

1310. The loan capital provided for the State Forests Account up to the 31st March, 1932, amounted to £1,753,171, while advances from the Consolidated Fund for forestry operations (on which interest is charged) amounted to £104,250. Virtually the loan capital is therefore £1,857,421, on which the annual interest is approximately £100,000. The revenue earned for the year ended 31st March, 1931, was only £54,415, which did not cover the ordinary administrative costs of the service; hence it is clear that interest has in the past been paid from loan funds.

1311. In considering the operations of the Department in connection with the establishment of exotic plantations it should be noted that the planting programme aimed at some years ago has been very considerably accelerated in order to provide work for unemployed, and the State Forest Service has evidently done good work in this direction. The effect has, however, been that a total of 347,000 acres has now been planted, while the goal for afforestation was set at 300,000 acres to be planted by 1935, and strict adherence to that programme, laid down in 1921, would have meant that only approximately 220,000 acres would now be planted. Loan-moneys have accordingly been raised much sooner than was originally contemplated, and we believe, from a purely forestry viewpoint, this policy has not been without its drawbacks, particularly when it is remembered that private enterprise has also been responsible for the planting of large areas of exotic trees within the last few years. The danger is that when State and private plantations reach maturity the supply of softwoods may be in excess of the demand. Under a more conservative policy this risk would have been minimized.

FUTURE PLANTING OPERATIONS.

1312. One result of the policy of utilizing forestry operations as a means of relieving unemployment has been that the service has considerable stocks of trees in the nurseries and seed on hand. Its resources in this connection are sufficient to provide for a reasonable planting programme for the ensuing three years, and it is accordingly impossible to close down planting operations immediately unless the Government is prepared to sacrifice the present stocks of trees and seed and the expenditure already incurred in preparing land for planting next season.

1313. The value of stocks on hand and the preparation work already done in anticipation of next season's planting is approximately £127,000, and it is questionable whether this asset should be abandoned, particularly when the planting of further areas offers such a ready field for the absorption of unemployed labour. **We cannot, however, recommend that the Government should continue to provide loan-money for further planting**, as it has in recent years already raised much more than was contemplated when planting operations commenced. **The necessary assistance towards the planting-costs should now be obtained from the Unemployment Board and the work put in hand purely as unemployment relief. We strongly recommend that the Government should provide the amount required for the planting of 50,000 acres next season out of unemployment taxation and utilize unemployed labour for the work.** This would have the effect not only of obviating the necessity of raising further loan capital immediately, but would also relieve the State Forests Account of the burden of compound interest over a long period of years.

1314. An estimate has been obtained from the State Forest Service of its requirements for next season on this basis, and a considerable reduction in last year's cost is possible by this means. This does not provide for any immediate saving to the Consolidated Fund.

1315. The foregoing deals with the more important aspects of the expenditure of the State Forest Service. There are, however, other avenues of economy in the administrative cost of the service to which we must now refer.

FUTURE PLANTING POLICY.

1316. We have suggested that the aim should be to complete the planting programme over a period of three years, and **we recommend that under no circumstances should further planting be undertaken after the completion of this programme.** It should be possible during the next three years, in the course of carrying out the programme we have outlined, to reduce progressively the establishment costs to what may be termed a "maintenance" basis. The planting which we suggest for the next three years is as follows:—

					Acres.
1932-33	..	..	..	..	50,000
1933-34	..	..	..	..	40,000
1934-35	..	..	..	..	33,000

1317. The progressive decrease in the area to be planted should result in a similar decrease in the staff required, or, in other words, the administration should in time be concentrated on the maintenance of existing plantations. In this connection a note of warning should be sounded. Maintenance costs have been reduced considerably over the last few years until they are now based on an average of 1s. 8d. per acre planted. This appears to be altogether inadequate, and the evidence taken confirms this conclusion. A reasonable cost per acre for maintenance would be from 2s. 6d. to 3s. per acre, but even on the lower figure the amount required annually for maintenance when the planting programme is completed will be £56,222.

1318. We wish now to deal with the general organization of the Department, as we are of opinion that by reorganization and the closing of some district offices considerable savings might be effected.

HEAD OFFICE ADMINISTRATION.

1319. The amount required for salaries for 1932-33 is estimated at £35,500. This indicates an extensive organization, which should be reduced considerably.