



Treefarm Investment
Managers Australia

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Media Release

Treefarm Investment Managers Australia

Representing the interests of the managed investments plantation sector

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Stable plantation policy will reduce the \$2 billion deficit

Plantation investment managers look forward to a long and prosperous future, providing generous commercial returns for investors, and creating economic, environmental and social benefits for Australia, the Chairman of Treefarm Investment Managers Australia, Mr Sol Rabinowicz, said today.

Mr Rabinowicz, an Executive Director of Timbercorp Limited, was speaking to a TIMA Parliamentary breakfast in Canberra.

He called on the Federal Government to maintain the fundamental investment conditions that had contributed to the industry's rapid and substantial growth over the past decade and that had the potential to reduce significantly Australia's \$2 billion a year trade deficit in forest products.

"The regulatory, tax and policy environment for plantation investment needs to remain stable and predictable," he said. "The current review of the taxation of plantation forestry should not erode the fundamentals of the industry that have now been established, whatever fine-tuning is deemed to be required.

"For our part, we can promise that plantations will continue to be managed according to recognised codes of best practice. Increasingly this will mean taking even more time to consult with land use planning agencies, scientists, and other land users about where the plantations should be grown in the landscape, so as not only to generate commercial returns for growers but also to maximise potential environmental and water catchment benefits and to minimise adverse impacts."

More than 70 per cent of all new timber plantations established since the Plantations 2020 Vision strategy launch in 1997 has been financed and planted by the afforestation managed investments sector.

Companies in the afforestation managed investments sector – seven are ASX-listed – manage woodlots for about 50,000 private growers. The \$750 million invested by growers in 2004-05 will be used by managers to establish over 100,000 hectares of new plantations in 2005-06.

The earliest plantations are now being harvested, and their sawlog and woodchip products are being milled here or exported.

"We are well and truly into the next phase of the production cycle for managed timber plantations," Mr Rabinowicz said. "This is what we've been working towards, where we make returns for the growers, and provide the resource that will support a variety of plantation-based processing and value-adding industries in the main plantation-growing regions of rural Australia."

Existing pulp and paper mills are being supplied from plantations, one announced pulp mill expansion is linked to expansion of the plantation estate, and there are plans for new pulp mills in Tasmania and western Victoria based on plantation-grown wood – much of it from managed investments. These represent a total investment of about \$2 billion and new permanent jobs for more than 1,000 people.

"Our companies are becoming vertically integrated in timber management and processing, owning and operating port and loading facilities, woodchip mills, sawmills, veneer mills, drying plants, and preservation treatment plants," Mr Rabinowicz said.

Mr Rabinowicz said this strong, value-adding growth could continue only with long-term resource security and stable wood flows, and that in turn depended on a stable policy environment.

“Continued year-of-expenditure deductibility and a workable pre-payment rule are vital,” he said.

“The general year-of-expenditure business tax deduction against other income should continue to apply to plantation forestry as it does to other harvested agricultural crops. Anyone tying up money in a long-term business with agricultural risk should be able to access those standard tax deductions. If not, the evidence from New Zealand in the mid-1980s is that investment in new plantations will essentially cease.”

“The 12-month prepayment rule for managed investment plantations should also continue, so that plantation managers have the time to source the land, order the seedlings (many months in advance of planting), line up the contractors and do the site preparation and initial weed control (many months before planting), and then plant and fertilise the seedlings.

“Not only that, but this rule also solves Treasury’s problem about ‘tax asymmetry’ by having a provision in the legislation that requires the plantation manager to bring forward company tax liabilities on gross revenues into the same year the growers get their deductions.”

Mr Rabinowicz said TIMA called for transparency in policy planning following the taxation review.

“TIMA members are more than willing to discuss openly with the Government and other stakeholders how various elements of the tax provisions affecting plantation forestry might be refined and be more effectively and efficiently administered,” he said.

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