

- (2.) The settlement of this timber-sale business by eliminating definitely and fairly the uncertainties which have disturbed and hampered forest industry. The Government should co-operate to the fullest legitimate extent in establishing and maintaining a permanent and profitable timber industry within the Dominion. The interest of the Dominion is so bound up with the timber-manufacturers' interests that nothing can be done to suppress in any degree the activity of the latter without endangering a vital interest of the former.
- (3.) The businesslike administration of the timber resources.
- (4.) Reasonable regulation of forest exploitation on public forest lands, in order to secure to the people a full measure of the exploited values, and, if need be, to ensure perpetuation.
- (5.) The considered and reasonable use of the State-forest resources in such a manner that every facility is given to the actual and *bona fide* miller to allow adequate investment and profitable return, and so as to make forest conservation not a remote but a near and more profitable thing upon all areas upon which milling is carried on: for in the last analysis the test of the success of the forest policy of this Government will lie not merely in the present productiveness, but still more in the future productiveness of the forests themselves.
- (6.) The settlement of local questions upon local grounds—in each case, of course, considering the dominant industry, but with as little restriction as to minor industries as possible. Sudden changes in industrial conditions should be avoided by gradual adjustment after due notice.

These general principles should govern not only in the disposal of timber and wood, but also in all other matters connected with the management of the public forests, such as protection and use of the water-supply, judicious use of the grazing resources, &c.

Recommended Proposals for a Progressive Timber-sale Policy.

Your adviser herewith exposes proposals for the formulation of a new timber-sale policy. It takes into account the approach which all other countries have made upon the problem of disposing profitably of the public timber. The recommendations typify an independent and original consideration of the problem in New Zealand, and the resultant will not be a borrowed instrument taken from somewhere else in the hope that it may fit into local conditions. The policy as finally decided upon should take cognizance of the following suggestions and statements if results are desired:—

1. The Forest Service should be the one branch of Government ministration empowered and made responsible for the control, disposition, and sale of *all* the forest resources of the Dominion, whether in State forests, forest reserves, or on sawmill licenses, leases, rights, &c.

2. An immediate reconsideration of the present royalty rates should be made, and legislation passed so that an early adjustment can be made in these basic values over all sawmill licenses, timber rights in Mining Wardens' areas, leases, &c.

3. The general principle of readjusting the royalty charges periodically should be adopted. This readjustment should comprise the following:—

- (a.) Fix the royalty increase as expressed in paragraph 2 above.
- (b.) Establish a level of wholesale timber-prices on which future increases will be based.
- (c.) Ensure stability by providing, say, by several successive five-year periods, for periodic royalty adjustment. For each of these given periods it should be provided that a certain definite percentage of the price-increment for timber shall be added to the royalty. (In British Columbia, where this system is now in force, the percentage is 25 per cent. for the first five years, rising by increments of 5 per cent. to 40 per cent. for the last five-year period.)
- (d.) Provision for standard grades, measurement scale, the power of inspection into the affairs and books of the operator (for determination of the average selling-prices).

NOTE.—This periodical adjustment in royalty should be based on the wholesale selling-price of timber during each past five-year period. The wholesale selling-price of timber should be calculated at the point of manufacture as f.o.b.; therefore, in order to obtain a reliable basis, a yearly record of timber-sales should be kept by each operator. This system gives a fair and just measure of certainty to concessionaires; it is based on sawn-timber values, cost, and fair profit to operators; it ensures stability for financing, recognizes the fundamental right of the people of New Zealand to share in the increasing value of their own timber property, and it is a good forest-conservation principle.

4. *Ground-rent.*—A Dominion-wide ground-rent should be charged on all sawmill licenses and reserves, Mining Wardens' leases, &c. In these cessions great areas of public lands are earmarked, and are therefore controlled by the licensee or lessee for periods ranging from twenty-one to forty-two years. It is therefore right and proper that a fair and just annual ground-rent should be charged. It should represent the annual interest (say, $5\frac{1}{2}$ per cent.) on the capitalized value of the land held under license. This ground-rent should not be regarded as a penalty for the non-use of the timber resources on the land (as in the case of Mining Warden timber leases), but as the just return that the people of the country are entitled to in giving a land-monopoly privilege to any one citizen. The writer suggests the imposition of a ground-rent of 1s. per acre per year, the same to be paid annually at the same time every year by all licensees, and at the same time renew their timber right or license.