

TITLE: Chips are down for job creation

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PUBLICATION: The Mercury

PUBLICATION DATE: 08/10/14

LINK: <http://www.themercury.com.au/news/opinion/chips-are-down-for-jobs-creation/story-fnj4f64i-1227083048707>

As the world coal price continues to fall, politicians are asking themselves what the Australian economy will look like by the time the downturn bottoms out.

They needn't look far.

Tasmania offers a clear road map for what happens to an economy when the price of a significant export commodity falls.

And, most recently, with news the Tasmanian Government is considering turning away private investment into tourism to provide yet another bailout to one of its worst-performing industries, it also offers a lesson in what not to do in response.

Coal and forestry have a lot in common. Coal employs about 1 per cent of Australia's workforce, as does forestry in Tasmania.

Both industries are heavily subsidised by state governments.

And both industries wield far more political influence than their contribution should merit.

Since 2008, Australia's volume of hardwood woodchip exports to Japan has more than halved. It's nothing personal. Rather, the decline is due to a reduction in Japan's demand for woodchips from all countries.

The downturn is simply accelerated by an increase in plantation woodchips from other countries, as well as a worldwide trend away from chips sourced from native forests. The high Australian dollar doesn't help either.

It's an experience the mainland's coal industry will recognise.

In the past 12 months, Chinese demand for Australia's coal has also slowed significantly.

And, just like the falling volume of exports of Tasmania's woodchips, it is due to a reduction in China's demand for coal from all countries, an increase in coal production from other countries, a worldwide trend away from coal and a high Australian dollar.

It's hard to overstate the impact of retrenchment. Losing your job impacts not only you as an individual but also your family and your community.

The reality of the labour market is that people lose their jobs every day, often for reasons outside their control.

For Tasmania, the decline in world demand for native forest woodchips and the rise of low-cost plantations has meant a small number of job losses but a huge amount of political and media attention.

Between 2008 and today, the number of people employed in native forestry has fallen to fewer than 2000.

Job losses hurt, no matter where they happen, but the Federal Government's cuts to the public sector are expected to have a bigger impact on Tasmania's economy than the structural decline in native forest logging.

When forestry workers lose their jobs it's a crisis. When public servants lose their jobs it's an election promise.

Why do politicians work harder to save some jobs than others?

Just as Australians consistently over-estimate how many people are employed in coal mining, Tasmanians consistently over-estimate the employment numbers of native forest logging.

Surveys show Tasmanians think the industry employs 20 per cent of the workforce, when the ABS reveals it employs around 1 per cent.

It's a big difference. It's like if you were asked to locate Denmark on a globe and you pointed to the sofa.

This "perception gap" is used by industry lobbyists in coal and forestry to push for subsidies.

If voters think the industry is important, they'll want to do everything to support it.

For Tasmania, that support is expensive.

Although the financial cost of subsidised logging to Tasmania's budget is more than \$180 million over the past three years, the real cost is what economists refer to as an "opportunity cost".

The more than \$180 million spent propping up a small and declining industry against the overwhelming tide of global market forces was \$180 million that wasn't invested in education, tourism promotion, or infrastructure of value to the entire economy.

David Walsh has shown what a single investment can deliver to Tasmania's economy.

Recently, Graeme Wood has indicated his enthusiasm to do the same.

But rather than roll out the red carpet for a new private sector investment into the growing tourism industry that already employs almost 10 per cent of Tasmanians, the State Government is reportedly considering scuttling Wood's plans for Spring Bay to throw more taxpayer dollars at native forestry, a shrinking industry employing fewer than 1 per cent of Tasmania's workforce.

There is little logic behind such a move.

Evidently, the State Government is keen to double down on its losses.

Never mind that the last hundred million did nothing to arrest the industry's decline – it's the next hundred million that'll do the trick.

The Government is, of course, constitutionally free to buy up private property and throw more taxpayer money at whatever scheme it wants.

But every time it bets on a fading industry, it's Tasmania's schools, hospitals, roads and other industries lose out.

The Government is constitutionally free to waste money, but wasting the opportunity to build a better Tasmania is inexcusable.

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