



## Labour Government did very little for plantation forestry

New Zealand plantation forest managers are unlikely to lose many tears over the defeat of New Zealand's fourth Labour Government. Especially despised was Labour's treatment of forest taxation. This is an example of one of New Zealand's most promising industries being sacrificed for an unproven taxation theory of neutrality. The result was that new planting has dramatically decreased. We cannot determine the exact amount because, in another economy measure, the Government has reduced the means of obtaining records of new planting, but one estimate is that new planting has fallen from 54,000 ha in 1984 to 13,000 ha in 1989.

The forestry taxation policy of the new National Government will allow deductibility of most plantation expenditure. Hopefully this will result in increased plantings.

It is hard not to be cynical of the Labour Government. It claimed plantation forestry as one of New Zealand's great hopes, but those plantations could never have been established if Labour's recent taxation regime had been in operation for the last 30 years. The market does not yet have the sophistication to make large-scale investments with the required long-term horizons, especially when there is a discriminatory tax disincentive.

### From the President

This market limitation has been long recognised by the Chileans. For nearly two decades they have had a positive approach to plantation forestry.

In 1974 Chile's military dictatorship adopted a free market approach in all areas of the economy **except for forestry**. Here the Chilean Government gave very preferable treatment – in the form of a subsidy – a grant of up to 75% of approved expenditure (and even up to 90% for a period). By the end of 1989 the total cost of that subsidy (without interest) over 15 years was \$US80 million (\$NZ135 million). However that investment stimulated plantation establishment over the same period of one million hectares (from 386,000 hectares in 1974 to 1,386,000 hectares in 1989). In the same period New Zealand's plantation estate increased by only 672,000 hectares – from 468,000 in 1974 to 1,240,000 hectares in 1989. These comparisons are illustrated graphically in the figure below.

As the Chilean plantations mature the wood-using industry and the nation will reap a financial bonanza – well in excess of the subsidy plus interest.

We should be grateful that Labour's iniquitous forestry taxation policy was only in operation for about five years. If Labour's taxation policy had operated for the last 30 years, New Zealand would now have a plantation forestry industry only capable of satisfying local demand. Exports would be the exception. Not only would there have been little new planting but also there would have been almost no research and no training. Above all, there would have been little to attract the ambitious and the career oriented.

What must therefore be one of the great hypocrisies is the Labour Government's claim that plantation forestry is one of New Zealand's success stories and one with great hopes for future employment and the earning of overseas exchange. Plantation forestry will achieve those objectives but it is in spite of, not because of, New Zealand's fourth Labour Government. That Government did very little for plantation forestry.

W.R.J. Sutton

### Fast-tracking of full members

At the 1990 AGM the Constitution was amended to allow the so called "fast-tracking" of Full Members of the Institute, i.e. providing Council with the discretion to waive the requirement for a person to have been an Associate Member for at least two years.

This amendment was passed on the basis of guidelines being developed by Council for fast-tracking of Full Members.

Council, in liaison with the Registrar of Consultants, has considered this matter and envisages two categories of application for "fast-tracking":

1. Those seeking recognition as consultants, but who have not previously been members of the Institute; and
2. People in senior positions, particularly those returning from overseas, seeking to join the Institute as Full Members.

**NEW ZEALAND / CHILE PLANTATION AREAS  
1974 - 1989  
(In million hectares)**

