PARLIAMENT OF AUSTRALIA
DEPARTMENT OF THE PARLIAMENTARY LIBRARY

SOFTWOOD FORESTRY AGREEMENTS BILL 1978

Date Introduced: 9 March 1978
House: House of Representatives
Presented by: Rt. Hon. I.M. Sinclair, M.P.,
Minister for Primary Industry

Short Digest of Bill

Purpose

To authorize the Commonwealth to make agreements for assistance to the States for the tending of some softwood forestry plantations.

Background

Under the Softwoods Forestry Agreements Acts of 1967 (covering new plantings in the 5 years 1 July 1966 to 30 June 1971), 1972 (covering new plantings in the 5 years 1 July 1971 to 30 June 1976) and 1976 (covering new plantings in the financial year 1976-77), the Commonwealth agreed to provide assistance to the States for a program of additional new softwood plantings by State Government forest services. The aim of this 11 year program was to increase the rate of establishing new softwood plantations (i.e., new plantings as opposed to replantings) and thereby reduce the mounting dependence of Australia on imports for the supply of forest products, with the ultimate goal being one of self-sufficiency. This objective was justified, initially, on the grounds of balance of payments problems and structural imbalances in the economy (due to the relatively rapid growth in the tertiary sector) and more recently, a possible future world shortage of wood-fibre and strategic reasons. Prior to 1 July 1966, the States were fully financing all of the new softwood plantings by their forestry services. From 1 July 1966 to 30 June 1977, the States fully financed part of their new plantings; the remaining portion of their new plantings was fully financed by the Commonwealth assisted program, which accounted overall for approximately 50% of total new plantings by the States for the 11 year period.

Under the program, the Commonwealth provided loans to the States over 35 years, bearing interest equivalent to the long term bond rate, with the first 10 years being free of loan repayments and interest accrual. Such assistance was provided for the purchase of new land (approximately 10% of funds), the establishment of new plantations and the maintenance (or tending) of such additional new plantings. Commonwealth outlays under the three Acts have been: 1967 Act - $17.7m, 1972
Act - $31.4m and 1976 Act - $5.84m (with a limit of $6.0m being imposed in the 1976 Act); the estimate for 1977-78 (under the 1972 Act) is $0.447m.

Under the Agreement in the 1967 Act, the proposed annual level of new plantings by the States (consisting of the State financed plantings (termed 'Base Year Planting' in the Schedule) plus the Commonwealth financed plantings making up the difference) was an annual average of about 20,000 hectares, with the final year level being 23,700 ha.; the actual levels achieved were close to proposed levels. Under the 1972 Act, the proposed level was 22,129 ha. for each year; the actual level achieved was about 25,000 ha. each year (with an additional 8,300 ha. per year from private new plantings). Under the 1976 Act, the proposed level was 17,070 ha.

The Government decided to review the program during 1976-77. Relevant B.A.E. studies have been: The Australian Softwood Products Industry, 1977; and, "Plantation Requirements for Australia", paper to the Conference of the Australian Forest Development Institute, Traralgon, Victoria, October 1977. The B.A.E. concluded, with some reservations, that self-sufficiency in forest products was a reasonable objective. A second conclusion was that, assuming a continuation of private new plantings at an annual rate of 8,000 ha., substantial reductions in annual new planting levels by the State forest services would be necessary to avoid an oversupply situation. The Government has decided that a continuation of the program of Commonwealth assistance is not justified at present, and thus it will not now make further agreements to that effect. However, this Bill will provide for a new 5 year program of maintenance (or tending) only. Commonwealth assistance for the purchase of land and funding of new plantings would require new legislation.

**Provisions**

Sub-clause 3(1) of the Bill authorises the Commonwealth to make agreements with the States substantially in accordance with the agreement in the Schedule. Various definitions are given in sub-clause 1(1) of the Schedule, including "tending planting". The Commonwealth will provide financial assistance to the States to help them meet expenditure on tending plantations during the 5 year period 1 July 1977 to 30 June 1987 (Schedule sub-clause 2(1)). A limit of $4.2m for such assistance will apply in the first year (Schedule sub-clause 2(3) and Schedule). If this total is not reached, one or more States may exceed their individual limit given in the Schedule to the Schedule (Schedule sub-clause 2(4)). In each of the 5 years (with the first year only being subject to a limit) the amount of assistance given to any State will be that amount which bears the same proportion to total expenditure on tending planting in that year by that State, as the area of plantings in that State assisted by the Commonwealth under the previous 11 year program bears to the total area of plantings by the State over the 11
year period (Schedule sub-clause 2(2)); essentially, the Commonwealth is only assisting tending of plantings which it helped establish.

The Commonwealth assistance will be by way of interest-bearing loans over 35 years. There will be a 15 year holiday for loan repayments followed by 40 equal half-yearly instalments (Schedule sub-clause 7(1)); a State may repay the loan in full before the term has expired (Schedule sub-clause 7(2)). The rate at which interest accrues will be the prevailing yield on long term bonds (Schedule sub-clause 6(3)) for each year of the entire 35 year loan (Schedule sub-clause 6(1)). This is unlike the previous program in which the first 10 years were interest-free. Sub-clause 3(2) of the Bill authorises one of two alternative methods of paying interest. The first clauses 6 and 7 of the Schedule provide for interest to be calculated half-yearly during the whole 35 year period; payment of interest accruing in the first 15 years is to be deferred and capitalised; interest accruing in the last 20 years is to be payable half-yearly along with loan repayments. The second clause 6 of the Schedule provides for the alternative method whereby interest accrued is to be paid half-yearly in each year of the 35 year period.