

wealth Forestry Review of my friend Lindsay Poole's *Trees, Timber and Tranquility* ends with the conclusion that it is "of immense value to anyone wishing to write a formal New Zealand forest history". It is good that this has been said.

Although many bits of forest history have been written, there are, apart perhaps from Allsop, few which give an objective and unbiased view of events.

This is particularly true of the early Tasman years for which Entrican's writing failed to tell the whole story.

Nor is it true of Sir James Fletcher's book, compiled from his own intimate knowledge of company events. Treasury has not published the story of its involvement. The second period of major Government decisions, from the late 1980s into the early 1990s was of lasting importance to New Zealand forestry.

The one book dealing specifically with the sale of State forests (Birchfield and Grant) was too early to deal with the effects.

I think what is needed is not a complete forest history now nor just a factual account of the important relationships between Government and pulp and paper industries.

A new book should incorporate the many stories of the last 60-70 years which are now either unrecorded, or at best, inadequately recorded.

These include, as well, the large-scale private plantings of the 1920s and 1930s, the Forestry Development Conferences to which the private sector, the Government, forest industries and the Forest Service all agreed, the continuing emphasis of planting targets on regional development, the attempt to get a major sustained yield beech management industry away on the West Coast, the 1986 Forest Accord, the takeover of many large private forests by American and Japanese interests, and the emergence and dominance of successful environmental lobbies.

By the time such a book is written, the Asian crisis and the effects of the merger of the agriculture and forestry ministries will deserve mention.

The author will doubtless think of others. There are still quite a few people alive who could research and write such a book.

It should be a fascinating account to forest administrations the world over.

A. P. Thomson

Labour and taxation

Sir,

The Evening Post published a couple of editorials recently which implied that it was almost a forgone conclusion that next year New Zealand will have a Labour-led left of center coalition Government.

Helen Clark has already announced that it is the Labour party's intention to raise personal taxation on those with annual incomes in excess of \$60,000 p.a. by 6 cents in the dollar.

For forest owners intending to harvest even minor areas of trees in any given year this is bad news. They face the prospect of the Government taking another six percent of their future net earnings as well as an inequitable penalty off not having been able to deduct all their costs of producing wood at 39 cents in the dollar. (See footnote).

In these circumstances it would be reasonable for forest owners to seek a tax credit to equalize the previous deductibility foregone because of the long term nature of forest investments.

It is also quite likely that a new left-inclined Government would re-introduce death duties. This may be up to 25% of the value of the estate. Because there is a high probability of forest owners dying before they harvest their trees, the inclusion of forests in the assessment of estate value for death duties would be a major disincentive to forestry investment and eventually would result in less rural employment, more soil erosion, more serious flooding, bleaker landscapes, a reduction in bird and other wildlife numbers and sub optimal land use decisions.

We need to ensure that the movers and shakers in the Labour and Alliance parties are at least aware of the advantages of excluding forest assets in the assessment of the value of estates for death duties.

It is also a good time to point out to Labour and the Alliance that the National Government never honoured its 1990 pre-election promise to allow the purchase of forests to be fully deductible. They might get some good press if they took up that idea which is about putting forestry on a level playing field with other sectors. If the idea was adopted the transactional value of immature forests would increase as the purchase cost of bush component would no longer have a discounting effect on immature forest value. It would also reduce the current risks

associated with the long term nature of forest investment. Increased exchanges of immature forests would lead to the establishment of a competitive market for them which would help make the forest industry more efficient.

This letter is a call for members of the Farm Forestry Association, the Institute of Forestry and the Forest Owners Association to discuss the implications of likely general taxation changes on forestry investment with anyone they know who might have influence in Labour party circles.

The Councils of the aforementioned organizations might like to join together and send representatives to meet with Helen Clark, Michael Cullen and Jim Anderton direct. Now is the time because it is very difficult to turn politicians around once they have taken a public position on an issue.

Yours sincerely

Hamish Levack
Forest owner, and a previous policy manager in the Minister of Forestry.

Footnote: As a long term investment with most of the expenditure being made in the first few years of the term, forestry warrants some sort of special dispensation when it comes to the implementation of the declared Labour party policy to increase personal tax for those with incomes in excess of \$60,000 from 33 to 39 cents in the dollar. This is because there is a lack of equity in treating the owner of say a 25 year old crop of radiata pine the same as say the owner of a month old crop of carrots. The same amount of money may have been spent on the development of both crops but the forester has only been able to deduct his expenditure at 33 cents in the dollar whereas the farmer will be able to deduct his expenditure at 39 cents in the dollar.

Pondering the IRR

Sir,

Correspondence between Dr Ted Bilek, Canterbury University and myself reveals a different approach to the interpretation of discounted cash flow investment analyses which readers of New Zealand Forestry may wish to comment upon. At the root of the disagreement is the definition of internal rate of return, and the possibility of there being more than one internal rate of return for a given project. I define internal rate of return as "the aggregate rate of return on all proprietor's capital invested in a project at any point in its duration", and argue that there can only be one internal rate of return for a given project.