



Forestry Tasmania

MEDIA RELEASE

Forest industry over-subsidisation a myth

A new report released today has exposed ongoing Green criticism that the forest industry is over-subsidised as a myth.

In fact, the forest industry in Tasmania is on par with agriculture for the amount of government subsidies received, and received far less than tourism.

The report, undertaken for Forestry Tasmania and the Forest Industries Association of Tasmania (FIAT) by leading economist Dr Bruce Felmingham, also found that the forest industry generates \$56 for every dollar it receives in direct government subsidies, compared to \$15 for the tourism industry.

Executive General Manager Han Drielsma said that the report had shown Green condemnation of forest industry subsidies as nothing more than propaganda.

“Discussion of subsidies rarely considers the economic benefit generated. This report clearly shows subsidies benefit consumers as well as producers, and generate jobs and income for Tasmanians.

“It is also clear from the report that the value generated by the forest industry for the Tasmanian economy means that it is a key solution to the Global Financial Crisis.”

FIAT Chief Executive said the report was commissioned in order to gain accurate information about the level of government subsidies to major Tasmanian industries.

“Forestry Tasmania and FIAT did not commission this report seeking a government handout. On the contrary, we sought accurate information about We were surprised that this work has never been carried out before. To this extent, Dr Felmingham’s report is groundbreaking.”

“Forestry Tasmania and FIAT do not criticise government assistance to other key industries.

“For example, while tourism is heavily subsidised, it also generates great benefits for Tasmania’s brand values.

“These results show that there is good reason for industry assistance by government, particularly during the Global Financial Crisis.”

Dr Felmingham said the IMC-Link report was the most in depth study ever undertaken into industry assistance.

The study looked at five major industry areas, which were ranked by the Subsidy Intensity Index (SII) developed by Dr Felmingham. Value added dollars were assessed using his ‘bang for buck’ (BB) formula.

Rank Order Tables (from less relatively subsidised to more relatively subsidised)			
Industry Sector	Rank	SII_i	BB (\$)
Mining and minerals processing	1	0.006	167
Energy	2	0.007	150
Forestry and timber processing	3	0.018	56
Agriculture/fishing	4	0.042	24
Tourism (all visitors)	5	0.065	15
Tourism (holiday makers only)	6	0.090	11

SII: Subsidy Intensity Index

BB: Bang for Buck

The study showed the forestry sector received an average \$25.24 million a year in direct government subsidies for the period 2004-2008 and generated \$1408 million in the 2006/07 financial year, equating to a BB of \$56 for every dollar invested.

Dr Felmingham said the study examined the degree of direct government subsidisation in the five key industries and the value added by each industry.

“All five industries are subsidised and in each case they have benefited the growth and development of the island’s economy,” he said.

“Subsidisation has had a positive economic effect in the past and will do so in the future if well targeted. An example of this is the tourism subsidies, which have returned a spectacular growth in tourism activity.

“The policy implication is that ‘subsidisation’ is not a dirty word and has contributed greatly to Tasmania’s lifestyle.”

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