



THE FORESTRY ENCOURAGEMENT LOANS  
REGULATIONS 1967

BERNARD FERGUSSON, Governor-General  
ORDER IN COUNCIL

At the Government Buildings at Wellington this 6th day of March 1967

Present:

THE RIGHT HON. KEITH HOLYOAKE, C.H., PRESIDING IN COUNCIL

PURSUANT to the Forestry Encouragement Act 1962, His Excellency the Governor-General, acting by and with the advice and consent of the Executive Council, hereby makes the following regulations.

ANALYSIS

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REGULATIONS

1. **Title and commencement**—(1) These regulations may be cited as the Forestry Encouragement Loans Regulations 1967.

(2) These regulations shall come into force on the day after the date of their notification in the *Gazette*.

2. **Interpretation**—In these regulations, unless the context otherwise requires,—

“The Act” means the Forestry Encouragement Act 1962:

“Agreement” means a forestry encouragement agreement made under the Act and in accordance with these regulations, and includes any agreement by way of variation thereof, supplement thereto, or substitution therefor, and any contract intended to be incorporated or merged therein:

“Approved forest plantation” means one or more parcels of land, each being not less than 1 acre in area, whether contiguous or not, being together a unit—

(a) Designated or used for the growing of trees in rows at least five trees wide, except in the case of poplar (*Populus*, any species), for the production of wood for sale; and

(b) Not less than 5 acres in area:

“Approved woodlot” means any one or more parcels of land, each of not less than 1 acre in area, whether contiguous or not, being together a unit—

(a) Designated or used for the growing of trees in rows at least five trees wide, except in the case of poplar (*Populus*, any species), for the production of wood for sale; and

(b) Not less than 5 acres nor more than 600 acres in area:

“Conservator” means a Conservator of Forests appointed pursuant to section 8 of the Forests Act 1949:

“Determining date”, in relation to any agreement, means the date as at which the provisions of these regulations for remission of principal and interest operate:

“Loan” means a sum of money lent to an owner by the Minister for the purposes of the Act; and includes any subsequent sum so lent:

“Loan area”, in relation to any loan, means the land that carries or is to carry the approved woodlot or approved forest plantation in respect of which the loan is made:

“Local authority” means a local authority within the meaning of Part VI of the Local Authorities Loans Act 1956:

“Major utilisation” means any tree felling relating to a disposal of forest produce appreciably fulfilling, in the opinion of the Minister, an object specified in the relevant plan of operations and comprising all or part of the tree crop in the loan area:

“Owner”, in relation to any secured area, means the registered proprietor for the time being of the secured area, and includes any surety liable under the agreement relating to that area:

“Plan of operations”, in relation to any approved woodlot or approved forest plantation, means a written declaration, approved by the Minister, of the objects for which the approved woodlot or approved forest plantation is established or tended, and the programme of management through which those objects are intended to be achieved, and forming, or intended to form, part of a registered agreement; and includes all amendments or variations of or substitutions for the declaration that are registered or are intended to be registered:

“Public company” means any company within the meaning of the Companies Act 1955, other than a private company within the meaning of that Act:

“Registered” means registered or recorded by a Registrar as defined in the Act:

“Secured area” means the land against the title or titles to which an agreement is registered:

“Title” includes a lease within the meaning of the Act.

**3. Terms and conditions of applications**—All applications for advances made under the Act shall be upon the terms and conditions set out in these regulations.

**4. General basis of applications**—(1) Any eligible person may apply for a loan in accordance with the provisions of the First Schedule to these regulations.

(2) Subject to the provisions of subclauses (3), (4), and (5) of this regulation, the normal maximum amount to be offered to the applicant shall be ascertained by multiplying the amount of the normal maximum loan per acre specified in the First Schedule hereto by the number of acres in the loan area (to the nearest whole acre) as ascertained by survey plan or as determined in accordance with regulation 11 hereof.

(3) Notwithstanding anything to the contrary in the First Schedule to these regulations, a Conservator may, at the request of an applicant, increase by not more than 5 percent the amount calculated in accordance with subclause (2) of this regulation without further authority than this regulation in any case where—

- (a) The additional money is required to reimburse the applicant for sums actually expended by him for purposes approved in the granting of the loan; and
- (b) A revised determination of the size of the planted area discloses that a greater loan could have been approved by the appropriate authority in the first instance; and
- (c) Provision for securing the proportionate increase is made in the agreement or a variation thereof; and
- (d) The lessor (if any) consents to the increase.

(4) Notwithstanding anything to the contrary in the First Schedule to these regulations, where an increase by more than 5 percent but not more than 10 percent in the amount of the loan is requested in the circumstances set out in paragraphs (a) to (d) of subclause (3) of this regulation, the increase may be authorised by the authority by whom the original amount was approved.

(5) A supplementary sum up to the amount needed to pay the applicant's cash contribution in respect of repayment insurance premium as hereinafter specified may be added to the foregoing amounts and shall in any such case be included in the total loan secured by agreement.

(6) It shall be a condition of every loan that, in addition to such other terms as the Minister may consider expedient, the agreement shall contain provision to the effect that, at the option of the Minister,—

- (a) All money secured by the agreement shall become due and payable if any applicant or approved subsequent owner dies or ceases personally to own the secured area, or his or its original share thereof; and
- (b) The Minister may, in the name of, as the attorney and agent of, and at the expense of, the owner
  - (i) Do all work and acts necessary for the due and punctual performance, observance, and fulfilment of the plan of operations and of all other terms, covenants, and conditions contained in the agreement;
  - (ii) Fulfil all covenants (including the payment of all money due and payable), and obtain all renewals or extensions upon expiration that are provided for in any lease against which the agreement is registered; and
  - (iii) Execute all documents and pay all money and incur all debts and other obligations and obtain all information necessary in the opinion of the Minister for the protection of the loan, and charge such fees as may seem to him to be reasonable and proper in respect of that protection.

(7) Every application shall be made to the Conservator whose conservancy includes the proposed loan area on a form approved by the Director-General of Forests.

(8) The Minister may, as a condition of any loan, require that a forest consultant approved by him prepare and carry out the plan of operations or do either of those things.

(9) It shall be an implied condition of every loan offered by the Minister that he may revoke the offer, whether accepted or not, unless within three years from the date of the offer the owner has established on the loan area at least the minimum area defined as an approved woodlot or approved forest plantation under these regulations.

(10) It shall be a condition of every loan that no wood in the loan area be cut or removed without the prior consent of the Minister.

5. Special applicants—(1) Except in the case of any applicant who is a man or woman of full age able in the ordinary course to comply personally with the requirements of the plan of operations contained in the agreement, and except in the further case of any applicant which is a local authority, all loans shall be subject to the provision of such personal surety or sureties by covenanting parties to the agreement as the Minister may require, and the agreement shall contain all conveying provisions considered by the Minister to be usual or requisite for security given by a person of the status or capacity of the applicant.

(2) Where the Minister is not satisfied that the value of the applicant's equity in the secured area apart from the value of the tree crop to which the loan relates exceeds the amount of the proposed loan, he may grant the loan subject to the applicant being required—

- (a) To give security by way of additional land so that the necessary value will be attained under the total secured area; or
- (b) To provide for supplementary repayment insurance in the name of and to the satisfaction of the Minister so that the period of insurance in accordance with regulation 9 hereof shall be increased to a debt period of 20 years.

(3) Except where the Minister is satisfied that the margin of security is large, or where the applicant is a local authority, provision shall, in the case of a loan to trustees, or to a company, club, incorporated society, or other body of persons, be made in the agreement restricting the charging or disposal of assets (including the disposition of shares) without the written consent of the Minister.

6. Disbursement of loans—(1) It shall be the basis of every application that,—

- (a) Except in respect of the payment of contributions to repayment insurance, each loan or portion of a loan shall be paid to the applicant by the Conservator, unless in the opinion of the Conservator certified accounts submitted by the applicant can more conveniently be paid by the Conservator; and
- (b) The Conservator may retain such portion of any loan as in his opinion will be required to complete the establishment of the approved woodlot or approved forest plantation.

(2) Each such payment shall be by way of reimbursement of the applicant for money actually expended or by direct payment of accounts, or in allowance for work performed by or on behalf of the applicant, in respect in each instance of the purposes for which the loan has been approved, and in the case of expenditure relating to establishment shall not exceed any limit of reimbursement (taking into account retention money) set out in the First Schedule hereto.

(3) Before authorising any such payment, the Conservator shall, in respect of other than minor payments require appropriate title searches, and in the case of reimbursement require to be produced for his inspection proper receipts, vouchers, or other evidence of compliance with subclause (2) of this regulation to his satisfaction, and shall in all cases by inspection or otherwise satisfy himself that all work and material are complete and satisfactory and that the expenditure relates to the loan area.

(4) The Conservator shall cause proper records to be kept of vouchers, receipts, and other evidence as aforesaid, and of accounts paid by him, and shall, where possible, retain either the originals or certified copies or a certified abstract thereof.

(5) The applicant shall, by accepting the offer of a loan, be deemed thereby to authorise the Conservator to act as his agent for the purpose of disbursing the loan money (when appropriated to the applicant) in payment of contributions to repayment insurance premiums and of accounts.

**7. Computing and compounding of interest—**(1) All loans or portions of loans shall carry interest chargeable from the day of disbursement up to the next ensuing 31st day of December as a broken period, and thereafter interest shall be calculated with annual rests as at the 31st day of December in each successive year until the determining date.

(2) Except in the case of a local authority, the applicant may, before any portion of the loan is disbursed, irrevocably elect that up to the determining date all or one-half of the interest shall not be paid as it falls due, but shall as it accrues be added to the principal sum so as itself to bear interest at the rate provided for in the agreement, with annual rests.

(3) In the case of a local authority all interest up to the determining date shall as it accrues be added to the principal sum so as itself to bear interest at the rate provided for in the agreement, with annual rests.

**8. Remission of principal and interest—**(1) Except in respect of additional establishment or tending loans to local authorities, provision in accordance with these regulations and section 5 (4) of the Act shall be made on a suspensory basis in each agreement for the remission of—

- (a) Up to one-half of such portion of the loan as has been expended by or on behalf of the owner in operations on the loan area in relation to the establishment or management of an approved woodlot or an approved forest plantation and has not been repaid; and
- (b) Such interest (including interest added to the principal sum) as remains due and unpaid on the portion of the loan remitted under paragraph (a) of this subclause.

(2) Each agreement shall provide for the remission to be calculated as at, and (subject to the conditions contained in these regulations) to take effect as at, the determining date hereinafter mentioned.

(3) The time for deciding the determining date shall be fixed,—

(a) In the case of an owner other than a local authority, upon the happening of the earlier of the following events:

(i) The expiration of 20 years from the date of the first payment of the loan or any portion thereof; or

(ii) The commencement to the satisfaction of the Minister of the first major utilisation of the tree crop in the loan area proposed as such to the Minister by the owner in writing (whether by way of written prescription of work proposed under the plan of operations or otherwise) and approved by the Minister:

(b) In the case of a local authority, upon the happening of the earlier of the following events:

(i) The expiration of 40 years from the date of the first payment of the loan or any portion thereof; or

(ii) The commencement to the satisfaction of the Minister of the clearfelling of the tree crop in the loan area proposed as such to the Minister by the local authority in writing (whether by way of written prescription of work proposed under the plan of operations or otherwise) and approved by the Minister.

(4) Upon the arrival of the time for deciding the determining date, the owner shall in writing request the Conservator to compute the determining date or the Conservator may himself decide to compute the determining date. Thereupon the Conservator shall cause the loan area and the loan records to be inspected with a view to the issue by him of a certificate by way of determination as hereinafter provided.

(5) Each agreement shall provide that the Conservator shall, if fully satisfied upon the inspection that all terms and conditions contained in the agreement have been complied with and that the event according to which the determining date should be calculated has occurred, issue a certificate by way of determination, in or to the effect of the form set out in the Second Schedule hereto, and the date shown as such in the certificate shall be the determining date for the purposes of this regulation.

(6) Each agreement shall provide that from and after the determining date the total debt remaining shall be paid as follows:

(a) Where the owner is not a local authority, under a 20 years' instalment table at 3 percent, with provision that the balance owing from time to time be on demand as to principal and interest on the commencement of clearfelling:

(b) Where the owner is a local authority, on demand as to both principal and interest, with interest pending demand at 3 percent as to the unremitted one-half of the above defined principal sum and without alteration of rate as to any additional establishment or tending loan.

(7) Special provisions modifying the periods of time set out in this regulation may be approved by the Minister in the case of long rotation species of trees.

9. Insurance—(1) In respect of every loan or portion of a loan paid out towards the cost of planting trees or tending trees on the loan area, the Minister may, in pursuance of any relevant arrangement forming part of the conditions under which the loan has been granted, pay, or (in the case of an applicant that is a local authority) require the applicant to pay annually, to an insurance office approved by the Minister (which insurance office is hereinafter referred to as the insurer) a premium sufficient to obtain for and in the name of Her Majesty the Queen an indemnity in respect of the trees, logs, timber products, and fences grown, produced, or erected pursuant to the plan of operations, all as situated on or relating to and whilst contained in the loan area (hereinafter called the risk), covering the total indebtedness of the owner from time to time in connection with each agreement in respect of each payment so made, including capitalised interest thereon (if any). Any such payment shall be deemed to include such other loan money as may be apportioned by the Conservator, being loan money paid out from time to time in respect of any other work specified in the plan of operations or in respect of repayment insurance premiums.

(2) Every such indemnity shall, as far as can be obtained, provide to the effect that in the event of the total or partial loss, destruction, injury, or damage of or to all or any portion of the risk by fire (other than through the wilful act of the owner) the insurer will, on proof thereof, pay to the Minister on behalf of Her Majesty the Queen a sum (not exceeding per acre in respect of trees the total indebtedness per acre for the time being under the relevant agreement, as ascertained in accordance with subclause (1) of this regulation) equal to the amount of the loss, as that amount is estimated by the Minister and the insurer, or, in the event of their failure to agree on that estimation, by arbitration.

(3) On receipt of the sum payable to him by the insurer under subclause (2) of this regulation, the Minister shall cancel the liability of the owner under the agreement to the extent of that sum, by applying that sum firstly in payment of interest accrued and other money due but not yet paid or added to the principal sum and secondly in repayment of principal; and the Minister and the owner may thereupon enter into a further agreement in respect of such new loan as the Minister may be willing to make to the owner in respect of the same or any other loan area.

(4) Subject to the provisions of subclause (5) of this regulation, the sum to be stated in the agreement relating to any loan as being the original principal amount of the loan shall be so calculated as to state and include the total amount of the repayment insurance premium relating to the period of the cover in respect of that loan, so that all provisions of the agreement relating to the charging, payment, and compounding of principal and interest shall apply to that premium, but not the provisions thereof relating to remission.

(5) Where the owner elects or is required to pay in cash to the Minister all or any part of the repayment insurance premium due in respect of his loan, the principal sum referred to in subclause (4) of this regulation shall abate accordingly.

- (6) Subject to the provisions of subclause (10) of this regulation,—
- (a) In every case to which paragraph (b) of this subclause does not apply, the applicant shall, on taking up the loan or the portion thereof referred to in subclause (1) of this regulation, contribute to or be debited by the Minister by way of repayment insurance premium a sum per acre calculated in accordance with the rate for a debt period insured of 10 years as stated in the Third Schedule hereto:
- (b) Where as a condition of a proposed loan the Minister requires any applicant, or where the applicant elects, to provide for repayment insurance for a debt period insured of 20 years, the applicant shall contribute to or be debited by the Minister by way of the repayment insurance premium required under paragraph (a) of this subclause a sum per acre calculated in accordance with the rate for such debt period as is stated in the Third Schedule hereto.
- (7) An owner who has obtained a loan or loans on the terms set out in the notice published in the *Gazette* on the 21st day of February 1963 at page 243, or in the notice published in the *Gazette* on the 20th day of May 1965 at page 794, may in the form of election set out in the Fourth Schedule hereto at any time before the 30th day of June 1967 elect in writing, subject to the consent of the Minister, to vary the terms on which he obtained the loan or loans to such extent as is necessary to obtain, instead of any previous insurance, the benefit of the insurance provisions of this regulation, and shall in the election covenant that in consideration of the consent of the Minister the owner will execute in substitution for the existing agreement in respect of the loan or loans an appropriate agreement complying in all respects with these regulations.
- (8) For the purposes of subclauses (4) and (5) of this regulation, any sum at any time paid in cash to or debited by the Minister in respect of an owner pursuant to subclause (7) of this regulation for insurance purposes shall be deemed to have been paid or debited as a contribution in respect of a repayment insurance premium under this regulation, but shall, for every year or part of a year elapsing between the date of the loan in respect of which the Minister received the sum and the date on which the election to vary terms became operative, abate by one-tenth in the case of an insurance originally for a period of 10 years.
- (9) The Minister may, in any case of election pursuant to subclause (7) of this regulation,—
- (a) On application by the owner, increase the amount of the balance owing under the loan by debiting such sum as may be required to make up the full contribution required from the owner under subclause (6) of this regulation; and
- (b) Rearrange the period of the loan and the terms of repayment as may be appropriate.
- (10) Special arrangements modifying the periods of time and rates of premium set out in this regulation may be approved by the Minister in the case of long rotation species of trees.

**10. Forestry encouragement agreements and plans of operations—**

(1) It shall be an implied condition of every loan that it be secured by a registered agreement between Her Majesty the Queen and the owner containing, in addition to the special conditions on which the loan has been approved, such general terms, covenants, conditions, and provisions as in the opinion of the Minister are necessary to ensure sound management of the loan area, the provision of a good and appropriate personal covenant by the owner for the time being of the secured area, and generally the proper securing of the money lent, including interest, and of the due performance of all conditions of the loan.

(2) Every agreement shall contain a plan of operations setting out the programme of preparatory work, planting, tending, and other forest management operations proposed by the applicant or required of the owner by the Minister, and shall provide that the Minister may require the owner to supply him before commencing each stage of the programme a written prescription for his approval of the work proposed at that stage. Any such prescription may, with the approval of the Minister, declare that the work shall, when completed to his satisfaction, comprise for the purposes of remission of principal and interest a major utilisation or (in the case of a local authority) a clear-felling.

(3) Provision shall be made in every agreement for the owner—

- (a) To take proper precautions to the satisfaction of the Minister against the destruction or damage by fire of the risk as defined in regulation 9 hereof and to comply in all respects with the requirements of all Acts, regulations, requisitions, and other lawful authorities, and all provisions in the plan of operations in respect of the prevention and control of fire, including the payment of all contributions and levies:
- (b) To comply in all respects with the requirements of all Acts, regulations, requisitions, and other lawful authorities, and all provisions in the plan of operations in respect of the prevention, eradication, and control of plant diseases, plant pests, and noxious animals and in respect of all other precautions, and safety or conservation measures, affecting or relating to the loan area or the tree crop thereon, including protection from animals of all kinds.

**11. Locality plans—**(1) There shall be endorsed on or annexed to every agreement a neat scale locality plan sufficient to show, to the satisfaction of the Conservator, the peripheral dimensions of the loan area together with its location in relation to some readily identifiable portion of the legal boundary of the secured area.

(2) It shall be sufficient for the purposes of this regulation if the locality plan is compiled wholly or in part from data obtained by any one or more of the following methods, namely, scaling, aerial photography, compass and chain survey, and any other approved method, based on official survey data, if the loan area so defined has been sufficiently identified by field inspection and the area determined from the locality plan is within 5 percent of probable true area.

(3) Where any boundary of the loan area is also the boundary of the secured land, the Conservator shall, as a condition of the advance, confirm that the loan will be expended within the loan area by ensuring that either—

- (a) The common boundary has been physically verified on the ground; or
- (b) The common boundary lies at the end of a proportionally narrow portion of the loan area and planting is not less than one chain distant from the reasonably apparent location of the common boundary.

(4) It shall be sufficient for the purpose of this regulation if all copies of the agreement contain copies, made by photographic or other copying means, of the original locality plan complying with the requirements of this regulation, and if the plan copies are properly annexed to the copies of the agreement and are duly authenticated by the parties.

**12. Revocation.**—These regulations are in substitution for the Farm Forestry Notice 1965\*, and that notice is hereby consequentially revoked.

## SCHEDULES

Reg. 4

### FIRST SCHEDULE

#### GENERAL BASIS OF APPLICATIONS

##### *Part A: Applicants Other Than Local Authorities*

Eligibility: Applicants by whom or on whose behalf a proposed secured area is being farmed, except local authorities and public companies, are eligible to apply under this Part.

Final Date in Each Calendar Year for the Receipt of Applications for That Year: The 31st day of August.

Loan Area in any Five-year Period:

For approval by Director-General of Forests or the Senior Forest Extension Officer of the New Zealand Forest Service on behalf of Minister	Maximum 100 acres.
For approval by Minister	Maximum 200 acres.
For joint approval by Minister and Minister of Finance	Above 200 acres.

Term of Loan: 40 years.

Normal Maximum Loan per Acre of Loan Area, Including Retention Money as Shown Below:

For clearing, burning, fencing, firebreaks, cultivation, and other preliminary establishment operations, planting and for subsequent tending	£40 (\$80).
For tending only	£15 (\$30).

Charging of Interest:

Payable by annual instalments on the 31st day of December in each and every year on all sums lent	3 percent.
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\*Gazette, 1965, Vol. II, p. 794

FIRST SCHEDULE—*continued*

Limit of Reimbursement per Acre of Loan Area, Including Retention Money as Shown Below:

In respect of expenditure relating to establishment of approved woodlot ..... £25 (\$50).

Interim Repayment Notice:

All or part of the principal sum including sums compounded (interest to cease on repayment) ..... One month.

Retention Money:

Sum to be held back as reserve to cover blanking, replanting, or release cutting at Minister's discretion ..... £5 (\$10) per acre.

*Part B: Local Authorities*

Eligibility: Local authorities as defined in regulation 2 hereof are eligible to apply under this Part.

(NOTE: The consent of the Local Authorities Loans Board must be obtained in the usual manner.)

Final Date in Each Calendar Year for the Receipt of Applications for That Year: The 31st day of August.

Loan Area in any Five-year Period:

For approval by Director-General of Forests or the Senior Forest Extension Officer of the New Zealand Forest Service on behalf of Minister ..... Maximum 100 acres.

For approval by Minister ..... Maximum 200 acres.

For joint approval by Minister and Minister of Finance ..... Above 200 acres.

Term of Loan: 40 years, subject to the provisions hereunder regarding payment.

Normal Maximum Loan per Acre of Loan Area:

For clearing, burning, fencing, firebreaks, cultivation, and other preliminary establishment operations, planting, and for subsequent tending ..... £40 (\$80).

For tending only ..... £15 (\$30).

For additional establishment or tending purposes where the necessity is established to the Minister's satisfaction ..... £20 (\$40).

Charging of Interest:

Payable by annual instalments on the 31st day of December in each and every year on all sums lent—

(a) On loans up to £40 (\$80) per acre 3 percent.

(b) On additional establishment or tending loans up to £20 (\$40) per acre ..... Current local authority rate.

Insurance: Fire insurance to at least the amount of the principal sum owing from time to time is to be arranged to the satisfaction of the Minister in accordance with the provisions of regulation 9 hereof, or to the like effect as nearly as may be arranged by the applicant.

FIRST SCHEDULE—*continued*

Repayment: The Minister may, on being satisfied that any clear-felling has commenced in the loan area, require that the net proceeds thereof be applied towards reduction or repayment of the balance owing under the loan. Where, however, the local authority satisfies the Minister that it will reafforest the loan area, he may permit it to retain up to 20 percent of the proceeds. From commencement of clearfelling the loan will be on demand. All or any part of the principal sum, including sums compounded, may be repaid at any time on one month's notice, interest to cease on repayment.

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