

Submission to 'Inquiry into Public Native Forests Transition' – 2011 Legislative Council Government Administration Committee "A"

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Dr Schirmer will be making a formal written submission after giving oral evidence on April 18th 2011. This document summarises the topics she will discuss as part of her oral evidence, which will be expanded on in the written submission.

Dr Schirmer can discuss the following topics in responding to the terms of reference of the Inquiry

- The impacts that uncertainty surrounding the proposed transition is *currently* having on businesses, workers and communities who depend on the forest industry
- The scope of *potential* socio-economic impacts of the proposed transition, including (a) how many people are currently directly employed in jobs that depend on native forest harvesting in Tasmania; and the communities they are located in (see statistics reproduced on the following page, which will be included in the final written submission), and (b) the vulnerabilities and capacities of those dependent on the native forest industry to change
- The *types* of socio-economic impacts that may occur as part of the proposed transition, noting that these will depend on a range of factors, in particular the timeframe over which the transition occurs, the extent and scope of the transition, and the support measures put in place to assist those impacted by the transition
- The types of support measures that should be considered when developing policies for implementing any future transition, and
- The potential socio-economic impacts of any future expansion of tree plantation based industry occurring as part of a transition out of use of public native forests for wood production.

Dr Schirmer's evidence will draw on research undertaken since 2006 by researchers working in the 'Communities' project of the CRC for Forestry, including a number of publicly available reports, and unpublished results of a study currently under way in Tasmania, titled 'Socio-economic impacts of forest industry change'. This study is (a) examining the impacts of the recent downturn in Tasmania's forest industry on workers and businesses, (b) identifying the extent to which communities have been exposed to change as a result of the downturn, and (c) identifying the vulnerability of workers, businesses and communities to future changes such as the proposed transition out of public native forest management and harvesting. Information about the study is available at <http://www.crcforestry.com.au/view/index.aspx?id=73266>.

The following provides some background statistics Dr Schirmer will draw on in her evidence, and expand on in her written submission:

How many Tasmanian workers depend on harvesting of publicly owned native forests for their employment?

The harvesting of native forests in Tasmania for wood production creates a number of direct and indirect jobs. Direct jobs include those generated by the management of public native forests, harvest and haulage of logs, processing of logs into sawntimber, woodchips, and production of further processed products, as well as those generated in the specialist woodcraft sector, and through the harvesting and sale of firewood.

Approximately 3780 jobs were generated directly by native forests in Tasmania as of 2010, excluding firewood collection and sale¹, with this figure likely to have declined somewhat since this time as a result of ongoing job losses in the industry. Schirmer et al. (forthcoming) are currently producing more up to date estimates of employment, which suggest that 5% of jobs have been lost since September 2010. The large majority of these jobs are generated based on harvesting of publicly owned native forests, with less than 10% likely to be generated based on privately owned native forests, and likely less than 5%. This estimate is based on early analysis of findings to be reported in Schirmer (forthcoming), and at the time of writing it was not possible to provide a more specific estimate of the proportion of jobs dependent on public versus private native forests.

Publicly owned native forests therefore generate approximately 3400 direct jobs at the time of preparing this submission in April 2011, including production of sawntimber, woodchips and woodcraft, but excluding firewood production. It should be noted that jobs based on private native forests often depend on the presence of the public native forest sector, with private native forest harvesting and processing viable because it is added to activity occurring in public native forest to achieve the economies of scale needed for economically viable production.

These direct jobs generate indirect employment, in particular via generating demand in the supply sector to the industry (eg mechanics, fuel suppliers, equipment sales), spending of wages by workers (providing jobs in retail and service sectors), and in downstream markets such as retail sales of wood products. Based on spending patterns reported by businesses, a majority of spending on supplies, and spending of wages, occurs in Tasmania. In many cases, but not all, downstream jobs are located outside Tasmania, with many native forest sawntimber products being further processed in Victoria in particular, and woodchips largely exported to Japan. Sawdust residues are largely sold within Tasmania, to stables, chicken farms or other enterprises requiring sawdust. The indirect employment generated by publicly owned native forests has not been estimated by Schirmer (2010) or Schirmer et al. (forthcoming). Investment is needed in robust and independent economic analysis of the indirect employment generated as a result of public native forest harvesting.

¹ This estimate is based on the findings of Schirmer (2010) that in September 2010, the native forest industry generated 2033 direct jobs, excluding small-scale woodcraft and firewood production. In addition, Farley et al. (2009) estimated that in 2009 a further 1750 jobs were generated in the specialist woodcraft sector (this estimate does not include 250 jobs in the 'large scale' industry which involve processing special timbers that are then utilised by the woodcraft sector). In interviews conducted for Schirmer et al. (forthcoming), some downturn was reported in the woodcraft sector as a result of decreased tourism (a primary market for woodcraft), and as such it is likely that fewer people are currently employed in this sector than was the case in 2009. Firewood collection and sale generates further employment based on public native forests, with the exact employment generated not able to be estimated in this submission due to limited information available on this sector.

An exit out of harvesting public native forests therefore has potential to threaten at least 3400 direct jobs, as well as an unknown number of indirect jobs, currently generated by this industry within Tasmania.

Which communities are most vulnerable to change?

The Tasmanian communities most vulnerable to change are those which (a) have highest dependence on employment generated as a result of harvesting publicly owned native forests, and (b) with high vulnerability to change.

The communities with highest dependence on native forest generated employment are shown in Figures 1 and 2. Figure 1 shows the total number of people estimated to be employed in jobs directly dependent on the harvesting of native forests for timber production, with the exclusion of small scale woodcraft and firewood production, as of September 2010. The councils of Launceston, Huon Valley and Circular Head have the highest numbers of workers, although a large number of councils have more than 100 people working directly in the native forest industry, and hence likely many more indirectly dependent on the industry. The workers are shown based on where they live (rather than where they work), as workers typically spend a high proportion of their wages and access many services near their place of residence, and hence the communities they live in will experience negative impacts if these workers lose their jobs.

Figure 2 shows the level of dependence on native forest industry jobs by identifying the proportion of the employed labour force working in the forest industry. This is a better measure of dependence than the absolute number of jobs, as the loss of 50 jobs in a community with only 500 people will likely have a greater impact than the loss of 50 jobs in a city such as Hobart. The councils most dependent on the native forest industry based on this measure are Circular Head, Glamorgan-Spring Bay, Central Highlands, Huon Valley and Dorset, with all of these having more than 3% of their workforce directly employed in the native forest industry and likely a substantial proportion depending indirectly on the presence of the industry.

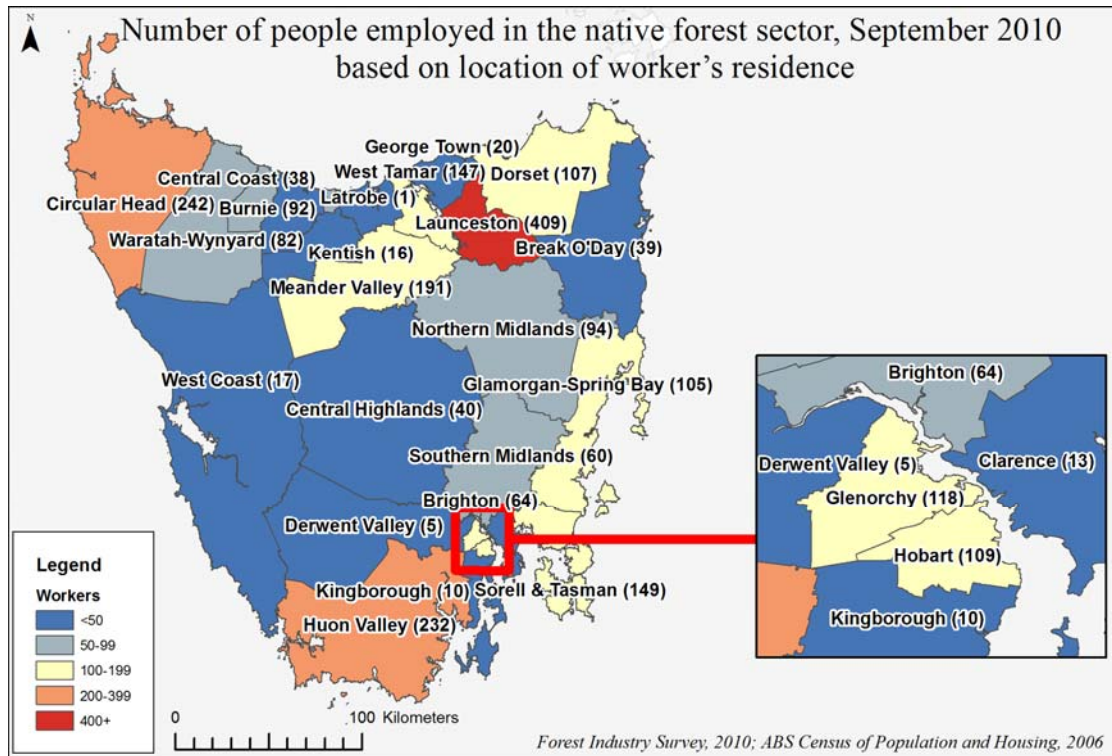


Figure 1: Number of workers employed in the native forest industry (public and private), excluding small scale woodcraft and firewood production, September 2010

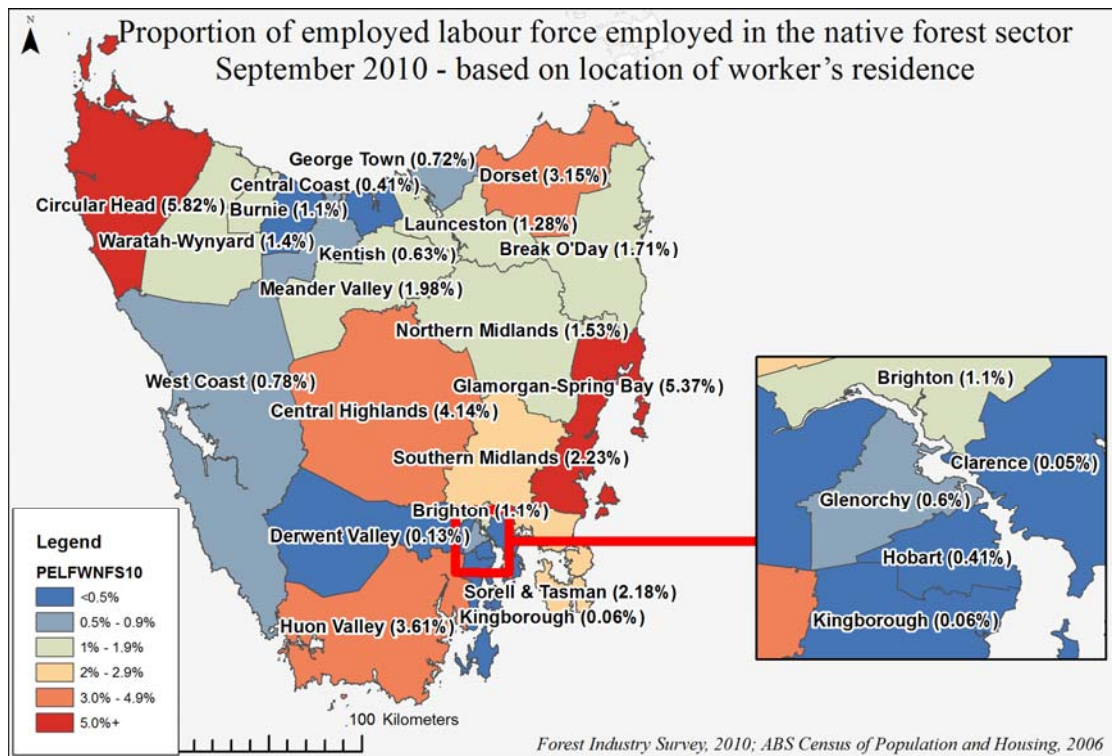


Figure 2: Proportion of the employed labour force employed in the native forest industry (public and private), excluding small scale woodcraft and firewood production, September 2010