



# Tasmanian Farmers and Graziers Association

## Submission to: Inquiry into Environmental Regulation

April, 2014



## AGRICULTURE IN TASMANIA

The total Tasmania gross state product (GSP) was \$23.9 billion for the 2012 year. The GVP of agriculture, forestry and fishing collectively amounted to almost 9% of this total – before input supply services and value-adding, which is well above that for the nation as a whole.

In 2010/11, the farm gate value of production (GVP) of agriculture, forestry and fishing was \$1.98 billion. This comprised:

- agriculture - \$1.150 billion;
- forestry - \$235million; and
- fishing - \$597 million.

This is before considering input supply services and value-adding. Taking into account basic multiplier factors, this means the farm-dependent economy contributes more than \$5.0 billion to the gross state economy - in spite of adverse pressures on the forestry industry.

Over the past 25 years, the average annual rate of increase in farm gate GVP has been close to 4%. Average growth in the farm GVP over the recent past has been slightly slower than average, as a result of reduced export returns due to the high value of the \$A and increasing cost pressures along the value chain.

Milk and milk products followed by livestock and livestock products were the main sector contributors to farm production value. However, this was partly offset by reduced vegetables output associated with severe wet weather at harvest in the first quarter of 2011.

Some 10,500 people were employed directly in agriculture forestry and fishing. A further 8,500 people were employed in services to agriculture and food and fibre value-adding. This is close to 9% of the working population in Tasmania.

The preliminary Tasmanian government Scorecard data for 2010-11 (prepared by DPIPW) indicates the wholesale value of food and beverage production has remained steady, roughly in line with the previous year at \$2.7billion This demonstrates the important role that the processing sector plays in adding value to farm gate returns and the fortunes of those who live and work in the farm dependent sector.

Furthermore, the inclusion of forestry as a long cycle crop enterprise in farming businesses in the state means that the overall economic contribution must include these figures too. Our best estimate is that in 2009/10 this added a further \$400 million to farm gate income. Clearly, as a result of the uncertainty currently evident in this sector, that figure has fallen significantly since then. Nonetheless, on a long term outlook, forestry remains an integral part of a diversified farm business.

Compared to the previous year, growth in agriculture GVP has broadly offset the fall in forestry GVP.

The vast bulk of our agricultural product is sold interstate and overseas.

Farm exports in 2010/11 easily exceeded \$550m (farm gate equivalent value) when account is taken of pharmaceutical products. The share of exports to Asian destination exceeded 50%. In addition, it is estimated that a further \$1.8 billion of raw and value-added product was shipped to the mainland.

In 2011/2012, total exports from Tasmania were valued at \$3.196 billion. Agricultural products represented some 30% of that total – approximately \$1 billion. Almost 25% of total exports (\$502 million) were destined for ASEAN countries. Agricultural products valued at approximately \$121 million represented 25% of that total. ASEAN countries have become increasingly important destinations too, with overall exports increasing marginally over the past three years; and food exports alone increasing significantly from \$71 million to \$96 million over the period 2009/2010 through 2011/2012. Major products exported to ASEAN countries included dairy (\$42 million); seafood (\$32 million) and wood products (\$20 million estimated from private forestry sector). Key destinations included Japan (35%), China (21%), and Hong Kong (21%).

Farmers are also significant land managers in the state, with almost a third of Tasmania's land area of 68,300 sq. km committed to agriculture.

These figures clearly confirm the importance of the sector as an economic driver for the state's economy – and also demonstrate that agriculture is a more significant contributor to the Tasmanian economy than in any other state. With this in mind, it is clear that Tasmania needs to ensure that the agricultural base of the state remains competitive and profitable.

## **ABOUT THE TFGA**

The TFGA is the leading representative body for Tasmanian primary producers. TFGA members are responsible for generating approximately 80% of the value created by the Tasmanian agricultural sector.

Operationally, the TFGA is divided into separate councils that deal with each of the major commodity areas. As well, we have a number of standing committees that deal with cross-commodity issues such as climate change, biosecurity, forestry, water and weeds. This structure ensures that we are constantly in contact with farmers and other related service providers across the state. As a result, we are well aware of the outlook, expectations and practical needs of our industry.

With our purpose being to promote the sustainable development of Tasmanian primary industries, the TFGA is committed to ensuring that the agriculture sector in Tasmania is profitable and sustainable. We are also committed to promoting the vital contribution the

agricultural sector makes to the environmental, social and economic fabric of the Tasmanian community.

## COMMENT

The TFGA welcomes the opportunity to make representation and comment on streamlining environmental regulation and the proposed one stop shops. The agriculture sector by its very nature faces complex and shifting challenges many of which have a detrimental impact on a farms viability. However, by far the most significant cost impost and challenge is the regulatory burden placed on Tasmanian farms, of which environmental regulation constitutes a significant component.

### **Jurisdictional arrangements, regulatory requirements and the potential for deregulation**

The Tasmanian Farmers and Graziers Association acknowledges that there is a need for some environmental regulation. Regulation sets a minimum level of performance that is required to meet community standards and expectations. However, it is critically important that environmental regulation is appropriately targeted, clearly communicated, stakeholders are educated and any restrictions are minimised to ensure that our competitiveness is not limited and we avoid perverse outcomes.

Often it is the cumulative impact of regulation that more generally concerns the industry. It is only when we have the accumulated burden of Federal, state, local government and regional council associations that we begin to understand that with four or more layers of competing and often contradictory environmental regulation it becomes near impossible to find an economical way through. When coupled with seemingly minor regulatory imposts, the burden can become overwhelming. This malaise of environmental regulation often leads to developments not proceeding on the basis that it is all too hard.

The Tasmanian government's report 'Measuring Red Tape' released in January 2013 reported some extremely disturbing figures for the agriculture sector in Tasmania. The gross value of production for agriculture, fishing and forestry in Tasmania is \$1.982 billion, of which the agriculture sector accounts for \$1.150 billion. The cost of regulation for these three sectors of the industry is \$321.4 million per annum. That figure is overwhelming as a standalone figure, but it represents 16.2 percent of the value of production in Tasmania.

So where agriculture, fisheries and forestry account for ten percent of Tasmania's Gross State Product, the three sectors carry more than twenty five percent of the total regulatory compliance cost in Tasmania. These figures are more than likely to be on the conservative side, and the real impost will be potentially significantly greater.

Notwithstanding that fact, the reality is that as a sector agriculture carries a far greater regulatory cost burden than any other industry within the Tasmanian economy, a situation that is no longer sustainable.

From a Commonwealth perspective, the Environment Protection and Biodiversity Conservation Act (EPBC) is the dominant legislative instrument used to regulate environmental matters. In our view, there are a number of significant failings with this legislation.

The current process of listing matters of significance allows the regulatory reach of this legislation to continue to grow with little likelihood of there being any reductions without a major overhaul of the Act. Listings of significant matters need to be contemporary and relevant, failure to do so exacerbates a culture of distrust and noncompliance.

There is an implicit assumption in the EPBC that threatened species and/or ecological communities can and should be protected, no matter the cost or the consequences. Recent scientific debate suggests that this assumption requires much more rigorous testing; and it is important to recognise that such aspirations are not always desirable or attainable.

As a community, we need to reassess our ability to protect and nurture all threatened and endangered species. In doing so, it will be important to prioritise those that have a very real likelihood of success and accept that some will not survive. Humans will continue to undertake activities that have adverse environmental impacts - and of course they should seek to avoid and mitigate these wherever possible. However, pragmatically, it is also important to accept that some level of residual adverse environmental impact is unavoidable and a part and parcel of our existence as a species. These adverse impacts cannot realistically be compensated for in any meaningful way; and listings need to be reviewed regularly to ensure that they bear up under contemporary scrutiny and community expectations.

The TFGA is aware that there have been cases of agriculture developments not requiring environmental approvals at a state level and proponents proceeding on that basis only to find that, notwithstanding the state exemption, the EPBC Act requires them to have an environmental approval. This would suggest that currently there is a significant disconnect between state and federal environmental objectives which is further compounded by a lack of information and education.

It is difficult enough to navigate through the multiple levels of environmental regulation in Tasmania. However, this is further compounded by the lack of synchronisation between different jurisdictional areas. The proposed one-stop-shop concept for environmental approvals will only be successful if it takes into account all levels of regulatory imposts and seeks to ensure that the environmental objectives are coordinated and that steps are taken to ensure perverse outcomes are mitigated.

### **The balance between regulatory burdens and environmental benefits**

The concept of the triple bottom line is one much talked about in government circles. However, the current balance between regulatory burden and environmental benefits

appears to be heavily weighted in favour of environmental outcomes, irrespective of the social and economic costs.

The processes used to develop environmental regulation more generally appear to have little understanding that they are both economically restrictive and also lacking feasibility for smaller agriculture developments. Often farmers find that as a precaution they are advised to enter the EPBC process to ensure that they have complied.

This is a costly and time consuming process that often leads to a finding that exempts the development from requiring EPBC approval.

This would suggest that there is a clear need for a simplified low cost process that allows a proponent to quickly ascertain if a project is liable to environmental approvals, particularly under the EPBC Act, without the need to undertake a full investigation in the initial stages of the proposed development or action.

The ongoing effectiveness of environmental regulation will only be guaranteed by ensuring that key stakeholders have confidence in the process and are committed to the public policy objectives. At the present time anecdotally it would appear that many farmers do not have that critical confidence in the process and the public policy settings which underpin the regulations have been poorly communicated to stakeholders.

The ongoing reliance on regulatory control as the preferred methodology in obtaining compliance lacks the fundamental understanding that often more productive outcomes can be obtained by using other non-regulatory incentives. These alternatives can take many forms and are better mechanisms for genuinely engaging stakeholders. This type of engagement ensures that real environmental outcomes are achieved and rates of compliance are much higher.

The TFGA accepts that some basic environmental regulation is required. However, we urge the Commonwealth to move to non-regulatory mechanisms to achieve the preferred environmental public policy outcomes. While not being prescriptive about how these may look we nevertheless believe that there are some key elements to ensure that they are effective and successful. The primary requirement is that they engage with the affected stakeholders and allow them a real 'buy in' in the outcome. There is also a need to ensure that the environmental outcomes are real and tangible and that the undue influence of outside third parties such as environmental non-government organisations are kept to a bare minimum. These organisations attempt to insert themselves into the environmental approval processes and often do so with little understanding or concern for the social and economic outcomes, their presence only serves to undermine the confidence of other key stakeholders.

In summary, the regulatory framework should be seen as a minimalistic structure that underpins an agenda of incentivisation that is achieved via programs that engage farmers and others as shareholders in achieving a targeted environmental outcome. The influence of third parties who in reality have little or no stake in the process should be reduced or eliminated. The current imbalance between regulatory burdens and the perceived environmental

outcomes are no longer sustainable and significant steps need to be taken to insert real balance into the process.

### **Areas for improved efficiency and effectiveness of the regulatory framework**

In this submission we have highlighted a number of initiatives and methodologies that will add significantly to improving the efficiencies and the effectiveness of the environmental regulatory framework.

As already emphasised, we contend that the regulatory framework should be reduced to a minimalistic model that allows for other non-regulatory mechanisms to have a greater participation in achieving the environmental objectives.

However, this reform alone while being substantial would require support in other ways, most notably in the areas of information provision. Environmental regulation in general is not well understood nor is it readily promoted and as is often the case not in simple language. This last point is particularly relevant to the EPBC Act which uses language that is sometimes obtuse and confusing and those without expertise in these areas struggle to understand it. Arguably even those with expertise find it difficult on occasion to grasp the intent of the regulations and this is further compounded by a reliance on having proponents self-access, meaning there is a requirement that they have a clear and unambiguous understanding of what, if any, obligations they have under the Act.

The need for clearer and more precise definitions is strong. This needs to be coupled with increased resourcing to educate and advise potential proponents of their obligations. The EPBC Act needs reviewing to ensure that it is written in plain English and any ambiguities and obscurities are addressed. The objective should be to have an Act that increases farmer awareness and understanding of their obligations without being onerous for them in obtaining that information.

The TFGA supports the government's commitment to establish a one-stop-shop for environmental assessments and approvals. We have already indicated that such a model must include the ability to deal with all levels of government and produce an efficient, low cost appraisal process for both proposed developments and those that require approvals. The one-stop-shop model should also take the opportunity of having a centralised referral and approval process to increase the level of education and information in relation to environmental regulation.

### **Legislation governing environmental regulation, and the potential for deregulation**

As stated earlier, the agriculture sector bears a disproportionate amount of the regulatory burden in Tasmania. TFGA believes that governments at all levels should be seeking to reduce and eliminate excessive regulation and hence reduce compliance cost burdens on small businesses such as farmers.

There is a clear understanding in industry of the negative impacts of excessive regulation and the duplication and perverse outcomes that result. Governments need to commit to a

systematic review of all regulation with a view to identifying and subsequently removing all regulation that is duplicated and or fails the 'common sense' approach. Regulations that by their nature either produce perverse outcomes or have a greater propensity to produce such results need to be repealed or significantly modified.

There is a clear need for better education and a corresponding realignment between the federal and state governments regarding their environmental objectives. There is no co-ordination of expectations between levels of government; nor is there any recognition of cumulative impact.

Each government regulatory instrument considers only the provisions of its specific wording; and does not look at whether there are possible synergies between different agencies, or even different levels of governments.

All expectations incorporated in regulation or legislation carry costs. In the case of environmental regulations, including offsets, those costs are born by landholders (often farmers) with no capacity for recoupment.

This is simply untenable.

There is ample evidence to show carrots work better than sticks. If the community wishes to protect environmental attributes, then the community must pay – and that means the government has to fund such activities.

At the very least, such an approach recognises basic principles of equity, and spreads the cost burden in accordance with the 'user pays' principles that governments are all too quick to adopt when they wish to cost-shift.

If the community has the information necessary to assess real performance and measurable outcomes, there may be greater understanding that any expectation of continued landholder acquiescence in footing the bill for such activities is not only unrealistic, it is also delivering perverse outcomes.

In any case, if the community has to consider each investment in the light of opportunity cost, it is likely most will value more basic social services (such as health and education) more highly.