

Senate Inquiry into Native Vegetation Laws, Greenhouse Gas Abatement and Climate Change Measures

Submission by:

To:

Senate Finance and Public Administration Committee
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SUMMARY

We operate a 2237 hectare sheep and cattle property near I , in Queensland. Fifty-three (53) per cent of our property is locked up under the Vegetation Management Act. Our potential carrying capacity has been reduced from around 3000 DSE (Dry Sheep Equivalent) to 2500 DSE because we cannot manage the locked up vegetation effectively. Our potential earning capacity has been reduced by about 25 per cent. We estimate the reduction in value of our property to be about \$300,000 (from \$1,200,000 to \$900,000).

Although the Government has reduced the value of the land locked up under the Vegetation Management Act for calculation of unimproved value, it has more than compensated for this by changing the classification of land and increasing the value of improved areas on our property. This has increased our costs in the form of increased rates.

The restriction on our land use might be more palatable if we were able to derive income from the carbon locked up in the vegetation on our land. This would also lessen the reduction in value of our property.

The Queensland vegetation management laws were neither responsible governance which treated people fairly, nor an exercise in protecting the environment. The laws have indiscriminately protected areas which need to be managed and left unprotected critically endangered vegetation. Environmental management is best left in the hands of responsible landowners.

SUBMISSION

Property size and description:

is around 2237 hectares.

When we purchased it had a historical carrying capacity of about 2500 DSE (Dry Sheep Equivalent) and 50 breeding cows. This is sufficient to make a modest living with good management and reasonable seasons. (There is no standard conversion for breeding cows to DSE, but 10 to 1 is sometimes used as a rule of thumb. The carrying capacity of could therefore be stated as equivalent to 3000 DSE.)

About 98 per cent of is traprock country which lies within the New England Bioregion. The other 2 per cent lies within the Southern Brigalow Bioregion. Because the property lies along the bioregion boundary, the traprock country has some pockets of atypical vegetation most notable of which are a few remnant stands of brigalow on thin lenses of better quality soil. These stands vary from a few hundred square metres to about 2 hectares in area.

Fifty-three (53) per cent of the property is locked up under the Vegetation Management Act as Remnant of Concern Regional Ecosystem (Dominant) and Remnant Endangered Regional Ecosystem (Dominant).

We have locked in the assessed vegetation under a Property Map of Assessable Vegetation (PMAV) using the boundaries determined by the State Government. We did this to protect what we were left with after the vegetation had been assessed. Our inability to effectively manage 53 per cent of our property (particularly by thinning regrowth and treating woody shrubs) has reduced our carrying capacity by about one quarter. We now estimate our carrying capacity to be around 2000 DSE plus 50 cows (equivalent to 2500 DSE).

Curiously, the Government's mapping which locked up much of our land protects some areas of thick wattle regrowth (which has little production or environmental value in its present state) but has left unprotected most of the remnant brigalow and valuable riparian areas. This is evidence that there was no real plan for environmental protection in the Government's action. They just drew lines on maps because they wanted the carbon.

When we purchased our property it was in a very run down state. We have worked hard with little capital to bring it back to a productive condition. We have done this while living off our superannuation and doing some off-farm work to meet our budget. The property has been drought affected since we purchased it, and hence not fully stocked. However, the current season looks more promising and may give us the start we need.

We have never applied for Exceptional Circumstances or any other government support. We are capable of supporting ourselves and we do so. Nevertheless, we could manage the property more productively and support ourselves better if the vegetation management laws were not so restrictive and destructive when it comes to productive capacity.

Personal background and qualifications

I have qualifications in management, systems analysis, and agriculture. Because we have identified significant Indigenous cultural heritage on our property, I recently completed qualifications in archaeology to better manage the cultural sites (scarred trees, camp sites, stone tools, a bora ring). We are working with the Queensland Murray Darling Commission and the traditional owners to protect these sites. While this will further limit our ability to manage the property for grazing purposes, we recognise the need to protect cultural heritage and we hope to diversify into cultural tourism to make up for the limitations placed on our opportunities in other areas.

We have also availed ourselves of opportunities to increase our skills in environmental management and believe we are reasonably well qualified and conscientious in this area.

Response to Terms of Reference

(1) *The impact of native vegetation laws and legislated greenhouse gas abatement measures on landholders including:*

(a) *any diminution of land asset value and productivity as a result of such laws;*

As indicated above, native vegetation legislation has locked up 53 per cent (about 1239 ha) of our property. Not all of this area could or should be cleared for pasture. But areas of it could be managed for greater productivity. Locking up this area has reduced our potential carrying capacity by about one sixth and our potential income by about one quarter. Carrying capacity is reduced from 2500 DSE and 50 cows (potential annual income of around \$48,000) down to about 2000 DSE and 50 cows (potential annual income of around \$36,000). (The method of estimating income is shown at the end of this submission.)

We would have had no intention of broad scale clearing the areas which have been locked up. But sensible management – clearing wattle regrowth and treating woody shrubs – would have enabled us to maintain our carrying capacity. We no longer have the ability to do this.

The Government valuer has declined to say what the value of our property would be with these restrictions, but in 2008 he made comparisons that suggested he placed a valuation of about \$900,000 on At the same time, a real estate agent who knows the property suggested that \$835,000 would be nearer the market value. (In 2008, adjoining properties had sold for amounts between \$320 and \$360 per DSE capacity. The Government valuer's implied value is at the top of this range; the real estate agent's estimate is around the middle of the range.)

Taking the Government valuer's implied value of \$900,000 and a potential income of \$36,000 p.a. suggests a 4 per cent return on the value of the property. This is close to the mark for rural property. Applying that 4 per cent return to the potential income of \$48,000

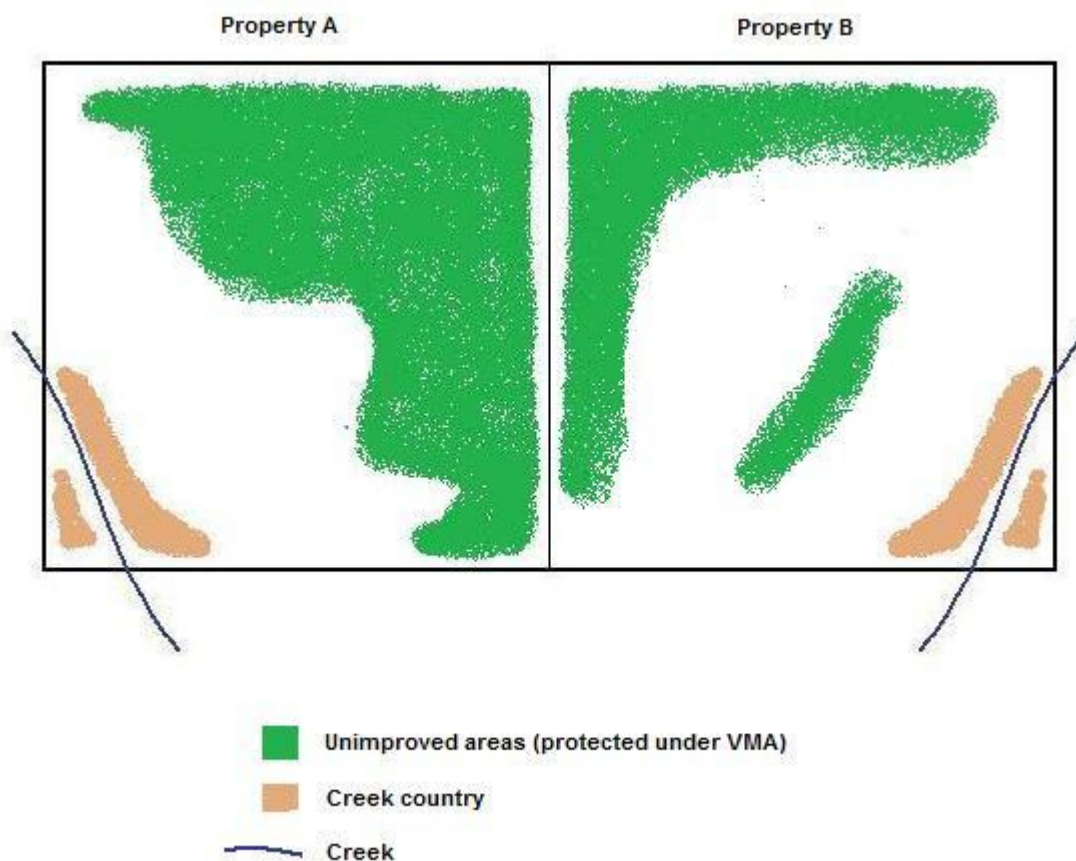
(based on historical carrying capacity) suggests a value of \$1,200,000 for the property without vegetation restrictions.

This indicates that the vegetation management legislation has reduced the value of our property by about \$300,000 (from \$1,200,000 to \$900,000).

This restriction on our land use might be more palatable if we were able to derive income from the carbon locked up in the vegetation on our land. This would also lessen the reduction in value of our property.

However, perhaps the most telling effect of these laws on landholders' rights to earn a living is that they do not treat people equally.

Consider the two (hypothetical) properties shown below. The owners of Property A do not have a great deal of capital and have been developing their property progressively. They have developed half of their 1000 ha property. The owners of Property B have more capital and have developed three quarters of their 1000 ha property.



Before the Vegetation Management Act, both these properties had the same potential income, when appropriately developed. After the Vegetation Management Act prevented further clearing, Property A is locked in with less development potential and a lower income potential than Property B. The owners of Property A have effectively had part of their potential income embargoed by the government, simply because they did not have the capital to develop as quickly as the owners of Property B. Clearly, that is unreasonable. But

that is not the worst of it. The appalling thing is that if someone had been environmentally irresponsible and cleared a property entirely of its vegetation, the Government would have no interest in the property at all. That landholder could go on doing whatever they wanted with the land. The only ones penalised are those who have left something for the environment, or who have tried to manage their land responsibly. Where is the logic in that?

The Queensland Government recognises that vegetation management legislation has decreased the unimproved value of land. Prior to the introduction of the legislation, the unimproved value of land reflected its potential for improvement. Now some of that land can no longer be improved. But the State Government needs to maintain unimproved values to maintain (or increase) its Land Tax receipts and because local governments use unimproved values to set rates. Table 1, below shows how the Government's valuers get around this by increasing the unimproved value of land not covered by the Act and/or by changing the land classification. (I must stress that this is a hypothetical example to show how the unimproved value is maintained. Actual examples are far more complex, but [this shows how it works.](#))

Table 1
Changes in land values and classification
following the Vegetation Management Act

Before the Vegetation Management Act							
	Property A				Property B		
	Area (ha)	Unimp. Value/ha	Value \$		Area (ha)	Unimp. Value/ha	Value \$
Traprock Grazing	950	100	95000	Traprock Grazing	950	100	95000
Creek grazing	50	200	10000	Creek grazing	50	200	10000
TOTAL	1000		105000	TOTAL	1000		105000
After the Vegetation Management Act							
	Property A				Property B		
	Area (ha)	Unimp. Value/ha	Value \$		Area (ha)	Unimp. Value/ha	Value \$
VM* Traprock Grazing	500	30	15000	VM* Traprock Grazing	250	30	7500
Improved Traprock Grazing	450	120	54000	Improved Traprock Grazing	700	120	84000
Arable Creek Flats	50	720	36000	Creek grazing	50	270	13500
TOTAL		1000	105000	TOTAL		1000	105000

(* Denotes land under the Vegetation Management Act)

The valuers are not normally too concerned about changing the value of a type of land from one side of the fence to another, but usually the change is not too great (for example, traprock grazing may be valued at \$105/ha on one side of the fence and \$125/ha on the other; there are a myriad of excuses that can be made up to “justify” this). But in this example, the difference to be made up is too great, because of the difference in the area of “locked up” land between the two blocks. The valuers get around this by changing a classification. On Property A the “creek grazing” now becomes “arable creek flats” which are much more valuable and are assigned a higher unimproved value. Because Property A is on a different creek to Property B, the difference does not have to be justified.

This was done to our property. At the valuation prior to 2004, we were classified as having “creek grazing” valued at about \$51/ha. Since 2004, part of that creek grazing has been classified as “arable creek flats” valued at around \$800/ha while our neighbours land (on a different creek and of undeniable better quality) is still classified as “creek grazing” valued at \$300/ha. The comparison is shown below.

	
<p>Our property</p> <p>Regional Ecosystem Description Database Soil types 13.3.5 and 13.11.3</p> <p>Cainozoic alluvial plains and Mesozoic to Proterozoic moderately to strongly deformed and metamorphosed sediments and interbedded volcanics.</p>	<p>Our neighbour’s property</p> <p>Regional Ecosystem Description Database Soil type 11.3.4</p> <p>Cainozoic alluvial plains and terraces. Occurs on variety of soils, including deep cracking clays, medium to fine textured soils, and deep texture-contrast soils.</p>
<p>The soil is gravelly (as the type classification suggests) and prone to sheet erosion. It is acidic (ph 5.6), has salinity problems (soluble salt 1164.9 ppm) and supports only sparse grasses and burr. Termite mounds are prominent (background of photo).</p> <p>This land is classified by State Government valuer as “<u>arable creek flats</u>” and assigned an unimproved value of around \$800/ha.</p>	<p>This soil is a deep loam (as the type classification suggests) and supports a thick stand of improved pasture. No termite mounds or other evidence of acidity or salinity is visible.</p> <p>This land is classified by State Government valuer as “<u>creek grazing</u>” and assigned an unimproved value of around \$300/ha.</p>

(NOTE: The difference in these photographs and the soil classifications would stand up to any investigation.)

It is important to note that when the classification of land is changed, the reference point for future valuations also changes. While the “arable creek flats” account for only 6 per cent of our property, they account for nearly 50 per cent of our assigned valuation because the reference for truly arable creek country is land in a different bioregion many kilometres away.

Our property was then used as a reference for this change in classification to be applied to other properties along our creek. Because of this, the unimproved value placed on our property (and others on the same creek), is 50 per cent to 100 per cent more than properties (including highway frontage properties) in the catchments to the north and south of us, even though our land is no better – and in many cases of a lower quality – than those other properties. Our rates were higher than those of highway frontage properties, even though we are in one of the most isolated and under-serviced areas in southern Queensland.

The above example may not have been what the Inquiry had in mind when it asked for information about “*any diminution of land asset value*”. But the diminution of our asset value has been accompanied by an increase in our unimproved value because of the State Government’s juggling act to maintain revenues when vegetation management has lowered land values. This has flowed through to an increase in costs (in the form of rates) which reduces profitability even further.

(b) compensation arrangements to landholders resulting from the imposition of such laws:

We are not aware of any compensation arrangements. However, if vegetation is to be locked up, we believe that landholders should be able to derive a benefit from the carbon in their locked up vegetation. This vegetation was locked up so that the Australian Governments (Commonwealth and State) could pretend that they had met the Kyoto requirements, without imposing any restrictions on the major polluters (the fossil fuel industries). The Inquiry should note that this was not an honest presentation of the situation. Not all of the land “locked up” would have been subject to broad scale clearing. Possibly very little of it would have been. So the amount of carbon actually “saved” is probably far less than what has been claimed for the locked up vegetation. Governments can get away with this scam because most of the people involved the administration of these matters in this country and at the international level have not got a clue about the realities of the situation.

Landholders should be able to derive a benefit from their locked up carbon, and certainly from the continuing accumulation of carbon in their vegetation. For the State Government to claim that it “owns” the vegetation is ludicrous – unless it wants to rent the land that the vegetation grows on.

(c) the appropriateness of the method of calculation of asset value in the determination of compensation arrangements:

It can never be appropriate to take the assets of ordinary Australian landholders, on a purely

arbitrary and completely inequitable basis, to cover the liabilities of big business or to pretend that governments are meeting their international commitments.



(d) any other related matter



I continue to be amazed by statements that the vegetation management laws were introduced to protect the environment They weren't, and the Queensland Government certainly has no intention of engaging with any landholder to secure better environmental outcomes. The Vegetation Management Act simply drew lines on a map to secure locked up carbon. If illegal clearing was a problem, there were other ways of dealing with the problem without penalising everyone who had land that could be further developed (and "further developed" does not mean broad scale clearing).

At the time that the clearing bans were brought in, there was an outcry. The State Government relented and said it would allow a certain amount to be cleared. Landholders could enter a ballot to obtain a clearing permit. Claims for environmental management have little credence when what is saved or not saved depends on a process which is basically a pub chook raffle. But I understand that at least one of the ballot winners elected not to clear land but to sell the clearing rights as carbon credits to a mining company. This brings the whole process into sharp focus. How credible would the government's approach have been if they had said, "We are locking up vegetation and landholders will not be able to get credit for the carbon locked up. However, we will conduct a raffle so that some (only some) of them can sell their carbon to mining companies." But that is what happened in the end.

The Queensland vegetation management laws were neither responsible governance which treated people fairly, nor an exercise in protecting the environment.

Looking at our own property, I can see significant areas of undoubted environmental value which are not protected under the Vegetation Management Act, as well as areas under the Act which would benefit from thinning and better management. As indicated earlier, there are areas of thick wattle regrowth which has little production or environmental value in its present state, and which are protected but really should be thinned and better managed. There is also remnant (old growth) brigalow and very valuable riparian areas which are unprotected. Pictures of this vegetation appear on the following page.

	
<p>Old growth brigalow: There are substantial pockets of this on our property which were ignored under vegetation mapping. This would be critically endangered remnant, of particular significance because it close to the boundary of a bioregion.</p>	<p>Riparian vegetation: There are significant and relatively untouched riparian areas on our property which were ignored under vegetation mapping. This would be critically endangered remnant.</p>

	
<p>Thick wattle regrowth: This is regrowth on previously cleared land. It is protected under vegetation management laws but has little environmental value in its present state and is useless for agricultural purposes.</p>	<p>Wilga, box, ironbark woodland: This is what the wattle regrowth area could – and should – look like if it was thinned and other trees and shrubs were allowed to regenerate. This vegetation was even more open when under traditional Aboriginal land management practices.</p>
<p>These two photos were taken on the same day (3 March 2010) at the same time, looking roughly east and west from the same location. The contrast underlines the point that merely locking up vegetation does not necessarily preserve quality environments or lead to good environmental outcomes.</p>	

We have locked in our vegetation under a Property Map of Assessable Vegetation (PMAV) to preserve what discretion we still have to manage our property. If the areas I have referred to above were also to be protected, about 70 percent of our property would be locked up.

There is an option to vary a PMAV to protect or unprotect areas. But if a PMAV is unlocked to do this, everything is on the table, and the landholder has no say in what the bureaucracy decides. It would be a bit like offering to give a mugger the \$50 that is in your shoe if he will give back your watch. Until the Government can show that it is serious about environmental management and is prepared to engage with landholders openly and honestly, environmental management is best left with responsible landholders. I have heard and read many statements on environmental issues from Queensland public sector figures which only confirm for me the lack of understanding, knowledge and empathy when it comes to these matters.

I ask the Inquiry to note that the Queensland Government has not engaged with landholders on environmental management in any sensible way and appears to have no plans to do so.

I thank the Inquiry for the opportunity to make this submission. I apologise for the quality of photographs I have included, but I believe they convey enough to demonstrate my points. I would welcome the opportunity to show our property to any members of the Inquiry who would like to take a closer look at the environmental issues and valuation issues I have highlighted.

Yours sincerely

Peter Jesser

4 March 2010

Method of estimating income:

This is only a rough indication of income potential. Until we can get out of drought (which we may this year) it is not possible to be more accurate.

	2500 sheep and 50 cows	2000 sheep and 50 cows
<u>Returns:</u>		
Sheep \$24 per head after livestock costs (Based on cut of 4 kg per head \$9 per kg less cost of shearing, parasite treatments, etc)		
Return on 2500 sheep	\$60000	
Return on 2000 sheep		\$48000
 Cattle \$240 per head after livestock costs (Based on 80 per cent calving rate (growing out 40 weaners per year), less cost of parasite treatments, replacement bull costs, etc)		
Return on 50 breeding cows	\$12000	\$12000
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 <u>LESS annual overheads:</u> (rates, power, fuel, pest control, equipment and infrastructure maintenance, fence repairs and replacement, etc)	\$24000	\$24000
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Expected/potential income	\$48000	\$36000