The third system is recommended for New Zealand. Under this system—

(a.) The financing of the initial development expenditure necessary to place the indigenous forests on a proper working-basis, and to provide for the forest-extension needs, should be met by the raising of a long-term Government debenture issue, to be paid off in part at least by the harvests accruing.

(b.) Special projects, such as forest stock-taking, forest schools, &c., should be met by special parliamentary vote.

(c.) The current forest administration should be met by the revenues accruing from the judicious sale of the mature timber resources, &c.

Herewith is presented an *exposé* of the financial needs, and how these funds are to be expended. It is based on a programme which presumes the Forest Service would administer all forests, forest lands, State forests, national parks, scenic reserves, &c. It also presupposes that the third method of financing (development fund, &c.) and the No. 1 plan of Forest Service organization would be adopted.

Funds required and Disposition of Same.

A. Capital Development Fund.

A capital development fund of £872,300 to be raised by long-term debentures. These debentures to be a direct charge against the State forests and their revenue. This development allotment would be used as follows:—

	£
(1.) Forest organization of the Dominion forests over a five- to seven-year period.	
Housing ...	30,000
Improvements, roads, trails, communications, protection facilities	100,000
Demarcation, boundary survey, &c. ...	60,000
Formation of working-plans, reconnaissance, &c. ...	30,000
General ...	20,000
Total ...	£240,000
(2.) State-forest extension by tree-planting over five- to seven-year period. Consolidating and rounding out of:—	
North Island—	
Waiotapu Plantations ...	2,300
Kaingaroa Plains West ...	65,000
Kaingaroa Plains ...	64,000
South Island—	
Greenvale Plantation ...	50,000
Naseby Plantation ...	11,000
Balmoral Plantation ...	39,000
Extension of the Hanmer Springs Plantation ...	35,000
Blue Mountains planting project ...	35,000
Total ...	£302,300
(3.) Formation of a Forest Products Laboratory and Division of Research, and a five-years programme ...	30,000
(4.) Funds for the acquisition of forests and forest lands ...	200,000
(5.) State forest loans, co-operative forest-extension, encouragement of forest industry ...	100,000
Grand total ...	£872,300

The underlying security behind this debenture issue would be from ten to fifteen times the loan. Unquestionably a national investment of this character can be justified not only by the narrow view of business expediency, but also from the viewpoint of the larger ultimate returns to the country. There is a great mass of evidence to show that standing-timber values are increasing at a much greater rate than ordinary interest charges, and the present low royalties charged by the Government are due for certain and steady advances with the expansion of the industrial needs of a rapidly growing population.

B. Special Projects.

There are several urgent projects and investigations which should be made by the Service during the development period. The information to be secured from these investigations is essential in the execution of the national forest policy. It is presumed that these amounts would be found by special parliamentary vote. They are—

	£
(1.) Inventory of the forest resources in New Zealand on all public, private, and Native lands ...	2,000
(2.) General land-classification and soil-survey (made in co-operation with the Department of Agriculture and Lands) of all Native and Crown forest lands and State forests ...	10,000
(3.) Economic survey of the timber industry (a study of the relation of the industry to the public forests) ...	2,000
(4.) Special investigations ...	3,000
(5.) Forest education, publications, library, &c.; extension of forest knowledge of national interest (per year) ...	6,000