

# RECENT EVENTS

## BIG CHOICE THIS ELECTION FOR FORESTERS

H.H. Levack

Official spokesmen for the Labour, National, and NZ Democratic Parties were asked to make available to "NZ Forestry" their party policy on forestry-related issues such as forestry taxation, Maori land, SOE-privatization, regional development through forestry, environmental policy, mining on forest land, forestry industrial development encouragement, and the use of 245T in forests.

Their responses show that perhaps for the first time in any New Zealand election the voter who is mainly interested in forestry will have a real choice on August 15.

Major differences exist in forestry taxation, corporatization, forestry as a means to regional development, and other forestry issues.

### LABOUR PARTY FORESTRY POLICY

David Butcher, MP,  
Parliamentary Under-Secretary for Forestry

The Labour Party believe that the principal issue in forestry today is the marketing of the enormous resource of plantation forest products that will come on stream in the 1990s.

This issue illustrates the main difference between Labour's view of the forestry sector, and the view that has been taken by previous Governments. Labour believes that investment in forestry must be market driven.

#### Professionalism and Politics

Under the leadership of MacIntosh Ellis and other early pioneers of the Forest Service a high degree of professionalism was achieved. Also the largest man-

made resource of plantation forests was established. The work of forest service researchers like "Wink" Sutton in the *Pinus radiata* taskforce established New Zealand as a world leader in forest technology.

But political decisions decreed that the Forest Service should also be a baby-sitting service for the unemployed. This task was accomplished with the usual efficiency. The economics of the operation were never closely scrutinized. It was a very 'expensive' way to occupy idle time. It established a resource, but in doing so pushed up the cost of the total Forest Service operation. What was worse, politicians decreed that the Forest Service should plant a certain number of hectares per year. They did not provide adequate funds to purchase vacant land. Instead, planting took place on whatever forest land was available. The Forest Service then were blamed for the ensuing environmental conflicts.

#### Commercialization

Although the discussion of corporatization of commercial forests began from a conference on environmental restructuring, the eventual decision came from hard commercial analysis. An analysis of New Zealand's ability to generate income out of investments is instructive.



Mr David Butcher

On an international comparative basis we were below par between 1963 and 1973. We dropped by two-thirds between 1973 and 1983. The rest of the OECD dropped by half.

The most obvious reason for this fall was that we placed too much of our scarce investment capital in projects with a too low rate of return. Planting heavily subsidized forests on marginal, remote land was obviously questionable. From 1984 the Government demanded close attention to ensure good rates of returns were obtainable. But even closest attention to economic criteria could not overcome the fact that the departmental structure with conflicting objectives was unsuitable for the dynamic marketing agency that was required. The Forestry Council was also an unsuitable body to provide the marketing impetus to Forestry Development.

#### Single-purpose Agencies

The decision was made to separate out the functions performed by the Forest Service into single-purpose agencies. Where conflicts arise between them, these will now be settled by contractual arrangements, with costs and benefits spelt out and acknowledged. Alternatively where Ministerial intervention is required, conflicts will be resolved at the political level with the advantage of the differing viewpoints represented around the Cabinet table.

Despite the major upheavals, there is a very positive mood in the new organizations. The complex task of asset negotiation is almost complete. The Appeal Court case by the New Zealand Maori Council has only hindered, not prevented, the asset transfer.

The Court decided that there was no need to determine every claim in front of the Waitangi Tribunal, before land and forests are transferred to the new corporations. All that is required is for the Government to be satisfied that it has complied with the spirit of the Treaty of Waitangi before transfers take place. The Court required a mechanism to be in place to do that within 30 days.

#### Privatization

The Labour Government believes that

State Corporations, like the New Zealand Forestry Corporation, are assets of the people of New Zealand. The ownership of these assets is only of benefit to the people of the country if those assets produce a positive return. The important step to achieve a positive return is corporatization.

The State Owned Enterprises Act makes provision for public shareholding where approved by Parliament. The Government has announced already that some SOEs will be authorized to sell shares. As far as this Government is concerned it will retain the public's interest in public investments in these SOEs.

### Taxation

In December 1985 the Government announced a number of proposals to modify the tax system to prevent certain taxpayers converting pre-tax incomes into tax-free capital assets. Among these provisions was the tax regime for forestry.

The Government realized that there had been 19 tax regimes for forestry in a little over 20 years and that this is an impossible situation in an industry with a 25-30 year rotation.

Accordingly the Brash Committee of tax experts was set up and called for public submissions. The objective was to obtain a neutral regime.

The Brash Committee accepted that while forestry was penalized by its long rotation it was also advantaged by its postponed taxation on an income-earning asset. Its investment profile was very similar to the "zero coupon bonds". These bonds were becoming popular as a tax avoidance measure, until that loophole recently closed.

With strong lobbying from people like Anne Fraser MP, Allan Wallbank MP, Ken Shirley MP and Jim Sutton MP the proposed regime was modified so that cash flows for the industry are greatly improved.

### The Future

The new tax regime will force economies and efficiencies on the forestry industry. It will concentrate future plantations within a limited hinterland of export ports and thereby provide a complementary land use with livestock.

Agroforestry will become more popular as the great advantages it offers to the forester and the farmer become more widely known.

The economic forces which no longer make it profitable to develop marginal hill country farms will make smaller-scale plantations of high value timber for specialized markets more popular.

Government should not supplant wise land use and forestry practices with politically motivated meddling in the affairs

of farmers or foresters. The Government has created a neutral tax and expenditure regime to enable wise decisions to be made within a predictable framework. Regional and industrial development should not proceed on the basis of hidden subsidies and under-priced raw materials. Subsidies or public investments should be clear and explicit.

The Forest Service was set up as a means to conserve New Zealand's stock of native timber. The Forestry Act was switched from a presumption that all forests are available for timber production. The situation today is that most timber production will be from plantations.

New Zealand has put a massive investment into its forests. The policy of this Government is to ensure that that investment works for New Zealand.

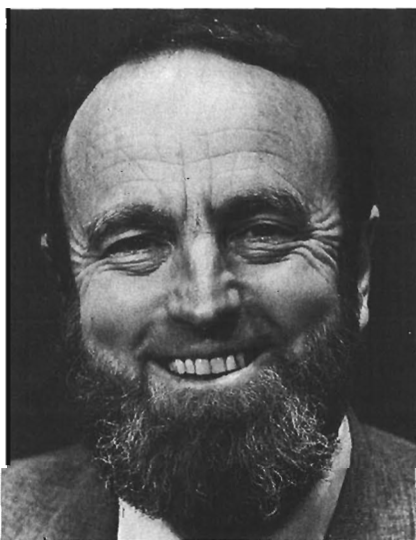
## NATIONAL PARTY FORESTRY POLICY

**Ian McLean, MP,  
Shadow Minister of Forestry**

National will restore strength and growth to the New Zealand forest industry.

We will change Labour's tax laws which are stopping new planting of forests. We will not allow land to go back to scrub and young people to rot on the dole where forests can be economically established for the benefit of the nation.

In particular, we will not allow whole regions to suffer because economic for-



Mr Ian McLean

estry work has stopped. Forestry workers, service industries and the regional towns and cities on which they are based will again prosper under National.

National will review the role of the Forestry Corporation and the Ministry of Forests so that both can make their full contribution to the economy and to society.

### Forestry Tax

National will reintroduce a fair system for the taxation of forestry. The tax changes introduced by Labour have made NZ forestry uncompetitive. They have forced forestry companies to stop planting in New Zealand and have helped to drive companies overseas to create jobs in Canada and Chile rather than New Zealand. National's tax regime for forestry will allow the deductibility of all establishment costs over a period of three years. The existing allowance of \$7500 for farm forestry will be continued.

For existing forests, the cost of re-planting, tending and silviculture for the second and further rotations will be fully deductible in the year that the expenditure is incurred.

This tax regime will achieve reasonable parity between forestry and other forms of investment and will enable investors to put their money into forestry with confidence.

The forestry encouragement grants will not be reinstated, nor will tax credits be paid out.

### Forestry Corporation

It would not be possible, even if it were desirable, to go back to the old New Zealand Forest Service structure. However, National will review the role of the Forestry Corporation, particularly with respect to new planting of forests, and also its relationship with the private sector part of the industry.

Once the change in tax law is made, we will make sure that the Forestry Corporation plays a full part in the establishment of new forests, and then the re-planting of its existing forests as they are harvested.

The Forestry Corporation is the dominant supplier of marketed wood in New Zealand. Because of this, its decisions mean life or death to small private sector mills and processors.

National will make sure that the Forestry Corporation operates responsibly and does not use its dominant position to do harm to the private sector — particularly small mills. In particular, we will not permit the Corporation to buy or establish processing plants or retail outlets which have an adverse effect on small private enterprise firms.

## Ministry of Forestry

National will also review the work and role of the Ministry of Forestry. The research work of FRI will be dealt with in the same way as other scientific research establishments (see Science and Technology policy). In particular the level of basic research relating to forestry will be maintained, and will not be allowed to suffer because of commercialization of research.

## The West Coast

National will ensure that forestry plays a major part in the West Coast and will make special arrangements for the Coast (see Regional Development policy).

## Farm Forestry and Conservation

National will encourage both farm forestry and the planting of special purpose species. The extra deductibility of establishment costs will assist in this.

Planting of trees for soil conservation purposes will be encouraged.

# NZ DEMOCRATS' FORESTRY POLICY

Neil Morrison, MP.

Leader of the NZ Democratic Party

The Democratic Party will:

- \* Preserve the remaining virgin forests of the North Island for future generations.
- \* Manage South Island native production forests for sustained yield in perpetuity.
- \* Ensure continuity of jobs and services in country districts affected by a change in native forest policy.
- \* Encourage local initiatives in re-forestation using native species as well as exotic broadleaf and conifer species.
- \* Stimulate the production of high-quality furniture veneer and liquid fuels from young trees and wood wastes.
- \* Offer financial incentives to enable the traditional timber industries to become energy self-sufficient.
- \* Administer state forests for multiple use according to sound ecological principles.

Until very recently, this country's forests were "mined", not "harvested". People and Governments were blind to disturbed water relationships, soil erosion, wind damage, the extinction of native plant and animal species, exotic conservation, the run-down of merchan-

## POLITICAL PARTIES' POLICIES

table forest and the ignoble uses to which prime native timber was put. The alarm has finally been heard and the nation is slowly and painfully throwing its policies into reverse.

**The Need to Preserve Native Forest**  
So little virgin forest remains in the North Island that the Democratic Party's overriding concern is for protection.

- \* We will preserve, intact and inviolate, all remaining publicly-owned virgin forest in the North Island, including Pureora/Tihoi/Waihaha, the remains of Horohoro and the unlogged parts of Whirinaki.
- \* By means of environmental zoning, we will protect any privately-owned land of virgin forest of particular ecological significance. Compensation for loss of logging rights will be paid to the owners and the option to sell to the Crown will be offered to them.
- \* Cutover and regenerating native forest will be investigated to decide which should be left to regenerate as preservation forest buffers and which should be restocked with native seedling trees and managed for timber production.
- \* In as short a time as possible, the Democratic Party will reverse what has been an exploitive policy in South Island forests and will establish native forest management based on sustained yield in perpetuity.  
Subject to evaluation for optimal land use and to agreement on boundaries and access, the Democratic Party will support the projected ecological reserves in South Island coastal forests.

## Forestry Taxation

The Democratic Party does not advocate forestry taxation because it applies to both the planting and cutting of all trees. Such a double tax, we believe, discourages the planting of new trees in our nation and continues to deplete New Zealand of one of its most valuable natural resources.

## Maori Land

The Democratic Party recognizes all Maori rights outlined in the Waitangi Treaty.

## State-owned Enterprises

The Democratic Party believes the creation of a forestry state-owned enterprise

was necessary. We believe SOEs are reasonable vehicles for providing accountability within large government bodies. However, we do not believe in complete privatization. We want to retain an amount of discretionary power above the forestry units and make certain no misuse of New Zealand land would occur.

## Mining of Forest Land

The Democratic Party would support mining on forest land if such mining was consistent with priorities regarding the use of the land.

## 245T

The New Zealand Democratic Party would not tolerate the use of 245T on New Zealand forest land; however, we do recognize that some form of chemical "manager" would be required. At this point, we would suggest the North American-approved chemical "Round-up".

## Forestry Industrial Development

By the year 2010 there will be three times as much wood as today. The wood harvest will rise from 10 to 27 million cubic metres. We must take advantage of such an immense wood supply, especially since the influx in wood-related activities would increase employment and spur economic growth. The NZ Democratic Party would take advantage of all wood surpluses and would fell areas of forests consistent with environmental guidelines.

## Regional Development Through Forestry

All forestry planning must be consistent at the regional and national level, and it must work closely with industrial development. As wood intake increases, forestry will become much more important to all related industries throughout New Zealand.

## Forestry Corporation bond issue

In his 1987 Budget the Minister of Finance (Hon. Roger Douglas) announced that New Zealand Forestry Corporation Limited will issue State enterprise equity bonds this financial year. The bonds will be equal to 25% of the Corporation's total paid-up capital.

"This decision requires a resolution of Parliament pursuant to section 12 of the State-Owned Enterprise Act before such an issue can proceed," said Mr Theo Simeonidis, Company Secretary.

"State enterprise equity bonds are tradeable equities which are to be treated in all respects exactly the same as ordinary shares, with the exception that they carry no voting rights."

## New Chief Director of Research

With the imminent retirement of the Forest Research Institute's long-serving Chief Director of Research, Dr Colin Bassett, the Ministry of Forestry has named his successor.

Dr. Colin O'Loughlin has been appointed to the position. He will shortly be moving north to the Ministry's head office in Wellington from Christchurch, where he is currently Director of the Forestry Research Centre at Ilam.

Dr. O'Loughlin's specialist research field has been the impact of forest management practices on slope stability and water quality and yield. From 1972 to 1986 he held the position of Head of the Forest Research Institute's Geohydrology section which made substantial advances in quantifying the impact of various forestry land-use practices on soil and water characteristics of ecosystems. Dr. O'Loughlin has also been involved in research projects in Canada, Malaysia and at the East-West Centre in Hawaii.

In his new position he will be charged with further developing the efficiency and scope of the Ministry of Forestry's research effort.

## Consulting company links

The New Zealand forestry consulting firm of J.G. Groome and Associates has

linked its business operations with the Jaakko Poyry Group of Finland, the world's largest forest-based consulting company.

As a result, it has changed its name to Groome Poyry Ltd and will trade from New Zealand as a 50:50-owned joint venture company.

The new company will form the biggest forestry consulting company in the Asia-Oceania region, according to the Managing Director, Mr John Groome, of Christchurch.

It has already built up a major business in its own right over 25 years in South East Asia, Australasia and the Pacific Islands. Recently the new company won an Asian Development Bank contract as part of a \$100 million re-afforestation project in Indonesia.



John Groome

## Water and soil administration changes

The Minister of Works and Development, Fraser Colman, announced on June 18 that the Government has moved to give greater autonomy to Catchment Boards and at the same time shift costs from the general taxpayer to users. To achieve this they have abolished existing catchment work and resource management grants (with some exceptions — including those already approved) and replaced them with an annual block

grant of up to 35% nationally. The National Water and Soil Conservation Authority has been given responsibility for determining the maximum annual block grant rate and its allocation. Catchment authorities are given more flexibility to raise revenue by rating. In addition, catchment authorities/regional water boards are able to levy water charges to holders of water rights to recover their share of costs involved in managing water resources.



THE INTERNATIONAL FORESTRY CONFERENCE FOR THE AUSTRALIAN BI-CENTENARY  
ALBURY/WODONGA, NEW SOUTH WALES/VICTORIA, 25TH APRIL - 1ST MAY 1988

Species and their contribution to Australia and the World  
- past, present and future.

The AFDI is proud to be the official organisers of this Conference.

A comprehensive programme of paper presentations and field visits along with evening entertainment and tours for partners are planned. Expressions of interest to attend and requests for the provision of further information should be sent to:

AFDI Bicentenary Forestry Conference  
Albury Travel Bureau  
P O Box 344, ALBURY NSW 2640, Australia  
Telephone (060) 211477 Telex AA56935



### AFDI BICENTENARY FORESTRY CONFERENCE

To the National Secretary AFDI: \* Record my interest in attending  
\* Provide me with further information

FULL NAME.....

ADDRESS.....

TELEPHONE NO.....

\* Please delete if not applicable