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Report: Draft Wild Olympics Proposal Would Have Little or No Impact to Timber Industry, But Would Boost Region's Competitive Advantages

Economic Analysis Finds Peninsula's Economy Has Shifted Significantly, Outgrowing Other Non-Metro Washington Counties and Nation

BOZEMAN, Montana – A new report shows that the economy of the Olympic Peninsula has changed significantly in recent decades. Services industries and non-labor income on the Peninsula have driven employment and real personal income growth, both of which have increased faster than compared to the non-metro portion of Washington State and the national as a whole.

The analysis also studied the draft watershed conservation proposal issued by U.S. Representative Norm Dicks and U.S. Senator Patty Murray, finding that it would have little or no impact to the area's existing timber industry, but could provide a significant economic benefit to the broader economy.

“The draft Wild Olympics proposal will have little or no impact on timber jobs or the overall timber economy in the region,” said Ben Alexander, the report's author. “The shift on the Peninsula to a services economy—such as health care, education, and engineering—means that the area no longer relies on goods producing sectors to grow. In effect, the regional economy has decoupled from historic sectors and is now trading on a new competitive position and set of industries.”

“How the region responds and capitalizes on this change is a key question facing its economic future,” continued Alexander. “The region's natural amenities and quality of life give it an advantage, helping to attract and retain businesses, workers, retirees, and investment that are vital to the region's long-term economic health.”

The analysis, *The Economy of the Olympic Peninsula and Potential Impacts of the Draft Watershed Conservation Proposal*, describes the changing demographics and economy of Clallam, Grays Harbor, Jefferson, and Mason counties, and was produced by Headwaters Economics, a non-profit research group based in Bozeman, Montana. [Note: The full report, summary, and detailed socioeconomic profiles of the four counties are at: <http://headwaterseconomics.org/land/reports/olympic-peninsula/>]

The Headwaters Economics analysis found that in 2009 the region's timber-related industries—growing and harvesting, sawmills and paper mills, and wood products manufacturing—represented roughly 4,400 jobs, having shrunk by 2,300 jobs during the last decade, reducing the timber-related share of total private wage and salary employment from 14 to nine percent.

At the same time, non-timber employment on the Peninsula grew by more than 5,000 jobs, mostly in services sectors. Wages on the Peninsula have stabilized, reflecting the relative size of today's timber-related employment and the growth of higher paying services industries such as professional and business services.

The report also finds that travel and tourism sectors play a substantial role in the regional economy. In 2009 on the Peninsula there were approximately 9,330 private wage and salary jobs related to travel and tourism, or roughly 19 percent of total private wage and salary employment in the region.

While travel and tourism are important in their own right, research increasingly shows that these activities are only one part of a larger amenity economy that is a driver of economic growth in both the rural West and on the Olympic Peninsula.

More than one-third of population growth on the Peninsula in the last decade came from net immigration, and today the region is primarily a services-providing economy. The largest services sectors on the Peninsula in 2009 were: trade, transportation and utilities constituted 17 percent, education and health services 11 percent, and leisure and hospitality services 10 percent of total private wage and salary employment.

The powerful attraction of natural amenities—such as dramatic mountains, clean water, free-flowing rivers with vital fisheries, and old growth rainforests—has helped to draw new people to the region and transform the structure of the economy. This shift in competitive strength also has contributed to above average rates of economic growth and rising per capita income.

While the region as a whole is benefiting from travel and tourism business and trading more broadly on natural assets, not all communities are competing as successfully in this newer and growing economy. Grays Harbor County in particular has struggled to absorb losses in timber-related industries and develop a robust services economy.

The report also analyzes the impact of the draft congressional watershed conservation proposal on the timber industry, finding that the Wilderness and Wild and Scenic River components of the proposal are unlikely to affect the current timber volumes. The report examined the willing seller-willing buyer component of the draft proposal and found that the many contingencies made it impossible to determine with any certainty whether land sales would take place, the scale and time frame of sales, and whether potential sales would hamper or bolster the economy on the Peninsula.

The analysis also reviews the potential impact on county budgets. Federal land and timber-related revenue from all sources for Peninsula counties in Fiscal Year 2010 was \$8 million, or 5.4 percent of total county government revenue. The potential fiscal impact of proposed Wilderness would be quite small, while the Wild and Scenic River provision would be revenue neutral. The National Park additions component is more difficult to calculate but would likely have a small negative impact on net revenue.

Alexander concludes: “A productive long-term approach to economic development in the region would focus on how the Olympic Peninsula can build on its strengths of natural amenities and regional quality of life. In this context, the draft congressional proposal could provide a significant benefit to the region. It also is important to pay close attention to other factors such as transportation connectivity and workforce skills to attract and retain higher-paying services such as professional and business services that already are growing.”

Headwaters Economics produced this report at the request of the Wild Olympics Coalition.

About Headwaters Economics

Headwaters Economics is an independent, nonprofit research group that assists the public and elected officials in making informed land management and community development decisions,
<http://headwaterseconomics.org/>.