

with forests only in relation to the production of timber for commercial purposes. Scenic reserves, and bush preserved for climatic purposes or for river protection, are matters which come under a different head of the duties committed to the Commissioner of State Forests. But with regard to rivers I desire incidentally to ask your consideration always of the possibility of preserving the bush in the headquarters of the sources of rivers and their tributaries, since such preservation is a method of avoiding serious floods in non-navigable rivers and conserving a constant flow in navigable rivers.

Export and Price-fixing Regulations.

The further powers conferred by the Act of last session have enabled the passing of two classes of Regulations. By the first class limitations have already been placed upon the export of certain classes of timber, and power has been taken to fix the prices of every class of milled timber in New Zealand. I have endeavoured to proceed gradually in this matter, for it would have been unwise and unfair to abruptly interfere with the course of the milling industry already established. I have had the valuable assistance of the Board of Trade, the members of which have devoted constant attention to the intricate questions involved with the result that so far it has been possible to make the Regulations after conference with a representative Committee of the Sawmillers. I am afraid that there is a general idea that nothing has been done; but I believe that that idea has gained ground simply because neither the Hon. Mr Macdonald the Minister in charge of the Board of Trade, nor myself, has thought it necessary to make public announcements from time to time on the subject. The details of what has been done, and the steps proposed to be taken in relation to the prices of timber, are matters with which I need not trouble you at this stage.

Under the second class of power granted by the Act of last session Regulations have been recently made prohibiting the sale of standing timber, or the grant of licences to cut standing timber, without the consent of the Governor-General in Council, and I gather from numerous communications that the effect of such Regulations has been much misunderstood. Huge areas of land covered with valuable forest are now held under cutting licences granted in the past. In many cases the land under the forest is wholly unsuited for settlement. The miller is to go in and destroy, and what is left behind him will be barren and useless. Such cutting rights ought not to have been indiscriminately allowed in the past; the right to grant them must as a matter of public policy in the future be subject first to enquiry by the Government officials. The Regulations do not prevent any private owner from himself cutting or destroying the timber on his own land, and it is clear that a private owner who desires that others should mill his timber before his land is cleared would obtain the licence as a matter of course. The power of Native owners to grant

authority to destroy forest has, I admit, been thus limited, but in my view no undue interference with the Native right has been effected. The power of Wardens in mining districts to grant licences to destroy timber growing in many cases upon land which would be worthless for any other purpose has been curtailed to the necessary power to grant cutting rights for mining purposes pure and simple. Against this there has been already violent protest, and I anticipate much further attack. So far as the protest is one voiced by the sawmillers it must be made plain that the policy is one that has been deliberately entered upon by a Government and will not be altered. So far as the protest comes from Local Authorities which have derived revenue from royalties upon all State timber, the question whether provision shall be made for that loss of revenue out of the Consolidated Fund has not yet been considered by Cabinet, and I am not in a position to indicate what will be the policy of the Government on that subject. But it would be absurd to contend that the forests of New Zealand are to be destroyed in order to provide revenue for Local Authorities. With regard to the operations which will continue to produce royalties from the milling of State timber (a matter separate and distinct from the reduction of such operations by the recent Regulations) I have not proposed any amendment of the law which grants a proportion of those royalties to Local Authorities, and have not in view the proposal of any such amendment during the coming session. But sooner or later the whole revenue from State timber must come to the Dominion Treasury to the credit of the State Forestry Account. Hitherto the cost of State Forestry has been almost entirely provided out of loan money. Loan moneys will still be required for some years for the acquisition of land and for planting operations. But ultimately the cost of administration should be provided out of the revenue derived from the forestry operations, and subvention to Local Authorities must come from the Consolidated Fund, that is to say, from taxation, and not from the profit derived by the State from milling timber which is the property of the State.

Future Forestry Policy:

Regulation—or State Mills?

I turn now from the consideration of the meaning and effect of the new powers granted by Parliament last session to a brief consideration of the present position and of the mode in which it is intended in future to exercise those powers and the powers originally granted by the State Forests Act. We have available under Section 32 of the Finance Act of last year power to raise money for afforestation purposes to the extent of £200,000, and you will be glad to learn that none of that money has yet been raised and very little spent in anticipation of borrowing. It has been practically impossible during the war to obtain the services of a trained, educated, Director of Forestry, and even now I believe there will be considerable difficulty in finding