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TITLE: Forestry aid ignores real problems

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The economy has become a symbol for politicians to exploit rather than a system for them to manage. Prime Minister Tony Abbott's recent speech about Tasmania highlights that talking about the economy is something politicians like to do, but making good economic decisions has become an optional extra.

His speech, to the forestry industry last week, is a perfect example of the willingness to use major economic problems to score minor political points. It's hard to argue with Mr Abbott that "Tasmania has the lowest wages in our country. It's got the lowest GDP per head in our country. It's got the lowest life expectancy in our country. It's got the lowest education attainments in our country and it's got the highest unemployment in our country."

That's a pretty long list of woes, but leaving aside the Prime Minister's attempt to blame the environment movement for Tasmania's plight, the real issue is whether his solution of delisting 74,000 hectares of world heritage-listed forest will help the 20,000 unemployed Tasmanians, the vast majority of whom have never, and will never, work in native forest logging.

According to economic theory, the main determinant of economic growth is productivity growth, and the main drivers of productivity growth are education and technological change. But rather than focus on the big issues that deliver long-run benefits, modern Australian politicians can't resist making political mountains out of economic molehills.

Native forest logging accounts for only about 1 per cent of Tasmania's gross state product. Even if granting access to 74,000 hectares of world heritage-listed forest led to a doubling in forest output, and there is no prospect that it will, then Tasmania's GSP per capita would still barely shift.

The same is true for employment. In a population of about 500,000, the native forestry logging industry employs about 1000 people. No, that's not a typo, just 1000 people. Surveys show that the average Tasmanian thinks that about 20 per cent of their workforce works in forestry.

One way to increase employment in an industry is to use misleading statistics. Rather than talk about the tiny number of people employed to cut down trees in native forests, the industry prefers to claim it has 3000 employees by conflating the plantation timber sector with its native forest counterpart. But even their biggest estimates make them look small when compared to tourism. Dodgy statistics aside, the output and employment of the forestry industry is simply not going to double. While blaming environmentalists for "locking up the forests" is red meat for the Liberal Party base, it's just not the main problem.

Just as a quick glimpse at the ABS statistics shows how tiny native forest logging is, a quick glance at the budget papers and the financial reports of Forestry Tasmania shows how enormous the taxpayer support for the industry is. How ironic that after hundreds of millions of dollars have been poured into "restructuring packages" to aid Tassie's move away from logging, the PM now wants to maintain the old structure. The real problem with native forest logging isn't that the forests have been locked up, it is that we have been paying a fortune to the loggers to keep the gates open.

While Mr Abbott claims that no government has ever subsidised their way to prosperity and Treasurer Joe Hockey claims to want to end the Age of Entitlement, they seem unconcerned about the hundreds of millions of dollars spent propping up the destruction of some of the world's oldest forests.

The real economic problems facing forestry are identical to those facing the Australian car industry. The world doesn't buy as much hardwood as it once did – those people who buy hardwood prefer plantation hardwood to native forest products, and they can find it cheaper elsewhere thanks to our high exchange rate. The Prime Minister can blame the environmentalists for the collapse of forestry, and he can even blame the falling world price of coal on the mining tax but, regardless of the political merits of such nonsense, he continues to do nothing to address the real economic challenges facing Australia.

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