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Our Ref: 13/1066

29 January 2013

The Hon P Harriss MLC
Chairperson
Legislative Council Select Committee
Tasmanian Forests Agreement
Parliament House
HOBART TAS 7000

Dear Mr Harriss

I forward the attached Submission to the Select Committee on behalf of Dorset Council.

Council would appreciate an opportunity to present the Submission to the Select Committee and therefore be available to answer questions or elaborate on the information given should the Committee require it.

Yours sincerely



BARRY JARVIS
Mayor



SUBMISSION

Legislative Council Select Committee Tasmanian Forests Agreement Bill 2012



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1. Opening Statement

Dorset Council has not, until now had the ability to provide input into the Tasmanian Forests Agreement (TFA) Bill 2012, although it is considered one of the most significantly impacted forest regions of Tasmania, which is supported by the Schirmer and McCall reports cited below. Council welcomes the opportunity to make this submission now.

If the TFA is approved it will have a direct and negative impact on social, economic and environmental factors for the Dorset municipality, the ramifications of which are not fully understood.

Therefore the Council wishes to inform the Legislative Council;

- Of the possible ramifications of this agreement to the community of Dorset,
- Of the need for the Dorset municipality and the State Government to have an appropriate understanding of the ramifications of the TFA on the local economy
- Of the need for proper and appropriate planning involving community and Council consultation to transition the Dorset municipality to a new economic base.
- Of the need for appropriate funding now and into the future to assist in industry transition;
- That as the Dorset municipality has and continues to be one of the municipalities hardest hit by the downturn of the forestry industry it should have an appropriate amount of funding to adequately prepare, plan and deliver a new economic base; and
- That an amount of 6.5 million dollars over 15 years appears an inadequate amount to transition the economy of communities all around the state, including the north east.

Therefore the Council is of the opinion that it would be irresponsible to approve the TFA before understanding the full impact on affected communities such as Dorset and that proper analysis should be undertaken as recommended by the Schirmer and McCall reports¹ prior to the TFA being approved.

¹ Schirmer, J, 2010, Technical Report 206, Tasmania's Forest Industry, trends in Forest industry employment and turnover 2006 to 2010, Cooperative Research Centre for Forestry, www.crcforestry.com.au; McCall Tony, 2011, Social Economic Impact of Forestry Industry Restructuring in Dorset Local Government Area, Tasmania, Dorset Council.

2. Introduction

This submission will outline that the Dorset municipality has been and continues to be one of the most severely affected municipality in Tasmania as a result of the forestry downturn.

The Dorset Council understands that the social and economic fabric of the Dorset municipality is under extreme stress as a result of the current downturn. The effect and ramifications of permanently halving the quantity of resource available to industry, as exemplified by the TFA, with a reduction in the sawlog quota from 48,000 cubic metres (in the north east) to approximately 24,000 cubic metres per annum, need to be understood before proceeding.

This submission will outline the economic and social economy of the municipality that has been in decline for the past 10 years, and is at present severely stressed, by providing examples and statistics.

The 10 year downturn experienced by Dorset has had many impacts on forestry industry workers, their families, the community in general, affecting schools, social clubs (that bind and support rural and remote communities) supporting industries, indirect retail and other businesses and the very fabric that enables a community to exist. The anecdotal evidence is particularly visible in the small rural towns of Ringarooma, Legerwood, Winnaleah, and more recently in Scottsdale.

With the loss of such infrastructure communities cease to function making it very difficult to attract new investment and families.

3. The Current Dorset Economy

The Dorset economy is based on its forestry and agricultural sectors. However in the past 10 years most downstream processing has ceased for both industries, (examples Legerwood Dairy Factory, Simplot Vegetable Processing Plant, Gunn's and Auspine Timber Mills).

In the absence of any other information it is estimated that the hardwood forestry industry turnover in the Dorset area was approximately \$55 million.²

Unemployment has risen from 2006 when only 4.4% of the community was unemployed, while today Dorset municipality has the highest unemployment rate in Tasmania of 9.2%.

The median weekly household income is \$733 compared to Tasmania of \$948.

The population has declined from 7214 - (2006) to 6,826 - (2013).

When the above figures are analysed, the population and wealth of the economy of Dorset is clearly in decline.

This information supports anecdotal evidence from the North East Tasmania Chamber of Commerce that many businesses in the municipality are in dire circumstances, with very little retail activity.

ABS Data states that in 2006 - 574 people worked directly in the forestry sector compared to 104 in 2011, with further jobs lost since the last census.

An extract from the Schirmer report (Figure 1) shows Dorset's reliance on the forestry sector and demonstrates the significance and importance for forestry related employment in Dorset when compared to other areas of the state. The Schirmer report clearly demonstrates that Dorset experienced the most significant changes in employment.

Again in Figure 2 Schirmer demonstrates that Dorset is one of the most severely impacted communities in Tasmania as a result of the forestry downturn.

² Stonjek T & Hall Ken, 2013 direct interviews with contractors in the hard wood and softwood industries in Dorset

³ ABS data, 2011, <http://www.abs.gov.au/AUSSTATS/abs@nrip.nsf/Latestproducts/LGA61810Population/People12006-2010?opendocument&tabname=Summary&prodno=LGA61810&issue=2006-2010>, downloaded 22/1/13

Figure 1 Community Changes in Unemployment Due To Past Forestry Downturn, Schirmer, 2010

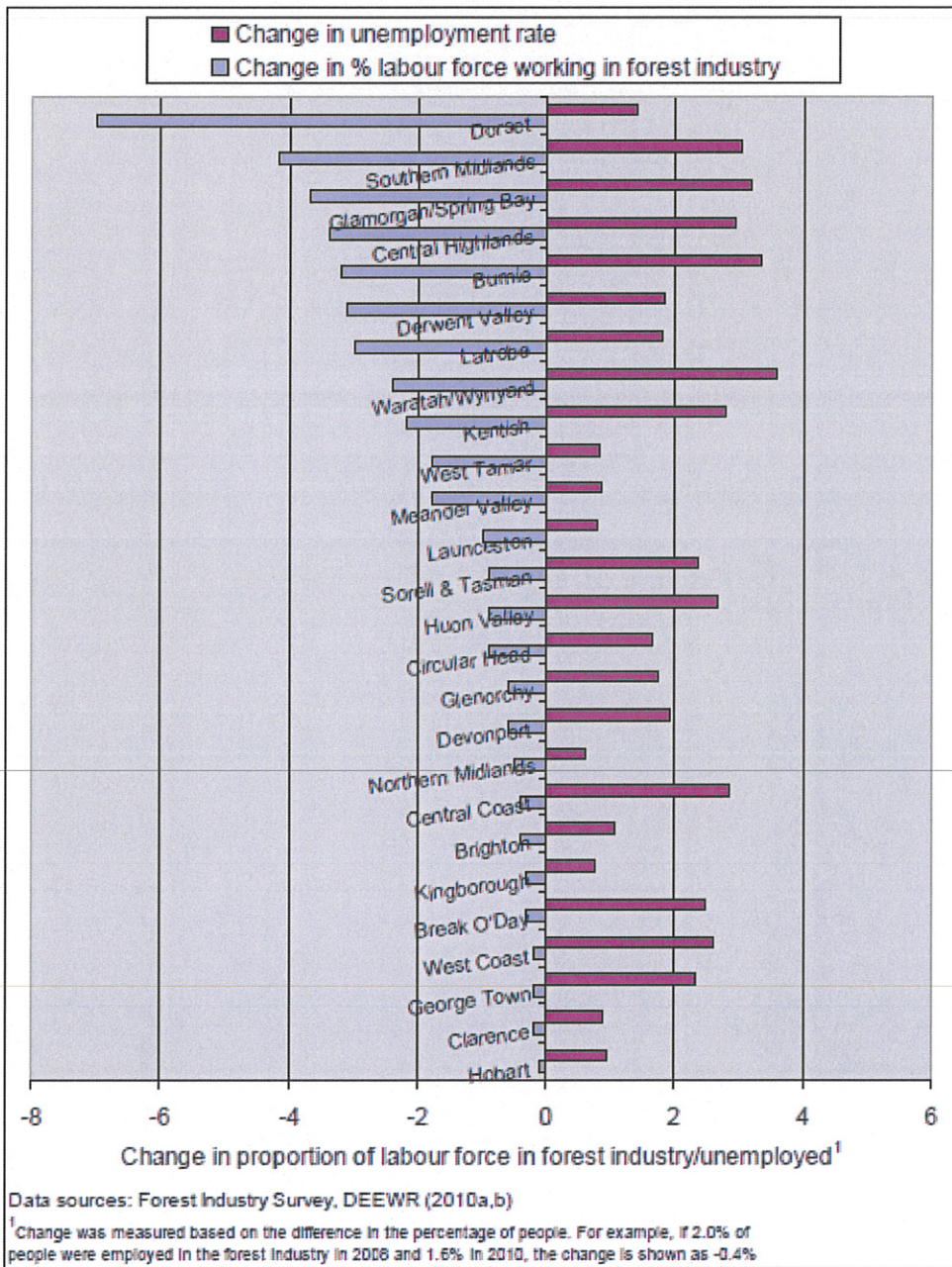
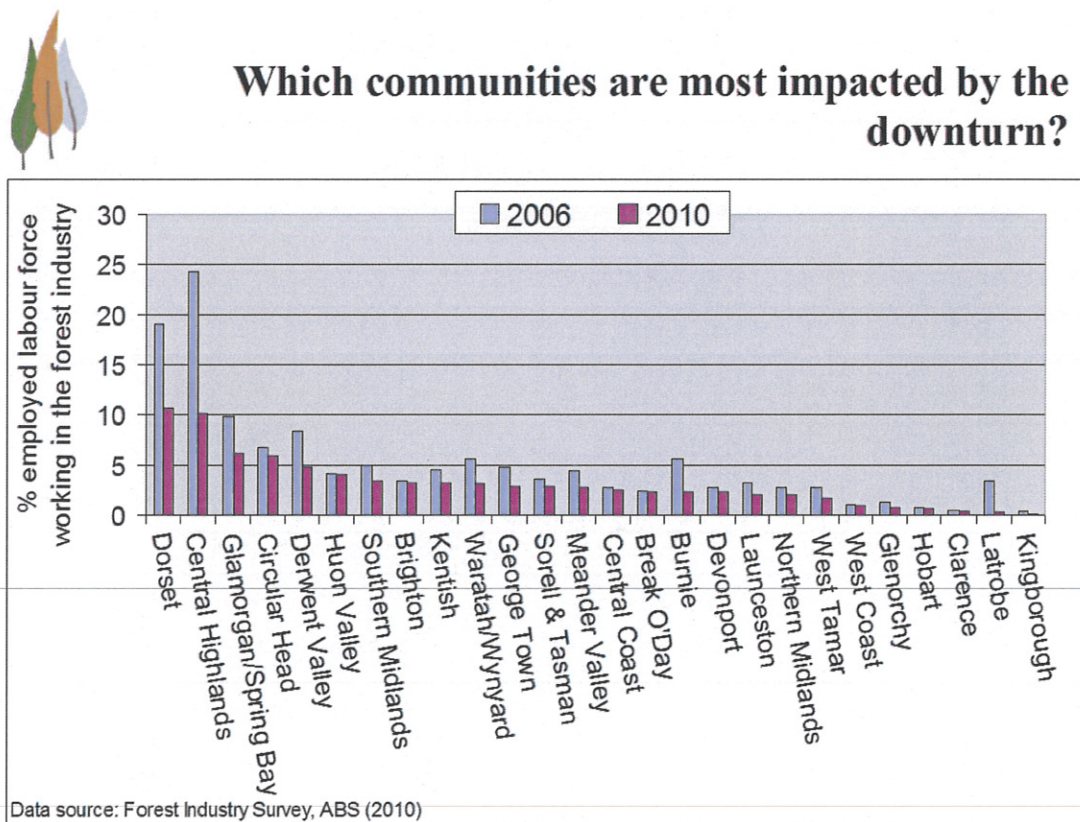


Figure 2 below demonstrates that even without the latest forestry industry downturn in native forests, as outlined in the TFA, Dorset was one of the most severely impacted regions of Tasmania, second only the Central Highlands, Schirmer, 2010.

Figure 2 Communities most affected by past downturns in the Forestry Sector, Schirmer 2010



Recent examples of impacts on the economy include:

- In 2011/12 - 10 Dorset contractors met and noted that they contributed \$17 million in wages (30% of their turnover) to the local Dorset community. This was without reference to fuel, repairs, maintenance, tyres, transport, machinery repayments and profit.⁴
- Two recent mill closures resulted in 340 direct job losses.

In recognition of the severity of the flow-on effect of the forestry downturn the Dorset Council in 2012/13 is investing \$100,000 to stimulate the local retail and service sectors by offering a partial rate remission and other incentives.

All of the above information demonstrates that Dorset has suffered significantly from the loss of one of its two largest industries – forestry, and this is felt in employment figures, retail sales, loss of people from the area, business under stress from closures and increasing debt problems (restricting the normal flow of money through various businesses – the multiplier effect that maintains an economy).

⁴ Hall, Karen, 2013, President of the Forest Contractors Association.

4. Impacts of the TFA on the Dorset Municipality

4.1. Industry Viability

The recently released maps pertaining to the TFA show substantial areas in the Dorset and adjoining municipalities which are proposed for lock up. This will potentially impact on the municipality's ability to utilise generationally developed forestry expertise and resources to transition to a new economically enabled industry, based on a truly sustainable timber supply.

This is a matter of gravest concern to Dorset Council arising out the proposed legislation.

An analysis of the proposed new areas of reserved lands, as now listed in Schedule A to the Tasmanian Forests Agreement Bill, shows that a total area of approximately 110,000 hectares is to be created within the north eastern sector of the state. That is, in the area represented by annexures 5 and 6, and the northern parts of Annexures 11 and 12 in cpr 9580, as attached to the Bill.

Because the maps do not show municipal boundaries, and some of the proposed lots straddle municipal boundaries, it is not possible to calculate the exact area in Dorset. However, it is estimated that between 35,000 and 50,000 hectares would be either within Dorset or in the potential catchment area of an industry based in Dorset.

The Schedule does not appear to cite any criteria against which the lots of future reserve land might have been assessed as being of high conservation value warranting protection from any form of native forest harvesting.

Note that these proposed new reserves are in addition to existing reserves totalling 177,000 hectares in the north east region (Forestry Tasmania 2010).

Council also notes:

- Currently 1/3 of the 1.5 million hectares of State Forest - 536,000 hectares is in the north east;
- The expected outcome from the TFA is a halving of the planned saw log from native forest in the north east annually over the next few years;
- The long cartage distances of some coupes proposed in the TFA will in effect make a number of coupes commercially unviable for harvesting, therefore locking them up by default;
- The community and Council believe that a sustainable industry is possible for the Dorset community based on a variety of feed-stocks. This future includes a variety of co-existing and supportive industries such as CLT, pellets and biofuels.

However it is vital that the volume of resources available be sufficient to sustain any new transitional industry. The locking up of currently available native forests inevitably reduces the critical mass of those resources. Also, any extensive increase in the area of plantation to replace native forest (and not involving the conversion of native forest) would necessitate the conversion of farmland, thus impacting on the district's other major industry - agriculture.

4.2. Economic Considerations

In the absence of detailed economic analysis being provided to the community and using a rough extrapolation estimating hardwood contractors' labour costs for 2010 of approximately \$17 million per annum and applying that rule of thumb as a multiplier effect, it is reasonable to conclude that the native forest industry was contributing at least \$100 million directly into the Dorset economy. It is Council's understanding that the TFA would reduce the hardwood availability by half, and when using the above analogy, would result in approximate reduction to the local economy of around \$50 million per annum.

While these figures are indicative it is also critical that a full socio-economic study as recommended by Dr Schirmer be conducted, as the impacts may be much higher than this.

In 2012/2013 Dorset Council levied rates of \$300,000 on forestry companies, of which \$175,000 related to Forestry Tasmania, (a high proportion of forestry related rates are outstanding).

It is estimated that the creation of reserves by the TFA will adversely impact Council rate revenue in the vicinity of at least \$100,000 per annum.

To put this in context, to replace this loss of revenue Council would need to increase the general rate by about 2% which is an unreasonable burden to place on a community which is already experiencing severe economic stress. A likely result would be a reduction of services provided to the community resulting in reduced liveability and a lessened ability to attract and or retain new residents and investment to the area.

4.3. Social Considerations

A warning sign according to McCall, for rural and regional communities such as Dorset is the impact job loss has on the capacity for young families to stay in communities to work, live and invest. This is best reflected in enrolments in schools in the local government area. Without security of employment some families are forced to leave and this in turn undermines the capacity of regions to sustain their education and as follows, such as sporting clubs, health, in effect the community infrastructure, McCall 2010.

According to McCall this was becoming evident as data from the Education Department suggested that projected enrolments for Scottsdale High School for 2011 were likely to be a reduction in student numbers of 50. Demonstrating the 'canary in the mine' warning sign of how the loss of employment opportunities in the local government area impacts on such a critical component of the social fabric of a community, its education infrastructure.

Council also understands that the north east appears to have been downgraded by some financial institutions as a place to lend due to the economics in the forest industry.

One example that was provided to Council is that there are young couples who have been given loans to buy houses in Launceston and were told that they did not qualify to buy a home in the north east.

Additionally Council is informed that the lending criteria requires higher deposits for the purchase of homes in the Dorset municipality even though values of properties are marked at a far lower value than the same type of property in Launceston.

Further, Council notes that house prices have declined, for example:

- Gladstone 3 bedroom brick house purchased for \$180,000 now on the market for \$105,000.
- A property in Derby purchased for \$225,000 and sold for \$175,000.
- Houses in Scottsdale that sold for \$180,000 to \$199,000 and are now selling for between \$130,000 and \$150,000 (if lucky to sell at all) as Council is informed that there are approximately 500 properties on the market in the Dorset municipality.

4.4. Previous Socioeconomic Research

In 2011 McCall reviewed and updated the earlier 2010 Schirmer report.

The McCall report estimated that around 600 jobs would be lost over a 10 year period⁵ and additionally argue how an economy under existing pressure can be expected to prosper and contribute without proper analysis, structural planning and adequate funding while contemplating further losses.

The recommendations of the 2010 and its 2011 review (which have relevance today) include:

- Socio-economic impact assessments should inform decision-making, not be made after the event;
- Alternatives need to be explored, adopted or rejected as options that inform decision-making;
- Options for communities, enterprises and individuals need to be clearly established so that change can be managed and planned in difficult circumstances;
- Governments making policy decisions need to fully understand the breadth of the flow-on effects policy decisions might have on the resilience and sustainability of vital social fabric infrastructure such as schools and health service provision in small, isolated rural communities;
- Governments must monitor and mitigate the impact of change in communities in an engaged ongoing process that demonstrates a real commitment to sustaining the well-being of communities in time of change and the associated stress of dislocation and loss. This is a critically important duty-of-care and social inclusion responsibility, particularly when change is affected by government legislation.

The Dorset Council adds to McCall's statement by reiterating that any process of transition should include adequate consultation, planning and funding.

⁵ McCall T, 2011, socio-economic impact of forest industry restructuring in Dorset local government area, Tasmania

5. Requests and Questions

The Dorset Council seeks to understand;

- How could it be considered by the Legislative Council that \$6.5 million per annum for 15 years is adequate transitional funding for Tasmania?
- What transparency of funding will be available?
- How will funds be allocated?
- Will Dorset municipality, as one of the hardest hit communities get its fair share of transition funds?
- Will Dorset Council receive any compensation for the erosion of their rate bases?
- What consultation has been undertaken by the Tasmanian Government with affected communities, or what consultation will there be with severely affected communities such as Dorset?
- Will a social economic analysis of Dorset be undertaken?
- Will appropriate planning involving the community and Council take place?
- Will a PLAN be developed with the community and Council to transition its economy?

Dorset Council requests that the Legislative Council acknowledges the value of the timber industry to Tasmania and especially to the Dorset community, and understands that \$6.5 million per annum compensation over 15 years proposed transition funding appears grossly inadequate compensation for the demise of its most significant and sustainable industry, the timber industry.

Further, the Council are of the opinion that the payment of compensation to industry operatives, to depart the industry, does nothing to provide ongoing support to affected communities suffering loss of employment opportunities and economic activity.

Therefore the Council requests that, in the event of the Forest Amendment Bill being passed into law:

- A comprehensive socioeconomic study be undertaken for the Dorset community as it clearly is a highly impacted municipality;
- That Dorset community be provided with the assistance it requires to develop and support a new sustainable industries;
- Dorset municipality be assured of a fair compensation from the Agreement, noting that it has had no investment to date from the first \$20 million of Economic Diversification Funding, (apart from \$130,000 allocated to the University of Tasmania for a study into the Centre for Food Innovation) although it is one of the most severely impacted forestry regions in Tasmania;
- Government agencies work with the community to devise a PLAN for transition;
- Government ensures that proper and appropriate funding is allocated to the Dorset municipality to implement the accepted PLAN, and importantly,
- Measures be adopted to ensure that equity is achieved in the allocation of any diversification funding between affected areas of the state, having regard to the relative impact on each area; and
- That full accountability and transparency be readily available regarding any allocation of funding.

6. Conclusion

In the absence of a social economic analysis, without proper and appropriate consultation, and without a PLAN, this agreement appears to be inadequate for the needs of the Dorset municipality.

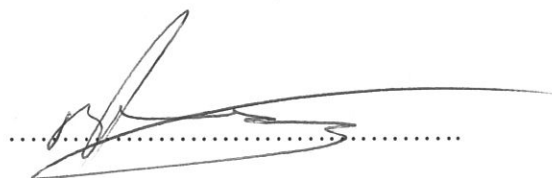
The Dorset Council at the time of writing this report is not aware of any updated monitoring or analysis that has been undertaken to assist the Dorset municipality to absorb shocks arising out of the TFA and to develop a new economic phase or a transition of the economy.

It is unsatisfactory that we do not have up-to-date and reliable data that provides (us) vital information needed to quantify the impact of permanently down-scaling the industry on the eve of such important legislation.

In conclusion, the Dorset Council considers this Tasmanian Forests Agreement as it stands, potentially has a gravely negative impact on communities such as Dorset and is ill prepared to transition the economy appropriately.

We therefore recommend that the Council reject the proposal.

Finally, if it is anticipated that the Bill will be passed, the Dorset Council states that consideration should be given to the insertion of provisions mandating mitigation measures targeted particularly the most affected and vulnerable areas of the state.



Barry Jarvis
Mayor

Dorset Council
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29 January, 2013

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