

Delivering economic stimulus through the conservation and land management sector

Executive summary report

25 June 2020

The following is the executive summary from the report 'Delivering economic stimulus through the conservation and land management sector'.

Executive summary

To support Australia's economic recovery from Covid-19, government investment of \$4 billion in a national conservation and land management program could raise economic output by about \$5.7 billion, reduce welfare costs by \$620 million and generate 53,000 jobs over the next four years.

The impact of Covid-19 on the Australian economy has been profound. The economy contracted sharply over the last three months and Australia is now in deep recession, the first in 30 years. Governments have been actively managing the economic fallout of the pandemic with a range of measures put in place to help shore up jobs and businesses.

But the crisis is dynamic, and the sheer scale of the economic harm continues to emerge. It is increasingly likely there will be a sustained period of economic weakness and mounting pressures on government to repair the coronavirus-inflicted damage. In this environment, governments are seeking options to reignite economic activity.

Australia's conservation and land management sector has developed a broad-based program of environmental investment which governments could rapidly mobilise to stimulate the economy and support severely affected regions. The program involves a range of activities to improve Australia's natural assets and agricultural land which can be scaled to requirements, get Australians into meaningful work quickly and may be targeted to areas where stimulatory assistance is most needed.

Scale and scope

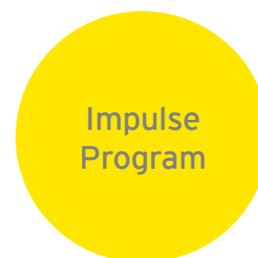
Three key program scale and timing options have been proposed. Two are national level programs involving significant levels of investment (\$4 billion and \$2 billion respectively). An alternative option is a smaller regionally focused program (\$500 million) which could be deployed in severely affected regions. Each option may be rapidly mobilised to support Australia's recovery from Covid-19.



Full program involving \$4 billion of investment over four years



Medium scale program involving \$2 billion of investment over three years



Regionally based program involving \$500 million of investment (\$100 million for five regions) over two years

What activities does the stimulus program involve?

Under each option, the program would be funded by government and recruit Australians who are currently out of work due to the crisis to undertake local environmental and land management activities in the following areas:

- ▶ **Managing environmental threats** – Controlling invasive animals and weeds, environmental improvements to remove plastics and other forms of pollution from Australia’s waterways and marine environment and employing Indigenous rangers, bringing with them Traditional Ecological Knowledge.
- ▶ **Habitat restoration** – Assisted natural regeneration in sensitive areas, restoring river, wetland and coastal habitats as well as native revegetation.
- ▶ **Infrastructure, building and maintenance** – Building fences, repairing and installing new infrastructure to support bushfire and drought recovery, and enhancing infrastructure in Australia’s national parks, local councils and private estates.

The evidence of long-term economic and environmental benefits from these investments is encouraging. Research indicates that they can deliver meaningful gains in agricultural productivity, including by reducing costs and lifting the capacity of the land, improve water quality and natural disaster resilience, and preserve the country’s natural heritage.

Benefits of the program

The program has various features that increase its investment attractiveness:

- ▶ The ability to employ many workers with no previous experience in conservation and land management work, allowing people who have lost their jobs in other sectors to participate in the program.
- ▶ The creation of thousands of jobs in the conservation and land management sector, which will reduce the demand for welfare payments such as JobSeeker and Youth Allowance.
- ▶ The ability to temporarily transfer workers who have lost their job in different industries may prevent displacement of people to other regions.
- ▶ The nature of the program, which involves many labour-intensive tasks, means that much of the work can be completed in a Covid-19 safe environment.
- ▶ The potential for participants in the program to upskill or retrain in conservation and land management roles, ensuring the creation of practical and transferrable skills such as teamwork, communication, leadership and job readiness.
- ▶ The proposed activities build on existing models and mechanisms, which will help drive the success of the program.
- ▶ The increase in conservation and land management efforts has the potential to improve future agricultural productivity and reduce the cost of restoration of degraded environments down the track.

The economic impact of the program

The economic impact of the proposed conservation and land management stimulus program was examined based on high-level investment, management and skills requirements, reflecting that detailed implementation planning is still to occur.

The analysis adopted a whole-of-economy view to examine the program options. Two key channels were examined:

- ▶ The direct impact of the program investment as fiscal stimulus and the potential of the program to jump-start economic activity and boost labour market outcomes.
- ▶ The ability of the program to deliver long term economic benefits from governments' conservation and land management investments. The specific details of constituent projects are not examined individually within the analytic framework, but rather considered as a 'package' of potential initiatives based on the scope and size of benefits which could be realistically available with a concerted emphasis on good project selection and implementation.

The analysis indicates that the proposed conservation and land management stimulus program has the potential to generate substantial economic gains during the immediate economic crisis period and over the long term.

The \$4 billion National Recovery program was estimated to raise economic output by around **\$5.7 billion** and generate **53,000 jobs** over the next four years to support Australia's post Covid-19 economic recovery (see Table 1). Over the period to 2040, when long run gains from natural asset and land management investments may be realised, economic gains are estimated to be in the order of **\$9.3 billion**, with total employment expected to increase by around **62,000 workers**.

The modelled impacts of the smaller program options, the \$2 billion Accelerator Program and the \$500 million regionally based Impulse Program are estimated to increase long term economic output by **\$4.7 billion (31,000 jobs)** and **\$1.2 billion (8,000 jobs)** respectively.

This study also assessed the potential maximum (outer-envelope) gains that may be achieved in the long run – assuming all productivity gains and cost savings from conservation and land management investments are fully realised. Under this scenario, the economic impacts under each proposal option are higher. In the case of the \$4 billion National Recovery Program, the potential economic impacts increase to around **\$12.0 billion** over a 20-year period.

In the current economic environment, there has been drastic increases in unemployment and underemployment. If some of these displaced workers are engaged in the program (and subsequently, no longer receive welfare payments such as JobSeeker), there is the potential for significant fiscal savings in addition to the modelled economic impacts. These savings could be in the order of \$620 million for the National Recovery Program, \$300 million for the Accelerator Program and \$80 million for the Regional Impulse Program.

Table 1: Economic impacts of the proposed conservation and land management stimulus program

GDP (\$ millions)	Fiscal stimulus impact - 4 years (NPV)	Total economic impact - 20 years (NPV)
Recovery Program (\$4 billion stimulus investment)	5,678	9,269
Accelerator Program (\$2 billion stimulus investment)	2,817	4,687
Impulse Program (\$500 million stimulus investment)	717	1,194
Employment (FTEs)	Fiscal stimulus impact - 4 years	Total economic impact - 20 years
Recovery Program	53,428	62,285
Accelerator Program	26,701	31,246
Impulse Program	6,690	7,836

Note: A 7% discount rate was used. Source: EY analysis based on the proposed program expenditures and structure.

Good design principles

Australian and overseas experience with recent stimulus initiatives has reinforced that the capacity to realise program benefits depends greatly on good program design and implementation. A stimulus program of this size will require careful consideration of implementation issues. Indeed, the ability of the program to be rolled out quickly is at the heart of its potential economic benefit.

Due to the program's scale and reach, the involvement of many delivery organisations and different levels of government, the program will have pressing coordination and governance challenges. Robust whole-of-program management will be needed.

In addition, the program has many features which are attractive to government and it aligns well with the Federal Government's objectives for stimulus policy design.

- ▶ **Targeted** – The program involves real jobs on real projects. It's not a make work program. Rather the initiatives have the potential to make our environment and agricultural land better and leave a legacy. Moreover, the program is targeted at alleviating some of the key social and economic concerns of regions affected by Covid-19, as well as the bushfires.
- ▶ **Temporary** – The program has a finite start and end date (depending on the scale of the program) and does not bake in structural commitments to the Budget.
- ▶ **Timely** – The program can be implemented quickly, and it has been structured around the capacity of the conservation and land management sector to mobilise and deliver projects on-the-ground. Program requirements are largely based around unskilled workers and it can help engage the massive pool of currently unemployed and underemployed workers across Australia, including in regions at risk of entrenched disadvantage.
- ▶ **Proportionate** – The program can be scaled up or down. Stimulus decisions, by nature, are made rapidly and in a climate of uncertainty. The proposed program enables policymakers to adjust their investment under each of the program options if necessary.

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