

# Socio-Economic Impact Assessment

# Auspine Mills, Dorset

## *- Report -*

This report compiled by Dorset EDG at the request of Tasmanian Department of Economic Development was undertaken within a limited timeframe and responds to the potential of log resource supply loss into Auspine North Eastern Tasmanian based operations.

Dorset EDG acknowledges the assistance of;

Data contributors:

- Auspine Limited, Tasmanian Government Agencies, Dorset Council and Chamber of Commerce.

Compilation and structure;

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Prepared by: The Dorset Economic Development Group Inc (Dorset EDG)

## Executive Summary

Based on a preliminary analysis derived from data collected from Auspine, state government agencies and the socio-economic impact assessment literature, there is a compelling case for political and/or commercial resolution of the circumstances that will deny Auspine access to its current wood supply resource beyond March, 2007.

No immediate alternative project or plan for the Dorset community is likely to absorb either the direct or indirect accumulative *negative* socio-economic impact of the potential closure of both or one of the current Auspine manufacturing plants. This situation requires practical assistance/intervention from all levels of government.

Without such a resolution, depending on the level of the employment loss – the closure of both or one mill - up to **296 direct jobs** and **\$16m** of wages and salaries, supplier payments, payments to local and state government agencies and community contributions, could be lost to the Dorset community and the state of Tasmania. This figure does not include *indirect* contributions or a calculated multiplier effect, although it is reasonable to assume multiplier effects of between 1.7-2.74 for jobs and 1.3-1.66 for wages and salaries.<sup>1</sup>

In less than 10 years, Dorset municipality has had to extend its resilience to breaking point with the collapse of the Bonlac milk processing facility at Legerwood in the Ringarooma Valley in 2000 (30 jobs); the closure of the Scottsdale Simplot factory at the end of 2003 (120 jobs); and now, in 2007, the possibility of the loss of 296 direct jobs from the two Auspine manufacturing sites just outside of Scottsdale.

A salient measurement of the direct impact the loss of the two mills would have on Dorset's social capital is that 92% of the Auspine workforce live in: Scottsdale (179); Bridport (46); Ringarooma (20); Winnaleah (8); Legerwood (6); Derby (4); and Pioneer (2). The scale of job loss and socio-economic impact in Scottsdale alone – 60% of direct employment – and its flow-on effect is best understood in contrast to the total regional workforce at Simplot when it closed in 2003: 120 jobs.

Closure of the two mills would see Scottsdale alone lose over **1.5** times the potential direct job loss identified with the Simplot closure. Scottsdale is the service, retail, sporting, creational and cultural hub of the Dorset Municipality. At what point will population and employment decline in Dorset affect the capacity of the municipality to maintain the viability of its existing educational and health facilities?

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<sup>1</sup> These multipliers are *indicative* only and not directly calculated from available Dorset/Auspine data, due to time and resource/data constraints. They are drawn from the international literature particularly the work on multipliers developed by the Department of Commerce, USA and its Regional I-O Multiplier series from its Input-Output modelling series, RIMS II. The Department of Commerce, USA has developed appropriate regional indicators across a range of industrial sectors that measure: direct, indirect and final demand indicators. In the case of Dorset/Auspine the appropriate comparative multiplier is the output-driven multiplier that measures impact estimation. The multipliers indicated are within the range applied within the relevant industry sector and must be considered to be conservatively applied in this case study.

The gravity of the potential impact for the community of Dorset is exacerbated by the current uncertainty attached to commercial decision-making; the apparent lack of transparency and good-will attached to contractual negotiations between the parties involved in the resource allocation; the threat of legal action, administrative review and parliamentary inquiries and; a series of well-intentioned political interventions that are however attached to significant caveats regarding implementation. Taken together this lack of certainty is fuelling significant anger, mistrust, a sense of disbelief and resignation within the community. This compounded situation is likely to result in significant departures from the Municipality if no resolution is found that can ameliorate the potential socio-economic impact – resulting from the loss of both or one of the mills – in the very near future.

In the worst case scenario the prospect of a new regional operation – Forest Enterprise Australia’s (FEA) Georgetown project – beginning in 14 months time and a proposed offering of 100 permanent positions – will do little to alleviate the crisis for the current Auspine workforce, the contractors who supply the company or more broadly, the Municipality, its enterprise sector and its residents.

Socio-economic impact assessments are best carried out *prior* to decision-making –not in the midst of uncertainty and indecision – so they can inform choices and opportunities that governments and business can make in collaboration, if appropriate. In this case, there is a compelling argument that this should have been undertaken by the parties – specifically Forestry Tasmania and its joint venture partners, and its soft wood supply manager, Rayonier – to the resource contract negotiations given statutory obligations under section 12a of the *Forestry Act (1920)* to:

*“(1) The corporation must treat the level of employment deriving from the use of public forest resources as an important consideration when examining options for competing claims for Crown wood including the provision of wood supply agreements.*

*(2) For the purpose of subsection 1, the corporation may require a prospective holder of a wood supply agreement or any other prospective recipient of Crown wood to nominate the employment numbers to eventuate from the recipient of the Crown wood.”*

Without evidence to the contrary, there would appear to be a *prima facie* case for concluding 100 direct jobs may be generated at Georgetown and up to 296 direct jobs may be lost at Auspine’s Scottsdale operation as a result of current contractual outcomes in relation to wood resource allocation? Is this a satisfactory outcome under the provisions of the Act?

The Dorset municipality, experiencing population decline and an aging of its population, is a proud and resilient community but with the potential loss of its largest single private business entity and employer in a region heavily dependent on forestry and wood manufacturing for investment opportunities and growth, the future for young people in the region appears bleaker than twelve months ago.

Dorset will struggle to ‘compete’ as a region in the key regional development challenges facing communities in the 21<sup>st</sup> century: What new forms of competitive advantage will emerge in the region? Where will future capital flows come from? How will Dorset ensure that now and into the future people will want to live and work in the municipality?

These questions must be at the forefront in informing both private investment decision-making; regional planning and all levels of government decision-making in the lead up to the potential loss of the Auspine mills.

## Socio-Economic Impact Assessment?

Time-lines (4 weeks) and resource issues attached to this socio-economic impact combine to shape this project as a very preliminary series of observations that require further analysis and data provision.

Socio-economic impact assessment (SEIA) should be used *prior* to decision-making to assess a potential range of impacts for a proposed change and the likely responses to those impacted if the change occurs. Comparison of the alternatives can help communities decide where to invest time and resources to get the greatest benefit.

Impacts are extensive, operating beyond the key source of the impact – for example the immediate closure of Auspine’s wood manufacturing plants. It is important to identify the range of impacts and their implications. For example, the loss of employment not only directly affects income and purchasing capacity, it has a significant flow-on effect in relation to the viability of regional schools, health facilities, recreational and lifestyle infrastructure. In extreme cases it can undermine the viability of small regional communities, especially if the impact is understood within an historic aggregation of similar job losses over a short period of time – as is the case with Dorset.

Best practice socio-economic assessment<sup>2</sup> would undertake the following considerations:

- **Scoping** the nature and boundaries of the assessment: township, municipality; regional, statewide?
- **Profiling the current impacts:** historical context established for baseline level and rate of change for a series of variables related to the activity of interest. For example, demographic change, population flows across age and gender categories; capacity of the region to absorb localised employment loss;
- **Formulating alternatives:** this might include scenario analysis across a range of impacts – loss of two mills; loss of one mill; interim proposals with short-timelines; emergence of alternative economic projects in similar or different sectors;
- **Projecting and estimating effects:** use of modelling and the calculation of multiplier effects to indicate the broad impact at local and regional level;
- **Monitoring actual impacts:** real employment loss as distinct from projections; education enrolments; retail figures; investment flight; community infrastructure capacity: sport and recreation; lifestyle amenity etc;
- **Mitigation and management of impacts:** identifying priority areas for government agency intervention and development planning for future opportunities;

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<sup>2</sup> For example: Taylor, Bryan and Goodrich, (1995) *Social Assessment: theory, process and techniques*, Taylor Baines and Associates, Christchurch, New Zealand.

- Evaluation of the impact assessment process.

A range of mitigating factors – drawn from an understanding of the community engaged with the issue – should inform the development and analysis of the SEIA. In the case of Dorset and Auspine, factors for consideration would include:

- The level of community concern about the perceived impact of the closure of the two Auspine mills;
- The ‘value’ – including dollars, social and human capital – of the Auspine manufacturing presence in the Dorset municipality;
- Number of individuals and communities affected by the potential closure;
- Level of community dependence on the activity;
- Level of individuals’ dependence on the resource;
- Availability of suitable existing data.

In the case of Auspine, the immediate purpose of a socio-economic impact assessment would be to understand more fully the *direct* impacts of change. *Direct impacts* are felt by those individuals, groups and firms directly engaged in the activity being affected – the potential closure of the two Auspine wood manufacturing plants, in Scottsdale, Dorset. This would include: staff and employees at the sites; contractors and other directly associated businesses. Types of social and economic *direct* impacts may include changes to:

- Production output: full or partial closure?
- Employment: location, availability and types of employment;
- Personal and/or business income;
- Personal and/or business expenses – eg, changes to costs of running/doing business – using equipment from outside the municipality, imposes transport costs;
- Asset values: business capital costs and housing values;
- Working conditions: pay and conditions; travel; skills upgrades;
- Psychological well-being: stress levels; sense of well-being; security; family interaction (displaced employment); leisure activities;
- Social services: access and level of provision – education and health care;
- Social well-being: strong attachment to place and locality; social and recreational networks, friends, family and workmates, identity and sense of community engagement.

In a full socio-economic impact assessment some of these factors would be informed and tested through extensive *qualitative* survey analysis.

*Table 1* identifies *quantitative* data responses to some of the pertinent factors shaping the analysis of *direct* impacts likely to be significant for a more detailed study – calculation of multiplier effects – around the potential closure of the two Auspine operations in Dorset.

**Table 1.**

**SEIA Data Collection: Auspine Closure?**

<b>DIRECT EFFECT</b>	<b>DIRECT EFFECT</b>
<b>Annual Product Value:</b> \$80m	<b>Gender Profile:</b>
<b>Annual Salaries and Wages:</b> \$14m	Male: 267 (90%)
	Female: 29 (10%)
<b>Supplier payments:</b> \$1.5m (80% of suppliers are located in Dorset or Northern regional Tasmania)	
<b>Payments to Government agencies, local government and sponsorship:</b> \$150,000+	<b>Age Profile:</b>
	<20 years: 19
<b>Total Workforce:</b> 296	20-29yrs: 71
Ling Siding: 151 (51%)	30-39yrs: 79
Tonganah: 145 (49%)	40-49yrs: 74
	50-59yrs: 43
<b>Employment Status:</b>	60+ yrs: 10
Casual: 41 (14%)	
Perm Full-time: 246 (83%)	<b>Apprentices:</b> Total 8
Perm Part-time: 9 (3%)	
	<b>Residential Location:</b>
<b>Department/Skills</b>	Scottsdale 179 (60%)
Drymill 92 (31%)	Bridport 46 (16%)
Greenmill 70 (24%)	Ringarooma 20 (7%)
Business Admin 3 (1%) 2 job share	Winnaleah 8 (3%)
Human Resources 6 (2%) 2 job share	Derby 4 (1%)
Finance 1 (0%)	Branxholm 6 (2%)
Senior Management 3 (1%)	Lilydale 2 (1%)
Middle Management 4 (1%)	Nunamara 2 (1%)
Forest Resources 1 (0%)	Underwood 0 (0%)
Kilns 11 (4%)	Karoola 4 (1%)
Maintenance 30 (10%)	Golconda 2 (0%)
Logyard 8 (3%)	Legerwood 6 (2%)
Treatment 6 (2%)	Pyengana 1 (0%)
Sawshop 13 (4%)	Nabowla 5 (2%)
Machine Shop 8 (3%)	Lebrina 1 (0%)
Despatch 12 (4%)	Georgetown 6 (2%)
Production Admin 4 (1%)	Pioneer 2 (1%)
Stores/Purchase 2 (1%)	Launceston 2 (1%)
Quality 2 (1%)	
Marketing and Sales 5 (2%) 2 job share	
Remanufacturing 6 (2%)	
Site 1 (0%)	

## Analysis: Direct Impact Factors

Socio-economic impact assessment factors are shaped and consolidated by the significant demographic and other data relating to the host region, Dorset. This data<sup>3</sup> includes the following:

- The population of Dorset at June 2005 was estimated to be 7,120, decreasing by 3.0% from 2001 to 2005;
- During that period the proportion of children in Dorset decreased from 22.7% to 20.7%; the 15-44 years cohort decreased from 38.4% to 36.1%; 45-64 and 65+ cohorts both experienced small increases accounting for 25.8% and 17.15 respectively in 2005;
- Population in Dorset is expected to decline by 5% between 2006 and 2018. Within that total, a major increase (50%) will in the 75 years and over cohort, representing 12% of the population by 2018;
- Relative Socio-Economic Indexes for Areas (SEIFA) indicate that Dorset population is more disadvantaged than Tasmanians in general: Dorset 943.43 against Tasmania 969.74;
- Employees' average wages and salaries in Dorset (\$29,540) are below the regional and Tasmanian average (\$36,244); approximately 25% of the population are in receipt of selected Centrelink payments;
- Over the past four years, the proportion of unemployed Dorset residents has decreased from 6.7% to 4.3%; in the March quarter of 2006 the unemployment rate for Dorset was 4.3%, lower than the Tasmanian rate of 6.9%.

The following addresses some pertinent socio-economic impact assessment factors in relation to the Auspine that should inform decision-making. The context is informed by the data presented above and adds to the gravity of the short-term and medium-term impact likely to be experienced by the Dorset community if or when closure of one or both Auspine mills was to eventuate.

### *Production output: full or partial closure?*

- The loss of \$80m of production;
- Potential jobs loss extending into the Dorset municipality of 800<sup>4</sup>;
- Income loss with 'transfers' and 'leakage' around direct salaries and wages alone of \$26.5m<sup>5</sup>;

### *Employment: location, availability and types of employment*

- Dorset is designated as an isolated region (96% outer regional) for statistical purposes;
- Relatively stable employment but 'shocks' can induce up to 1% increases in unemployment figures per 100 job losses – as experienced with the Simplot closure;
- 55% of the skill set (162 jobs) relates to specific trade/skill: milling;

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<sup>3</sup> This data is drawn from a variety of ABS sources and an unpublished DHHS document.

<sup>4</sup> Application of 2.74 multiplier.

<sup>5</sup> Application of 1.66 multiplier.

- 98% of businesses in Dorset employ less than 20 people; 61.2% employ 1-4 employees and 164 of those 'micro businesses' are in the largest employment sector: agriculture, forestry and fishing. 'Micro-businesses' thus represent 44% of those dominant employment sectors.

#### *Personal and/or business income*

- Impact of loss of personal and business income is a mixed bag in a small community – there are many transfers of the same \$ through the community on the one hand but considerable 'leakage' (as high as 65%) out of the community into other regions.

#### *Personal and/or business expenses*

- Changes to costs of running/doing business impact dramatically at local level where significant infrastructure capital – for example mobile cranes – are linked to contracts with substantial operations – such as Auspine and Simplot – and their removal to other regions and redeployment increases costs and reduces the competitiveness of local business operators accessing that infrastructure or equipment, particularly in relation to labour and transport costs.

#### *Asset values: business capital costs and housing values*

- Immediate shock effect of employment loss of population decline or 'fire sale' of assets is a supply increase and capital decline (prices fall);
- There is a view that this impact is 'circular' in the sense that at some point – in the future - demand is restored, prices rise and new people – some with enterprise skills, create new opportunities and employment growth. The Municipality suddenly becomes attractive again in terms of investment and settlement. This view does little to placate the immediacy of the sense of loss for redundant employees and small regional communities who might lose their schools or medical support services in the meantime.

#### *Social services: access and level of provision—education and health care*

- Dorset is developing a primary health services plan strongly informed by demographic change and focused on appropriate service delivery into the future;
- The situation with education provision at current levels is less certain and the 'shock' effect of losing families from regional towns such as Branxholm, the Ringarooma valley and Bridport is likely to put increasing pressure on already declining numbers;
- There is sufficient anecdotal evidence to support the proposition that at the three largest schools in Dorset, current student numbers with parents working at Auspine are: Scottsdale High School 50; Scottsdale Primary School 50 and Bridport Primary School 20;
- **Without considering** the potential loss of Auspine, Scottsdale High School is projecting a reduction in student numbers of 50 by 2011.
- Why are school numbers critical? Schools are often the centre-piece of community viability and sustainability. They act as 'canaries' on the capacity of a region/municipality to remain viable and attractive for families and business investment – to promote their community as liveable.

Table 2 details student enrolment numbers at Dorset's six schools from 1996 to 2006.

**Table 2**  
School Enrolment Numbers: Dorset 1996-2006<sup>6</sup>

	<b>Winnaleah DHS</b>	<b>Branxholm PS</b>	<b>Bridport PS</b>	<b>Ringarooma PS</b>	<b>Scottsdale PS</b>	<b>Scottsdale HS</b>
<b>1996</b>	130	70	218	101	425	409
<b>1997</b>	142	60	213	107	433	382
<b>1998</b>	157	60	217	124	426	388
<b>1999</b>	164	55	220	113	435	376
<b>2000</b>	156	55	221	102	426	363
<b>2001</b>	156	55	223	96	420	412
<b>2002</b>	140	53	228	88	399	414
<b>2003</b>	157	50	214	85	397	435
<b>2004</b>	151	48	208	86	397	444
<b>2005</b>	164	42	194	78	395	427
<b>2006</b>	144	40	184	63	405	427
<b>1996- 2001</b>	<b>+26</b>	<b>-15</b>	<b>+5</b>	<b>-5</b>	<b>-5</b>	<b>+3</b>
<b>2002- 2006</b>	<b>+4</b>	<b>-13</b>	<b>-44</b>	<b>-25</b>	<b>+6</b>	<b>+15</b>

## Regional Development Issues

The socio-economic impact factors not included above are the psychological well-being factors – the stress levels; sense of well-being; security; family intervention (displaced employment) and; leisure activities. In addition, or as an accumulative effect, social well-being – strong attachment to place and locality - is undermined through a lack of uncertainty, transparency and explanation with regard to decision-making in relation to the Auspine crisis. Currently, these factors are responded to daily. Those affected voice their concerns through various media outlets and community-based organisations addressing the perceived crisis.

In a broader sense, this crisis must focus all levels of government, private investors on how Dorset as an isolated regional community can be best placed to meet the significant regional development challenges confronting it in the short to medium term. These include the following: What new forms of competitive advantage will emerge in the region? Where will future capital flows come from? How will Dorset ensure that now and into the future people will want to live and work in the municipality?

<sup>6</sup> Figures obtained from Department of Education.

In 2003, the *Dorset Economic Opportunities Study* – commissioned in response to the Simplot closure announcement – identified a range of major projects that had the potential to benefit the broader Dorset community in terms of long-term employment and economic benefits. These included: transport access; water development; wind-power projects; forestry and wood-valuing projects; a bio-diversity museum; consolidated and extension of aged care facilities; diversification and extension of the agricultural product base –including the potential for a ‘green fields’ ethanol production site.

Some of those projects are underway, some discarded and some stalled by external factors. In 2007, all efforts need to be channelled around sustainable and competitive project development focused on projects that can attract appropriate collaborative political support and private sector investment allowing the Dorset municipality to meet the substantial regional development challenges facing the community.

Report End.