

**Legislative Council  
Government Administration Committee “A”**

***Inquiry into Public Native Forests  
Transition***



June 2011

## **Introduction**

The Local Government Association of Tasmania (LGAT) is the representative body of Local Government in Tasmania. Established in 1911, the LGAT is incorporated under the *Local Government Act 1993* with membership comprising the 28 of the 29 Tasmanian councils.

The objectives of the Association are:-

- To promote the efficient administration and operation of Local Government in the State of Tasmania;
- To watch over and protect the interests, rights and privileges of municipal Councils in the State of Tasmania;
- To foster and promote relationships between Local Government in the State of Tasmania with both the Government of Tasmania and the Government of the Commonwealth of Australia;
- To represent the interests of the members of the Association generally, and in such particular matters as may be referred to the Association by its members; and
- To provide such support services to the members of the Association as the Association may by resolution in meeting determine.

## **Executive Summary**

The Local Government Association of Tasmania has grave reservations about the process presently in train to determine the future of public native forests in this state. The principles established to consider that future included broad requirements relating to socio-economic impacts and community consultation. Local Government does not purport to represent every interest of every individual in Tasmania but it does have responsibility for the general health and well being of local communities and will have a major task in responding to the impacts of the transition of the forestry industry in the state. Councils are concerned at the lack of access to those involved in discussions and negotiations and the ability to provide inputs on the potential outcomes. At the time of writing arrangements were in train to meet with the convenor of the roundtable to express the concerns of councils and their fears for the broader implications of the proposed industry restructuring.

The departure of native forestry from the Tasmanian landscape has the potential to decimate the entire forest industry in the state and leave a trail of economic chaos across the state. The recent downturn in the industry has largely been created by the collapse of certain international markets, and in particular the Japanese market for

woodchips, exacerbated by the decision of Gunns to withdraw from logging in native forests.

A major concern of Tasmanian councils is that if the Statement of Principles is implemented in its present form, the present temporary state of affairs will lead to the permanent decimation of the forest industry.

It has been estimated that the native forest industry, at commodity level, is worth approximately \$400 million to the Tasmanian economy, and that does not include the value added by furniture makers, boat builders, instrument makers, furniture designers and the veneer industry.

The Local Government Association of Tasmania is particularly concerned that little or no weight appears to be being given to the socio-economic impacts of this withdrawal and the implications for small rural communities and larger service centres. This paper seeks to provide some insight into the issues facing those communities and the problems that most definitely will accrue.

## **Overview**

The state of the forestry industry is an issue for all Tasmanians and it is considered less than satisfactory that so few are involved in the process of determining its future. A sustainable forestry industry has been an integral and compelling part of rural Tasmania for well over a century. Its contribution to the livelihoods and broader social fabric of these communities cannot be understated.

A major issue that appears not to have been addressed in the principles is consideration of the communities impacted and overall community engagement. The proposition of engaging and involving the broad Tasmanian community in the development and implementation of a durable solution to the Tasmanian forest conflict is an admirable one but one which appears to have received little attention. Councils are not representing themselves as proxies for that community involvement but wish to highlight the implications and impacts of the actions likely to be taken on the communities that they represent.

The economic development and financial assistance measures highlighted in the principles appear to take little account of the sudden departure of forestry from the Tasmanian landscape. There appears to be little analysis or understanding of what it means to many communities around the state to simply abandon native forestry operations. It is not simply a matter of quantifying the effect on the industry itself but also those that rely on its spend and broader interaction. To deal with the matter in the seemingly isolated way that it is being considered creates grave concerns among Tasmanian councils. There appears to be no consideration of what will occur in smaller

rural communities and the devastating impacts that will flow from the winding down and cessation of forestry operations.

There is a strong and genuine concern within Tasmanian councils that no-one is recognizing the impacts of what occurs when people leave the forestry floor. Communities are being devastated and the impacts are already being felt directly and indirectly with 1000 jobs gone from the industry since October last year.

There are significant concerns that the \$100 million being discussed at the current round table only scratches the surface of what may be required to address the issues associated with the closure of the industry. There is no recognition of the fall out and impacts on the broader community and what it may cost to manage the consequences.

It is the things that are not being considered at the roundtable that are worrying councils. This is not a matter of being pro or anti-forestry but a call to those that are involved in the consideration of the future of this industry to understand fully the consequences of any actions taken. It may well be that markets are declining, that particular practices are unacceptable or that there is a general mood swing against forestry. That is not the issue. The point is that if there is a dedicated process to systematically wind down or close the industry then responsibility for the consequences needs to be taken on a broad scale.

At the present time that does not appear to be the case. There is clearly a process that is seeking to compensate those directly involved in the industry and to ensure that they are compensated and channeled into other endeavours. While this aspect of the talks is commended, local knowledge of the circumstances of some of the players and the general experience that has been gained from industry shutdowns already indicate that the implications of what is being discussed is far more wide reaching.

Councils are not holding out their hand for money but want decision makers to understand that similar to a major disaster, the process of community recovery and holding together the social fabric of smaller communities so often falls to local councils without any support from other quarters. In the case of natural disasters, much is unplanned and the response varies depending on the extent of the problem and the capabilities of those on the ground. In the case of forestry, we are dealing with a planned downturn and little account appears to be taken of the implications on local communities and the processes required for recovery and rebuilding confidence and hope, let alone economic prosperity.

## **Dorset**

According to the Real Estate Institute of Tasmania, Scottsdale has become the third least expensive market in the state with property values dropping by 40-50% in the past twelve months. Banks will no longer lend funds to purchase properties in Scottsdale or to undertake significant renovations. First home buyers are also being “warned off” with messages of “don’t buy here” and commercial leases are not being renewed simply because businesses lack commercial confidence.

This downturn is already impacting significantly in the community with low cost housing having an unintended consequence of attracting families with significant social issues. This has been demonstrated in the school system with disruption on the rise and an increasing reliance on counseling services. These are worrying issues for the community and are creating significant concerns for councils in terms of how these issues are best managed.

There is significant concern about the ongoing viability of essential services in some of the areas impacted by the forestry downturn. Beyond the significant decline in retail spending and the lack of commercial confidence, the impact on student intakes in schools, the numerics required to maintain a dental and medical practice and the scale issues associated with providing a range of commercial and community services are and will take their toll very quickly.

Sporting clubs are the lifeblood of small communities and the declining participation levels as a result of people leaving town is beginning to impact on the ongoing sustainability of many of these teams. Whether a team survives is not really the issue here. Sporting teams and recreational outlets are the fundamental foundation to building social capital in rural communities. It is through these outlets that networks are developed and active citizenship starts. The social fabric of these communities is under severe threat and is already beginning to take its toll in those areas where forestry has already significantly declined.

The changes that we have seen in the recent few years and those pending will have significant impacts on those within the industry together with the communities in which they live. Already we have witnessed the significant downturn of the Dorset Municipality with the closure of two key sawmills and a vegetable processing factory.

Already 600 plus jobs have been lost in the forest industry in Dorset. The multiplier effect of these losses is expected to see a further 600 to 1200 jobs lost in the next 12 months. With a population of just over 7200, this loss of productivity and income is likely to have disastrous socio-economic impacts on the community.

## **Huon Valley**

Forest operations has been identified and one of the four key economic drivers in the Huon valley. Harvesting in the region is mainly conducted in state forests that are controlled and managed by Forestry Tasmania. There are 323 full time employees working in the forestry industry. With \$79.6 million worth of raw materials and wages paid annually, together with a further \$18.2 million in value adding materials extracted each year, the total value of the forest industry to the Huon Valley is around \$100 million per annum.

If harvesting of native forests is to cease the industry would close and the impacts would well exceed the 323 employees. The recent down turn has already impacted on Geeveston with 7 businesses closing in the last 8 weeks. Families will be forced to leave the Huon Valley in search of work and the loss of direct rate revenue from Forestry Tasmania to council would require a rate increase of 5% simply to meet present revenue levels. This would be substantially greater if the Ta Ann and local sawmills were also to close.

There appears to be little recognition from the broad debate on the future of forestry in the state that private native forests represent 40% of the present resource. There are grave concerns held by councils that those holdings in private ownership will simply be lost due to the lack of continuity and scale of operations by Forestry Tasmania. The differentiation of product from the forest still requires a major component of resource to be directed to pulp. Without this scope, the viability of harvesting is marginal at best.

Anecdotal inputs from councils indicate that fuel providers are reporting that up to 60% of customers simply cannot pay their bills. Already there is evidence that previously resilient and tough men are crumbling and there are grave fears that suicide is a likely outcome.

While \$100 million may appear a significant amount of money, payments are unlikely to meet the costs of plant and equipment presently held by contractors and operators. Machinery has already devalued and is likely to reduce further.

A forestry consultant recently issued invoices of \$26000 to regular customers that generally paid on time. He has received \$800 of those outstanding funds to date.

## **Glamorgan Spring Bay**

A recent public meeting at Triabunna exemplified the heartache and uncertainty being caused by the present forestry debate. 80% of the 100 residents present considered the chip mill to be integral to the future of Triabunna and its ongoing economic viability. It is a mill that presently processes native forest timbers.

The town was effectively in limbo awaiting the outcome of the future of the mill ownership and operation. Now that the announcement has been made regarding the future of the mill, many people are contemplating future employment as their present circumstances are not tenable. The town acknowledges that while there may be other economic development opportunities for the town in the future they are concerned about the here and now. They accept that tourism has benefited other areas of the East Coast but also know that this has not occurred overnight and could take decades to eventuate. They cannot wait that long. They are committed to the forest industry and are very disheartened at the bleak future being portrayed.

## **Past Studies**

The likely retraction of the industry will have far reaching effects around the state but none more so than in the timber towns. Scottsdale, Geeveston, Triabunna and Smithton are key centres of forestry activity where the dependency on the industry is particularly significant. A 2008 study undertaken by Dr Jacki Schirmer for CRC Forestry found 6300 people were directly employed in Tasmania's forestry industry in 2005/06, and that many local government areas (particularly Derwent Valley, Dorset, Kentish, Central Highlands, Huon Valley, George Town, Glamorgan Spring-Bay and Circular Head) depended on the forest industry to generate local employment.

The study also found

- The native forest sector in particular was of major significance to Tasmania's regional economy, contributing 63% of all forest industry jobs,
- The industry had a higher level of full time employment (74%) than the Tasmanian workforce as a whole (64.6%),
- Estimated forestry in the three regions of the state was \$210-260 million (North West), \$540-660 million (North) and \$310-380 million (South),
- Most forest industry workers lived in the same local government area in which they are employed, and
- Many forest industry workers, such as harvesting and haulage contractors, spent significant amounts of time working in local government areas other than the one in which their place of employment is located.

## **Direct Financial Impacts on Councils**

As a ratepayer, Forestry Tasmania is a significant contributor to the economic wellbeing of local government areas around Tasmania. Since 2002/03 Forestry Tasmania has paid more than \$15 million in rates. For the financial year 2010/11, more than \$2.7 million will be paid by Forestry Tasmania to Tasmanian councils. This includes some significant contributions to some municipalities relative to overall rating income. By way

of example, the following year to date rate payments have been made to Tasmanian councils:

Break O'Day Council	\$469,978
Central Highlands Council	\$133,450
Circular Head Council	331,002
Dorset Council	264,315
Huon Valley Council	369,969
Meander Valley Council	159,881

## **Employment Implications**

The recent downturn has had significant effects on regional forest industry employment. Tasmanian timber mills that have closed permanently or temporarily over the previous few years (most in the last six months) include:

- Australian Paper's Burnie paper mill
- Australian Paper's Wesley Vale pulp and paper mill
- Gunns' Hampshire chip mill
- Gunns' Tamar chip mills (2)
- SmartFibre's Bell Bay chip mill
- Gunns' Scottsdale softwood sawmill
- Gunns' Triabunna chip mill
- Gunns' Western Junction sawmill
- Gunns' Lindsay Street sawmill
- Gunns' Austins Ferry sawmill
- Forestry Tasmania's Devonport office

These closures have affected not only those employed directly in these operations but also harvesting and transport contractors. The impact has been substantial with an estimated reduction of 23,000 log truck movements per year (84 per day) compared to the preceding three years.

It is understood Gunns' contractors that are still in the sector are currently working at much reduced capacity, however, many former Gunns' contractors have now left the industry. Forestry Tasmania has managed to shield its contractors from the worst effects of the downturn, partly due to its wood supply contracts with the Ta Ann rotary veneer mills and its efforts to find new export markets for second grade peeler logs. It is understood that FT's contractors are currently working at 80% capacity.



In addition, the downturn in the MIS plantation sector, which has included the well-publicised failure of companies such as Timbercorp, FEA and Great Southern, has impacted dramatically on silvicultural contractors.

These sectoral downturns for forest contractors do not show the flow on effects of the downturn to other sectors of the economy. Indirect employment in the forest industry is estimated at almost double the amount of direct employment. The reduction in harvesting and truck movements results in less demand for regionally provided products and services such as fuel and chainsaw supplies. Many regional businesses that depend on this forest industry expenditure are struggling.

While present participants in the industry may be trained to do other things, there remains concern about general employment prospects in a depressed economy and overall opportunities in the nearby area. Many in the industry are long serving and have chosen the sector because of its particular attributes. Many of these attributes and the skills and knowledge that these participants possess do not exist in other industries. There are significant concerns about the impacts of this present climate on the general health and well being of workers with the rate of depression climbing. The problem with this particular aspect is that as with other aspects of men's health, there is a general reluctance by sufferers to seek help and few outlets in rural areas for them to seek support.

There is a particular worry that while there are training opportunities being discussed, the likelihood is that many participants will be trained in jobs to which they are not suited. There also is the issue of the lead time involved in undertaking that training prior to securing gainful employment.

Proud men don't discuss their financial position or their state of mind and major concerns are held for the many that will be dislocated and have no one to turn to for advice or assistance that they may need when things go badly. There is already significant evidence in the rural sector more broadly as to the impacts of an economic downturn and the resultant rates of suicide.

## **Loss of Tourism Infrastructure and Other Amenity**

At the Forestry Tasmania level, the downturn has impeded its financial capacity to fund commercial services. It is currently unable to replace recreation infrastructure such as picnic shelters or respond to tree falls that impact on tourism tracks or roads. Similarly, it is unable to maintain forestry roads that are no longer required for harvesting and regeneration operations. There have been several washouts of tourism roads which can no longer be responded to. This inaccessible infrastructure is expected to reduce visitation in regional areas. Of greater concern is that some traditional logging roads

have become mainstream tourist roads. Without Forestry Tasmania maintaining these roads, important links in rural communities will be lost. The conversion of forestry land to national parks will see horse riding and the walking of dogs lost

Climate change is expected to increase the prevalence of wildfire. The current forest management practices undertake help manage wildfire threat. The loss of the industry will increase wildfire risks significantly. Aside from the increased threat of wildfire the ability to fight such fires will also be diminished as there are also major concerns at the loss of fire fighting capabilities in smaller communities where Forestry Tasmania has a significant presence.

## **Conclusion**

Tasmanian councils are angry that while a body of work is being done at this time, it lacks both breadth and depth and like so many times in the past, the decision to look comprehensively at the socio-economic factors will come too late and will be undertaken after the event rather than as part of the process.

Councils will be left to pick up the pieces and will have to work with local communities to create new futures. This is a challenge all councils presently face but the overlay of the forestry decline and the futures being chosen by those that will not be responsible for the consequences will make this task all the more difficult.

There needs to be recognition of the broader impacts of this process on the Tasmanian economy and the communities directly affected by the decisions at the roundtable. The Local Government Association of Tasmania calls on all involved to factor these matters into their deliberations, engage with councils and communities as a matter of urgency and ensure that the full implications of any decisions to significantly curtail or cease forestry operations are known and addressed prior to decisions being made. This will be a decision with far reaching and longstanding consequences and needs comprehensive and responsible thought as to how it is implemented.