

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.