

CASE PROGRAM 2005-75.1

Tasmania's Hydro-Electric Commission and the Franklin Dam (A)

In December 1981 Tasmanians went to the polls to vote in a referendum on a plan to build a major hydro-electric power project on the Franklin River in the renowned wilderness area in the island state's largely undeveloped south-west. The project had been the subject of a heated campaign for three years between Tasmania's Hydro-Electric Commission (HEC), a public authority with significant autonomy and a mandate to develop projects which met the island state's power needs, and the state's increasingly well-organised conservation movement, led by the activist Bob Brown. Voters were asked to decide between the HEC's Franklin Dam proposal and a compromise scheme with less environmental impact known as the Gordon-above-Olga option, which was backed by the Labor Premier Doug Lowe. Conservationists urged voters to reject both options and vote informally. The result was 47 percent in favour, 8 percent for the compromise and 45 percent voting informally.

With the referendum outcome inconclusive and the community deeply divided over the Franklin Dam issue, the HEC and the Tasmanian Government faced some very difficult questions. The environment movement was building clear momentum in its media-focused campaign and attracting increasing public support for its efforts to prevent new hydro schemes. Business and union lobbyists were pushing hard for the Franklin Dam project to be funded and for building to commence.

This case was written by Tim Watts, Australia and New Zealand School of Government, for Peter Thompson, as a basis for class discussion rather than to illustrate either effective or ineffective handling of a managerial situation. Two books by Peter Thompson, *Power in Tasmania*, Australian Conservation Foundation, 1981, and *Bob Brown of the Franklin River*, George Allen & Unwin, 1984, were important sources for this case. Responsibility for the accuracy of the version of events presented here lies with the author.

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History of the Hydro Electric Commission

The HEC was originally constituted under the Hydro-Electric Commission Act of 1930 which vested in it "control of all waters in lakes, falls, rivers and streams" and gave it the objective of servicing Tasmania's electricity needs. The Act gave the HEC considerable freedom from Ministerial oversight. "The Minister administering the Hydro-Electric Commission Act is answerable to Parliament for the activities of the Commission but the Commission is not directed by or responsible to the Minister as is a government department," explained the official Tasmanian Yearbook in 1967.

This legislative footing gave the HEC considerable scope for influence over the management of the state economy. At the time of the Franklin Dam controversy, the HEC had been a pivotal force in Tasmania's economic and political life for 50 years, securing millions of dollars of public funds to build a series of power generators on rivers across the state.

Under HEC advice and guidance, successive state governments had pursued a "hydro-industrialisation" economic development strategy which hinged on the HEC being funded to dam rivers and build large electricity plants. Mining, smelting, and other power-intensive industries were then attracted to the state with offers of cheap electricity. Hydro-scheme construction budgets were one of the largest items in the Tasmanian government accounts, accounting for over half the government's outstanding loans in 1969-70.

A plan to flood Lake Pedder

The HEC's development program had progressed steadily throughout the 1950 and 1960s as it successfully completed a series of hydro-electric projects with the backing of the Tasmanian Government. HEC Commissioner Allan Knight and the popular Labor Premier Eric Reece had a close relationship, with Reece frequently using his speeches and profile to garner public and parliamentary support for HEC projects. During its brief periods in power, Tasmania's other major political party, the Liberals, had also been a firm backer of the HEC.

As a result of this bipartisan support, the HEC had not faced any significant criticism of its projects. But this changed in May 1967 when its plan to build a hydro scheme which would flood Lake Pedder was made public. In 1963 the HEC had asked the Tasmanian government to approach the Commonwealth for a £2.5 million grant to fund the construction of a road into the wilderness of Lake Pedder National Park. At the time, neither the HEC nor the Government made any public statements regarding a hydro project in the National Park. However, once the road was built, the HEC used it to complete investigations and planning in regard to an idea its engineers had to situate a hydro-electric scheme on the Gordon River by flooding Lake Pedder.

The first public airing of the proposal occurred on 25 May 1967 when the HEC's *Report on the Gordon River Development - Stage One* was tabled in the Tasmanian Parliament. The HEC kept its proposal short. It stated that HEC experts had thoroughly examined the site, reviewed the important engineering issues and determined that a hydro scheme on the Gordon river was the best way to meet the future electricity needs of Tasmania. The proposal did not include analysis of other

alternative designs or approaches to the project, and little of the detail which the HEC's investigations in the area had uncovered during the previous two years.

Media attention was quickly drawn to the proposal because the proposed site was a national park and because Lake Pedder was well-known for its beauty. Questions were raised about the extent of the environmental damage which would be incurred by the HEC plan. In response, members of the parliament's upper house, the Legislative Council, chose to form a Select Committee to examine the HEC's plan and determine its impact on the National Park. The Select Committee made a series of requests for further information from the HEC and HEC staff were asked to sit before the Committee to respond to questioning. However as the Select Committee was beginning its inquiries the Tasmanian lower house, the House of Assembly, passed legislation authorising the HEC's plan on 29 June.

On 22 August the Select Committee released its report which concluded that:

"No modification of the proposed Gordon River scheme is practicable or desirable.... Your Committee has reached this conclusion with some reluctance because of the depth of feeling exhibited by some members of the community concerning the loss of Lake Pedder. Indeed, your Committee shares that feeling to a degree."

Two days later the Legislative Council passed the legislation authorising the HEC to proceed with the planning for the Gordon River scheme. No transcripts or records of the Select Committee's inquiries into the proposal were released to the public as there were no Hansard records in the Tasmanian Parliament at that time.

Opposition to the Lake Pedder dam

The speed with which the Parliament had signed off on the Lake Pedder scheme and the lack of detailed information about it made public generated significant anger among Tasmanian conservationists. In the following years, a group called the Lake Pedder Action Committee was formed to campaign against the scheme. It mounted a legal challenge in July 1972 against the legislation enabling the HEC to build the project, on the basis that the Parliament did not have the right to authorise development in national parks.

Division in Cabinet about how to respond to the legal challenge led to the resignation of Attorney General Mervyn Everett. Premier Reece appointed himself Attorney-General, refused the Lake Pedder Action Committee permission to issue its writ, and passed new legislation which included a clause specifically granting the HEC the right to complete works on Crown land, including national parks. Tasmania's Bar Association made public statements condemning the government's actions. Conservationists voiced their anger in media reports and protest activities but the HEC continued its construction of the project on the Gordon River and by the end of 1973 Lake Pedder was flooded.

HEC development continues

While the Lake Pedder controversy had been raging, the HEC had proposed that parliament approve another major project on the west coast on the Pieman River in

1971. The Pieman scheme involved 5 dams and 3 hydro-electric power stations and construction was proposed for "the latter half of the 1971-81 decade". It was quickly passed by both houses of parliament.

At the end of 1972, the Australian Labor Party (ALP) won a majority in the Federal Parliament and Gough Whitlam became Prime Minister. On taking office Whitlam established a commission of inquiry into the flooding of Lake Pedder. As a result of that inquiry the Whitlam government offered the Tasmanian Government a large grant in return for it accepting a moratorium on flooding Lake Pedder to allow further investigation of alternatives. The announcement that the offer was to be was refused was met by cheers in the Tasmanian parliament.

The HEC was a significant employer in Tasmania in the 1970s. At the start of the decade it directly employed around 5,500 people or 3.4 percent of the state's workforce. Jobs within the organisation were organised into five divisions: power generation, retail supply, secretarial, civil engineering and electrical engineering. Staffing levels in the first three categories were reasonably steady but during the early 1970s there was a significant decline in the latter two categories as construction of several major projects came to an end. The HEC's organisational culture was set by engineers who occupied most of the senior ranks of the organisation.

The Franklin Dam proposal

The HEC's 1967 proposal for the hydro-scheme which flooded Lake Pedder had indicated that the agency saw potential for considerable further development in the area. In 1976 it released a report on its investigations of this potential which presented two possible ways forward. The first option was an integrated scheme which would harness the flows of the Lower Gordon, Franklin and King rivers into a single, very large hydro-electric dam. A second option was for two separate dams to be created on the Lower Gordon River and Franklin-King rivers.

In October 1979 the HEC tabled its *Report on the Gordon River Power Development Stage Two* in the Tasmanian Parliament which recommended the first of these two options. The proposed dam of the Gordon, Franklin and King rivers was forecast to generate 340 megawatts of electricity and boost the supply of electricity in Tasmania by 22 percent. Its estimated cost was \$588¹ million in 1978 prices or \$1.4 billion in inflation adjusted terms on completion.

The supporting documentation for this plan totalled almost 2000 pages, a marked contrast to the brief report to parliament which the HEC had prepared for the Lake Pedder project. This time, the HEC had included consideration of alternative power generation options. These included coal-fired power stations, importing electricity via a high-capacity cable from the Australian mainland, and nuclear power. There were also lengthy appendices on economic and social considerations, environmental statements, financial analysis, and demand forecasts.

Although the HEC had submitted to parliament considerably more information on the Franklin Dam than in previous proposals, the report argued strongly in favour of the

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¹ All prices in Australian dollars.

HEC's preferred scheme without significant detail on the range of choices open to the Tasmanian government.

In the report, the HEC strongly emphasised the urgency of a decision. Without immediate construction of this project, the report argued, Tasmania's demand for electricity would soon outstrip supply.

The anti-dam campaign

For conservationists the HEC plan was an outrage. The Franklin River had a special quality for wilderness lovers due to its isolation, pristine condition and the beauty of its gorges. The area to be submerged totalled 83 square kilometres and included wilderness registered as a United Nations Biosphere Reserve and which had been placed on the Australian Heritage Register.

For several years conservationists had been aware of the HEC's probable intentions in regard to the Franklin and now these plans were concrete. They had been preparing for the release of HEC's formal proposal to dam the Franklin river and in the year before had been ramping up to mount a campaign against it. The Tasmanian Wilderness Society was formed in 1976 with the support of those who had protested against the Lake Pedder scheme. The largest national environmental organisation, the Australian Conservation Foundation, appointed a full time South-West Tasmania Project Officer to work in Hobart.

In October 1979, Labor Premier Doug Lowe announced he would establish a Coordination Committee in the House of Assembly to receive public comment on the HEC proposal and advice from relevant government departments and authorities. He also established a new agency, the Directorate of Energy, to independently review the HEC's plan. In following months the Committee received 487 submissions. 477 of these were opposed to the HEC's plan, five were in favour and five were described as uncommitted.

Following the release of the HEC's plans for the Franklin river, environmentalists staged a protest rally in the streets of Hobart which attracted 2000 people. Bob Brown, head of the Tasmanian Wilderness Society, was interviewed on ABC Television at the rally and emerged as a key spokesman for the campaign.

Conservationists and the media

Brown and the other conservationist leaders realised from their earlier unsuccessful attempt to stop the flooding of Lake Pedder that they needed to find new approaches to win sufficient public support to persuade the Tasmanian government to reject the HEC's proposal. They began advertising heavily in Tasmania and throughout Australia to attract donations to the campaign.

Tasmania's media was quite accessible because of its small population and it was easy for Brown to approach and get to know journalists at the large newspapers and television stations. Colour television had recently been introduced and they believed documentaries and films showing the beauty of the areas to be flooded would be compelling. The conservationists funded filmmakers' trips into the Franklin River

wilderness, and arranged for short films and documentaries to be screened wherever they could. Images of Tasmania's wilderness were used in the state's promotional campaigns on the mainland to encourage tourism. As they were central to the state's identity, these images had a particular resonance in the campaign. Brown remarked at the time that if colour television had been around a few years earlier, he believed Lake Pedder would have been saved.

Conservationists also began commissioning surveys to gauge public opinion on the Franklin Dam proposal. A poll paid for by the Tasmanian Wilderness Society in June 1979 found 53.5 percent of respondents were in favour of preserving the Franklin River, 28 percent in favour of the HEC's dam project and 19 percent were undecided. The Launceston *Examiner* newspaper published the results on its front page. A similar poll five years earlier had found 70 percent in favour of the proposed dam, suggesting that public opinion was shifting towards the conservationist position.

HEC gathers support for the Franklin Dam proposal

In April 1980 the upper house of the Tasmanian Parliament, the Legislative Council, followed the approach it had taken with the earlier Lake Pedder proposal and announced a Select Committee inquiry into the HEC's proposed hydro scheme for the Franklin River. Again, the inquiry would occur out of public gaze with no open hearings.

HEC staff presented evidence to the Select Committee on five occasions in the following months. In May the HEC also took Committee members on an information tour by helicopter of the Middle Gordon hydro dam which had flooded Lake Pedder. The HEC provided the committee with large volumes of very detailed information supporting its proposal, including information and data it had not provided to the Government. When Premier Lowe became aware of this, he sent an official complaint to HEC Commissioner Russell Ashton.

The HEC's arguments in favour of the Franklin scheme centred on the economic benefits to the state. It stated that in the short term the project would create jobs. HEC estimates suggested that an additional 3000 workers would be employed on the construction of the dam. In the long term the boost to the power supply from the hydro scheme would meet the growing needs of industry and build employment in sectors such as mining, minerals processing, and manufacturing. Alternative power sources, it argued, were too expensive and employed fewer workers.

In June 1980 as the controversy heightened, the HEC commissioned a public opinion poll of its own.

Its first question asked: The HEC has proposed that Parliament should approve a hydro development scheme on the Lower Gordon as a means of supplying Tasmanian electricity after the year 1990. Are you in favour or not in favour of this proposal? The results were 56 percent in favour, 40 percent not in favour and 4 percent unsure.

The second question poll question posed by the HEC was: If the development of the Lower Gordon is not enough to meet the community's electricity requirements, are you in favour or not in favour of a further power development scheme on the Franklin

and King Rivers? On this question, 37 percent of respondents were in favour, 46 percent were not in favour and 17 percent were unsure. The HEC released publicly only the results of the first question.

Conservation campaign continues

As their campaign against the Franklin Dam continued during the first half of 1980, it became clear that the conservationists were deliberately presenting a moderate rather than angry tone to their public communication. Public statements, media advertising and general demeanour and language in interviews were targeted at "middle Tasmania". Bob Brown, Director of the Wilderness Society, was the campaign's leading spokesman and his unexcitable but earnest public persona epitomised the campaign.

Using this approach, the conservationists succeeded in attracting thousands of people to their street rallies and volunteer rolls who were generally conservative by nature but felt strongly about this issue. The involvement of non-traditional activists in the campaign swelled their ranks and attracted greater media and political attention. A protest rally in June 1980 attracted a crowd that police estimated at between 8,000-10,000. This was at least three times the size of any previous protest rally held in Hobart.

Coverage of the Franklin Dam issue now dominated media coverage to a degree not seen on any another issue for such an extended period of time. In a small state such as Tasmania, where the population is around 400,000, there aren't many major local stories for journalists to follow. Almost every day people would be confronted by newspaper, radio or television stories about the Franklin Dam proposal. The intensity of media coverage of the issue was unstinting and contributed to building an atmosphere of emotion and controversy in the state.

Lobbying groups in favour of the HEC's plans emerged at this time. The most prominent was one called the Hydro Employees Action Team or HEAT. Convenor Brian Hoyle said: "The formation of HEAT was a reaction to the recent so called 'conservationist' rally at which a number of imported pseudo-experts excelled even the local variety of self-appointed gurus in spewing forth a mixture of absurdity, juvenile irresponsibility and downright dishonesty." HEAT began seeking donations from HEC staff and began running ads criticising conservationists and calling for support for the proposed Franklin Dam scheme. (See *Exhibit 3*)

The HEC trod a delicate line in its relationship with HEAT. As a government authority, it was not permitted to involve itself in political activity, but on this occasion HEC Commissioner Russell Ashton chose to authorise a lobby group strongly supporting its favoured options from within the ranks of its staff. Employees were normally forbidden from speaking publicly on HEC affairs. One of the founding members of HEAT told a reporter from the *Examiner* newspaper that he had approached HEC Commissioner Ashton who had said he would allow HEAT to commence its campaign as long as the Commission was not officially involved.

Cabinet meets to decide on the future of the Franklin

The Tasmanian Labor caucus met to decide on the HEC's proposal to dam the Franklin during the week starting 7 July 1980. Premier Doug Lowe had been wavering on the best way forward as different groups within the Labor caucus lobbied for and against the scheme. Tasmania's largest trade unions were heavy supporters of the HEC plan and influential in the party. Previous Labor premiers had been unwavering supporters of HEC projects. However Lowe, who was 38, was from a younger generation of Labor politicians and had expressed sympathy for the environmentalists' concerns.

As the Cabinet meetings took place, the atmosphere in Hobart resembled an election campaign. Conservation groups, unions, employer groups and others commissioned dozens of ads in newspapers, on television and radio.

HEC Commissioner Russell Ashton attended one meeting of the Labor Caucus and told the group that a decision to save the Franklin would cost the state an extra \$230 million. He had previously claimed that saving the Franklin would also lead to up to 10,000 job losses at the HEC but under questioning Ashton admitted that this would not occur.

There were three basic options on the table for the Cabinet to consider. The first was HEC's recommended project, known as the "Gordon-below-Franklin" scheme. This involved the flooding of the Lower Gordon river and 35km of the Franklin River and would have made later approval of Stage 2 of the integrated development, that is, the Middle Franklin Dam with a King River diversion, a foregone conclusion.(See map in *Exhibit 1*.)

The second option was to build a smaller hydro scheme which would not flood the Franklin - the "Gordon-above Olga" scheme – and build a small coal fired power station to bolster the electricity supply. (See map in *Exhibit 1*.) This proposal had been advocated by the Directorate of Energy, the agency established by Premier Lowe to review the Franklin Dam proposal. The estimated cost of this plan was \$429 million in 1978 prices.

The third option was that favoured by the conservationist groups: cease building hydro-electric dams in south-west Tasmania, and undertake more thorough analysis of the alternatives including energy conservation initiatives.

After much heated debate, the Cabinet voted for option 2. The vote in caucus was 16 in favour and six against. On the Saturday after the decision was announced, newspaper headlines proclaimed a victory for the anti-dam campaign. Melbourne's *Age* announced: "Wild Rivers Saved".

Reaction to the Cabinet decision

On 15 July Tasmania's Liberal Party Leader and Leader of the Opposition Geoff Pearsall moved a vote of no confidence against the government "because of the disastrous effects which will result because of the extravagant and irresponsible decision of the Government concerning Tasmania's next major power scheme..."

The Liberal Party had a long history of supporting the HEC and senior figures in the party believed that it could benefit politically from the backlash against the Labor Party that would come from its decision on the construction of the dam proposed by the HEC.

By the end of November legislation reflecting the Lowe Cabinet's decision to support a "Gordon-Above-Olga" dam was passed by the Parliament's lower house, the House of Assembly. The legislation then went to the Legislative Council, the upper house, for review. The Legislative Council had been a traditional supporter of HEC projects. It was made up largely of conservative independent members with three members from the governing Labor Party.

By December 1980 public opinion appeared to be moving against the Franklin River dam. A Tasmanian Opinion Polls survey of 827 people from across the state found that 35.6 percent supported damming the Franklin and Lower Gordon, 20 percent supported damming the Gordon above Olga but saving the Franklin, 29 percent supported a ban on dams in the south-west altogether, and 15 percent were undecided.

As the campaign to stop the dams gathered momentum significant divisions occurred between Tasmanians over the issue. As the controversy raged, the issue was debated heavily and there were many strong disagreements in the close-knit community to the extent that long-time friends and neighbours found themselves no longer on speaking terms. Tasmania's 400,000 residents were governed by 54 state politicians, 49 local councils and 17 members of federal parliament. With so many politicians circulating in the community, most people knew at least one personally and expected them to be responsive to their views.

A constitutional crisis

On 11 December the Legislative Council Select Committee released its report which rejected the Government's "Gordon-Above-Olga" scheme and advocated the immediate commencement of the construction of the HEC's preferred "Gordon-Below-Franklin" scheme (the Franklin Dam). On 18 December the Legislative Council voted on the issue and a majority followed the Select Committee's report, backing an amendment of the Government's legislation to reflect its view that the Franklin Dam scheme should be built.

This amendment left the two houses of parliament deadlocked on the issue. The Legislative Council had traditionally been a house of review with the House of Assembly being the house which set policy and managed government. Its refusal to accept the Government's legislation created a constitutional crisis in the state. Tasmania's Solicitor General wrote to the Council advising that it had no power under the state's constitution to alter a money bill this way. In March 1981 the government sent its "Gordon-above-Olga" bill to the Legislative Council where it was rejected for a second time.

Hobart's *Mercury* newspaper responded to the stalemate this way:

"As a party, the Government is directly responsible to the electors and answers to them as a whole every four years. The same cannot be said of the Legislative Council. The people

have no way of calling it to answer as a group for policy decisions if these are taken on itself.... But if it wants to make a decision so far-reaching in its implications, the Council should be prepared for the impact on the electorate's view of it."

Throughout 1981 the stalemate between the Lowe government and the Legislative Council over the Franklin Dam legislation continued. The issue dominated media coverage and the conservationists' campaign continued. In late April 1981 the Lowe government moved to reinforce its support for the compromise option by declaring the gorges of the Franklin and Olga rivers a "Wild Rivers National Park".

The issue also attracted the interest of national politicians. In June 1981 leader of the Australian Democrats Senator Don Chipp initiated an inquiry in the Australian Senate into the management of the wilderness areas of south-west Tasmania.

A referendum to break the deadlock?

On 17 September 1981 the Labor Party Caucus voted to hold a referendum in December on the Franklin Dam question as a way to break the impasse with the Legislative Council. The referendum was to give voters only two choices. One, to support the HEC's recommended "Gordon-below-Franklin" scheme. Two, to support the Lowe government's favoured "Gordon-above-Olga" scheme.

Conservationists' preferred no-dams option was not on the ballot. In the following months they campaigned in favour of people writing 'no-dams' on their ballot paper instead of selecting one of the two options offered.

The deadlock had sown considerable instability in the Government during the preceding year. Many Labor members in favour of the HEC's dam turned against Premier Lowe. By November, an alternative leader Harry Holgate had emerged and on 11 November the Labor caucus voted to depose Lowe and install Holgate as premier. Lowe responded by cutting ties with the ALP and declaring himself an independent.

The Franklin Dam referendum took place on 12 December 1981 after a loud and heated public and media campaign. Conservationist supporters had plastered their cars with "No Dams" bumper stickers (see *Exhibit 2*). The Wilderness Society had recruited 1000 volunteers to doorknock every house in the state in the weeks leading up to the vote. Pro-dam groups from business and the union movement spent heavily on advertising which argued that the future of the state's economy was at risk.

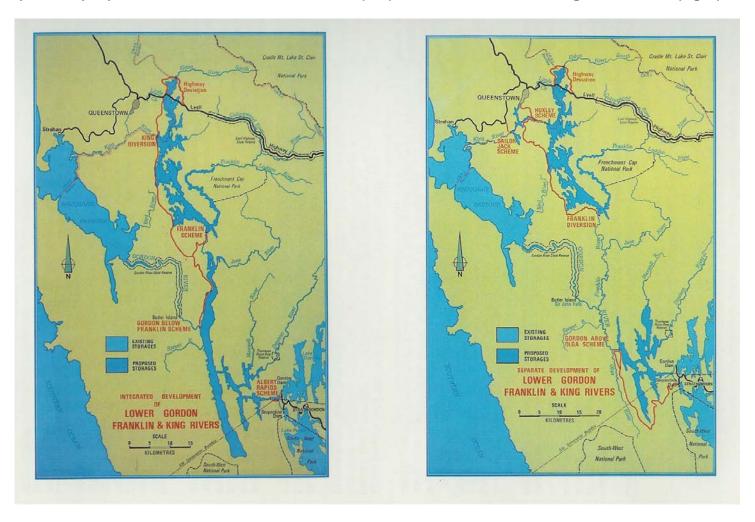
An uncertain result

When counting was over, the result was inconclusive. 47 percent voted for the HEC proposal, 8 percent for the Government's compromise plan and 45 percent voted informally. 33 percent of voters had written "No Dams" on their ballot paper.

Tasmania was at a crossroads. Divisions over the HEC's proposal to build a dam on the Franklin had triggered a constitutional deadlock between the lower and upper houses of parliament, destabilised the government to the extent that the Premier had been replaced, sparked a heated public campaign which was being followed across Australia and attracted many thousands of new supporters to the conservation movement.

During the debate leading up to the referendum, major questions had been raised by the Directorate of Energy about the demand forecasts, job creation and the project costings made in the HEC's proposal. The Directorate's analysis was particularly critical of weaknesses in the HEC's analysis of the option to build additional coal fired thermal electricity generation capacity. Conservationists had also pointed out that the HEC's report had assumed the economic value of the wilderness to be inundated by the proposed scheme at zero. As well, a Federal Senate Committee inquiry had been launched to investigate the Franklin Dam proposal.

Exhibit 1 – Map of the proposed "'Gordon Below Franklin" (left) and "Gordon Above Olga" schemes (right)



Source: Thompson, P. Power in Tasmania, Australian Conservation Foundation, Melbourne, 1981, p 36

Exhibit 2 – Wilderness Society "No Dams" bumper sticker

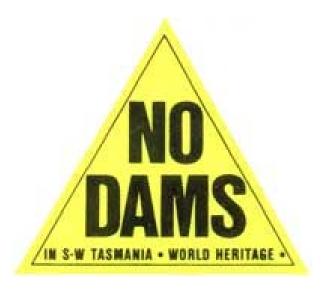


Exhibit 3 – Hydro Employees Action Team advertisement supporting the Franklin Dam proposal



Source: Thompson, P. Power in Tasmania, Australian Conservation Foundation, Melbourne, 1981, p 94