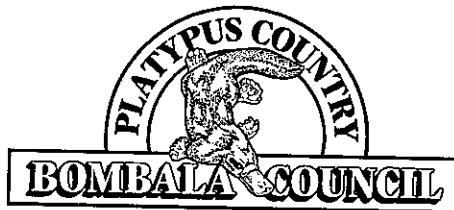


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28th July 2005

Review of the Taxation of Plantation Forestry
C/- Department of the Treasury
Langton Crescent
PARKES ACT 2600

Dear Sir,

Re: Bombala Council Submission on Taxation of Plantations

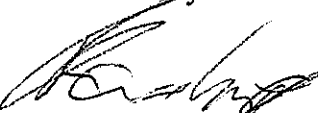
The main issue of concern raised by Bombala Council is that at the moment the incentive scheme allows investors to gain a tax break in the current year with the income to be derived for a substantial period in the future. This allows for the manipulation of taxable income to reduce the tax burden. Such schemes increase the attractiveness of the scheme over other investments and can distort the market, leading to over investment in products that do not have as good a financial return. This leads to lower long term economic activity.

The MIS scheme as it currently operates does not take into account the development of plantations at a micro level. As long as the overall plantation estate of the manager is structured to make a reasonable return (including the tax benefit) some areas can be planted on poor ground with a consequent loss of production, income and taxable receipts over the time that the land is put down under plantation. The potential exists for plantations to be established on poor performing ground as the investor does not know the exact details of the entire estate and the manger could be driven by the extra profits that can be derived from lower land input costs.

Council wants to see the local areas used to its best economic capacity. If a MIS scheme is working properly it should encourage plantation only to occur on areas where the productivity of plantations is greater than the productivity of other uses. Based on a State Government report from 1991 the softwood plantations in this region are looking to be set up on about twice the extent of land that was found to be available as more economically viable for plantations.

Council is looking to ensure that any stand of plantation only receives subsidy where the development of that plantation creates a net economic benefit for the community. The incentive mechanism needs to be reviewed to ensure that the subsidy is targeting the outcome of viable timber production, rather than the planting of trees as may currently be the case.

Yours faithfully



DAVID L RAWLINGS
GENERAL MANAGER