

THE AUSTRALIAN

Own goal on timber imports

HENRY ERGAS THE AUSTRALIAN JUNE 16, 2014 12:00AM

“IN the game of the round ball,” Jean-Paul Sartre ruefully observed, “everything is complicated by the presence of the opposing team.” So too, alas, in politics. But as in soccer, there are own goals as well: and the government is set to score one with its regulations on illegal timber imports. Unless it changes course, the credibility of its commitment to deregulation will be severely damaged.

The history of the Illegal Logging Prohibition Act, 2012, makes Sepp Blatter look like Mother Teresa. In the period leading up to the 2007 election, the Greens, having done their utmost to destroy the Australian timber industry, turned their sights on imports. Their objective was simple: to impose so crippling a compliance burden on importers as to make foreign sourcing prohibitive. Since the result would be to foreclose import competition, the Greens won the support of beleaguered domestic producers and of the unions. Like the proverbial lunch, feeding this unholy coalition of victims and tormentors would hardly be free: but the bill would be paid by consumers, in the form of higher prices, and by the importers the restrictions would finish off.

Even in those happy days, when Tony Burke and Joe Ludwig controlled the fate of the nation’s environment, selling such a pig of a policy required more than the usual slip, slap, slop of lipstick. So a regulation impact statement was prepared, with the department responsible commissioning modelling from the Centre for International Economics.

To its credit, the CIE found that the costs of the government’s proposals were up to 10 times greater than the benefits. That assessment was unsurprising: although no more than 10 per cent of Australia’s timber imports are at risk of being illegally logged, the legislation would increase prices for all timber products (whether imported or domestically produced) by 3 per cent or more. Nor would it reduce illegal logging overseas: illegal timber would simply be diverted to other markets. As a result, while Australian consumers would be substantially worse off, few environmental gains, if any, would be achieved.

However, ministers of Burke’s and Ludwig’s calibre were unlikely to be troubled by such peccadillos. An alternative analysis was therefore hastily prepared; by tossing in “intangible” benefits whose substance was never specified, that analysis dragged the policy just over the line.

To call the revised assessment tripe would be unfair: after all, the humble offal nourishes millions, and for many gourmets is a culinary delight. But whatever its failings, the RIS recognised that not all the policy’s consequences had been brought to account. In particular, with “no details available” about how the policy would be implemented, “it is not possible to provide any meaningful estimation of likely compliance costs”.

This was, in other words, a policy that had not been properly evaluated. No wonder the then opposition tore it to shreds. Paul Fletcher, the Liberal member for Bradfield, delivered a devastating critique, highlighting its “disturbingly draconian” and “badly thought through” provisions that threatened importers with up to five years’ imprisonment even if their contravention had been unintentional. Those provisions would give rise to “enormous uncertainty” that even Greenpeace had complained about.

The legislation, Fletcher concluded, was “a very troubling case of the full apparatus of state coercive

power being applied in a way which could very easily trap people who have made an innocent mistake”. The Coalition therefore voted against the legislation, with Labor accusing it of thereby taking “relentless negativity to a new low”.

But, as Augustine said, “no one is so well known to himself that he can be sure as to his conduct on the morrow”. And were proof needed that two years are a lot of morrows, Richard Colbeck, the Abbott government’s Parliamentary Secretary to the Minister for Agriculture, has now endorsed regulations and guidelines which greatly aggravate the legislation’s effects.

Adding insult to injury, those instruments have not been subject to a RIS. Colbeck claims further review is unnecessary, as a RIS had been issued for the original legislation. But as that RIS could not realistically assess compliance costs, Colbeck’s assertion that it was “comprehensive” is simply inaccurate.

Nor are those compliance costs trivial. On an admittedly rough estimate, a small importer’s costs would rise by 7 to 8 per cent, so that the policy, considered as a whole, would reduce Australia’s wellbeing by \$12 for every \$1 it yielded in benefits. And the picture is not much rosier using the most conservative assumptions possible about compliance costs: in that event, costs still outweigh benefits by a factor of five to one.

That its supporters want to shield the policy from the scrutiny the government’s own regulation review policy mandates is therefore easily understood. But Colbeck brushes this aside by suggesting his department will not vigorously enforce the provisions that make compliance so burdensome.

Instead, he says, it will focus, at least initially, on “raising awareness and promoting voluntary compliance”. But that makes little sense: unless they incur those compliance costs, importers cannot fully discharge their legal obligations. They would consequently be making a false declaration in certifying, as the import documentation will soon require, that they have done so.

No doubt, Colbeck is deeply committed to eliminating illegally logged imports: and rightly so. Yet as the late James Q. Wilson once adapted Oscar Wilde’s remark about bad poetry, all bad public policy springs from genuine feeling.

This is bad policy at its worst; it should never have been adopted; it should now be repealed or revised. So far, Josh Frydenberg’s push, with Tony Abbott’s strong backing, to remove regulation imposing disproportionate burdens on small business has been exemplary; an own goal, when the opposing team is doing so much to undermine the Coalition’s game, is surely the last thing the government needs.

×

Share this story

Facebook ([http://facebook.com/sharer.php?u=http://www.theaustralian.com.au/opinion/columnists/own-goal-on-timber-imports/story-fn7078da-1226955187518&t=Own goal on timber imports](http://facebook.com/sharer.php?u=http://www.theaustralian.com.au/opinion/columnists/own-goal-on-timber-imports/story-fn7078da-1226955187518&t=Own%20goal%20on%20timber%20imports))

Twitter ([https://twitter.com/intent/tweet?url=http://www.theaustralian.com.au/opinion/columnists/own-goal-on-timber-imports/story-fn7078da-1226955187518&text=Own goal on timber imports](https://twitter.com/intent/tweet?url=http://www.theaustralian.com.au/opinion/columnists/own-goal-on-timber-imports/story-fn7078da-1226955187518&text=Own%20goal%20on%20timber%20imports))

LinkedIn ([http://www.linkedin.com/shareArticle?mini=true&url=http://www.theaustralian.com.au/opinion/columnists/own-goal-on-timber-imports/story-fn7078da-1226955187518&title=Own goal on timber imports](http://www.linkedin.com/shareArticle?mini=true&url=http://www.theaustralian.com.au/opinion/columnists/own-goal-on-timber-imports/story-fn7078da-1226955187518&title=Own%20goal%20on%20timber%20imports))

Google (<https://plus.google.com/share?url=http://www.theaustralian.com.au/opinion/columnists/own-goal-on-timber-imports/story-fn7078da-1226955187518>)

Email ([mailto:?body=http://www.theaustralian.com.au/opinion/columnists/own-goal-on-timber-imports/story-fn7078da-](mailto:?body=http://www.theaustralian.com.au/opinion/columnists/own-goal-on-timber-imports/story-fn7078da-1226955187518)

[1226955187518&subject=Own goal on timber imports\)](#)