

# Tasmanian Round Table for Sustainable Industries Project



*Sustainable development in Tasmania:  
is the proposed pulp mill sustainable?*

Executive Summary

Prepared by  
Launceston Environment Centre

August 2007

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Sustainable Industries Project

# Sustainable Development in Tasmania: is the proposed pulp mill sustainable?

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**DISCLAIMER:** This information is provided as a contribution to the current public debate on Tasmania's future, specifically the sustainability of its various development options. Sources are provided, and personal enquiries should be made to verify all facts. If you wish to call attention to any inaccuracies in this report please contact the LEC. This document is intended to inform policy makers, not as the basis for investment decisions.

# Executive Summary

The Tasmanian Roundtable for Sustainable Industries Project (TRSIP) is an initiative coordinated by the Launceston Environment Centre. The project commenced in April 2007, and involved consulting with the business community to develop policy outcomes that promote sustainable development in Tasmania.

The TRSIP consulted with representatives from the following industry groups:

- ⇒ Property Development
- ⇒ Tourism: state, interstate and international
- ⇒ Farming and Grazing Industry
- ⇒ Organic Agriculture
- ⇒ IT and Business Services
- ⇒ Fisheries
- ⇒ Viticulture and Winemaking
- ⇒ Non Government Organisations

As the largest single development proposed for Tasmania is the Gunns proposed pulp mill, it was suggested that the mill be investigated for its impact on a sustainable economy for Tasmania, and alternatives explored.

As a result, the TRSIP commissioned a team of economists to study the economic claims made by the proponents and the impact the project will have upon the state's economy.

Tasmanian based *Wells Economic Analysis* and Melbourne based *Economist@Large* were chosen to conduct the study.

The TRSI study provides, for the first time, the entire picture - an assessment based on the **costs, benefits and risks** of the proposal.

The study also makes a first-time attempt at identifying the components of a sustainable economy in Tasmania.

Since embarking upon the TRISP initiative, Premier Paul Lennon has called upon the business community to participate in the debate surrounding the pulp mill. This project provides an important input into that debate.

## Key findings

1. The proponents have made a simple but significant error by double counting the Pulp Mills tax benefit to the Tasmanian economy.
2. A benefits analysis conducted by the proponents show an \$834 million tax contribution over the life of the project but failed to show the \$847.3 million in subsidies provided to the project.
3. The proponents have only provided a benefits analysis to the Tasmanian economy. They have not factored in risks and costs, including:
  - a. Risk of respiratory disease caused by the emissions from the proposed mill, quantified in the report at \$350 million.
  - b. The cost to the Tasmania economy from converting additional agricultural land to plantations from to supply the proposed mill, quantified in the report at \$403 million.
  - c. Risks to Tasmania's fishing industry due to dioxin contamination from pulp mill effluent, quantified as a medium risk scenario could cost the industry \$693.5 million and 700 job losses over the life of the project
  - d. Following a survey conducted by the Tasmanian Tourism Industry Council, economists were able to quantify the risk to Tasmania's tourist industry. With 84% of growth in Tourism attributable to repeat visits, a medium risk scenario will cost the Tasmanian economy \$1.1 billion and 1044 jobs over the life of the project.
  - e. If you add up risks to health and other industries plus the costs and subsidies the total is \$3.3 billion.
4. Only subsidies provided by the Australian taxpayer makes the mill profitable.
5. Job gains during mill construction may well be offset by the "crowding out" of other development opportunities and job losses elsewhere.
6. On a range of realistic scenarios, the Pulp Mill project may cause an economic loss to the State of Tasmania.
7. The proposed pulp mill does not represent sustainable development for Tasmania.

## **The Alternatives**

Tasmania's economy is currently healthy and unemployment is at a record low. Although the pulp mill represents the largest single investment in Tasmania, there are currently over \$2 billion worth of other developments on the books for the State.

Our study demonstrates that the proposed mill could threaten the other development proposals which we believe constitutes an unnecessary and unsustainable risk.

The TRSIP recommends that the Tasmanian Government:

- ⇒ conduct its own assessment on the potential economic costs and risks associated with the proposal, rather than making a decision based on the information contained in Gunns "benefits analysis"
- ⇒ encourage developments that support, rather than detract, from one another.
- ⇒ avoid developments which require ongoing subsidies
- ⇒ encourage diversity in the Tasmanian economy as a measure to protect our economy from a downturn in one particular sector.

It is highly unlikely that increasing concentration on one heavily-subsidised industry is a sustainable strategy for Tasmania.

## **The report**

The report has been structured around a 15 minute Powerpoint presentation.

The full texts of the reports written by the economists are provided in the Appendices.

We chose to present the report in this way as it allows for the messages contained within to be understood by non-economists.

As a project that aims to promote sustainable development in Tasmania we need to ensure all sectors of our community have access to information that is presented in a format that is easy to understand and digest, not lost in technical jargon that only experts can understand.

The TRSIP welcomes debate on the calculations and conclusions reached.