

## Overview of social and economic impacts associated with the draft Forest Management Plan

### Introduction

The Conservation Commission and the Forest Products Commission (FPC) have commissioned an independent assessment of the potential social and economic impacts associated with the draft Forest Management Plan (FMP). This statement of information has been prepared prior to the completion of the consultant's report, with data drawn from the independent assessment, the FPC, the Department of Industry and Technology, and from the draft FMP.

The draft FMP sets out two management scenarios for public comment as part of the process of finding a balance between competing uses for the forest. One scenario leads to a lower limit for the sustained yield of jarrah and karri sawlogs, and the other to an upper limit. This summary provides information on the impacts that might arise from those scenarios, and will be used to promote community understanding and discussion about the draft FMP. The process of finding a balance will be pursued between the draft and final plans and will be informed by public submissions.

The draft social and economic impact study will be provided to the stakeholder representatives on the FMP Round Table for comment. Following receipt of their comments, the report will be finalised and available for public consideration before the end of August so that it can be considered concurrently with the draft FMP, the public comment period of which closes on 15 October 2002.

### Background

The region has one of the most diverse regional economies within the State, including mining, agriculture, and timber production, as well as substantial manufacturing, commercial, retail and tourism industry sectors.

Since the 1970s the forest industry has experienced great change, driven both from within and without. As new, more efficient ways have developed to process timber, the industry has become more mechanised and employment levels have dropped. A significant change coming from outside the industry has been the wider community's demand for the conservation of publicly-owned forests, and successive governments have responded to this demand to varying degrees over the years.

More recently, the Regional Forest Agreement was signed in 1999 and proposed significant increases in the conservation reserve system, and a consequent decrease in the area of forest available for timber production. Soon after, the then State Government announced an accelerated restructure of the native forest timber industry involving: an immediate end to logging in karri-tingle old growth and karri-tingle two tiered forest and the areas of karri old growth within 16 forest blocks; and an end to harvesting in all old-growth karri after 2003.

In February 2001, the new State Government introduced its *Protecting our old-growth forests* policy, leading to an immediate end of timber harvesting in old-growth forest and committing to create 30 new national parks and two new conservation parks.

The *Protecting our old-growth forests* policy includes a range of programs to facilitate the restructure of the native forest timber industry, provide assistance for redundant workers, promote the development of the native forest timber industry through value adding incentives,

and contribute toward community development initiatives. One element for the restructure of the timber industry is the Business Exit Assistance package (BEA), which may be available to those businesses that derive at least 50% of their income directly from the native forest timber industry. The majority of those businesses that have or will receive assistance are sawmills and harvesters and haulers who have a contract with the FPC. All sawmills that were not successful in being considered for a jarrah allocation in the FPC's call for proposals would be expected to have applied for business exit assistance. In the following analysis, BEA applicants and the number of their employees by each local government authority (within the plan area) provide an indication of the direct job losses brought about through the timber industry restructure prior to the release of the draft FMP.

**Table 1: Employee numbers of companies applying for Business Exit Assistance by local government authority**

Local government authority	Number of employees (excludes principals or owner-operators)
Albany	14
Augusta - Margaret River	32
Boyup Brook	17
Bridgetown - Greenbushes	16
Bunbury	67
Busselton	57
Capel	4
Collie	11
Donnybrook - Balingup	8
Metropolitan area	165
Manjimup	312
Murray	6
Nannup	2
Plantagenet	16
Wandering	2
TOTAL	729

*Source: Department of Industry and Technology*

This table does not include some harvest and haulage contractors and forest management employees, or indirect impacts.

### **Potential impacts on the sawmilling sector**

The decision yet to be made in regard to allocation of future jarrah sawlog resources has the potential to lead to the most significant social and economic impacts of the new FMP. The karri sawlog resource likely to be available under the new FMP is considerably smaller and adjustments to this level have been largely accounted for under existing Government commitments.

In late 2001, a call for proposals by the FPC resulted in 47 proposals for an allocation of jarrah sawlogs, from which 10 companies were selected. These 10 companies have progressed to the second stage of the process in which business plans for their proposed operations are being analysed. Decisions on the companies that have successfully completed this final stage are due to be announced soon.

Information derived from the call for proposals for allocation of jarrah sawlogs provides a strong base for estimation of some of the likely social and economic outcomes associated with the draft FMP. This information (Table 2) is limited to the most direct utilisation of the resource

such as sawmilling, drying and limited further value adding represented by the short-listed proponents.

Information in Table 2 doesn't include employment and investment provided by processing, manufacturing and other downstream industries that would be supplied by the proponents. Employment in other parts of the timber industry such as forest management and harvesting and haulage is also not included. Employment at the sawmills at Greenbushes and Nannup is included in the table. While data related to specific proposals is commercially confidential, combined data allows the development of relationships between timber allocation and both employment and industry investment.

From these relationships the likely outcomes of possible FMP jarrah allocation scenarios can be estimated. Table 2 contains estimates of direct employment and investment for levels of allocation corresponding to the upper and lower jarrah sustained yield scenarios discussed in the draft FMP.

**Table 2: Estimated employment and investment outcomes in sawmilling, drying and partial value adding of possible jarrah volume scenarios**

Allocation	Annual volume (cubic metres of first and second grade sawlogs)	Employment	New investment (\$)
Scenario A	106,000	400	13,000,000
Scenario B	164,000	610	18,000,000

*Source: Forest Products Commission*

Additionally, as indicated in the draft FMP, there is provision for further allocation of previously unused contract volumes. The extent of this allocation will depend on the period over which it is applied in order to best account for social and economic circumstances. If, for example, Government were to decide to allocate this volume over a 10-year period, this would provide an additional 34,000 cubic metres per year. The upper range of the short-listed companies under the call for proposals is 170,000 cubic metres per annum, which would provide for almost \$19 million in investment and around 630 jobs.

Information provided to the independent consultants indicated that three of the proponents would not proceed with their investment if the volume requested was significantly reduced as would be required under Scenario A. In addition to the direct impacts on employment and investment shown in Table 2, this could reduce the quantity of resource available to develop downstream manufacturing, particularly in the Manjimup area.

The figures include the 10 companies being considered in the call for proposals and the two sawmills that already have access to a portion of the jarrah sawlog resource – mills at Greenbushes and Nannup have been allocated a total of 43,000 cubic metres of first and second grade jarrah sawlogs under previous Government decisions and employ just over 160 people. Also, the Government has announced a commitment to the karri mill at Pemberton. It is expected that this will result in employment of 54, rising to 75 during the first half of the management plan period, and capital investment of \$2.5 million.

## **Potential impacts on other forest-based industries**

Mining is the largest economic activity undertaken in the draft plan area (mineral extraction totalled \$4.7 billion in 2001 and provided 9,400 direct jobs). Current mining activities are considered to essentially be unaffected by the scenarios in the draft FMP. To sustain this level of economic activity new resources have to be found and developed. Mineral and petroleum exploration is potentially affected by the conservation reserve proposals in the plan.

State forest and timber reserves contain supplies of gravel, shale, clay, sand, limestone and rock that are together known as basic raw materials. In 1994 the market value of the basic raw material industries in Perth and the outer metropolitan region, excluding road construction, was assessed at \$768 million with an estimated 4,127 jobs directly associated with the industry.

The flora industry includes wildflower and foliage, seed and craft products. The wildflower and foliage component of the industry were estimated to be worth \$17.5 million based on Australian Bureau of Statistics export figures (1998/99) and local data.

Implementation of the conservation reserve proposals in the draft FMP will result in a decrease in the area of State forest and timber reserves, where forest uses including extraction of basic raw materials and wildflower picking are permitted. As a consequence, the socio-economic value of these uses in those areas will decrease significantly when the final plan is implemented.

In particular, the wildflower harvesting industry will lose a significant resource due to the creation of the Walpole Wilderness Area. The Government has established the Walpole Wilderness Area Stakeholder Reference Group to work through the boundary design and the impact on the community and industries, including wildflower harvesting.

With some 4.6 million visits to land vested in the Conservation Commission within the plan area, tourism and recreation is a major economic activity in the region. The increase in the conservation reserve system will provide greater opportunity for the development of industry flowing from nature-based recreation and tourism, and the Government has provided funding to stimulate this.

Almost 80 beekeepers have registered sites in State forest and timber reserves, and there are almost 1,000 apiary sites registered on these lands. Apiary sites in State forest that are now proposed to become one of the conservation reserve land categories arising from the *Protecting our old-growth forests* policy will be allowed to remain until such time as an area management plan is prepared for the reserve which determines the issue of future access.

The catchments in the Darling Range have historically supplied more than half of Perth's water supply. Because of declining rainfall and streamflow over the past two decades, and increasing population, the Darling Range catchments have been providing a progressively smaller portion of the water supply to Perth. The proposals in the draft FMP will have a generally negative effect on quantity of streamflow, but with a reduced risk of generating water with high levels of turbidity.

## **Indirect and flow-on job impacts**

The number of direct jobs related to the timber volumes that will be available under the new FMP will also have an indirect effect, for example on jobs associated with forest management, harvesting, downstream processing, manufacturing and transport industries. There are also likely to be flow-on impacts to employment in other sectors such as retail and education that can result from changes to income levels or from families moving into or away from particular communities.

The levels of indirect and flow-on jobs are often estimated using multipliers related to the number of direct jobs. Such an approach has not been used in this document because there are significant uncertainties brought about by local variables such as the type of timber processing, locations of markets for timber produced and the location of the community in relation to other regional centres. For these reasons no quantification has been undertaken, however it is noted that for some communities indirect and flow-on job impacts will be at least as much as the direct impacts.

### **Perceived impacts on communities and their resilience to change**

Towns such as Nannup, Manjimup and Pemberton have been affected by social and economic impacts arising from the past changes in the size and nature of the industry in the region. It is also likely that towns such as Manjimup would be further impacted by any reduction in sustained yield under the new FMP.

Interviews with key stakeholder groups revealed a range of issues/perceived impacts in relation to the implementation of the FMP. These impacts are summarised in Table 3.

**Table 3: Perceived impacts associated with the draft FMP reported from interviews with key stakeholder groups within the draft plan area**

<b>Stakeholder group</b>	<b>Perceived impacts and issues</b>
<b>Timber Industry</b>	Reduced access to resource Mill closures (between 3 and 6, depending on the volume of timber available) Loss of jobs (between 198 and 362, depending on the volume of timber available) Closures of business reliant on timber industry Reduced ability for remaining mills to be internationally competitive Reduced expenditure in affected communities Reduction in school enrolments Reduction in support services (health, social and education) Decrease in community participation Loss of sense of community Lack of consultation
<b>Unions</b>	Reduction in membership Reduced ability to support membership
<b>Apiculture</b>	Reduced access Reduced resource security Lack of secure land for breeding and honey production Competition for remaining land Lack of consultation
<b>Floriculture</b>	Reduced access Competition for remaining land Overuse of resource in remaining accessible areas Reduced diversity of species Lack of consultation
<b>Mining</b>	Lack of access for long term prospectivity
<b>Community Groups</b>	Reduced business viability Reduced community group participation Increased reliance on support services (health, social)

<b>Stakeholder group</b>	<b>Perceived impacts and issues</b>
<b>Local Government</b>	Reduced support services in affected communities Lack of community cohesion Reduced community participation Reduced capital expenditure Reduction in youth residing in affected communities
<b>Aboriginal</b>	Reduced access restricting ability to support Native Title claims Lack of consultation
<b>Conservation</b>	Increased conservation of native forests Poor management of plantation industry
<b>Tourism</b>	Reduced access to forest areas Increased forests for tourism use

*Source: Coakes Consulting*

The extent to which communities are resilient to change has been analysed as part of the process of developing social and economic profiles for each of the local government areas within the draft plan area.

A resilience score has been derived using the percentage change between the 1996 and 2001 census for a range of factors including employment, population over 65 years, occupied dwellings and number of businesses. The relationship between the derived resilience scores and current timber mill and contractor employment was then examined.

Bridgetown-Greenbushes, Collie and Manjimup Shires had the lowest social resilience scores – in other words, there was a negative effect in the direction and size in the change between 1996 and 2001 for a number of social and economic indicators for these regions. In the Shire of Collie, for example, there has been a gradual population decline since 1996, with the number of children decreasing and the number of elderly persons increasing. These three Shires also include 58% of timber industry employees, although Collie is not a major timber processing centre and so is less influenced by the outcome of the draft FMP.

Results of the assessment also suggest that the Shire of Manjimup has relatively low resilience and high reliance on the native forest timber industry. Given that many of the potential job losses are located in Manjimup, and an estimated 50% of sawmilling employees are active members of community groups and organisations, a significant number of employees leaving the area would have a considerable impact on community groups, service provision and social capital within the region.

### **Further details**

The full social and economic impact assessment is anticipated to be available before the end of August 2002 on the websites of the Conservation Commission ([www.conservation.wa.gov.au](http://www.conservation.wa.gov.au)) and the Forest Products Commission ([www.fpc.wa.gov.au](http://www.fpc.wa.gov.au))