
SAYERS ADVISORY

New Central Parks West Economic Assessment

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sayers

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About Sayers

Founded in 2020 and backed by Australian and US private capital, Sayers is a specialist advisory and investment business, created with the purpose of being the catalyst for system change through investing in people and technology to accelerate progress for all.

Sayers has engaged a team with deep experience in the delivery of high-quality advisory work to meet the needs of clients through specialist advisory services in strategy and deals, infrastructure, government, financing and technology. We have established with a core philosophy of providing a team with critical capability and hands-on experience, to leverage expertise and technology, not people.

Relationships are our number one priority. And as part of establishing strong relationships, we adopt an open and frank approach to communication with our clients and stakeholders. Each team member is accountable to you, ensuring we achieve your objectives and exceed your expectations.

Our team brings extensive experience assisting clients develop and deliver on their strategy, providing practical and meaningful outcomes.

Executive Summary

Background

In March 2017 the Victorian government requested the Victorian Environment Assessment Council (VEAC) to carry out an investigation¹ into public land in the central west of Victoria, including the Wombat, Wellsford, Mount Cole and Pyrenees Range forests. The purpose of the Central West Investigation was to:

- identify and evaluate the condition, natural and biodiversity values, and cultural, social and economic values and the current uses of public land
- make recommendations for the balanced use and appropriate management arrangements to conserve and enhance the natural and cultural values.

The final VEAC Investigation recommendations propose an increase in protected areas (national park, conservation park, nature reserve, bushland reserve, heritage river) as well as additional regional parks.

The recommendations also provide a framework to:

- strengthen recognition of the role, cultural values and aspirations of Traditional Owners in public land use and management
- cater for increasing recreational use in a way that minimises conflicts between uses and protects the natural values on which they depend
- protect key areas for threatened species conservation
- improve landscape connectivity, the protection of key headwaters, and buffer the effects of climate change.

The New Central Parks West Economic Assessment (this assessment) outlines estimates of potential costs and benefits from the adoption and implementation of the VEAC recommendations regarding 'New Central Parks West'. The three options assessed implement to varying degrees the Final VEAC recommendations.

Options Assessed

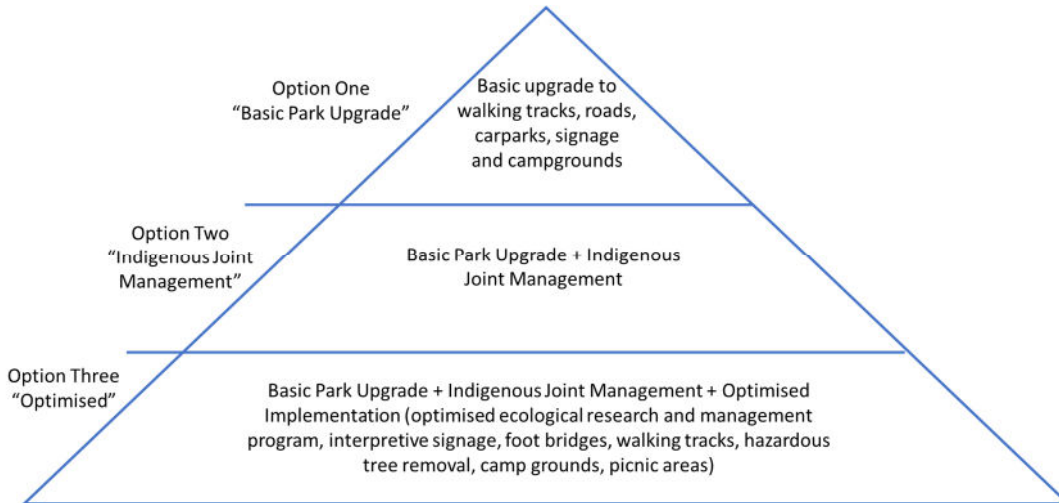
Three implementation options were assessed as outlined below:

- **Option One Basic Park Upgrade:** to establish the new national parks and conservation areas, Option One incorporates the basic upgrade to walking tracks, access roads, carparks, signage and campgrounds, basic staffing government support for forest industry transition. Option One does not include Indigenous Joint Management or Park Optimisation.
- **Option Two Indigenous Joint Management:** incorporates the Basic Park Upgrade with an Indigenous Joint Management which involves the implementation of a Joint Management Board, a Joint Management Plan and additional indigenous Park Rangers. Option Two does not include Park Optimisation.
- **Option Three Optimised Implementation:** developed to optimise the final VEAC Recommendations and includes Option One (above) + Indigenous Joint Management + Park Optimisation (ecological research and management program, additional biodiversity staff,

¹ VEAC (2019), 'Central West Investigation Final Report', June.

enhanced interpretive signage, foot bridges at key locations, walking track upgrades, track clearing, mid-level camp ground upgrades and picnic areas)

Figure One: Options considered within the New Central Parks West Economic Assessment



Approach

This assessment identifies the current use of the area (Current State) and compares that to the impacts resulting from changes (e.g., land use) under each option. The analysis uses the following process:

- identify impacts from the changed land use under the VEAC recommendations
- collect data on costs and benefits for each option on an annual basis over thirty (30) years
- monetise impacts using market-based valuation or equivalency to net benefits
 - Benefits: market-based and survey/willingness-to-pay estimates
 - Costs: financial and willingness-to-pay based
- develop costs for each option to account for increased staffing, joint management, and infrastructure upgrades taking into account population growth figures to reflect real growth as published by the Victorian Treasury
- discount future cost and benefit streams (30 years) to present day values using a discount rate of seven per cent
- conduct sensitivity testing.

As part of this analysis, the benefits of stored forest carbon in new protected areas were also calculated, based on Victorian government data. If the analysis incorporated a carbon price of \$12/tonne (\$456 million) or \$16/tonne (\$ 608 million) it would have a significant beneficial effect on Benefit Cost ratios and project viability. The results demonstrate the potential for forest carbon, but have not been included in the final cost benefit analysis used in this study.

There is also no allowance made for the increase (or decrease) in park visitation relating to changed behaviour associated with COVID 19 use patterns.

A site visit and full survey has not been undertaken as part of this study. Locational and GIS data provided by VNPA has been relied on as provided to be accurate.



Results

The results of the New Central Parks West Economic Assessment are summarised in Table 1 below.

Table 1: Results of the New Central Parks West Economic Assessment

	Option 1 Basic Upgrade	Option 2 Indigenous Joint Management	Option 3 Optimised
Initial Capital Cost	\$8.1M (Real FY20)	\$9.4M (Real FY20)	\$16.8m (Real FY20)
Ongoing Funding Requirement (Operating Costs) <u>Per Annum</u>	\$1.6M pa (Real FY20)	\$3.5M pa (Real FY20)	\$5.1M pa (Real FY20)
Ongoing Funding Requirement (Operating Costs) <u>Present Value</u> over 30 years at 7% discount rate	\$21.6M	\$46.9M	\$68.7M
Benefit Cost Ratio (BCR)	4.8:1	3.2:1	2.3:1

Option One = Basic Park Upgrade

Option Two = Basic Park Upgrade + Joint Management

Option Three = Basic Park Upgrade + Joint Management + Optimised Implementation

The results are indicative of project viability, bearing in mind the limitations in data collection, including the fineness and contemporariness of data used within the economic assessment.

- Option 1 Basic Upgrade: The Benefit cost ratio (BCR) of 4.8:1 above shows that for every \$1 invested there is a potential return of \$4.80 at the societal level.
- Option 2 Basic Upgrade + Indigenous Joint Management: The Benefit cost ratio (BCR) of 3.2:1 shows that for every \$1 invested there is a potential return of \$3.20 at the societal level
- Option 3 Optimised: The Benefit cost ratio (BCR) of 2.3:1 shows that for every \$1 invested there is a potential return of \$2.30 at the societal level.

Preferred Option

Whilst highest in terms of cost, Option Three Optimised is the preferred option as it incorporates the greatest number of final VEAC recommendations including indigenous joint management and ecological management of the areas proposed as new parks and reserves. While the cost benefit ratio in Option Three Optimised is lower than other options, the benefit of \$2.30 to every \$1 of cost highlights that creation of the parks, even with a higher investment, is still of economic benefit to society.



The Optimised Implementation Option combines the following:

- Upgrades of the three main walking tracks the Lerderderg Track (89 kilometres) in Wombat Forest, Beeripmo Track (20.6 kilometres) at Mt Cole and the Endurance Trail (23.5 kilometres) at the Pyrenees, more than 133 additional kilometres in total. Includes design, construction and installation of small number foot bridges at key locations
- Upgrading of nine existing camp grounds and five new camp grounds across the investigation areas including a mid- level upgrade of four of these sites
- Production and installation of signage at key park entrances and more design construction and installation of detailed interpretation signs at select areas
- Picnic area upgrades at existing sites plus new six new sites (some in conjunction with camp grounds or upgrade of existing informal picnic areas)
- Funding for on-going governance and management structure such Land Management Boards
- Planning and Assessments - Boundary surveys, cultural heritage assessment and park planning with in-house support from Park Victoria all need to be done as park of park establishment, plus development of indigenous joint management plan
- Regional development and marketing and interpretation signage around cultural and ecological values
- Resources for management of cultural as well as ecological values and sites
- New staff/ Rangers including a team of 15 staff including a base team of 11 made up of team leaders, Rangers, community engagement staff and an additional program manager to manage community fire wood collection in regional parks, plus three additional Indigenous Rangers (though assume some of base team should be indigenous) and an additional biodiversity program coordinator.
- Upgrades to existing depots and an additional depot and boundary fencing as required between parks and private land
- Significant additional biodiversity program coordinator and enhanced best animal control and specific threatened species recovery program for five key species, including relevant ecological research
- Industry transitional and adjustment package based on Victorian Government Forestry Plan



Recommendations

It is recommended that:

- the Victorian Government move to fully accept and implement the VEAC recommendations for new national parks and conservation areas in the central west.
- as part of implementation of VEAC recommendations the Victorian Government provide sufficient funding to deliver Option 3 Optimised Implementation.
- should the Victorian Government choose to fund Option 1 Basic Upgrade, Indigenous Joint Management options, as outlined in Option Two, should be further developed with the commencement of detailed consultation with relevant traditional owner groups.
- if needed, timelines for the Victoria Forestry Plan, to phase out native forest logging by 2030, should be brought forward in the central west and forest industry adjustment and transition packages be commenced as soon as possible.
- firewood harvesting for domestic and private use be considered in more detail including options for heating, gas connection, renewable (e.g., solar) and small-scale plantation firewood policy to generate environmentally sound outcomes, while domestic fire wood is phased out over the next decade.
- the collection and publication of park and state forest usage data is improved to include detail visitation and public use information ideally at park or forest level via regular surveys
- standard Victorian based conservation benefit estimates are developed using place-based choice modelling and an assessment of economic contribution ecosystem services be undertaken for the proposed new parks in the investigation area.