers a range of services aimed at improving farm performance and long-term sustainability, including business and specialist agricultural advice, training and grants);
- Cadwyn Cymru / Link Wales (machinery ring);
- NatWest (agricultural finance);
- Coed Cymru (Welsh woodland management charity);
- Forestry Commission;
- CADW (historic environment division within the Welsh Assembly Government);
- Snowdonia National Park Authority;
- BALI (British Association of Landscape Industries);
- Welsh Development Agency - Agri-food Partnership;
- Countryside Council for Wales (Tir Gofal project officers);
- Fforum Tirlun (Wales Landscape Industry Forum); and,
- Welsh Development Agency.

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<sup>32</sup> Identified in conjunction with CCW, Fforum Tirlun and the Welsh Development Agency. In order to stimulate an open and honest debate on the research questions it was agreed that the opinions provided as part of the stakeholder consultation would not be attributed to individuals or organisations.

Responses were received from 12 individuals from 9 organisations. A copy of the letter and topic guide sent to consultees can be found in Appendix 2:

Stakeholder views on each of the research topics are summarised and presented below.

### **7.1. Impact of Tir Gofal on income**

In nearly all cases it was reported that Tir Gofal contributes positively to the incomes of land-based contractors who supply labour and/or materials to scheme beneficiaries. For some contractors, the proportion of their work made up by Tir Gofal-related activities was reported to be significant, particularly for contractors who provide field boundary-related services.

While some stakeholders indicated that the income generated through Tir Gofal-related activities has enabled some contractors to remain in business, others have been able to expand as a result of the scheme, particularly those involved in general construction and the supply of fencing and specialist building materials. In some cases, the scheme has created opportunities, such as the restoration of traditional farm buildings, which were previously a much less significant source of income for contractors.

It was also reported that Tir Gofal has led to a number of business start-ups, both within the agricultural sector (e.g. for farmers' sons) and outside of it. Results from the survey (see Section 6.4) suggest that the impact of the scheme on setting-up new businesses was most pronounced among contractors who had been in business between 11 and 20 years, although the overall impact on setting-up appeared to be modest. Again, several stakeholders noted the important role played by boundary-related activities in the income of contractors, as well as the positive knock-on effect for the suppliers of fencing materials and other boundary-related items.

In North Wales, local agri-environment schemes, such as Tir Eryri in Snowdonia, have added further to the demand for land-based contractors. Here, for example, it is estimated that as much as 50% of the income of some contractors can be attributed to agri-environment schemes (both national and local), although the proportion of this relating specifically to work induced by Tir Gofal is unknown.

Several stakeholders highlighted the importance of Tir Gofal's capital works element which is felt to have a particularly strong impact on contractor income. For example, supported restoration of traditional farms buildings is perceived as having a significant impact on the overall volume of conservation building work undertaken in rural Wales, much of which is undertaken by contractors<sup>33</sup>. Additionally the protection of historic earthworks, stone structures and buried archaeological remains, while frequently carried out by the farmer, has also led to additional work for some contractors, particularly where extensive ground work has been necessary.

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<sup>33</sup> Agra CEAS Consulting (2005) found that payments for traditional buildings made up a relatively large proportion (7.4%, equivalent to around £520,000) of the total capital works payments in the first three years of the scheme. Overall payments for traditional buildings were among the top five capital works activities, the others being fencing (44.2%), dry stone walling (15.3%), gates/stiles (10.2%) and hedgerows (9.2%).

None of the stakeholders reported any negative impacts on contractor income. However, one did highlight the fact that Tir Gofal only tends to create demand for a narrow range of services and that the induced demand for more general non-agricultural services, such as landscaping, is minimal.

The general consensus among stakeholders is that the land-based contracting sector has, in terms of income, benefited considerably from Tir Gofal. Not only has the scheme apparently acted as a buffer for more marginal suppliers (against negative income effects caused by the general downturn in the agricultural sector), it has also led to business expansion and specialisation within the industry to the extent that demand in some areas outstrips supply.

In general, however, the most positive impacts on contractor income resulting from Tir Gofal appear to occur where contractors are involved in boundary-related activities supported by the capital works element of the scheme.

## **7.2. Impact of Tir Gofal on employment**

Some stakeholders acknowledge the fact that Tir Gofal-induced stock reductions may have led to the loss of some on-farm labour. However, it was also recognised that the additional work created by Tir Gofal is likely to have off-set these job losses and is likely to have led to improved employment opportunities overall, although it is unclear whether these jobs are for the same people.

Several stakeholders highlighted the fact that many farmer-contractors also benefit from the contracting opportunities presented by Tir Gofal. While this has obvious benefits for the financial viability of the farm businesses owned by these contractors, stakeholders also highlighted the positive impact for on-farm and family-farm employment. The seasonal nature of some capital work projects, for example hedgelaying generally takes place between autumn and early spring, was cited by some as helping to counteract the seasonal employment effects that are associated with the agricultural calendar. However, for farmer contractors it is recognised that Tir Gofal-related activities are more likely to lead to the maintenance of on-farm/family-farm labour, rather than the creation of jobs.

Other stakeholders also acknowledged the positive impact that Tir Gofal has on employment for non-farmer contractors. Anecdotal evidence suggests that a number of small businesses (with less than 5 employees) which provide hedgelaying and dry stone walling services have been established as a result of the demand created by Tir Gofal. However, the extent to which these businesses are creating full-time employment was not clear among stakeholders. An indirect positive impact on employment amongst suppliers of fencing materials was also highlighted as a result of Tir Gofal.

That said, some stakeholders recognised that not all land-based contractors are able to benefit from Tir Gofal. For example, the services offered by some contractors simply do not correlate well with the activities required by the scheme's prescriptions. Additionally it was recognised that for some activities, such as woodland creation/maintenance, the more viable and practical opportunities tend to lie outside of Tir Gofal (for example, with the Forestry Commission, Local Authorities and other

rural land-based schemes such as the Woodland Grant Scheme and the Farm Woodland Premium Scheme).

### **7.3. Extent to which farmers go beyond the farm-gate to meet extra labour requirements**

Several stakeholders recognise that the use of external labour is closely correlated with both farm size<sup>34</sup> and the degree to which the additional work requires specialist skills. One stakeholder noted that external contractors are ‘absolutely essential to most agreement holders with significant amounts of capital works’. However, others highlighted the fact that the use of contractors might also be driven simply by the need to meet scheme standards, something that is not always possible given the limited resources on some farms.

Stakeholder views on whether contractors are affordable yielded conflicting views. While some perceive that Tir Gofal provides 100% of the costs of external labour, some reported that farmers often have to pay an additional 25% to 50% over and above what they receive from Tir Gofal in capital works payments. It is possible that affordability issues might exist due to local/regional variations in supply and demand (see Section 6.2 for a discussion on this subject). Indeed, one stakeholder noted that demand for labour in their area was such that contractors were frequently booked-up well into the future. However, it was also noted that contractors tend to adjust their prices (e.g. for materials) in-line with increases to Tir Gofal payments.

### **7.4. Impact of the scheme on business confidence and investment plans**

Several stakeholders reported that some contractors are actively promoting their services to the Tir Gofal market, particularly in areas with a high proportion of part-time farmers or smallholdings. This view is consistent with the findings of Agra CEAS Consulting (2003) who noted the development of a substantial agri-environment service sector. Examples include contractors whose advertisements state that Tir Gofal work is undertaken and material suppliers who advertise items such as ‘Tir Gofal gates’<sup>35</sup>.

Overall, the general opinion is that Tir Gofal (and its predecessor Tir Cymen) has created a market for contractors to expand into. Several stakeholders also added that Tir Gofal has provided a secure baseline that facilitates longer-term planning.

While several stakeholders focused on the impact of the scheme on-farm they also recognised that the added security offered by Tir Gofal has positive knock-on benefits for the wider rural economy.

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<sup>34</sup> Previous research (Agra CEAS Consulting, 2005) found that Tir Gofal-related labour use is a function of scale with larger farms (with large capital work programmes) experiencing higher increases in additional labour demand. As the amount of additional work increases, a larger proportion is carried out by additional labour.

<sup>35</sup> Payments for Welsh oak gates and fencing are included under Tir Gofal capital works.

Nevertheless, it was noted by some that business confidence among contractors may be tempered by the recent review of Tir Gofal payment rates<sup>36</sup>.

### **7.5. Impact of the scheme on sub-contracting**

The majority of stakeholders did not offer an opinion on this issue. Of those who did it is clear that the sub-contracting of Tir Gofal work occurs primarily in the more successful businesses due to excess demand.

Sub-contracting is preferred by contractors for a range of reasons including the fact that it is a cheaper and less risky alternative to employing additional permanent staff. Additionally, sub-contracting helps to counter some of the problems associated with the seasonal nature of some Tir Gofal activities (i.e. the use of sub-contracted labour can be adjusted as required).

### **7.6. Nature of the activities undertaken for Tir Gofal-related work**

The majority of stakeholders reported that the dominant activities undertaken by contractors involved traditional field boundaries (i.e. hedgelaying, fencing, dry stone walling) and the restoration of traditional farm buildings.

In the case of field boundaries it was recognised by some stakeholders that the standards imposed by Tir Gofal have helped to improve the quality of work. However, others were of the view that really high quality work is not widely practised since Tir Gofal payments are not usually high enough to cover the additional cost. One stakeholder also noted that better rates of pay can often be obtained for work unrelated to Tir Gofal (for example, for Local Authorities), and that this can compound shortfalls in the supply of contract labour (again see the survey results Section 6.2 for a discussion on this subject).

The restoration of traditional farm buildings supported under Tir Gofal was acknowledged as being a common activity amongst the contracting sector. One stakeholder suggested that since this activity frequently involves roofing, joinery, stonework and more traditional building materials and methods (e.g. such as working with lime), Tir Gofal is helping to improve the local skills base as well as helping to raise awareness of traditional craft skills. However, it was also recognised that the demand for new housing often draws contractors away from Tir Gofal projects as the work is more financially attractive (an issue that was highlighted by the survey, again see Section 6.2).

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<sup>36</sup> The CAP Reform Regulations (Council Regulations (EC) No. 1782/2003 and No. 1783/2003) require that Member States remove any element of compensation through agri-environment schemes for the loss of subsidy as a result of decoupling Pillar I support from production. In Wales affected agri-environmental schemes include Tir Gofal, Tir Cymen, ESAs, the Habitat and Organic schemes. Annual management payments are likely to fall on average by around 13% whilst capital work payments will either remain the same or will increase. However, the extent of this adjustment is limited by the outcome of the Tir Gofal payment rate review (see Section 1.1.2). Compensation for income foregone generally made up between 25% and 30% of most Tir Gofal management payments. Not adjusting for this following the removal of price support and extension of direct payments would have resulted in the Single Farm Payment (SFP) and Tir Gofal together over-paying farmers around £4 million a year. Similar reviews of agri-environment payment levels have been carried out throughout the UK.

Other activities supported under Tir Gofal and carried out by the contracting sector reported by stakeholders included tree planting and the creation of footpaths for permissive access. It was noted that prior to Tir Gofal these types of work tended to only be carried out by contractors for Local Authorities and National Parks and that Tir Gofal therefore represents a new market for some contractors.

### **7.7. Issues regarding Tir Gofal specifications that limit the usefulness of the scheme to contractors**

The most commonly cited issues regarding Tir Gofal specifications were:

- capital works deadlines;
- availability of local provenance materials; and,
- monitoring of standards.

Several stakeholders suggested that capital work should be phased over a longer period of time (for example, 10 years rather than the current 5), and that greater flexibility should be built into deadlines because there are often genuine reasons why work cannot be completed to schedule.

The use of local provenance material was the second most cited issue. While most of the stakeholders who commented on this agreed that the use of locally sourced materials is a positive feature of Tir Gofal, they were unanimous in the opinion that supply often falls short of demand. For example, one response noted that local provenance stock for hedging plants is not always easily available (particularly at short notice), and producers are having to use non-local stock in order meet demand). This was also mentioned as an issue by some survey respondents (see Section 6.6).

Finally, several stakeholders suggested that more could be done to ensure that the quality of work undertaken is of the highest standard possible, possibly via an enhanced monitoring regime. It was suggested that some form of accreditation scheme for contractors could be implemented to help maintain and improve standards<sup>37</sup>.

### **7.8. Sourcing of materials used for Tir Gofal-related work**

Of those stakeholders who provided an opinion on this issue, most agreed that basic materials tend to be sourced locally or regionally within Wales from a small number of key suppliers (e.g. farmer co-operatives). However, some commented that it is often necessary to go further afield to find more specialised materials, which again tend to only be provided by a small number of key suppliers.

One stakeholder suggested that the small scale of some contracting businesses means that materials have to be purchased locally. However, it was recognised that local suppliers are not always the cheapest and this might be having an impact on the cost of some projects. To counter this it was

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<sup>37</sup> CCW already maintains a directory of suppliers that is available to Tir Gofal agreement holders. However, CCW does not guarantee the quality, capability or capacity of any of the contractors listed in the directory.

suggested that capital works payments could include a premium for local procurement. However, another stakeholder noted that locally produced fencing materials can be in short supply and that this can lead to problems for larger projects.

Another stakeholder noted that some Tir Gofal activities, such as work on historic features and the restoration of traditional farm buildings, are effective in ensuring that local materials are used (i.e. it is often a condition of support). However, it was pointed out that locally procured materials are not always locally manufactured. One case-in-point provided was planting stock which has become increasingly available from within Wales, but which is not always of local provenance. The availability of hedging plants, for example, was of particular concern for one stakeholder who reported that there is insufficient supply of local provenance stock and this forces small local producers to import stock from England in order to meet demand.

### **7.9. Key training and skills development challenges faced by contractors**

Comprehensive views on this issue were received from the majority of stakeholders who replied. Almost all reported that the skills base is currently not sufficiently well developed to meet all the demands imposed by agri-environment schemes such as Tir Gofal. Some respondents indicated that delays in the completion of more specialised activities are occurring due to a shortage of skilled contractors. For example, it was reported that building expertise, needed to meet the demand for the restoration of traditional buildings, is in very short supply (especially at the local scale). Finding builders confident in using lime-based materials was also cited as being a particular problem. Another stakeholder added that although awareness of the importance and benefits of working according to conservation standards is increasing, there remains some scepticism over the efficacy of traditional materials and techniques. However, it was also recognised that the demand for building skills is contributing positively to the maintenance and creation of employment and the development of skills in the wider rural economy.

Another stakeholder indicated that ‘craftsmen’ hedgelayers are currently in short supply, a problem that is exacerbated as skilled practitioners retire. The threat is that these skills will be lost unless the demand for traditional and local hedgelaying styles generated by schemes such as Tir Gofal is increased. Improvement of heather and moorland management skills was cited by another stakeholder as being a priority area for development in order to ensure the successful delivery of Tir Gofal prescriptions by some landholders.

One suggested solution was a mechanism to recognise the expertise that already exists, for example by establishing a formal accreditation scheme (see Section 7.7). This would also help to make skills more transferable to other business sectors. The establishment of a contractor ‘demonstration’ network was also suggested.

The issues of whether appropriate training exists, whether it is accessible, and how training deficiencies might be addressed also generated a good response from stakeholders.

One reported that while training for the more widely used skills is already well catered for (and is usually easily accessed), contractors often have to travel further afield for more specialised training (or pay for tailored tuition). Several stakeholders also suggested that skills training for smaller contractors, who might find it more difficult to take time out, could be improved by encouraging training agencies to contribute to either free training or reduced cost training to contractors on a local basis. In combination with this it was suggested that training agencies could do more to encourage attendance at awareness days and training events. However, there was some indication that contractors are actively seeking training in order to enhance their offering, particularly for boundary-related activities such as dry stone walling, hedgelaying and fencing.

Finally, several stakeholders called for improvement in training provision for specific skills such as business management, habitat management and the protection of historic features. However, it was recognised that actually getting people to attend training courses is in itself a considerable challenge.

## 8. Conclusions and recommendations

This Chapter provides conclusions and recommendations based on the data collected and analysed through the course of this research. Section 8.2 provides recommendations based on the research findings.

The overall objectives of this research were to investigate the role played by Tir Gofal in stimulating work for land-based contractors in Wales. These objectives are summarised below:

- To examine contractors benefiting from Tir Gofal and to describe their general characteristics;
- To assess the impact of the scheme on turnover and income, employment, business confidence and current or future investment plans and to look at the extent of sub-contracting;
- To assess the extent to which Tir Gofal contractors source materials and services locally; and,
- To assess the capacity of the contracting business to grow and develop.

With the exception of the first objective (the findings for which can be found in Chapter 5), the following sub-sections provide general conclusions based on these objectives.

It should be noted that this has been a socio-economic assessment of the impact of Tir Gofal on the land-based contracting sector in Wales. The conclusions and recommendations therefore are derived very much from an economic point of view. However, Tir Gofal is first and foremost an agri-environmental scheme and it is in this context that scheme performance should mainly be considered.

### 8.1. Conclusions

#### 8.1.1. Impact on turnover and income

For all businesses sampled the proportion of turnover and income derived from the scheme was on average around 24% and 23%, respectively, indicating that services/products provided to Tir Gofal beneficiaries are generally as profitable as other activities engaged in. However, there is considerable regional variation in both the overall contribution of Tir Gofal to turnover and income and also in the relationship between the two.

Contractors sampled in the North derived the largest proportion of turnover and income from Tir Gofal (over 30% in both cases) while those in the South and Pembrokeshire derived less (with contribution to income being lower than contribution to turnover suggesting that Tir Gofal activities are less profitable than other activities in these regions).

This difference between contribution to turnover and income may suggest that the incentive for contractors to undertake Tir Gofal-related activities is variable, due to the fact that greater margins on turnover can be obtained from other activities.

Businesses predominantly providing materials a smaller proportion of their turnover and income from Tir Gofal compared to those who mainly supply labour. This is primarily because material contractors are less dependent on Tir Gofal as they are more likely to have a diverse range of products and customers. They may also be less aware that their products are to be used by Tir Gofal beneficiaries.

While Tir Gofal makes a relatively high contribution to turnover and income for a small number of businesses the contribution from Tir Gofal overall is relatively small. This suggests that some contractors and suppliers are far more engaged with supplying Tir Gofal services than others. The role of the scheme as a driver for these particular businesses will therefore be more significant than it is at the aggregate level.

Tir Gofal contributes the largest proportions of turnover and income for contractors involved in most of the boundary-related activities, a point also made by the stakeholders consulted. The exception is hedgelaying, where a greater difference between contribution to turnover and income is also noted. This suggests that the profitability of Tir Gofal-related activities in this category is lower than the other activities contributing to turnover and this may explain the relatively lower contribution that Tir Gofal makes to turnover for businesses engaged in this activity.

The ratio between the average contribution of Tir Gofal to turnover and to income varies between activities which suggests that some Tir Gofal activities are more financially attractive than others. It also suggests that other activities engaged in may be more profitable than those related to Tir Gofal.

Businesses providing 'miscellaneous' activities appear to derive the best margins on turnover and may be obtaining a 'premium' for some of the services they provide. Due to the relatively high proportion of work carried out in the summer by these businesses this 'premium' may at least in part be derived from the provision of labour during busy periods in the agricultural calendar.

### **8.1.2. Impact on employment**

A total of 93 jobs were employed or retained among the sample as a result of Tir Gofal-related activities. Of these the majority were existing staff who were been retained. Most of these positions were full-time. For the sample as a whole (i.e. including those who did not report a change), the overall rate of employment creation was 0.2 FTEs per contractor.

Tir Gofal tends to impact more on job retention (and hence job security) compared to job creation. This is particularly the case for material suppliers who tended to retain full-time and part-time employees as a consequence of Tir Gofal at almost three times the rate compared to labour contractors.

The relatively high rates of employment retention among material suppliers is due to the fact that this type of contractor is more likely to be involved in retail/wholesale businesses that probably rely

more on part-time workers. It is also interesting to note that rate of retention of full and part-time workers among labour contractors is also relatively high (compared to job creation) which suggests that the land-based contracting sector in general depends relatively heavily on part-time workers.

It is interesting to note that the most of the jobs created or maintained involved younger businesses (i.e. those that had been in business for ten years or less). This suggests that these businesses have the best potential for increasing employment (i.e. they are in a phase of expansion) compared to older businesses.

Overall Tir Gofal-related activities appear to make an important contribution to rural land-based employment opportunities, particularly in securing existing full-time and part-time jobs.

### **8.1.3. Impact on business confidence and current or future investment plans**

The level of importance attached to the scheme is (proportionally) similar between labour contractors and suppliers of material, with the proportion of respondents reporting that the scheme is or will become 'important' to their business increasing, most notably amongst labour contractors. The reasons for this are most likely due to the increasing uptake of Tir Gofal over time which suggests that the scheme, due to both first round and secondary effects, may be playing an increasingly important role in the rural economy.

A smaller proportion of material suppliers consider Tir Gofal to be 'essential' to their business compared to labour contractors, most likely due to the fact that contractors who predominantly supply materials tend not to be associated with any one particular agri-environment scheme or agricultural sector. In this sense material suppliers tend to display a lesser degree of specialisation towards Tir Gofal compared to labour contractors.

Tir Gofal is currently of greatest importance (i.e. 'essential') to the youngest group of businesses (established 10 years or less) and least important to the oldest group (established for 21 years or more). Moreover, an increasing proportion of the youngest business group reported that Tir Gofal is expected to become more 'essential' to their business in the future. These findings are consistent with the comments of some stakeholders who indicated that Tir Gofal (and its predecessor Tir Cymen) has created a market for contractors to expand into, as well as providing a secure baseline that facilitates longer-term planning.

As with the impact on employment, younger contracting businesses appear to derive the most benefit from Tir Gofal. While this is partly due to the fact that Tir Gofal, and agri-environment schemes in general, are a relatively recent phenomena, it also suggests that younger businesses are perhaps more 'open' to the opportunities presented by the scheme. The difficulty lies in trying to establish the precise cause of this as a number of factors are likely to be at play. For example, the owners/managers of the younger businesses, as a result of better training/education, might display greater environmental awareness which in turn is being channelled into the establishment and development of environmentally oriented land-based businesses. Furthermore, the training, business

support, accreditation and funding opportunities that are now available, coupled with the demand generated by schemes such as Tir Gofal, may be helping younger businesses to capture and take advantage of new opportunities.

The majority of businesses sampled indicated that the scheme has led to increased sales and/or expansion of the business, although Tir Gofal tends not to be a major factor in the creation of new business. This finding correlates well with the earlier findings on employment that suggested that the scheme had mainly enhanced the security of existing jobs rather than creating new ones.

Overall the main type of investment stimulated by involvement in Tir Gofal-related activities was in new machinery and equipment. Investments in training courses and buildings were more likely amongst material supplier respondents. In terms of future investment decisions, only 15% of the overall sample indicated that they were planning investments as a result of their involvement with Tir Gofal.

Tir Gofal's influence in setting up businesses was most pronounced amongst the 11 to 20 year old businesses which suggests that these may have seen an early opportunity to provide services. Businesses between 11 and 20 years old were far more likely to have increased employment as a result of Tir Gofal than all other groups (although as noted above Tir Gofal is not a major driver of new businesses).

The majority of respondents agreed or strongly agreed that they had more work as a result of Tir Gofal and this was skewed towards the younger businesses (established for 10 years or less). The majority of respondents who did not agree with the statement were predominately labour suppliers who were mainly involved non-boundary-related activities. Again, this tends to support the earlier finding that Tir Gofal has been particularly beneficial to contractors involved in fencing, hedgelaying and dry stone walling.

Just under half of the businesses sampled reported that there are issues with the scheme that limit its usefulness to them. Most indicated that the deadlines for the completion of work demanded by Tir Gofal were problematic. This issue was particularly prominent for labour contractors. Material suppliers more frequently cited issues surrounding the use of local materials.

#### **8.1.4. Extent of sub-contracting**

The extent of sub-contracting among the contractors sampled was limited with around 11% indicating that they had sub-contracted Tir Gofal-related work. The main cause of sub-contracting work was excess demand. The main activities sub-contracted were boundary-related.

#### **8.1.5. Sourcing of materials and services**

The majority of the materials used by the contractors sampled are sourced within Wales, with around one-third being sourced within 10 miles, 23% within the same region and 23% inter-regionally (but still within Wales). Just over one fifth of all materials are sourced from outside Wales.

The relatively large amount of materials sourced within 10 miles is quite positive, particularly as this helps to retain employment and income generated by the scheme within the local area. It is likely that Tir Gofal is enhancing its contribution to rural development via the local procurement that it stimulates.

There is a clear distinction between the sourcing of materials between the two business types. Labour contractors tend to source the majority of their materials either within 10 miles or within the same region (32%). Material contractors, on the other hand, source the greatest proportion of their materials from outside Wales (40%). However, with only around 18% of the turnover of material suppliers being attributed to Tir Gofal the 'leakage' of Tir Gofal expenditure out of Wales through the purchase of materials is likely to be relatively small.

There is considerable regional variation in the pattern of material sourcing by contractors. Contractors in the South of Wales source, on average, obtain the largest proportion of their materials from outside Wales. Lack of availability and price concerns dominate the reasons offered as to why more materials are not sourced locally.

#### **8.1.6. Capacity of businesses to grow and develop as a result of Tir Gofal**

The most commonly cited training needs for both types of business are similar, namely machinery operation and health and safety legislation. However, different emphasis was placed on certain training needs by the two business types. Labour contractors were far more likely to consider that they have training needs. The top three most frequently cited equipment and technology needs was also consistent between labour and materials suppliers.

By far the most frequently cited *future* business training need identified was information technology. This was consistent with other studies which have identified that Information and Communication Technology (ICT) skills are lacking throughout the environmental and land-based sector (see for example LANTRA, 2003).

The majority of businesses anticipated that their turnover will be larger in the future, with material suppliers appearing to be more confident about this. However, material suppliers generally had a more volatile outlook with a minority expecting turnover to remain the same over five years. The majority of the businesses that predicted that their turnover would either increase or remain the same had been established for less than 21 years. This may reflect a business lifecycle with younger businesses expecting (or at least hoping) to expand. Contractors providing farm boundary services tend to have more modest expectations regarding future turnover compared to contractors providing non-boundary-related services and supplying materials.

Around half of businesses sampled expected their business to be larger in the future as a result of Tir Gofal with only a minority reporting that Tir Gofal would have no impact on the size of their business in the future. In general the majority of respondents who expected their business to be

larger in five years time did not expect Tir Gofal to play a large role in the expansion. In contrast, respondents who expected their business to remain the same size did foresee Tir Gofal playing a large role.

## **8.2. Recommendations**

It should be reiterated that this research has examined the socio-economic impact of Tir Gofal and that recommendations made from this point of view will require consideration within the framework of the environmental objectives of the scheme.

Just under half of the contractors sampled reported issues with the scheme that limits its usefulness to them. The key issues were deadlines for the completion of work and the use of local provenance materials (less frequently cited issues included payment rates being set too low, the lack of quality standards, and badly/incorrectly specified projects). There may be scope in the future to mitigate these problems as the scheme develops. For example, the issues relating to project completion deadlines and the use of local provenance materials could be alleviated by introducing greater flexibility into the scheme, particularly where valid reasons exist for missed deadlines or non-use of local materials.

In terms of the materials used for Tir Gofal-related projects it was found that around one-fifth are sourced from outside Wales. Contractors in the South sourced the largest proportion of their materials from outside Wales. Obviously this finding has implications both for the use of local provenance materials and the 'leakage' of Tir Gofal money out of the country. There is therefore scope to investigate whether incentives could be created for Welsh manufacturers and suppliers of materials to develop and expand their services so that the supply of, and access to, Welsh provenance materials is improved. At the same time a 'promotional' campaign could be developed to raise awareness among agreement holders of the benefits of using local provenance materials. Part of this might include a catalogue of local provenance materials produced in conjunction with suppliers.

Comprehensive views on training and skills development challenges faced by contractors were received from the majority of stakeholders consulted. Almost all reported that the skills base is currently not sufficiently well developed to meet all the demands imposed by agri-environment schemes such as Tir Gofal. This was also borne out by the results of the survey. In order to alleviate this situation there may be a case for instigating better training options targeted at all agri-environment schemes under the Wales Rural Development Plan. This not only recognises the switch in emphasis from Pillar I CAP activities to Pillar II activities but also the positive impacts that such schemes have on wider rural development issues.

The main training needs identified fall into two main categories: practical skills and business management skills. There is a need for training targeting specific skills, such as, for example, those needed for the restoration of traditional buildings, heather and moorland management, and 'craftsmen' level hedgelaying. The survey also identified a more general need for training in

machinery operation to support these specific skills. Secondly, a number of business management training needs were identified. These included training in health and safety legislation, planning legislation, risk assessment, general business skills (e.g. customer service and communication), and information technology. It is likely that the delivery of training would involve a range of providers to ensure that the gaps identified are adequately filled.

The survey element of this research was based on a database of businesses supplying labour and materials to Tir Gofal beneficiaries. However, CCW do not make any claim as to the quality of these contractors. This leaves open the possibility that some businesses are providing a better service than others. The Welsh Assembly Government could therefore consider the merits of an accreditation scheme for labour contractors and material suppliers when it assumes administration of the scheme in 2007. This may serve to enhance the quality of works carried out under Tir Gofal and would reduce the risk of unreasonable pricing.

### **8.2.1. Possible areas for further research**

The extent to which contractors charge a premium for Tir Gofal-related work is not clear. The threat is that the inflation of contractor costs might eventually become a barrier to entry to Tir Gofal, and agri-environment schemes in general. If a premium does exist it may also be interesting to investigate whether this leads to better quality work.

Some respondents acknowledge the fact that Tir Gofal-induced stock reductions may have led to the loss of some on-farm labour. However, it was also recognised that the additional work created by Tir Gofal is likely to have off-set these job losses and is likely to have led to improved employment opportunities overall. At this point the net impact remains unknown.

It is evident that many farmer-contractors also benefit from the contracting opportunities presented by Tir Gofal. While this has obvious benefits for the financial viability of the farm businesses owned by these contractors, respondents also highlighted the positive impact for on-farm and family-farm employment. The seasonal nature of some capital work projects was also cited as helping to counteract the seasonal employment effects that are associated with the agricultural calendar. Further research may highlight the extent to which Tir Gofal can safeguard the viability of such farms.

The difference between contribution to turnover and income highlighted by this research may suggest that the incentive for contractors to undertake Tir Gofal-related activities is variable, due to the fact that greater margins on turnover can be obtained from other activities. The reasons for this are complex, but are likely to be a function of the nature of the farming in each region, the relative geographical distribution/density of Tir Gofal agreements, and the availability of land-based work outside of Tir Gofal which is more rewarding financially. However, the extent to which this creates problems in the availability or affordability of contractors for Tir Gofal-related work is currently unclear and such would benefit from further research

Contractors in the South source, on average, the largest proportion of their materials from outside Wales. Obviously the relatively good transportation infrastructure in this region of Wales facilitates the transport of materials from England. However, the extent to which suppliers of materials in the South are substituting local provenance materials for non-Welsh materials (e.g. for price reasons) is also unclear and follow-up research with beneficiaries, contractors and Tir Gofal officers would increase understanding of the driving forces behind this practice.

Finally, this research noted a difference between the mean and the median contribution of Tir Gofal for businesses supplying materials. The fact that median contribution to income is proportionally much smaller than median contribution to turnover suggests that a small number of businesses find Tir Gofal products more profitable than is generally the case. Further research to understand this relationship in more detail might be revealing.

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## Appendix 2: Survey questionnaire

### Screening questions

1. Are you a supplier of products or services to farm businesses?
- Yes
  - No

**If no, thank and close. If yes, ask Question 2.**

2. Do you provide services to farmers with Tir Gofal agreements?
- Yes
  - No
  - Don't know

**If no or don't know, thank and close. If yes, try to arrange an interview.**

### Business background

3. Do you mainly provide labour or materials? **(Note: if the answer is both, ask which is most important and code as this). N.B. Questions marked in yellow should only be asked to interviewees who mainly provide labour.**

- Labour
- Materials

4. Is your business: **Tick one only.**

- Part of an existing farm business?
- A new business diversified from a farm business?
- A business not associated with a farm business?

5. Can you indicate the areas in which you have provided products/services to farm businesses?

**Tick all that apply.**

- |                   |                     |                     |
|-------------------|---------------------|---------------------|
| • Anglesey        | • Denbighshire      | • Powys             |
| • Blaenau Gwent   | • Flintshire        | • Rhondda Cynon Taf |
| • Bridgend        | • Gwynedd           | • Swansea           |
| • Caerphilly      | • Merthyr Tydfil    | • Torfaen           |
| • Carmarthenshire | • Monmouthshire     | • Vale of Glamorgan |
| • Cardiff         | • Neath Port Talbot | • Wrexham           |
| • Ceredigion      | • Newport           |                     |
| • Conwy           | • Pembrokeshire     |                     |

**If the answer to Question 3 was “labour”, ask Question 6 and then continue from Question 7, otherwise ask Question 6 and continue from Question 8.**

6. Are you a sole trader or a partnership?
- Sole trader
  - Partnership
  - Private Limited Company (Ltd)
  - Publicly Limited Company (Plc)
  - Non Governmental Organisation (NGO)
7. Which of the following contracting services does your business offer? **Tick all that apply.**

- Fencing
- Hedge laying
- Dry stone walling
- Other stonework
- Building construction
- Building restoration
- Plant protection application (spraying)
- Scrap removal
- Plastic collection/recycling
- Woodland services (tree planting, maintenance)
- Pond creation/maintenance
- Ground works (ditching, earth banks)
- Public Rights of Way maintenance
- Bracken control
- Hay making
- Other(s) please specify

8. Which of the following materials does your business supply? **Tick all that apply.**

- Timber products (fencing stakes, etc.)
- Wire for fencing
- Bark/mulches
- Nest boxes and other animal related products
- Seed mixes
- Trees/shrubs
- Building materials
- Machinery rental
- Other(s) please specify

9. How many years have you been providing contracting/supply services? **(Note: we are interested in the contracting supply business in particular, not any other businesses that may have already been active).**

10. How many people are employed by your contracting/supply business, including yourself, on a: **(Note: interviewer will need to ask the respondent to calculate total FTEs)**

|                | Full-time | Part-time (weeks/year) | Casual/seasonal (weeks/year) |
|----------------|-----------|------------------------|------------------------------|
| Yourself       |           |                        |                              |
| Employee 1     |           |                        |                              |
| Employee 2     |           |                        |                              |
| Employee 3     |           |                        |                              |
| Employee 4     |           |                        |                              |
| Employee 5     |           |                        |                              |
| Employee 6     |           |                        |                              |
| Employee 7     |           |                        |                              |
| Employee 8     |           |                        |                              |
| Employee 9     |           |                        |                              |
| Employee 10    |           |                        |                              |
| TOTAL (in FTE) |           |                        |                              |

Note: 40 weeks per year = 1 FTE.

**If the answer to Question 3 was 'labour', ask Question 11. Otherwise ask Question 12.**

11. What was the turnover of your contracting/supply business (in £) in the 2004/05 financial year?

**Tick one only.**

- <10,000
- 10-24,999
- 25-49,999
- 50-74,999
- 75-99,999
- >100,000

12. What was the turnover of your contracting/supply business (in £) in the 2004/05 financial year?

**Tick one only.**

- 1-49, 000
- 50-99,000
- 100-199,000
- 200-299,000
- 300-399,000
- 400-499,000
- 500,000+

**Impact of Tir Gofal on your business**

**If the answer to Question 3 was 'labour', ask Question 13. Otherwise ask Question 14.**

13. What contracting activities do you carry out as a result of Tir Gofal contracts? **Tick all that apply.**

- Fencing
- Hedge laying
- Dry stone walling
- Other stonework
- Building construction
- Building restoration
- Plant protection application (spraying)
- Scrap removal
- Plastic collection/recycling
- Woodland services (tree planting, maintenance)
- Pond creation/maintenance
- Ground works (ditching, earth banks)
- Public Rights of Way maintenance
- Bracken control
- Hay making
- Other(s) please specify

14. Which of the following materials does your business supply to Tir Gofal customers? **Tick all that apply.**

- Timber products (fencing stakes, etc.)
- Wire for fencing
- Bark/mulches
- Nest boxes and other animal related products
- Seed mixes
- Trees/shrubs
- Building materials
- Machinery rental
- Other(s) please specify

15. How is your Tir Gofal work distributed seasonally? **(check = 100%).**

|        |  |
|--------|--|
| Spring |  |
| Summer |  |
| Autumn |  |
| Winter |  |

16. What proportion of your annual contracting/supply turnover and income do you estimate results from Tir Gofal business? **(in %)**

- Turnover
- Income

17. How many workers have you employed or retained specifically as a result of Tir Gofal business?

|            | Full-time basis | Part-time basis | Casual/seasonal basis |
|------------|-----------------|-----------------|-----------------------|
| • Retained |                 |                 |                       |
| • Employed |                 |                 |                       |

18. How important is the Tir Gofal scheme to your contracting/supply business?

|                 | In the past | Currently | In the future |
|-----------------|-------------|-----------|---------------|
| • Essential     |             |           |               |
| • Important     |             |           |               |
| • Not important |             |           |               |

19. Has Tir Gofal had any positive impact on recent business decisions? **Tick all that apply.**

- Setting up
- Expansion/increased sales
- Employment
- New services/products
- Other(s) please specify

20. Has Tir Gofal had any negative impacts on your contracting/supply business **Tick all that apply.**

- Reduction in sales
- Reduction in services/supplies offered
- Employment
- Other(s) please specify

21. Have you made any business investments as a result of Tir Gofal? **Tick all that apply.**

- New machinery/equipment
- Training courses
- Buildings
- Other(s) please specify

22. Are you planning any investments as a result of Tir Gofal?

- Yes
- No

23. If the answer to Question 22 was “yes”, what investments are you planning **Tick all that apply.**

- New machinery/equipment
- Training courses
- Buildings
- Other(s) please specify

24. Do you sub-contract any work resulting from Tir Gofal to anyone else?

- Yes
- No

25. If the answer to Question 24 was “yes”, please state why? **Tick all that apply.**

- Too much work
- Insufficient skills
- Insufficient equipment
- Distances too great
- Cheaper
- Other(s) please specify

26. If the answer to Question 24 was “yes”, what is that work? **Tick all that apply.**

- Fencing
- Hedge laying
- Dry stone walling
- Other stonework
- Building construction
- Building restoration
- Plant protection application (spraying)
- Scrap removal
- Plastic collection/recycling
- Woodland services (tree planting, maintenance)
- Pond creation/maintenance

- Ground works (ditching, earth banks)
- Public Rights of Way maintenance
- Bracken control
- Hay making
- Other(s) please specify

27. Do you agree that you have more work as a result of Tir Gofal?

|                   |  |          |  |         |  |       |  |                |  |
|-------------------|--|----------|--|---------|--|-------|--|----------------|--|
| Strongly disagree |  | disagree |  | Neutral |  | Agree |  | Strongly agree |  |
|-------------------|--|----------|--|---------|--|-------|--|----------------|--|

28. Are there any issues regarding Tir Gofal specifications that limit the usefulness of the scheme to contractors/suppliers? **Tick all that apply.**

- Using local materials
- Completing paperwork/providing receipts
- Meeting the quality standards
- Finding suitably qualified employees
- Deadlines for the completion of work
- Other(s) please specify

**Sourcing of materials**

29. What proportion of your materials do you buy: **(check = 100%)**

|           | Within 10 miles of your business | Within the same county as your business | More widely but still within Wales | Outside Wales | Total (check = 100%) |
|-----------|----------------------------------|---|------------------------------------|---------------|----------------------|
| Materials |                                  |   |                                    |               |                      |

30. Why do you not buy/source more materials locally/within Wales? **(If 100% is within 10 miles/Welsh origin then do not ask Question 35). Tick all that apply.**

- Price
- Availability
- Suitable quality
- Other(s) please specify

31. What changes would need to be made for you to source more materials/services locally or from within Wales? **(If 100% is within 10 miles/Welsh origin then do not ask Question 36).**

**Tick all that apply.**

- Lower price
- Greater Availability
- Better quality
- Other(s) please specify

**Skills, training and resources base**

32. What are the specific training and skill development needs that your business has now or will need in the future in order to meet the environmental standards to which your work is carried out? (Tick all that apply).

- Amenity horticulture
- Environmental conservation
- Fencing / hedging / stone walling
- Hedging
- Stonework (e.g. walling, building restoration)
- Forestry/woodland
- Landscape design
- Landscape construction
- Risk assessment
- Legislation – planning
- Legislation – health & safety
- Manual handling
- Machinery operation (e.g. chainsaw)
- Vehicle operation (e.g. fork-lift, ATVs)
- Safe use of pesticides
- Other(s) please specify

33. What type of business/management qualifications/training will you/your business need to obtain for the future in order to meet the business development goals that you have? **Tick all that apply.**

- Communication
- Numeracy
- Information technology
- People management skills
- Project management
- Team working and leadership skills
- Customer service skills
- Finance/accountancy
- Contract management
- Other(s) please specify

34. What are your equipment and technology needs? **Tick all that apply**

- Sprayer(s)
- Protective gear
- Trailer(s)
- Towing vehicle(s)
- Tractor units(s)
- All Terrain Vehicles (ATVs)
- Hedge trimmers
- Chain saws
- Mowers
- Stone cutter
- Other hand tools / power tools
- Telescopic handler
- Fork lift
- Pumps
- Delivery vehicles(s)
- Computer(s)
- Computer software
- Communication equipment
- Specialised fencing tools/machinery
- Other(s) please specify

**The future**

**35.** How do you see your business in five years time in terms of turnover? **Qualify answer to Question 35 using Question 36. Tick one only.**

- Larger
- Same size
- Smaller

**36.** Which of these statements do you agree with? **(Note: Tir Gofal may be cited as a reason for growth, but if staying same or getting smaller, would business get even smaller without Tir Gofal). Tick one only.**

- Business will be larger in five years time - Tir Gofal playing a large role
- Business will be larger in five years time – Tir Gofal not being a major factor
- Business will be the same size in five years time – Tir Gofal playing a large role
- Business will be the same size in five years time – Tir Gofal not being a major factor
- Business will be smaller in five years time – Tir Gofal playing a large role
- Business will be smaller in five years time – Tir Gofal not being a major factor
- The impact of Tir Gofal will be insignificant/negligible

## Appendix 3: Stakeholder consultation

### A3.1. Letter of introduction

Agra CEAS Consulting Ltd. has been appointed by the Countryside Council for Wales (and its partners the Welsh Development Agency and the Wales Landscape Industry Forum), to undertake an assessment of the role played by the Welsh Assembly Government's Tir Gofal agri-environment scheme in stimulating work for the land-based contracting sector.

Previous research undertaken by Agra CEAS into the socio-economic impacts of Tir Gofal (see <http://www.ccw.gov.uk/news/index.cfm?action=Press&ID=747&lang=en> for more details) found that the majority of Tir Gofal agreements (92%) resulted in greater labour requirements. For those noting an increase in labour requirements this amounted to some 70 additional person-days per year, of which almost half was carried out by contractors.

The main aims of this study are to investigate the role played by Tir Gofal in stimulating work in the land-based contracting sector by investigating the impact of the scheme on a range of issues including financial performance, labour use, business confidence, training needs and the sourcing of materials. In order to achieve this we will be conducting face-to-face interviews with contractors who provide land-based services (e.g. fencing, hedging, walling, woodland management, etc.) and suppliers of materials during November and December. The data gained from these interviews will form the basis of the assessment.

In addition to these interviews we are also seeking feedback from selected stakeholders. The purpose of this email is therefore to request your participation (and that of your colleagues where possible) in examining these issues further. Attached is a document that sets out the broad question areas, which we are examining. We would welcome your organisations views on these. The comment boxes provided can be expanded as necessary and if you wish to make any other observations not covered by the questions please feel free to do so.

In order to allow us time to collate the responses, we would be grateful if you could make your submission, should you wish to take up this opportunity, by Friday December 9th. In order to facilitate our analysis of responses we would be grateful if you could submit your views via email. All information provided will be treated in the strictest confidence and it will not be possible for anybody to attribute comments to individuals or organisations.

We very much hope that you will contribute to the study. Should you have any questions please do not hesitate to contact me.

**A3.2. Topic guide**

Agra CEAS Consulting Ltd.

The impact of Tir Gofal on the land-based contracting sector in Wales  
for the Countryside Council for Wales, Welsh Development Agency and the Wales Landscape  
Industry Forum

## Stakeholder Topic Guide – November 2005

|  |  |
|--|--|
| NAME OF RESPONDENT                         |  |
| POSITION                                   |  |
| ORGANISATION                               |  |
| CONTACT NUMBER (for follow-up if required) |  |

We are investigating the extent to which Tir Gofal is acting as a driver for the development of new contracting businesses and the expansion of existing contracting businesses and we would welcome your organisation's views on the following subjects. The comment boxes below can be expanded as required in order to complete your comments. You may wish to consider some of the questions in italics when formulating your answer.

What impact does Tir Gofal have on the land-based contracting sector (suppliers of labour and/or materials) in terms of:

a) **Income** (*Positive or negative? What are the trends? Has Tir Gofal generated more work for contractors? Is the impact of Tir Gofal on income/the amount of work significant or are other factors more important?*).

b) **Employment** (*Positive/negative/neutral? Full-time, part-time, seasonal, casual? Is the impact of Tir Gofal significant or are other factors more important?*).

c) **To what extent do farmers go beyond the farm-gate to fulfil extra labour requirements?** (*To what extent does participation in Tir Gofal necessitate the use of external contractors? Are contractors a luxury or a necessity? Are they affordable? What are the trends?*).

d) **Business confidence/investment plans** (*What impact does Tir Gofal have on business decisions/investments – what are the trends, how is the sector developing? Is the impact of Tir Gofal significant or are other factors more important? Have impacts been positive or negative or neutral and why is this? What is the nature of the Tir Gofal-related decisions/investments that are taking place*).

e) **Sub-contracting** (*Why do contractors sub-contract work (e.g. too much work, insufficient skills)? Is the level of sub-contracting changing - what are the trends? Is the impact of Tir Gofal significant or are other factors more important? What type of people are involved in contracting/sub-contracting – are they farmers/non-farmers?*).

f) **Type of activities undertaken** (*What impact has Tir Gofal had on the nature of activities provided by land-based contractors? Does Tir Gofal play an important role in terms of defining the nature of services provided or are other more important factors involved? What are the trends?*).

g) **Are there any issues regarding Tir Gofal specifications that limit the usefulness of the scheme to contractors?** (*Use of local provenance materials? Deadlines for the completion of work? Meeting standards?*)

h) **Where do contractors mainly source materials from?** (*locally (i.e. within 10 miles), regionally, more widely within Wales, outside Wales? Why are more materials not sourced from within Wales? How would things need to be changed to increase the level of sourcing from within Wales?*).

i) **What are the key training/skills development challenges faced by contractors in order for them to meet the environmental standards demanded by Tir Gofal?** (*Is the existing skills base sufficient to meet these demands? Do contractors exhibit the right mix of business/management skills in order to fully take advantage of the opportunities created by Tir Gofal? Does appropriate training exist? Is it accessible? How might deficiencies be addressed?*).

j) **Additional comments**

Please return your reply to Matthew Morris via e-mail to [Matthew.Morris@ceasc.com](mailto:Matthew.Morris@ceasc.com) by Friday December 9. Alternatively you can post your reply to:  
Matthew Morris, Agra CEAS Consulting Ltd., Centre for European Agricultural Studies, Imperial College at Wye, Ashford, Kent, TN25 5AH.

## Appendix 4: Key findings in bullet point form

### A4.1. General profile of the contractors sampled

Using the information gathered from the contractors sampled it is possible to derive a general profile of contractors involved in the land-based sector:

- Around two-thirds of contractors predominantly provide labour with the remainder supplying materials. This pattern is generally consistent across all regions, although the provision of labour services is highest in the North and Powys and lower in the South.
- The nature of the services and materials provided tends to reflect the type of agricultural activity undertaken (as well as the nature of the landscape, the accessibility of each county and the distribution of Tir Gofal farms).
- Contracting businesses derived from existing farm businesses are more likely to provide labour.
- Younger businesses (i.e. those operating for 10 years or less) are more likely to provide services to Tir Gofal agreement holders.
- Some services are offered by a large proportion of contractors (such as fencing, hedgelaying and woodland services).
- Some services (e.g. stonework) are over-represented in some regions (i.e. North of Wales).
- Almost three-quarters supplied timber products and almost half supply wire for fencing.
- Suppliers of materials tended to have larger workforces whereas businesses offering labour had few full-time employees and most had no part-time, casual or seasonal employees.
- It is usual for businesses offering labour to be relatively small (with turnovers of less than £25,000).
- The situation for businesses supplying materials was different with around one-third having a turnover in excess of £500,000 and 16% had a turnover between £100,000 and £199,999.
- There is some regional variation in turnover. In Pembrokeshire and Ceredigion the majority of businesses predominantly supplying labour had a turnover between £25,000 and £74,999, whereas in Carmarthen the majority of businesses had a turnover between £10,000 and £24,999.

### A4.2. Impact on turnover and income

With regard to turnover and income the face-to-face survey revealed that:

- The proportion of turnover and income derived from the scheme was on average around 24% and 23%, respectively, indicating that services/products provided to Tir Gofal beneficiaries are generally as profitable as other activities engaged in.
- There is considerable regional variation in both the overall contribution of Tir Gofal to turnover and income and also in the relationship between the two.
- Businesses sampled in the North derived the largest proportion of turnover and income from Tir Gofal while those in the South and Pembrokeshire derived less.

- Differences in the contribution that Tir Gofal makes to turnover and income may suggest that the incentive for contractors to undertake Tir Gofal-related activities is variable, due to the fact that greater margins on turnover can be obtained from other activities.
- Businesses predominantly providing materials a smaller proportion of their turnover and income from Tir Gofal compared to those who mainly supply labour.
- While Tir Gofal makes a relatively high contribution to turnover and income for a small number of businesses the contribution from Tir Gofal overall is relatively small.
- Tir Gofal contributes the largest proportions of turnover and income for contractors involved in boundary-related activities, a point also made by the stakeholders consulted.
- Businesses providing ‘miscellaneous’ activities appear to derive the best margins on turnover and may be obtaining a ‘premium’ for some of the services they provide.

#### **A4.3. Impact on employment:**

- The majority of the impact on employment involved existing staff who had been retained;
- For the sample as a whole (i.e. including those who did not report a change), the overall rate of employment creation was 0.2 FTEs per contractor.
- Tir Gofal tends to impact more on job retention (and hence job security) compared to job creation.
- Most of the jobs created or maintained involved younger businesses (i.e. those that had been in business for ten years or less).
- Material suppliers tend to retain full-time and part-time employees as a consequence of Tir Gofal at almost three times the rate compared to labour contractors.
- The rate of retention of full and part-time workers among labour contractors was also relatively high which suggests that the land-based contracting sector in general depends relatively heavily on part-time workers.
- Tir Gofal-related activities appear to make an important contribution to rural land-based employment opportunities, particularly in securing existing full-time and part-time jobs.

#### **A4.4. Impact on business confidence and current or future investment plans:**

- The level of importance attached to the scheme is (proportionally) similar between labour contractors and suppliers of materials.
- Younger contracting businesses (in operation for 10 years or less) appear to derive the most benefit from Tir Gofal. While this is partly due to the fact that Tir Gofal, and agri-environment schemes in general, are a relatively recent phenomena, it also suggests that younger businesses are perhaps more ‘open’ to the opportunities presented by the scheme.
- The proportion of respondents reporting that the scheme is or will become ‘important’ to their business is expected to increase in the future, most notably amongst labour contractors.
- A smaller proportion of material suppliers consider Tir Gofal to be ‘essential’ to their business compared to labour contractors, most likely due to the fact that contractors who predominantly supply materials tend not to be associated with any one particular agri-environment scheme or agricultural sector.

- In general material suppliers tend to display a lesser degree of specialisation towards Tir Gofal compared to labour contractors.
- Tir Gofal is currently of greatest importance to the youngest group of businesses and least important to the oldest group.
- An increasing proportion of the youngest business group reported that Tir Gofal is expected to become more 'essential' to their business in the future. These findings are consistent with the comments of some stakeholders who indicated that Tir Gofal (and its predecessor Tir Cymen) has created a market for contractors to expand into, as well as providing a secure baseline that facilitates longer-term planning.
- The majority of businesses sampled indicated that the scheme has led to increased sales and/or expansion of the business, although Tir Gofal tends not to be a major factor in the creation of new business.
- The main type of investment stimulated by involvement in Tir Gofal-related activities was in new machinery and equipment. Investments in training courses and buildings were more likely amongst material supplier respondents.
- In terms of future investment decisions, only 15% of the overall sample indicated that they were planning investments as a result of their involvement with Tir Gofal.
- The majority of respondents agreed or strongly agreed that they had more work as a result of Tir Gofal.
- Just under half of the businesses sampled reported that there are issues with the scheme that limit its usefulness to them. Most indicated that the deadlines for the completion of work demanded by Tir Gofal were problematic.

#### **A4.5. Impact on sub-contracting**

The extent of sub-contracting among the contractors sampled was limited with around 11% indicating that they had sub-contracted Tir Gofal-related work. The main cause of sub-contracting work was excess demand. The main activities sub-contracted were boundary-related.

#### **A4.6. Sourcing of materials and services**

- The majority of the materials used by the contractors sampled are sourced within Wales, with around one-third being sourced within 10 miles, 23% within the same region and 23% inter-regionally (but still within Wales).
- Just over one fifth of all materials are sourced from outside Wales.
- The relatively large amount of materials sourced within 10 miles is quite positive, particularly as this helps to retain employment and income generated by the scheme within the local area.
- It is likely that Tir Gofal is enhancing its contribution to rural development via the local procurement that it stimulates.
- There is a clear distinction between the sourcing of materials between the two business types with labour contractors tending to source the majority of their materials either within 10 miles or within the same region and material contractors, on the other hand, sourcing the greatest proportion of their materials from outside Wales.

- Since a small proportion of the turnover of material suppliers being attributed to Tir Gofal the 'leakage' of Tir Gofal expenditure out of Wales through the purchase of materials is likely to be relatively small.
- There is considerable regional variation in the pattern of material sourcing by contractors with contractors in the South obtaining the largest proportion of their materials from outside Wales.
- Lack of availability and price concerns dominate the reasons offered as to why more materials are not sourced locally.

#### **A4.7. Capacity of businesses to grow and develop as a result of Tir Gofal**

- The most commonly cited training needs for both types of business are similar, namely machinery operation and health and safety legislation.
- By far the most frequently cited future business training need identified was information technology. This was consistent with other studies which have identified that Information and Communication Technology (ICT) skills are lacking throughout the environmental and land-based sector (see for example LANTRA, 2003).
- The majority of businesses anticipated that their turnover will be larger in the future, with material suppliers appearing to be more confident about this. However, material suppliers generally had a more volatile outlook with a minority expecting turnover to remain the same over five years.
- Contractors providing farm boundary services tend to have more modest expectations regarding future turnover compared to contractors providing non-boundary-related services and supplying materials.
- Around half of businesses sampled expected their business to be larger in the future as a result of Tir Gofal with only a minority reporting that Tir Gofal would have no impact on the size of their business in the future.