

TITLE: Tasmania's forestry sector akin to 'work for the dole'

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Late last week, the details of an interim agreement between the forestry industry and green groups on the future of Tasmania's native forests was released, showing the distance between the two parties has narrowed considerably. Both sides now support the creation of additional reserves and a permanent native forest timber production area, and want governments to help the industry through a process of reform.

So close are the parties to a lasting truce that, upon seeing the agreement, the Deputy Premier of Tasmania, Bryan Green, declared Tasmania's forest wars over.

Throughout the Tasmanian forest agreement process, the media and others have painted the picture of a polarised debate: greensies on one side fighting for the environment, industry on the other side fighting for economic growth and jobs. But there is another side to the tale; those asking why the native forest sector is treated differently to other industries and not subject to the market principles that apply in most other areas.

In the 1990s, the Council of Australian Governments established the National Competition Policy reform process as a way of weaning out inefficient government practices and promoting improved resource allocation outcomes. The process was remarkably successful, helping to improve productivity, increase choice and reduce prices. Somehow these reforms largely eluded the forest sector, which is still run by outmoded state forest agencies.

These agencies pay no rent for the land on which the forests are located, pay no charge for the trees that are cut down, don't pay for the environmental harm they cause, receive direct monetary subsidies from the federal and state governments, and yet most still manage to lose money.

Forestry Tasmania, which is at the centre of the negotiations in Tasmania, is a case in point. Its financial performance can be summarised with four facts:

In the last six years it has received \$100 million in subsidies from the federal government

In the last four years it has lost an average of \$100 million per year

It has an unfunded superannuation liability of well over \$100 million

The Tasmanian government has recently promised to prop it up with an additional \$100 million subsidy.

By any measure, this entity is not economically viable. Yet the tap of government subsidies continues to run in order to keep Forestry Tasmania and Tasmania's native forest sector alive.

Typically, these subsidies are justified on the basis of jobs. Roughly 2000 people are employed in growing, managing, harvesting and processing native forest logs in Tasmania and, with the Tasmanian economy in the doldrums, taxpayers are effectively being asked to look upon the handouts as the equivalent of a work for the dole program.

There is nothing wrong with welfare for the needy but the amounts given to the native forest sector are exorbitant. For every worker in the sector, Forestry Tasmania loses around \$50,000 a year. And, conservatively, handouts from the federal government alone in the last four years amount to roughly \$50,000 per worker. Very few other industries or workers receive this sort of treatment.

The simplest explanation for the mollycoddling of the native forest sector is electoral maths. Under the Australian constitution, Tasmania is guaranteed five seats in the House of Representatives and 12 in the Senate, which gives Tasmanians a disproportionate influence on the outcome of elections. And Tasmanians have been gravely misled about the contribution that the native forest sector makes to the state economy.

In a recent poll conducted by The Australia Institute, Tasmanians were asked to estimate what proportion of the Tasmanian workforce they thought was employed in forestry and logging (growing and harvesting forests) and in the forestry and forest products industry more generally (growing, harvesting, transporting and processing forest products). The average estimates were 19% and 24% respectively. In reality, forestry and logging accounts for roughly 0.5% of employment in Tasmania (around 1000 people), while employment across the entire forestry and forest products industry adds up to a mere 2% of the state total (around 4,500 people out of almost 240,000).

The same distortions were evident in responses to questioning about the contribution of the forestry and forest products industry to economic activity (gross state product). The average estimate was 28%; the reality is around 3%.

These results relate to the entire forest sector: native forest and plantation. Native forests only account for about half of total employment and output in the industry, making it little more than a footnote in the state economic accounts.

Yet the perception is that Tasmania relies on native forestry for its existence, and that without it, the state would collapse. The public has been fooled into believing this by the industry, which relies on public support to back the subsidies it needs to stay afloat.

With the native forest sector haemorrhaging money at record rates due to the high Australian dollar, increased competition and diminished demand, it is time for the federal and state governments to cut the cord on subsidies and allow market forces to restructure the industry. Such cuts will cause temporary unemployment and the government has a role to play in

helping those who are adversely affected. But surely the forest industry should now be treated on the same basis as all others?

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