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Impact on landholders of public good conservation measures

> We have approximately 500 acres of bushland which cannot be cleared … before the regulations came in this was worth approximately $125.00 per acre. Now it is battling to be worth $10.00 per acre. This is an injustice that I have had to suffer. It's alright for all those people in the cities who want to save trees etc but I am the one who bears the cost of it. I am the one responsible for the rabbits in that area, I am the one responsible for the weeds, I'm the one who has to do the fencing around the area. I believe that I should have been entitled to some form of compensation or even better still they could have bought the land at valuation, the cost of saving native vegetation would have been borne by all the community.[1]

Introduction

3.1 'Public good conservation' refers to conservation activities where the activity promotes the welfare of a person or people other than the person who undertakes the activity. Many landholders undertake such activities voluntarily, out of a concern for the land they manage. In many cases, however, landholders may be required by one or other level of government to carry the conservation activities. In such cases, landholders may not receive any, or may receive only limited, assistance to meet the costs associated with implementing public good conservation programs.

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1 Submission no. 38.

3.2 The Committee received a considerable amount of evidence from all parts of the Commonwealth in which it was claimed that some landholders were experiencing considerable burdens and were not in a financial position to carry out public good conservation activities mandated by one or other level of government. This comment from Mr Mick Keogh of the New South Wales Farmers Association is indicative of the many submissions and the testimony received from landholders:

> … they [landholders] would normally do, to some degree, measures that impose some sort of conservation values on land as part of their routine operations, but there is a limit to which they can do that. I guess the point we are making is that, for every hectare of land given up, there is that amount of gross income given up in terms of the money that a farmer can make. We believe that certainly in relation to biodiversity and threatened species the sorts of regulations we see go well beyond that duty of care …[2]

3.3 In this chapter the experiences of landholders in meeting their mandated public good conservation obligations are set out. The problems brought to the Committee's attention fall into a number groups, which will be examined in turn.

Cost of programs to landholders

3.4 A major effect of public good conservation measures on landholders has been the additional financial burden that they have been required to shoulder by the mandatory land management practices imposed over the past two decades.

3.5 The financial costs are of two broad types: outlays that a landholder must make to implement the public good conservation land management practices. These are in effect transition or adjustment costs.

3.6 A second type of cost is the ongoing outlays that landholders must make to maintain natural systems on land that may have reduced productive capacity or which may have been removed from production entirely. These are in effect management costs.

3.7 The Committee was advised that these costs have acted as a barrier to undertaking public good conservation measures and, where public good conservation activities have been undertaken, these costs have often reduced farm income and the landholder's quality of life. Some landholders have said in evidence that they are being treated as second

2 *Transcript of Evidence*, p. 297.

class citizens. This comment from Mrs Helen Mahar of Ceduna, South Australia, encapsulated the feelings of many landholders:

> For me, the cost of "public benefit" conservation can be counted tangibly in denial of sufficient cropping land to be viable, in … grazing income losses, and in costs incurred through trying to negotiate as asked (travel, phone, legal advice). As well as the intangible values like loss of trust in democratic conventions of due process, rule of law, and public service probity. And in doubts about the wisdom of trying to do the right thing in a complex, sensitive land management situation.[3]

Transition costs and loss of income

3.8 As the Committee reported in *Co-ordinating Catchment Management*, in order to deal with the environmental degradation facing the nation, a massive repair program must be implemented. This will involve all landholders and require considerable investment. Much of that initial investment will involve transition costs: the costs of moving from the current agricultural management systems to those based upon the principles of the ecologically sustainable use of Australia's catchment systems.

3.9 The extent of these transition costs was revealed to the Committee in a number of submissions. For example, the CSIRO gave this analysis of financial costs for landholders involved in grazing activities in South-Eastern Queensland:

> The task of replanting landscapes and restoring the riparian buffers is clearly a major one, and is likely to represent an insurmountable barrier to action by private landholders, especially when replanting (250 seedlings / ha @ $3-10 / tree) and stock exclusion options (fencing $1500-2500 / km, off-river waters @ $500-1000 / waterpoint) are required.[4]

3.10 The Western Australian Native Vegetation Working Group stated in its *Final Report* that:

> Virtually all catchments in agricultural areas are recognised as being already below their optimum level of deep-rooted perennial vegetation. It is possible to revegetate for hydrological purposes for between $800 and $2 000 per hectare. Replanting for biodiversity purposes is a much more expensive option and is

3 Submission no. 78, p. 5.

4 Submission no. 154, p. 5.

likely to cost a minimum of $4 000 per hectare, and as much as $15 000 - $20 000 per hectare.[5]

3.11 The Mid Upper South East Local Action Planning Committee stated that, even with assistance, farmers would continue to shoulder the major cost of land rehabilitation in mid upper south east South Australia. The Local Action Planning Committee provided the cost share arrangements that operate in mid upper South Australia:

Table 3.1

	NHT	State government	Landholder
Agro-forestry and fodder	6.7%	3.3%	90%
Native revegetation	35%		65%
Remnant Vegetation	30%	10%	60%
Wetland protection / rehabilitation	20%	20%	60%

Source: submission no. 85, p. 2.

3.12 During its inspections of public good conservation activities at Narrogin, Western Australia, the Committee held discussions with local landholders. The Committee was advised by Mrs Heidi Cowcher that a revegetation project undertaken in the Narrogin area, the Hotham-Williams Western Power Greening Challenge, had involved expenditure of $4.46 million, over 1999-2000. The project involved some 600 000 hectares, 200 landholders and 4 000 volunteers. The financial contributions made by stakeholders were:

- From landholders: $2.36 million (on average $11 800 each)
- From the NHT: $1.68 million
- From Western Power $420 000.

3.13 This was the cost of replanting vegetation. Funding was not provided for drainage, perennial species, commercial species, species for timber production and flower production. Such activities could double the landcare benefit, the Committee was advised.[6]

3.14 The transition costs include not only the costs of moving from one type of land management to another, but also lost income. For example, Mr D A C Laurie of the Deloraine Pastoral Company advised the Committee that the cost to farm income of not developing one property

5 Native Vegetation Working Group, *Final report*, pp. 2, 19. The Working Group also indicated that it understood that 'mining companies such as Alcoa can spend $15 000 - $20 000 per hectare to revegetate mine-sites with an approximation of the original bush', (p. 19).

6 Presentation to the Committee, Narrogin, WA, 19 February, 2000.

would amount to some $135 000 per annum and on another property operated by the company, the lost production would amount to $30 000 per annum.[7] This loss was said to arise from the potential production foregone as a result of disallowing "improvement" of 600ha of the 1680ha property. Where landholders voluntarily undertake conservation measures, and recognise the benefits, they may also incur considerable costs. One landholder, for example, advised the Committee that "protection and enhancement" of remanent vegetation that occurs on 1917ha of his 5750ha property, has cost $4 984 200 over 13 years. This includes direct costs arising from fencing, weed and pest control, rates, as well as the loss of potential income. The landholders advised the Committee that they also recognised that a number of benefits arose from protecting remanent vegetation including long term sustainable land use.[8]

3.15 Another area where landholders experience considerable costs is in obtaining professional assessments of their land management options or applications for development. Such assessments usually involve paying specialist consultants. For example, Mr John Webb of the Euroka Station Partnership advised the Committee that in preparing one application for development the cost to the partnership was $143 000. Mr Webb also advised that the cost of preparing a 'Species Impact Statement' for one development being considered was estimated to be about $50 000.[9]

On-going management costs

3.16 After transition to more ecologically sustainable land management practices has occurred, landholders are faced with funding the costs of ongoing management. Ongoing management costs arise where public good conservation measures are imposed or entered into voluntarily but ongoing finance is not provided to assist with the measures. Often landholders are left to manage land that does not produce any income, or if it does, the income produced does not meet the management costs. This comment is indicative:

> The normal costs of management of VCA [voluntary conservation agreement] land can be considerable. The building and maintenance of fencing, weed and feral animal control may in some instances approach the costs of operating a viable rural enterprise. Not to acknowledge this fact is a serious disincentive to

7 Submission no. 96. Such claims were made in other submissions, for example, submissions no. 97, 119; 170, 177.

8 Submission no. 155, p. 2. Other landholders advised the Committee that on 48.6 ha they had spent on average $4 803 per annum on public good conservation measures over the past 29 years.

9 Submission no. 142, pp. 4, 7.

> the conservation of remnant vegetation and is to ignore reality. Many landholders cannot afford or are unwilling to bear the cost of conserving vegetation.[10]

3.17 Moreover, land in many parts of Australia that has been removed from production is subject to higher levels of local and state government rates and other charges, compared to land used for agricultural production. In other areas, although there may not be differential charges, landholders may still be required to pay local or state government charges. Liability to local and state government charges in respect of land that is not generating income presents an ongoing burden to landholders and a significant disincentive to undertaking public good conservation measures.[11]

3.18 Other ongoing costs include weed and pest control. The Committee was advised that:

> Costs of weed and pest controls are borne by the landholder. By law, the landholder is still responsible for the costs of weed and pest control on land covered by these restrictions. It is difficult, if not impossible, to recover these management costs on land which falls under restrictive legislation.[12]

3.19 Such expenses occur not only in respect of land that is directly under a landholder's control. A landholder may experience costs from weeds and pest animals that come onto their holding from adjoining or abutting properties or from crown land.[13] Ms Noeline Franklin advised the Committee that:

> Wild dogs protected in NP&W [National Parks and Wildlife] reserves are decimating 'native' wildlife and stray over the region harassing wildlife and livestock seeking safe haven on private land.
>
> Weeds on crown land are a seed nursery for the region, swamp wetlands affect quality runoff [and] out-compete native vegetation. Grazing, herbicide, fire can't be used for suppression…[14]

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10 Submission no. 145.

11 See, for example, *Transcript of Evidence*, pp. 414, 447; submissions nos. 137; 170.

12 Submission no. 138, p. 2; see also, for example, submission no. 61, *Transcript of Evidence*, p. 447.

13 Or from roadsides, see submissions nos. 31, 105.

14 Submission no. 158. The points made by Ms Franklin were supported by the NSW Farmer's Association, Cooma Branch, see submission no. 157.

3.20 Landholders can also experience costs where they wish to prevent their own livestock going into areas reserved for public good conservation programs. For example, Ms Sarah Lewis, representing the South Australian Farmer's Federation testified that:

> I am dealing with one issue at the moment where a fence is in a state of disrepair, out of old age, and the land-holder approached the National Parks and Wildlife for some assistance in repairing the fence because his animals were getting into the park and causing damage. It was environmental damage and he was losing production... He was looking for a fifty-fifty fencing cost arrangement. He was happy to erect the fence himself but he had huge problems in getting such assistance. There is a fund for fencing assistance but he was having considerable problems and it was very frustrating for him and it was causing environmental damage so it was not for the public good at all.[15]

3.21 The Western Australian Native Vegetation Working Group observed that:

> The incentives generally fall well short of the actual costs of ownership, and particularly fail to significantly meet the costs of management to maintain conservation values for the public good. This is particularly serious where landholders and groups seeking to adopt innovative ownership and management options find themselves facing policies, procedures and regulations that were framed some decades ago when clearing was promoted through government policy.[16]

3.22 The Committee agrees that the cost of changing to sustainable natural systems management practices, and the ongoing management of public good conservation areas has not been adequately understood by policy makers, and that landholders are experiencing considerable financial losses from mandatory and voluntary conservation measures alike.

Impact on property value.

3.23 The Committee received a considerable amount of evidence indicating that public good conservation measures reduced the value of properties.[17] An example of the loss of value on one property in Western New South Wales was provided by the Five Ways Landcare Group:

> The devaluing of the capital value of landholdings is one of the hidden costs associated with these measures. For example, a

15 *Transcript of Evidence,* p. 519.

16 *Final Report*, p. 18.

17 Egan Valuers in WA, *Transcript of Evidence*, p. 421; submissions no. 96, 138, 153, 170.

> property of 3107.59ha was purchased in 1994 for $105 000 for development purposes. From 1911, when the settlement lease was taken up, until 1994 an area of 120ha had been cleared, leaving 2980ha of modified timber and vegetation. From 1994 to 1999 a further 280ha were cleared, to a total of 400ha, leaving 2700ha. Under the current plans for maintaining remnant vegetation, no substantial clearing will be allowed, so the 2700ha now has a limited capacity to produce a return on investment to the landholder. It was the intention of the landholder to develop the property to a level of 2000ha cleared, leaving 1100ha in its current state (modified timber, regrowth and vegetation). If this additional development occurred the commercial value of this property would be increased to $456 000. This one landholder is forgoing $351 000 in capital improvement on his land investment.[18]

3.24 The Committee also received some evidence that under certain circumstances, for example where native bush is retained in an urban environment, the value of land overlooking or adjacent to the remanent vegetation, may be increased.[19]

Access to finance

3.25 As public good conservation measures have been imposed, landholders have found themselves deprived of access to finance that would assist in the transition from environmentally degrading activities to activities that are ecologically sound.[20] In this regard, the Committee was told by Mr Gary Anderson from Arno Bay in South Australia that:

> We purchased in good faith a "development farming property". Our bank, stock firm and others who advised us were happy that the farm was potentially viable. We were offered finance for purchase and development. In 1983 clearing restriction commenced in South Australia. When the full impact of the Native Vegetation Act became known it was clear that [we] would be permitted to cultivate 25% only of our farm's total potential arable area. As a consequence, the banks lost all interest in us as we were deemed to be "not potentially viable".[21]

18 Submission no. 124, p. 2.

19 For example, *Transcript of Evidence*, pp. 423-424.

20 For example, see *Transcript of Evidence*, p. 266.

21 Submission no. 61, p. 3. See also submission no. 134, which makes a similar point.

3.26 There have also been newspaper reports that changes in water allocation rights can now have a positive and negative effect on the financial assessments that banks make of the financial viability of farms.[22] The Committee wrote to the Australian Bankers' Association for comment, but no response was received.

Uncertainty surrounding a landholder's land-use rights

3.27 One of the major effects upon landholders of public good conservation measures has been the imposition of new regulations and constraints in land use planning. This also affects many of their other plans, such as passing on a viable business to their children and also making adequate provision for their own retirement from active farming.

3.28 Mr B J Burns from Albany (WA), advised the Committee that he had a total of 8 000 acres of which he is now not permitted to clear 6 000. He told the Committee that this land represents his superannuation. Mr Burns wrote in his submission that the land he manages is now covered by a perpetual clearing ban and had he known this when he acquired the land he would not have purchased it.[23]

3.29 Uncertainty also arises because landholders do not know what rights they have over the land they manage. Dr Wendy Craik, then Executive Director of the National Farmers' Federation testified that:

> There is no doubt that many farmers these days are at a point where they would like to have some certainty in their property rights so they know what they can do.[24]

3.30 It was argued in evidence provided to the Committee that current policy arrangements fail to take account of the long term planning that landholders undertake. This was demonstrated clearly in testimony to the Committee. Mr John Lowe testified that:

> We have a very lovely area of bushland which we have protected, and we have received national awards for our standard of farming. It comprises about 20 per cent of our lease, right in the middle of the lease. We are told that we cannot use it in the way we have been using it before. Talking to the people in the ACT Wildlife and Monitoring Section, we have four different opinions about how we should use it, including one from one person in the same area of the department who says it is not of high value at all,

22 K Murphy, 'Ban acts on water reform', *The Australian Financial Review*, 27 February, 2001, p. 5.

23 Submission no. 213.

24 *Transcript of Evidence*, p. 227.

> and that with what we will be offered under our new lease that whole area will be subject to a withdrawal clause without compensation.
>
> It is impossible to plan in agriculture for horizons of five years—you cannot do it.[25]

3.31 This failure was criticised in other jurisdictions. Mr Ian Lobban from the Victorian Farmers' Federation, testified that:

> In theory at least farmers are required to obtain permits if they are contemplating cropping or re-sowing paddocks containing native grass which is more than 10 years old. This is absolutely impractical and an unacceptable situation to impose upon farmers because quite often farmers have to plan well ahead—what paddocks they are going to crop, what acreage they are putting in—and perhaps they have to adjust their stock numbers accordingly. It is totally unrealistic to think that they can make those adjustments and then, at the last moment, when they are ready to plough a paddock they find that maybe they are not permitted to do so or someone holds them up.
>
> Real inequities arise in this area. We are currently dealing with a situation where a farmer has taken out a lease with the aim of cropping the land. Subsequently, the Department of Natural Resources and Environment has decided that the land contains native grassland which needs to be preserved. This has prevented the farmer from continuing with his plan to crop the land, yet he is still locked into the contract to lease the land with no means of generating an income to service that contract. This is a case in point where conservation for public benefit is very clearly costing individuals money.[26]

3.32 Uncertainty concerning what a person may or may not do reduces the confidence of a landholder to invest in new forms of production and new technology. In order to justify the risk, a landholder may well require a higher rate of return or need to purchase expert advice. If that is not in evidence, the landholder may persist with production methods that are environmentally degrading.[27]

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25 *Transcript of Evidence,* p. 265.

26 *Transcript of Evidence,* p. 24.

27 *Transcript of Evidence,* p. 395.

An alternative view

3.33 The Committee notes that some witnesses disputed the complaints of landholders. For example, the New South Wales government provided the Committee with this assessment of the impact of public good conservation measures on landholders:

> In many cases … there are also significant private benefits from additional conservation activities, in the form of increased productivity, increased property value or opportunities for greater diversity of land use. This is illustrated by a recent study[28] in the Gunnedah area that found that maximum pasture yield is obtained when 34 per cent of tree cover on a property is retained. Furthermore, a number of other studies have found that approximately 30 per cent tree cover is vital to both production and the maintenance of native species.[29] These findings demonstrate that in some cases there may be very little "gap" between private and public good.
>
> The impacts of conservation measures on landholders are therefore often specific to an individual landholder, because they depend on the state of resource degradation, the financial status of the business, the assistance provided to implement the change and the personal and business plan for the farm. The Inquiry would benefit from case studies developed with farmers to identify the specific impacts of conservation measures in a range of situations.[30]

Conclusion

3.34 The Committee recognises that the weight of evidence suggests that there has been considerable and sometimes negative effects upon some landholders, particularly those landholders who cannot afford the costs of transition to more sustainable land use practices. The view expressed in the NSW Government submission is at variance with the evidence this Committee encountered.

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28 S C Walpole, "Assessment of the economic and ecological impacts of remnant vegetation on pasture productivity", *Pacific Conservation Biology*, 5 1999, pp. 28-35.

29 S C Walpole, "Assessment of the economic and ecological impacts of remnant vegetation on pasture productivity".

30 New South Wales Government, submission no. 234, p. 3.

3.35 Even where the landholders have voluntarily entered into public good conservation agreements, the ongoing management costs of land reserved for the public good impose a financial burden that is unlikely to be off-set by increased income from other activities.

3.36 The Committee has not considered the human cost of public good conservation measures. Some submissions did make reference to personal stress, family tensions and the need for off farm incomes to maintain the viability of farms subject to public good conservation measures.[31] However, it is known from many other studies that landholders and their families experience considerable personal strain, and public good conservation measures only add to those pressures. This was apparent from the submissions and the testimony received.

31 For example, submissions no. 124, p. 5.