

THE TASMANIAN PULP MILL—BELL BAY INDUSTRIAL ESTATE, TAMAR VALLEY

Claims of Subsidies and the Pulp Mill

Part of the opposition to the pulp mill is that it has been alleged that the mill will be heavily subsidised, that there will also be costs to the community in terms of health impacts and impacts on other industries such as tourism and fishing.

Opponents to the pulp mill have recently claimed that the pulp mill is only financially viable because of massive subsidies given to Gunns Limited.

For example “TAP” on its web site claims that taxpayer funding diverted to support pulp mill and logging for the pulp mill will be **\$11.2bn**. In addition the pulp mill will cost the community **\$35bn**.

Drawing upon ‘community’ input via an online newspaper an ‘analysis’ has been compiled by “Andrew Bent” and edited by TAP.

The fictitious Andrew claims include one time capital costs of \$399m and ongoing taxpayer funding support of a staggering \$360m/yr. The former ‘convict’, Mr Bent, calculates that costs to the community include a \$2bn loss on property prices and opportunity costs of \$33bn to the community

This is direct contrast to the independent economic modeling by the State Government and confirmed by the Social and Economic report prepared for the State Parliament by ITS Global.

The accuracy and validity of the claims can be determined by the opening claim of the report in relation to the raw water to be supplied from the Hydro’s Trevallyn Dam. The fictitious author claims “at 26 GL/yr, would be worth \$2.6 billion/yr if it were cleaned to drinking standards and sold at 10c/litre”.

This statement ignores the fact that Launceston and the Tamar Valley is already fully supplied with drinking water, and that there is no demand for additional drinking water. The accuracy of such a claim can be compared to the current charge for treated water by the Launceston City council is 70 cents per 1000 litres or .07 cents a litre¹.

The water, Gunns Limited is purchasing, is raw (untreated) water that currently is about 1% of the flow through the Trevallyn power station, Gunns Limited will pipe the water from Trevallyn to the Bell Bay Industrial estate.

The claims of cost to the community consider that 40,000 houses will loose \$25,000 in value due to the Pulp mill, despite 33,000 of these houses being in Launceston over 30 kilometres away and that there has been massive increases in house prices since the 2004 announcement of the mill. There is also a claim that Tasmania’s statewide tourism will decrease by 10% despite the fact that pulp mills and tourism are complimentary around the world.

The final fanciful claim is that there will be a \$1 billion loss in Agricultural production due to additional plantations to feed the mill. (The ABS state in 2005-06 the preliminary estimate of the gross value of agricultural commodities in Tasmania was \$934 million.)

The following table looks at the claims of taxpayer funded subsidies (including taxing rainwater) and compares fiction to fact.

¹ Launceston City Council Media Release 2 Jul 07 Rate Rise

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TAMAR VALLEY**

Taxpayer funding	Claimed	Claimed	Assessed	Comment
	\$m/yr	\$m		
Federal government railways		120	nil	To be implemented regardless of pulp mill
State government pipeline (to be confirmed)		100	nil	Gov't ownership only proposed, but at full commercial rate
Federal government East Tamar Highway upgrade		80	nil	Implemented regardless of pulp mill
Federal government West Tamar Highway upgrade		60	nil	Implemented regardless of pulp mill
Meander Dam construction component		16	nil	Already built
Pulp mill promotional bus		1	nil	To explain Government policy
Pulp Mill Taskforce		6	nil	To explain Government policy
Federal grant for IIS development		5	5	To ensure Gunns addressed issues in detail
State support for mill suppliers		2	nil	support to Tasmanian industry
Federal/state RPDC costs		3	nil	Normal project assessment costs
MLC pulp mill tour		0.007	nil	required for MLC to inform selves
Gunns lobbyists fares/expenses		0.005	nil	not funded
Sweco Pic 'assessment'		0.5	nil	project assessment costs
ITS Global assessment		0.3	nil	project assessment costs
One time cost of pine transported to Scottsdale		4	nil	related to Auspine loosing tender, not Gunns
one time capital costs		397.812		
rounding		399	5	
Building logging roads and bridges via Forestry Tasmania	30		nil	Part of FT Business
Maintaining public roads and bridges via local councils	20		nil	Part of Council Business, independent from Pulp Mill
FT research and services that benefit Gunns	15		nil	Part of FT Business unrelated to customer
Diesel fuel rebate of 18% of their fuel costs			nil	Off road component of excise rebated for forest, mining, fishing & agriculture
Subtotal logging operations	65			
Lost value from forest trees	80		nil	Stumpage @ commercial rate, invalid to 'compare carbon sink'
Trees from plantations -			nil	
Managed Investment Scheme subsidy for plantation land acquisition & management	80		nil	Tax treatment of investors in MIS plantation independent from Pulp Mill
Rain Water used by tree plantations	16		nil	No revenue lost as Government does not Tax Rain
Water from Lake Trevallyn proposed for pulp mill operations	0.182		nil	This calculation ignore Hydro's price, also well short of the introductory claim of \$2.6 bn
Maintenance of infrastructure listed above	19		nil	As capital infrastructure not dependent on pulp mill
Community Forest Agreement and other federal grants	100		nil	The CFA money already allocated to reserve old growth forests and support the Saw mills
Rounded total	360	10,800	0	
Total over 30 years		11,199	5	