

River Red Gum Forests Investigation

INFORMATION SHEET

Social and economic implications summary

In carrying out its investigation, VEAC is required to take into account the protection of biodiversity and other environmental values along with competing demands on the land and its resources, as well as the full range of social and economic considerations.

Two quite different types of socio-economic analysis were employed by consultants¹ appointed by VEAC:

- *Benefit Cost Analysis (BCA)*, which assesses the net economic gain or loss to the Victorian economy as a whole, as a consequence of VEAC's recommendations; and
- *Regional Impact Analysis (RIA)*, which estimates the impacts on regional industries as a consequence of VEAC's recommendations

Further details on the methodology used are provided in separate information sheets.

The consultants' assessment of the final recommendations has made use of information updated since the Draft Proposals Paper, new information from submissions and new data from the 2006 Census.

Implications of VEAC's final recommendations

VEAC's River Red Gum Forests Investigation recommendations will have net positive implications for the State economy, and for the region in and adjoining the River Red Gum Investigation area.

The benefit cost analysis shows a net economic benefit to Victoria of \$107m/year based on achieving adequate environmental water for flood-dependent ecosystems (excluding the costs of the environmental water), and \$37m/year even if there is no additional environmental water beyond existing commitments.

Benefits arise due to increased valuation based on the environmental attributes in new parks, increased protection of wetlands, cessation of grazing on streambanks, and increased tourism and recreation based on new parks.

The costs of the recommendations based on the benefit cost analysis, are \$4.7m/year (excluding environmental water costs). They are due to reductions in timber harvesting, cessation of grazing, reduced hunting, fencing of streams, additional park management activities, and supporting rural communities affected by the recommendations.

The impacts on the timber industry are relatively small in the regional context – this sector represents 0.08% of the regional economy.

VEAC's recommendations would have an impact on employment in the region, affecting up to 79 direct and indirect jobs in the timber industry and additional jobs associated with the

¹ The consultants were Gillespie Economics, DCA Economics and Environmental & Resource Economics. Principals are Prof. Jeff Bennett, Dr Rob Dumsday and Robert Gillespie, who have carried out numerous international, national, state and regional economic projects.

cessation of grazing and reduced hunting opportunities. An estimated 38% of this reduction in timber jobs will occur even without changes arising from VEAC's recommendations, as harvest is reduced to sustainable levels, based on revised timber resource estimates.

It is estimated that up to 29 new jobs could be created from increased tourism and expenditure on park management.

Implications for townships in the region

The effects will be felt largely where public land timber harvesting is focussed, such as Cohuna, Koondrook, Nathalia, Barmah and Picola.

Recommended industry adjustment support

VEAC has recommended appropriate industry adjustment support be provided where individuals or local communities are adversely affected. An example of such timber industry assistance followed implementation of the Environment Conservation Council's Box-Ironbark Forests & Woodlands Recommendations in 2003, where all timber workers were offered financial packages, with some receiving reimbursement of capital costs and retraining expenses. Government support was also provided to local government and communities affected by the removal of logging in the Otways. This included substantial investment in the new Great Otway National Park and in new tourism facilities, in partnership with local government.