

TITLE: Tasmanian Forests Agreement: liberal society needs an alternative

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Fred Gale's article, Tasmanian Forests Agreement: deeply flawed, worth backing, provides interesting insights into the views of one segment of the Tasmanian community that supports the Tasmanian Forest Agreement. However, he fails to fully grasp many of the fundamental reasons for continuing opposition to the deal and its associated legislation. Most notably, there is no room in Gale's analysis for liberal perspectives.

While there are many different forms of liberalism and diverse views on the legitimate role of the state, there is a common presumption throughout liberal political philosophy in favour of freedom of choice. When faced with a policy issue, liberals traditionally start by asking whether the state should be involved. In seeking to answer this question, they will presume that governments should neither prohibit, nor encourage, any behaviour without a darn good reason.

For liberals who judge the morality of actions on the basis of their consequences (and most mainstream economists fall into this camp), the subsidies offered through the forests agreement raise a red flag.

Under the deal, the Commonwealth will provide a total of \$350 million to Tasmania. It will be used to "restructure" the forestry industry, compensate displaced forest workers, pay out forest contracts, subsidise regional development projects and help establish and manage the new reserves.

The details of how this money will be distributed are still sketchy but the available information suggests that the forestry sector will receive around \$70-80 million in direct subsidies. A further \$90 million will be provided for "economic diversification projects" outside the forestry sector.

As any economic textbook will tell you, subsidies usually cause inefficiencies. In most cases, they increase the supply of the subsidised good or service beyond the level that is efficient and, in doing so, reduce social wellbeing (or welfare).

The native forest sector has been in decline for the better part of the last 20 years. Real prices for most native forest wood products have been flat or falling, costs have been rising, and both domestic and international competition has been increasing. Since 2008, the deterioration of the

sector has accelerated because of the global financial crisis, increased woodchip production from Southeast Asia, the appreciation of the Australian dollar, and declining Japanese paper demand. The state of the sector in Tasmania is so bad that, without the subsidies provided under the agreement, it would collapse (a point that has been acknowledged by the Australian Government, Tasmanian Government and the forestry industry).

Given the state of the sector, any reasonable liberal would be inclined to ask why the native forest sector, of all sectors, deserves government subsidies.

In Tasmania, it employs fewer than 2000 people (around 1% of the Tasmanian workforce) and, in a good year, contributes between 1-2% of gross state product. It relies on subsidised logs provided by Forestry Tasmania (over the last four years Forestry Tasmania recorded a net loss before tax and other items of around \$16 million per annum), subsidised plant and equipment for processors, and even subsidised electricity supply for major producers like Ta Ann. Without these subsidies, it would be uncompetitive and go the way of the whaling industry.

Moreover, by propping up the sector and ensuring its continued survival, the forests agreement will add around 2 million tonnes of greenhouse gas emissions to Australia's emissions accounts every year until at least 2020. This will cost federal taxpayers around \$50 million annually in lost carbon revenues or direct action spending.

Gale talks about "different visions of Tasmania's forest future" as if Australia has a centrally planned economy in which the forestry sector is shielded from market forces. For those who missed it, Australia is a liberal democracy with an open and flexible market economy. As applies in most other areas, if the forestry sector cannot stand on its own feet, it should be allowed to fall. The only role the government should play in this process is to help workers find alternative employment.

From a liberal perspective, the subsidies are only part of the problem. The other issue with the agreement is the way it was negotiated and plans to enforce it.

The agreement was a product of a three-year, closed door negotiation between representatives from the forestry industry and three environment groups: the Australian Conservation Foundation, The Wilderness Society and Environment Tasmania. While the deal ultimately had to go before the Tasmanian Parliament, and there was a hurried inquiry undertaken by the Tasmanian Upper House, it is startling that, in a representative democracy, governments could formally deputise a gaggle of unelected lobby groups to develop policy on the community's behalf.

In its Blueprint for a Sustainable Australia, the Australian Conservation Foundation talks of the need for participatory decision-making process, saying "participation in decision-making is an essential ingredient for a truly democratic and open society" and that, in the absence of participation, people will feel alienated. It should have read its own brochure more closely.

The final and arguably most egregious component of the agreement from a liberal perspective is the "durability" provisions.

Freedom of speech and political communication are fundamental to liberal philosophy and an essential part of a representative democracy. Neither freedom is absolute but, in a liberal democracy, there should be a strong presumption that any attempt to burden these freedoms

will not be permitted unless it is absolutely necessary and done in a way that is proportionate to the need.

Under the TFA legislation, a “Special Council” made up of representatives from the forestry sector and the anointed environmental groups will be established. This Special Council is required by law to prepare regular “durability reports”. These reports will pass judgement on whether there has been “substantial active protest” or “substantial market disruption” by anyone against the Tasmanian forestry sector.

Substantial active protest is defined for these purposes as “an activity that has a negative material impact on forest operations legally carried out or on any processing of timber legally carried out”. Substantial market disruption is defined as “an activity that has a negative material impact on the sale of legally harvested Tasmanian timber”.

If a protest or disruption is found to be substantial, the promised 500,000 hectares of new forest reserves will not be declared and the minimum sawlog quota will be raised from 137,000 to 300,000 cubic metres. This will mean that, in return for giving Tasmania \$350 million, the Commonwealth taxpayer may get nothing other than the knowledge that it has, once again, propped up the native forestry sector and subsidised various other activities across Tasmania.

Gale, like the environment groups involved, argues the agreement does not impinge upon democratic freedoms. He says while this process is:

“clearly designed to put pressure on environmental groups to not engage in protests against markets and business, it does not directly silence them. If they believe the deal to be a dud, there is nothing to prevent them from taking action.”

This is to ignore the effect of the arrangements. Those who protest and speak out, and do so effectively, must live with the prospect their actions will trigger retribution against the environment, to say nothing of the economy. This is a burden on the freedom of political communication and an affront to basic liberal values.

Contrary to what Gale argues, the Tasmanian Forests Agreement is not “the only bargain that could ever be struck to reconcile Tasmania’s forest conflicts”. There are a number of alternatives, the most obvious being to treat the Tasmanian forestry sector like most other industries in Australia are treated and to ensure that any deal respects fundamental liberal principles and ideals.

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