



Hon. John Falloon, Minister of Forestry

John Falloon was born in Masterton in 1942 and was educated at Lindisfarne College and Massey University, where he graduated with a diploma in sheep farm management.

Since 1961 he has operated the family farm, a hill-country sheep farm of 720 ha carrying 7000 sheep, 200 cattle, and 60 ha in pine plantations for protection and production forestry.

He was involved with Federated Farmers and was Chairman of the Wairarapa Meat and Wool Section and he was also on the national executive of the Meat and Wool Section.

Mr Falloon has been the Member for Pahiatua since a 1977 by-election.

He was chairman of the Public Expenditure Committee 1980/81. From 1981-84 he was Minister of Statistics, Minister in Charge of the Inland Revenue Department, and Associate Minister of Finance.

From the 1984 election to April 1986 he was the Opposition spokesman on Finance, Overseas Trade, and Government Administration and from April 1986 he was spokesman on Agriculture.

He has travelled extensively in the USA, UK, Europe, Australia, and Japan on fact finding and ministerial visits on trade and finance issues.



The Minister of Forestry, John Falloon, at his 'Bideford' property, Masterton.

New Minister enthusiastic about forestry

A. Hart

Within a few days of the new Government taking office it was clear that forestry was high on the agenda for action. The driving force is Minister of Forestry John Falloon who makes no secret of his passion for forestry.

"I never really expected to get the forestry portfolio. It has always been a bit of a dream to get forestry and agriculture together. I have about 75 hectares of agroforestry and woodlots on my farm and have had an active interest in trees and forests all my working life," said Mr Falloon.

"I believe that forestry has an incredibly strong future for several important reasons. Plantation forestry is a clean green product; there is bound to be a world shortage of timber; we need to reverse the degradation of the land; and as a nation we are desperate to find employment for hundreds of thousands

of people. Land resources are still our one (best) comparative advantage," he said.

The Minister describes himself as filled with a strong idealism in regard to forestry, and has a long list of goals he is determined to achieve during his term in office. One of the first on the list is reversal of the trend which has seen a reduction in new forest planting from 55,000 to 7000 ha over the last six years.

"My first and most obvious goal is to implement our forest policy. We will get rid of taxation based on the cost of bush formula. Forestry taxation that makes people carry their costs forward and bear the cost of inflation is crazy. I am sure that a change in taxation will lead to more planting and investment.

"I am determined to bring investors into forestry by using the Forestry Rights Registration Act 1983. This Act allows landowners to retain ownership of their

land while entering joint ventures with urban investors or overseas interests," said Mr Falloon.

The Minister is keen to promote the planting of hardwood species and also has plans for developing a sense of ownership within each community for a nearby indigenous forest.

"Forests are incredibly important to New Zealand and I believe that every community should be involved with a forest – more than just knowing it is there and looking at it, but actively involved in caring for it and using it."

Another key objective is to make the New Zealand economy more competitive for added value processing.

"I want it to be clear that as Minister of Forestry I am not going to stop log exports as long as the market is better for them, but we do need to foster an environment that encourages onshore processing. There is no future for New Zea-

land as a commodity supplier. I don't have any one policy in mind but change will involve a combination of things such as labour market reform, interest rates and macro-economics. I intend to discuss these matters with the new forest owners and I hope they will consider investing in more processing."

Indigenous Policy

The future of the indigenous forest policy is another issue on which the Minister has firm views.

"I believe the previous Government was naive about the indigenous forest policy. We simply cannot lock up forests on private property without being prepared to compensate the owners. At the same time I want to see these forests protected where it is clear they should be protected (where there are clearly values worthy of protection).

Commonsense

"I am in favour of a voluntary approach backed by legislation for critical forests. Quite apart from the fact that there are now logs lying on the ground going rotten, if there is not enough flexibility in the system to allow us to cut down and use a tree that has fallen across a road or become dangerous, or is lying in a paddock, then the system will lead to people breaking the law. I don't believe that New Zealanders want to pay hundreds of thousands of dollars for trees that people never intended to cut down anyway. So there has to be a balance of commonsense that preserves the very best of an indigenous estate and allows rational sustainable yield forestry for the remainder."

Throughout all of these objectives and proposed changes the Minister is genuinely committed to the continued exi-

stence of a stand-alone Ministry of Forestry.

Closer Relationship

"It may well be that the Ministry's research operation becomes independent but with 100 per cent contestable funding it is largely separated anyway. We are providing for a closer relationship on the basis that there could well be some discretionary funding available for operational matters. There will also be funding on a long-term basis rather than an entirely contestable funding pool. The new system will be less bureaucratic and more independent.

Unique

"I am quite sure the Forest Research Institute will remain stand-alone within a changed structure because it is quite unique."

New forestry taxation legislation

John Falloon, Minister of Forestry

Forestry is recognised as a growth industry of tremendous importance to the New Zealand economy because New Zealand has a clear advantage in forest growing and at the same time market opportunities for plantation wood are rapidly expanding with a growing world environmental concern and the depletion of naturally grown forests.

On December 19, 1990 Government announced its economic package which indicated a review of forestry taxation.

Our pre-election policy for growth in forestry promised to remove cost of bush taxation. The economic statement has fulfilled that promise. The main amendment to the taxation of income from forestry provides that the costs incurred by a forestry business in planting and tending trees are fully deductible in the year those costs are incurred. Where a forest is sold to an associated person at a loss the amount in the cost of bush account will not be deductible but is to be carried forward in the associated person's cost of bush account. The amendment will take effect in respect of the income year commencing April 1, 1991.

Investment Incentives

This taxation initiative is part of a strategy to provide incentives for increased forestry investment.

It is estimated that the proposed changes will increase the post tax profitability of forestry by about 7%, reversing a 70% decline in the new planting rates which has occurred since 1985.

Because of limited stocks of seedlings in nurseries this summer the tax changes are not likely to impact fully in new planting rates until winter 1992. Flow on into increases in silvicultural rates will take five to ten years to work through fully.

It is hard to make accurate forecasts about the labour implications of this taxation change but it is estimated that the change will result in an increase in forest establishment rates which will create about 500 full-time jobs and 200 seasonal jobs in 1991, increasing to 800 full-time jobs and 600 seasonal jobs over the next five years, then continue to rise.

Some of the areas which are likely to benefit from the increased planting will include major centres of unemployment where alternative job opportunities are limited, for example in Gisborne and Northland where the unemployment rate is 8.8% and 9.7% respectively.

The effect of this will not only aid in the resurgence of these regions but will also have a favourable impact reducing crime and other social problems.

The positive impact of the taxation initiative will not only give an impetus to new planting but it will also enhance the

quality of existing forests. Growers with wood coming on stream will have a greater incentive than before to undertake silviculture. The value-added return on the final product will be significantly enhanced.

Long-term Benefits

The new planting and silviculture that takes place in the short term will have long-term benefits on logging, transport, processing and other activities.

The Government has a firm commitment to growth, increasing export earnings, and employment. Forestry has an important part to play in the economy of New Zealand. This Government will give the sector the legislation required to allow fulfilment of its positive potential.

Clear Signal

This taxation change sends a clear signal to you. Now is the time to step up investment in forestry.

If you have any questions about the taxation change or would like further information, please contact the Ministry of Forestry.

Let us work together to build a stronger and more vigorous New Zealand forest industry.