



ENVIRONMENT
TASMANIA INC

The 2009 – 10 Tasmanian Government Budget

Environment & Related Spending

An Analysis

Dr Phill Pullinger, Director, Environment Tasmania. (Grad Dip Econ, MPPP)

Introduction

In 2009, the Tasmanian government faced tough budget conditions, with a global financial crisis that substantially cut GST receipts and income from other sources. It is certainly appropriate and necessary for governments to act in a prudent and economically responsible manner in tough times, by looking for efficiencies, by cutting wasteful spending, and by targeting spending on the types of long-term investment that will place the economy on the best footing for long-run sustainable economic growth.

The uniqueness, diversity, integrity and global recognition of Tasmania's unique natural environment is its most powerful economic advantage, and a source of inspiration and pride for all Tasmanians. Our natural environment is one of the key reasons that Tasmania is such a special place to live. Our natural environment is what gives Tasmanians a quality of life hard to beat anywhere on the planet – and is a major driver for the attraction of human capital to Tasmania. Our outstanding natural environment underpins our billion dollar tourism industry, and provides many thousands of jobs to Tasmanians across the state. Our clean image and natural environment also underpins our brand, and the market premium that our primary producers can attract in local, national and international markets. Tasmania's natural environment is what gives Tasmanians an incredible pride in the place they live in, defines our collective sense of place in the world, and similarly defines how the rest of the world views our island state.

Our natural environment, Parks & Reserves are a source of limitless inspiration and fulfilment for Tasmanians, and Tasmanians have a strong expectation that those values are recognised and protected.

The great economic challenges of this century will be in sustainability, and the emerging crises around water security, food, climate change and peak oil, which will collectively put immense pressure and strain on the global economy. Conversely, the great economic opportunities of this century will be in sustainability, renewable energies, environmental technologies and innovation.

In this context, now is the time for the Tasmanian government to be loading substantially increased funding into environmental protection, the management, maintenance and restoration of our environmental assets, and investment in innovation, research and the emerging industries. This analysis will briefly look at what money is being spent on environment related fields by the Tasmanian government, where money is being spent on forestry & wood-chipping subsidies and other potentially environmentally destructive actions, and also a broad comparison of infrastructure spending in road, rail and public transport.

Key Findings

Key findings of this budget analysis in relation to the environment include;-

- The budget for the Parks & Wildlife Service has been significantly cut in real terms, and also as a percentage of the total Tasmanian government budget. PWS has been allocated 1.025% of the total budget, with its budget projected to be cut by 19% between 2008-09 and 2011-12.
- Funding for Climate Change will be cut by more than 50% between 2008-09 and 2011-12, with only \$2.37 million allocated in the 2009-10 budget, which represents less than 0.06% of the total budget
- Environment Pollution & Control will be cut by 15% between 08-09 and 2011-12
- Whilst there is significant infrastructure spending on roads (at least \$97 million) and modest infrastructure spending on rail (around \$11 million), there is little to no infrastructure investment in public transport. If even only a third of the roads project budget were re-allocated to specific public transport infrastructure investment, this could provide approx. \$30 million or more annually towards the development over a period of time of a world class public transport system in Tasmania. (Options include the development of extensive public cycle-ways in Tasmanian cities and towns, more extensive, affordable and regular bus services, and even the possibility of public transport availability via rail.)
- There will be at least \$16.27 million in taxpayer funding for the Forestry industry in 2009-10
- Whilst the Department of Primary Industries, Parks, Water & the Environment will deliver \$8.7 million to government revenue, Forestry Tasmania is projected to provide a \$0.0 GBE dividend, \$0.0 in taxation and \$0.0 in rates to government revenue in the 2009-10 budget
- There is a 12.7% increase in allocation to bus services over the 3 years between 2008-09 and 2011-12, which is welcomed
- Funding for the environment is spread across several Departments, with environment related spending split between the Department of Premier & Cabinet, Department of Justice, and the Department of Primary Industries, Parks, Water and Environment. This dispersal of environment across several portfolios and Ministers leads to inefficiencies, a diffusion of influence, Ministerial conflicts of interest, and poor environmental policy outcomes

Environment Related Spending

Following the abolishing of the former Department of Parks Heritage and the Arts, most environment-related spending is now housed within the Department of Primary Industries, Parks, Water and Environment, with Climate Change spending housed in the Department of Premier and Cabinet, and some spending also contained within Justice. The dispersal of environment related spending across several Departments and Ministers diffuses and dilutes the efficiency and effectiveness of spending on the environment by the Tasmanian Government. There are also severe conflicts of interest in the housing of environment related departmental areas within the Department of Primary Industries, Parks, Water and Environment in particular. Environmental management, pollution control, the EPA and regulatory functions are contained within the same department supervised by the Minister also managing forestry, mining, agriculture, fisheries and resources. There are often conflicts between resource use, allocation, extraction, industry and the environment – and it is absolutely crucial that there is capacity for independent, frank and fearless advice to be brought to cabinet by an Environment minister that has jurisdiction for all environment related policy areas and no conflicting policy areas.

It is Environment Tasmania's belief that all environment related policy areas should be housed within a single, stand alone Department of Environment, Lands and Sustainability supervised by one Minister. Significant efficiencies, economies of scale, and improvement in environmental policy outcomes would be achieved by such structural reform.

We have below broken down the current figures on environment related spending in this year's budget, with the spending broken down by Minister, with the relevant portfolio area also identified. The following figures are lifted directly from the Output Group Expense Summaries from Volume 1 and Volume 2 of Budget Paper 2, whilst the descriptions for each output group are similarly a summary of descriptions for each output group, largely directly quoted from Budget Paper 2, Volume 1 & 2.

Responsibility of the Premier and Minister assisting the Premier on Climate Change

	2008-09	2009-10	2010-11	2011-12	2012-13
	Budget	Budget	Forward	Forward	Forward
	\$'000	\$'000	Estimate	Estimate	Estimate
<i>Department of Premier & Cabinet</i>					
1.2 Climate Change	2,430	2,370	1,166	1,212	1,189

Where the money is spent*:-

* Most of this information is directly quoted from the budget papers

Climate Change: Facilitation of the activities of the Tasmanian Climate Change office, which coordinates the development and implementation of Government policy and initiatives relating to the reduction of Tasmania's greenhouse gas emissions and adaptation to climate change, including providing support for the Tasmanian Climate Action Council. **Environment Tasmania Comment:** In a time when Climate Change is the pre-eminent issue facing the future of the planet, and likely to put incredible pressures on the local, national and global economies, water, food, biodiversity and almost every aspect of our society, Climate Change funding is projected to be cut by more than 50% between 08-09 and 2011-12. In the current financial year, Climate Change has been allocated \$2.37 million, which represents less than 0.06 % of the total Tasmanian government budget.

Responsibility of the Minister for Primary Industries & Water, The Hon. David Llewelyn

	2008-09	2009-10	2010-11	2011-12	2012-13
	Budget	Budget	Forward	Forward	Forward
	\$'000	\$'000	Estimate	Estimate	Estimate
			\$'000	\$'000	\$'000
<i>Department of Primary Industries, Parks, Water and Environment</i>					
1.1 Land Titles, Survey & Mapping Services	17,411	16,391	17,122	16,927	17,247
1.4 Crown Land Services	30,060	48,808	35,839	6,600	6,639
3.1 Land Management Services	2,643	2,341	2,349	2,380	2,417
3.2 Conservation of Tas's Flora & Fauna	23,284	24,154	24,222	24,501	24,784
4.1 Water Resource Management	7,720	5,886	6,266	6,107	6,181
4.2 Water Resource Assessment	4,725	3,428	3,085	3,104	3,161
5.1 Policy Advice	3,075	2,942	2,758	2,701	2,751
6.1 Biosecurity	12,895	12,101	12,093	12,263	12,441
<i>Infrastructure Energy & Resources</i>					
2.1 Energy Policy & Advice	2,121	1,849	1,946	1,969	1,990
<i>Department of Justice (Planning)</i>					
10.1 Land Use Planning	2,014	1,715	969	985	1,006
10.2 RPDC	2,060	2,296	2,314	2,342	2,385
10.3 RMPAT	1,393	1,322	1,373	1,404	1,440

Where the money is spent*:-

* Most of this information is directly quoted from the budget papers

Land Titles, Survey & Mapping Services: The provision of land title system, policy and legislative framework for land administration and services that underpin land management and Tasmanian Spatial Data, including the production and maintenance of the LIST and TASMAT products.

Crown Land Services: Noted in the budget papers that changes in the Crown Land Services Output represent transfers from the Crown Lands Administration Fund to the Consolidated Fund. This output manages crown land, and provides Crown property advice to government and the private sector.

Land Management Services: Provides for the management of Tasmania's land resources, including geo-heritage, soils, salinity and rivers, and supports the administration of Tasmania's NRM Framework. This output also delivers weed management programs and oversees compliance for weed management.

Conservation of Tasmania's Flora & Fauna: Develops policy and regulatory frameworks and manages conservation assessment processes to support the sustainable development and conservation of the State's biodiversity. Also provides advice on the management, protection and rehabilitation of natural values on public and private land, including voluntary private land conservation programs. This output also manages the State's wildlife, and delivers programs to 'reduce the impact of browsing damage on primary industries' along with the impacts of pests and diseases on Tasmania's biodiversity. This section includes the Save the Devil program and the Fox Taskforce. **Environment Tasmania Comment:** Whilst we fully support the expenditure on the Fox Taskforce and the Save the Devil program, there is concern that a significant proportion of this section's expenditure is allocated for these two specific programs, with very scarce resources available for the conservation of all of the rest of Tasmania's flora and fauna.

Water Resource Management: The development and implementation of a range of legislation and policies for water management to ensure the equitable, efficient and sustainable allocation and use of surface and ground water resources and dam safety.

Water Resource Assessment: The services to assess, monitor, report and provide advice on the health, condition and state of Tasmania's water.

Policy Advice: Policy development, the leading and supporting of projects of strategic importance, and the coordination of whole-of-department input into the assessment of major projects. Also supports the development and coordination of policies relating to urban water and sewerage. **Environment Tasmania Comment:** We are very concerned that the policy advice on water policy, resource management and conservation of Tasmania's flora and fauna is not appropriately or effectively spent, as it is housed under a Minister and Department that houses conflicting portfolio areas (including forestry, primary industries, fishing, etc). This conflict of interest is significantly curtailing the capacity for independent, frank and fearless advice on issues relating to the conservation of the environment in Tasmania to make its way to the relevant Minister(s) and, in turn, the Cabinet.

Biosecurity: Supports the Tasmanian Biosecurity Strategy, providing risk-based systems to exclude, eradicate or effectively manage exotic pests and diseases that jeopardise the pest and disease free status of Tasmania. Also provides services aimed at ensuring that agricultural chemical use and animal welfare practices are consistent with legal and community expectations.

Energy Policy & Advice: This output provides strategic advice and support to the Minister on energy policy, including on National Energy Market reforms, issues affecting Tasmania's energy market, and national energy policy developments. **Environment Tasmania Comment:** There is great potential for new and exciting policy developments in Tasmania in relation to energy policy, particularly in relation to renewable energy initiatives, including such measures as a substantial gross feed-in tariff.

Land Use Planning: Policy development in strategic land use planning and the provision of professional planning policy advice to the Dept, Minister local government and other agencies.

Resource Planning & Development Commission: A range of statutory responsibilities, including the approval of planning schemes and amendments, the assessment of State Policies and projects of State significance, preparation of the State of the Environment Report, and inquiries.

Resource Management Planning Appeal Tribunal: The hearing of appeals regarding heritage, planning, marine and environmental decisions. **Environment Tasmania Comment:** There are very serious concerns that proposed changes to the planning system, including the housing of the RPDC within the department, the involvement of government bureaucrats on the independent panel, the proposed Ministerial call-in provisions, and the axing of 3rd party appeal rights, will significantly weaken Tasmania's planning system and the capacity of Tasmanians to have a fair go in planning and development issues.

Responsibility of the Minister for Environment, Parks, Heritage and the Arts, The Hon. Michelle O'Byrne

	2008-09	2009-10	2010-11	2011-12	2012-13
	Budget	Budget	Forward	Forward	Forward
	\$'000	\$'000	Estimate	Estimate	Estimate
<i>Department of Primary Industries, Parks, Water and Environment</i>					
7.1 Environmental and Pollution Control	15,844	15,391	13,910	13,480	13,694
7.2 Analytical Services	3,086	3,337	3,295	3,314	3,334
8.1 Parks & Wildlife Management	46,084	44,423	42,325	37,480	37,761

Where the money is spent*:-

* Most of this information is directly quoted from the budget papers

Environmental and Pollution Control: Undertakes activities to develop high quality, contemporary policies and strategies for the protection of the environment, ensure development proposals meet appropriate guidelines and standards; regulate environmental impacts of large industrial and municipal activities, monitor environmental

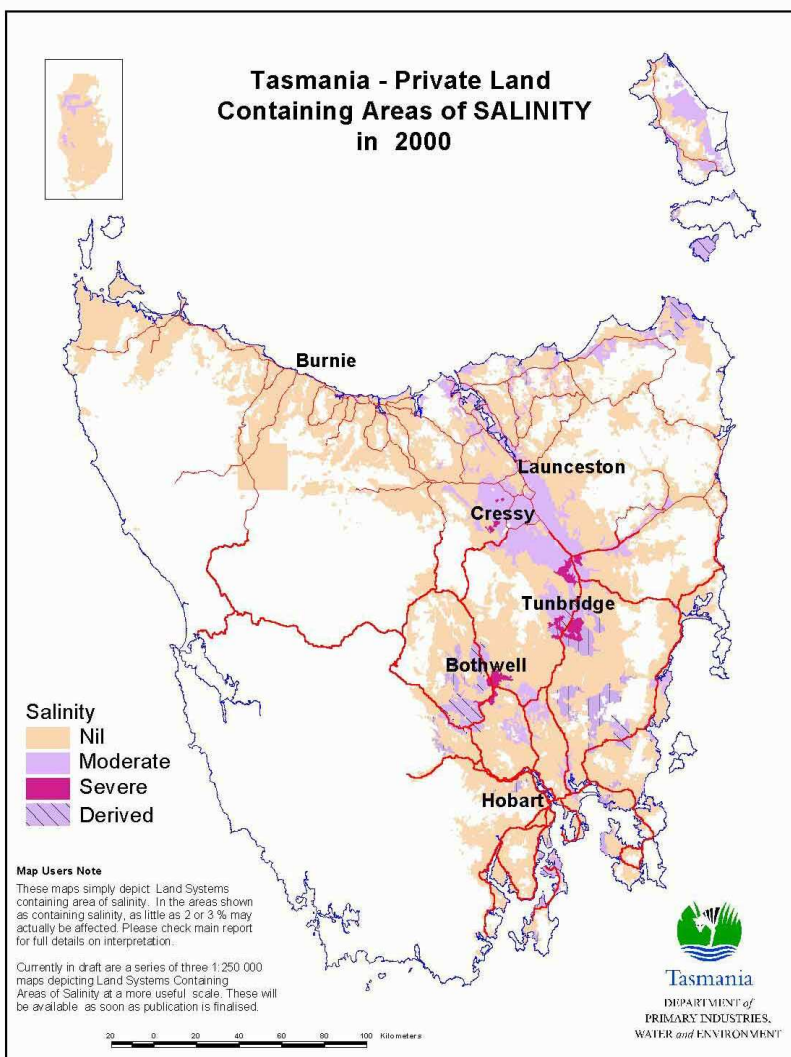
performance; and facilitate sustainable business practices and lifestyles. **Environment Tasmania Comment:** The funding for Environment Pollution & Control will be cut by 15% between 08-09 and 2011-12, despite the high likelihood of increasing pressures and demands on this section – and the need for some substantial core funding for a strong Environment Protection Authority in Tasmania.

Analytical Services: Focused on a range of scientific and analytical services in order to support the delivery of best practice environmental management and the management of environmental incidents.

Parks & Wildlife Management: The development and maintenance of a representative and world-renowned reserve and park system that conserves the State’s natural and cultural heritage, provides for its sustainable use and facilitates economic opportunities. This includes undertaking the planning and development of economic opportunities within parks and reserves. It also includes the provision of maintenance, improved infrastructure, high quality services and education to ensure visitor safety and good visitor experiences. **Environment Tasmania Comment:** The Parks & Wildlife service has had a significant cut to its funding in this year’s budget, with further cuts projected over the coming years. The Parks & Wildlife service budget will be cut in dollar terms by 19% between 08-09 and 2011-12. The decline in PWS funding is in absolute dollar terms, but also as a percentage of the total government funding, with the PWS going from 1.145% in total government spending in 08-09 to 1.025% in 09-10. It should be noted that part of the funding represented in this budget is provided by the Federal Government for the eradication of Pests on Macquarie Island, whilst part of this funding is also for tourism development within Parks & Reserves. What needs to be unpacked to provide an even clearer indication of the under-resourcing of the Parks & Wildlife service, is the actual proportion of the Parks budget specifically allocated to the conservation & sound management of our Parks, to rangers, and to core operating costs for the service. The Parks & Wildlife service is already drastically under-funded, and this cut in spending will dramatically worsen this situation.

Irrigation Projects

The Tasmanian Government has previously announced its commitment to a policy initiative to turn Tasmania’s high-saline and drought affected midlands region into ‘the food-bowl for the nation’. Environment Tasmania has serious doubts that the proposed approach stacks up economically, whilst certainly also holding grave concerns that the proposals may seriously undermine a sustainable agricultural development strategy for the midlands by over-stressing river systems, worsening salinity and leading to further degradation of the midlands landscape. Concerns over the economics of the proposal have also been expressed strongly in a leaked memo earlier this year by Secretary of the Department of Treasury and Finance, Don Challen. As far back as 2000, the Department of Primary Industries, Water and the Environment (see DPIWE Map attached) mapped significant areas of moderate and severe salinity in the midlands, including a number of the areas that have been ear-marked for big irrigation projects. It is well known that irrigating areas of high salinity will tend to worsen that salinity over time, with many failed irrigation schemes in other parts of Australia turning previously viable farmland into dead, salt-pan landscapes. If the Tasmanian



Inc.

government's approach to water in Tasmania isn't re-thought, and based around a thorough cost-benefit economic appraisal, appraisal of the sustainability of water supply, potential implications of salinity, and a broader strategy for sustainable agriculture in the midlands, our fear is that we could have another Murray-Darling style disaster – with substantial public monies wasted, farmland destroyed, and a whole new set of environmental problems created.

	2008-09	2009-10	2010-11	2011-12	2012-13
	Budget	Budget	Forward	Forward	Forward
	\$'000	\$'000	Estimate	Estimate	Estimate
Water Infrastructure initiative (spending)		27,120	26,980	9,237	

Where the money is spent*:-

* Most of this information is directly quoted from the budget papers

Water Infrastructure Initiative (WIF): The projected total cost of the Water Infrastructure Initiative is \$80,000,000. This fund is to enable major investment in Tasmania's water infrastructure. This includes the development of a number of significant irrigation projects. In 2009-10, \$27.12 million will be provided from the WIF to the Rivers and Water Supply Commission and its subsidiary, the Tasmanian Irrigation Development Board, to continue the development of this infrastructure network. **Environment Tasmania Comment:** See introductory comments above.

Forestry & Wood-chipping Industry Subsidies

There have been substantial taxpayer handouts to the forestry and wood-chipping industry in recent years, with Associate Professor of Economics, Dr Graeme Wells, estimating that approximately \$632.8 million in public money has been provided to forestry over the 11 years between 1997-98 and 2007-08 from State and Commonwealth governments, despite a corresponding decline in the number of jobs in the forestry industry.¹ This is the equivalent of more than 40% of the entire capital cost of a brand new Royal Hobart Hospital, or the wages of 856 clinical nurses at current levels for 11 years. This is not to say that there will or should be some level of government support or facilitation for areas of Tasmanian business, but more that the level of support for forestry, ostensibly for the creation of jobs, has failed, whilst other sectors that are more vibrant and profitable, have grown, with a proportionately much, much smaller, level of support from government. The other reason we focus on the financial subsidies that are provided to the forestry industry is that there is a very heavy environmental cost associated with these subsidies, as they are propping up the burning and wood-chipping of native forests, the destruction of critical habitat for a range of endangered species, the exacerbation of climate change, degradation of water catchments and water quality, along with heavy social costs including a divided and polarised community. Environment Tasmania would like to see government axe public subsidies and handouts to the wood-chipping industry, and to re-direct these subsidies to more needy areas and more profitable business sectors. There is also a need to enforce some financial accountability in the government owned Forestry agency, Forestry Tasmania.

Forestry & Wood-chipping industry subsidies

	2008-09	2009-10	2010-11	2011-12	2012-13
	Budget	Budget	Forward	Forward	Forward
	\$'000	\$'000	Estimate	Estimate	Estimate

¹ Wells, G. "Support for Tasmanian Forestry 1997-98 to 2007-08" Wells Economic Analysis. May 2009.

Infrastructure Energy & Resources

Forestry Tasmania	3,500	3,300	3,198	2,000	2,000
Tarkine Drive		8,800	12,200	1,175	
4.1 Support for the Minister	440	530	562	586	608
Payments on Behalf of the FPA	2,780	2,823	2,867	2,912	2,959
Private Forests Tasmania	1,311	1,347	1,393	1,382	1,470
Total Funding	8,031	16,800	20,220	8,055	7,037

Where the money is spent*:-

* Most of this information is directly quoted from the budget papers

Forestry Tasmania: This funding is made up of \$2 million Tasmanian government allocation for excess fire fighting costs incurred by Forestry Tasmania, and a \$1.3 million drawn down from the \$50 million provided by the Australian Government in 1988 as part of the Helsham agreement.

Tarkine Drive: Funding of \$23 million was allocated over four years for the establishment of the Tarkine Drive, a proposal to create a 127 km bitumen rd, skirting the Tarkine from Wynyard through to Arthur River, to complete a tourist loop road. **Environment Tasmania Comment:** The Tarkine Drive proposal was developed and heavily promoted by Forestry Tasmania, the government owned logging agency. The proposal involves pushing new roads through extensive areas of pristine rainforest in the Tarkine, despite the fact that more than 400km of tourist roads exist already in and around the Tarkine, including more than 200km of existing sealed roads. The proposal is not supported by the Cradle-Coast Authority, the regional development authority for the North-West Coast, that spent \$200,000 developing a comprehensive tourism master plan for the Tarkine, and that included extensive public consultation and tourism industry input. The proposal is not supported by Tasmania's peak tourism body, the Tourism Industry Council of Tasmania, is not supported by local councils such as the Wynyard-Waratah Council and the West Coast Council, and is not supported by a range of existing Tarkine tourism operators. The proposed road will open up previously inaccessible areas to logging, and Forestry Tasmania have not ruled out log-trucks using the road. Whilst there have been some attempts to disclaim Forestry Tasmania's involvement with the project, they have been the key proponents of the project at each step of the way. This funding should be re-directed towards a range of initiatives including better capacity on the NW Coast for the Parks & Wildlife Service, and seed funding for a range of tourism master plan projects, including visitor signage, visitor centres, walks, facilities and other attractions in & around the Tarkine.

Support for the Minister: This funding is provided to Minister Llewelyn for the Department of Infrastructure, Energy & Resources. The budget papers note that the increase in support for the minister reflects additional funding 'provided to focus on building support for the Tasmanian forest industry brand in key international markets', and advice relating to forest policy projects of strategic importance, such as the RFA and the TCFA.

Payments on Behalf of the Forest Practices Authority: This payment represents the State Government's contribution to the Forest Practices Authority. **Environment Tasmania Comment:** The Forest Practices Authority oversees the self-regulating forest practices system in Tasmania. The current allocation to the FPA should be re-directed towards the Environment Protection Authority (EPA), with most of the current roles of the FPA taken over by the EPA.

Private Forests Tasmania: This payment represents the State Government's contribution to Private Forests Tasmania, whose objective is to expand the development of private forests in Tasmania. **Environment Tasmania Comment:** There is no need for Private Forests Tasmania. Most of the roles currently provided for by Private Forests Tasmania should rightly be looked after by an industry association, not by government – and there are already plenty of well-known and well resourced Forestry industry associations in Tasmania. Other functions of Private Forests Tasmania can be re-distributed to other sections of relevant departments, with the money saved re-directed towards more appropriate and needy areas of spending.

Possible Hidden Forestry & Wood-chipping Industry Subsidies

We believe that there may be other areas of hidden forestry & wood-chipping industry subsidies provided for by the Tasmanian Government but it is very difficult to unpack some sections of the budget to a more detailed level to discern if and where this may be the case. In particular, for example, there is currently an extensive public relations and political advertising campaign being run by the Forests & Forests Industry Council (FFIC), with extensive political advertising being run in places like radio and commercial TV adverts. The Forests & Forests Industry Council lists Private Forests Tasmania, DIER, and the Department of Economic Development as partner organisations, but there is no outline of whether or not, and if so, how much, public money is going into FFIC for this political advertising campaign. It is completely inappropriate for public money to be used on political advertising campaigns.

	2008-09	2009-10	2010-11	2011-12	2012-13
	Budget	Budget	Forward	Forward	Forward
	\$'000	\$'000	Estimate	Estimate	Estimate
1.1 Export & Trade Facilitation	4,140	3,784	3,857	3,910	3,894
1.2 Investment Attraction & Industry Development (Chapter 2)	17,942	17,065	16,940	15,104	15,324
1.3 Innovation Support	16,689	13,606	8,425	6,689	6,754
1.7 Industry Research & Strategy	1,802	1,735	1,757	1,791	1,819

Where the money is spent*:-

* Most of this information is directly quoted from the budget papers

1.1 Export & Trade Facilitation: Assistance provision through training and management support to targeted businesses, industry bodies and government departments, as well as targeted trade missions and trade fairs.

1.2 Investment Attraction & Industry Development: Investment attraction promotional activities, assistance to Tasmanian enterprises becoming investment ready, and the provision of project support and finance facilitation services to potential investors.

1.3 Innovation Support: Delivery of the Tasmanian Innovations Program Support services, and the disbursement of grants for the Intelligent Island Program

1.7 Industry Research & Strategy: Support for the development of economic and industry strategy, including opportunities arising from Tasmania's infrastructure projects, investment opportunities. This output also provides executive support to industry councils.

Environment Tasmania Comment: Given that the sections listed above relate to government assistance for export, trade, investment attraction, industry development, innovation and industry research and strategy, we believe that it is appropriate for the Tasmanian government to outline during the government budget estimates process the amount of assistance specifically provided to different industry sectors, including forestry – so that there can be some level of public analysis, scrutiny and differentiation about where government assistance is going. It would be highly inappropriate, for example, if the Tasmanian government were actually providing forestry & wood-chipping companies financial support for political advertising campaigns.

Forestry Agency Government Revenue

Forestry Tasmania is a publicly owned Government Business Enterprise, governed by the *Forestry Act 1920* and the *Government Business Enterprises Act 1995*. Responsibilities of Forestry Tasmania under its governing legislation, include the achievement of a sustainable commercial rate of return that maximises value for the State, along with optimising the economic returns from its wood production activities. The GBE Act also provides for the capacity of the relevant portfolio Minister and Treasurer to give directions to the board of the GBE in relation to the long-term objective of the GBE, including in relation to the financial performance objectives of the GBE. Forestry

Environment Tasmania Inc.

Tasmania's Conservation Council GPO BOX 1073, Hobart 7001
Phone: 03) 6224 6319 Email: office@et.org.au Web: www.et.org.au
ABN: 42 855 950 358

Tasmania is required to pay into the consolidated Fund an income tax equivalent in each financial year, an annual guarantee fee into the consolidated Fund in each financial year, and a dividend in each financial year, and the treasurer has power to issue directions in terms of the payment of those dividends. The treasurer may also issue instructions in respect of guidelines, principles, practices and procedures to be observed by GBEs in relation to corporate plans, annual reports, the financial management of GBEs, CSOs, the financial obligations of GBEs and the accounting policies of GBEs.

Forestry Tasmania has consistently had a poor financial performance. For example, in the 2008 financial year, Forestry Tasmania reported a loss before tax of \$55.242 million². A recent economic analysis by Wells Economic Analysis, found that Forestry Tasmania's average realised rate of return from 2000-01 to 2006-07 is 2.17% which, "even allowing for annual expenditure on community service activities, is well below a reasonable benchmark for government trading enterprises."³

Projected Government revenue in GBE dividend, taxation equivalents and rates projected from Forestry Tasmania are listed below. These figures are lifted from Budget Paper 1.

	2008-09	2009-10	2010-11	2011-12	2012-13
	Budget	Budget	Forward	Forward	Forward
	\$'000	\$'000	Estimate	Estimate	Estimate
	\$'000	\$'000	\$'000	\$'000	\$'000
Forestry Tasmania GBE Dividend	0.5	0.0	0.6	1.9	1.8
Forestry Tasmania Taxation Equivalents	0.0	0.0	0.0	0.0	0.0
Forestry Tasmania Rates Equivalents	0.0	0.0	0.0	0.0	0.0

Comparison

Agency Revenue; Dept Primary Industries, Parks, Water & the Environment	8.8	8.7	8.6	8.3	8.2
Aurora Energy Pty Ltd (Dividends + Tax)	32.1	31.7	24.2	23.9	32.7

Environment Tasmania Comment: We have provided revenue from a couple of other agency sources for comparison. It is completely inappropriate for an agency that manages the incredibly valuable and important natural and economic asset of Tasmania's native forests to be delivering \$0.0 in revenue in the 2009-10 financial year, in return for the destruction of thousands of hectares of native forests, and its associated impacts on wilderness, landscapes, wildlife, water catchments and the climate. Putting aside all of the environmental impacts of native forest wood-chipping in Tasmania, and regardless of which side of the forest debate one sits on – it is entirely necessary and appropriate for the Treasurer to be demanding from our Forestry GBE a commercially accountable rate of return. In the absence of such a demand – we have this completely inappropriate situation where other sectors of the Tasmanian government are expected to deliver reduced spending, cuts to middle management, and – in some cases – significant cuts to spending – whilst Forestry Tasmania remains unaccountable. Forestry Tasmania has been spending significant amounts of resources on political advertising, joint sponsorship of TV programs and other wasteful spending – that any other department would be forced to axe. Forestry Tasmania, however, appears to be completely unaccountable for this wasteful spending, whilst there is no demand from the Tasmanian government for a commercial rate of return. Similarly, the failure to demand a rate of return is a de-facto transfer of public money to private logging companies, via such mechanisms as the undercharging for wood. So whilst logging companies have been protected by generous public subsidies, the broader private business sector in Tasmania is largely having to stand on its own two feet and face up to the hard economic realities of the global financial crisis. This is an unfair and inequitable situation that has to be fixed.

² Forestry Tasmania. *Annual Report*. 2008. pg 10.

³ Wells, G. "Support for Tasmanian Forestry 1997-98 to 2007-08" Wells Economic Analysis. May 2009.

Roads, Rail & Public Transport Analysis

Given the pending challenges of climate change and peak oil, the growing importance of the tourism industry to Tasmania's economy, and the social and health benefits associated with the use of public transport, the investment over time in the development of a world class public transport system in Tasmania should be a high priority for any forward thinking government.

Whilst we have a Metro bus service, a Redline state-wide bus service and some city bike lanes, there is very little else in terms of public transport infrastructure or capacity in Tasmania. State-wide bus services for Tasmanians or tourists who wish to travel across the state, particularly to rural and regional areas, are infrequent and expensive. Similarly there are some significant short-falls in adequate coverage or frequency of bus services of some parts of urban Tasmania in terms of Metro services. Increased spending in service allocations and infrastructure investment in public transport infrastructure over time can and should transform this currently patchy and ad hoc provision of public transport in Tasmania into one of the world's best public transport systems.

Explanatory: For this section, we are mainly looking at broadly comparing the spending on road infrastructure projects, vs rail and public transport infrastructure. In doing this, we haven't included any spending related to maintenance, or the provision of mixed transport facilities that can't be clearly differentiated between road, rail or public transport. We have broken down the allocations to bus services, but have not included any of the services and costs for road and rail. For example, we have not included spending on the \$0.8 million allocated in 09-10 for the Bell Bay Intermodal terminal or the \$23.487 million allocated in 09-10 for the Brighton Transport Hub, as these represent a mixture of transport services / facilitation, and can't clearly be put in either the road or rail column. The main purpose of these comparisons is to give an indicative overview of spending on transport infrastructure and which transport segment this spending is going to.

	2008-09	2009-10	2010-11	2011-12	2012-13
	Budget	Budget	Forward	Forward	Forward
	\$'000	\$'000	Estimate	Estimate	Estimate

Infrastructure, Energy & Resources

Roads Infrastructure Spending

Bagdad Bypass		3,820	1,070		
Black Spots (<i>Nation Building – Economic Stimulus plan</i>)		4,014	2,007		
Brighton Bypass		46,575	64,450	40,575	
Brooker Highway		4,500	3,662		
Bruny Island Road Sealing		2,500	1,800		
Central Highlands – Main Access Routes		3,848			
Illawarra Main Road		4,500	1,300		
Kingston Bypass		7,500	4,500	15,600	
Lyell Highway – Granton to New Norfolk		5,138			
Macquarie St Traffic Flow		843			
North East Freight Roads		2,000	11,000	10,000	18,000
Tarkine Drive		8,800	12,200	1,175	
Port Sorell Main Road				4,000	
South Arm Road		996	3,000		
Tea Tree Secondary Road		2,700			
Total Roads Infrastructure Spending		97,734			

Rail Infrastructure Spending

Rail – High Risk Crossings (<i>Nation Building Plan</i>)		3,940			
Rail – Boyer to Karanja			5,000	14,500	10,000

Rail – Capacity Improvements Rhyndaston	4,000	7,000	7,000	6,000
Rail – Main Line Improvements	3,500	8,500	10,600	9,000
Rail – Upgrade North West Line to Wiltshire		5,000	14,500	10,000
Rail – West Coast Mines Upgrade		5,000	6,200	
Total Rail Infrastructure Spend	11,440			
Bus / Public Transport services				
6.4 CSO: Payment to Metro Tas Pty Ltd	28,544	29,683	30,984	32,951
6.5 School Buses: Contract Services	18,078	18,995	19,900	20,807
6.6 Urban Bus Service	1,599	1,624	1,705	1,830
School Bus Operators: Route Services	13,152	14,415	14,578	17,809
Total Bus services	61,373	64,717	67,167	73,397

Other

1.1 Transport Policy & Planning (Ch 6)	2,738	1,912	1,773	1,772	1,827
--	-------	-------	-------	-------	-------

Department of Economic Development, Tourism & the Arts

Tracks, Trails & City Bikeways

2.1 Sport & Recreation (Ch 2)	11,927	10,324	10,875	9,097	9,198
-------------------------------	--------	--------	--------	-------	-------

Bus Services, where the money is spent*:-

* Most of this information is directly quoted from the budget papers

CSO: Payment to Metro Tasmania Pty Ltd: Relates to the application of direct and indirect subsidies to bus fares to support Metro Tasmania Pty Ltd in delivering services.

School Bus Operators: Contract Services: This relates to payments of operators of rural school buses during the school year.

Urban Bus Service: Payments to Mersey Bus and Coach Pty Ltd for services in the Devonport Metro area.

Payments to School Bus Operators: Route Services: Provision for payments to operators of private route service buses to supplement the fare revenue from students which is set significantly below the commercial adult fare

Sport & Recreation: The development of opportunities for Tasmanians to participate in sport & recreation, including the development of the sport and recreation sector. Some funding has/will be provided from this output for the Tracks, Trails and City Bikeways project.

Environment Tasmania Comment: There is more than \$97 million allocated for roads projects in Tasmania in the 2009-10 budget, with over \$11 million for rail projects, and apparently very little specific allocation for public transport infrastructure. There is a 12.7% increase in allocation to bus services over the 3 years between 2008-09 and 2011-12, which is welcome.

In relation to the virtually non-existent expenditure on public transport infrastructure, it is suggested that if, say, even only a third of the roads project budget were allocated to specific public transport infrastructure investment, then this could provide approximately \$30 million or more annually towards the development, over a period of time, of a world class public transport system in Tasmania. Options include the establishment of extensive public cycle-ways in all Tasmanian cities and key towns, the provision or subsidisation of more extensive, affordable and regular bus services, and even the ambitious and visionary proposition of public transport availability via rail.

Conclusion

Given the need to invest more money in protecting Tasmania's natural capital, to invest in emerging sustainable development opportunities in renewable energy, public transport, and in the clean business sector, and given the high expectations that Tasmanians have about the protection of our natural environment – this is a very disappointing budget from the Tasmanian government in 2009-10 from the point of view of Environment Tasmania, Tasmania's peak environment body.

The Tasmanian government has specifically cut funding to a number of key areas of the environment, including the Parks & Wildlife Service, Climate Change and Environmental Management & Pollution control. This has occurred at the same time that the State government has continued to give millions of dollars in handouts to the wood-chipping sector, and continues to turn a blind eye to the fact that no revenue is projected to be returned from our State logging agency, Forestry Tasmania.

This is an unacceptable approach towards the environment, and we expect and hope that this is an approach that will be dramatically turned around in future Tasmanian government budgets.