

22 April 2010

Committee Secretary
Senate Standing Committee on
Finance and Public Administration
PO Box 6100
Parliament House
CANBERRA ACT 2600

Dear Sir/Madam

**Re: Senate Finance & Public Administration References Committee
Questions on notice**

Please find attached my response to questions on notice, as given in the body of the relevant Hansard text.

Yours sincerely

Charles Armstrong
PRESIDENT

Response to Questions on notice: Charles Armstrong

Senator CAMERON—But it is fair and reasonable for us as members of this committee to understand the negotiations that took place between the farmers associations and the Howard government which brought us to this situation we are in now. I think that is a fair and reasonable issue for us to be able to understand. I do not want to be making recommendations here based on some negotiations that you have had on issues that you agree with. It is important that we understand what you said to the Howard government, what responses you got and what complaints you made. All of these issues are very important in terms of us being able to ground our recommendations in some historical perspective of what has happened.

Senator HEFFERNAN—Could I just follow up on that?

CHAIR—Let them answer first, Senator Heffernan.

Mr Armstrong—We will take that on notice. We will develop that argument for you, but it is not going to absolve the responsibility of the government now or a new government sometime later this year who is going to handle this issue.

Mr Armstrong: response to Question on Notice

Having consulted with parties involved at the time, we are advised that there were no negotiations held with the Howard Government regarding compensation, or lack thereof.

We have, however, always made plain, to both levels of government and to the media, our extreme dissatisfaction with impacts of native vegetation legislation on property rights and farmers ability to use their land for production.

You said that your motivation for asking this question is that you do not want to be making recommendations based on some negotiations that we have had on issues that we agree with.

["I do not want to be making recommendations here based on some negotiations that you have had on issues that you agree with."]

I welcome that objective and to that end, can I make absolutely clear that we have never agreed, nor will we ever agree with native vegetation legislation, or any other legislation that takes away farmers property rights without full compensation for beneficial use of their capital assets.

Can I also make absolutely clear the Association advocates voluntary conservation and that one of the reasons that NSW has so much valuable biodiversity on farm land is that farmers have voluntarily chosen to retain it and look after it.

A central point we have made in our submission, and a point we would like the Inquiry to focus constructively on, is that the majority of the compensation debt owed to farmers in relation to vegetation policy is due to the inflexibility of the legislation and the locking up of nearly every native tree older than 1990 (the date for Kyoto inventory purposes)

This policy, we have now discovered, has been driven by Kyoto issues and not biodiversity conservation objectives. We did not know this at the time, and if we had, we would have raised it publicly and vociferously.

In fact, many pointless, circular consultation meetings could have been avoided if government representatives had simply said "we know these clearing rules are absurdly inflexible; we agree that we could achieve

biodiversity conservation objectives without locking up so much land; however, we have decided that blanket clearing bans are the cheapest way for Australia to meet its Kyoto targets”.

The government misleading farmers in relation to native vegetation policy has been totally destructive of the collaborative conservation model established via the Landcare movement. Hopefully, this inquiry can help to restore some the trust that farmers have lost in the policy process.

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Senator POLLEY—Thank you to both organisations for your submissions and for appearing before us today. Did either of the two organisations receive a report from the Howard government which, I understand, was circulated to farmers associations in 2003, which outlined the social and economic impacts of Queensland land clearing as a result of proposals being negotiated between the Howard government and the Beattie government at that time, which quite clearly stated that farmers would be hurt but it was the cheapest way to meet Kyoto targets? There are statements I could quote that relate to Senators Hill and Kemp in relation to greenhouse gas emissions. Did either of the organisations receive those?

Mrs Wawn—I am not aware, but I can take that question on notice and check our records.

Senator POLLEY—New South Wales?

Mr Armstrong—Again, I would have to take it on notice. I was not involved, except by being a farmer and impacted by it in terms of those sorts of issues at that time.

Mr Armstrong: response to Question on Notice

We have no record of any such document. The Association does not see how this question is relevant to the issue at hand, which is correcting current and future policy.

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Senator POLLEY—I just want to clarify this for the record. Earlier evidence was given, I think, by Mr Armstrong in your opening statement. I think it has been referred to a number of times that at no time has the New South Wales government actually offered compensation. Do you stand by the evidence that you have now given to us? It is very important that we know whether your organisation is putting on the public record that no compensation has been offered by the New South Wales government at any time?

Mr Armstrong—There may be some particular aspects for which compensation has been offered but, in terms of the big picture and the major impact, to the best of my knowledge the answer is no.

Mr McElhone—Definitely none in relation to the carbon credits forgone as a result of those decisions.

Mrs Wawn—I would probably have to take it on notice, but I am aware of some provisions within the state legislation. I am not close to it because it was not national legislation; it was state legislation. I think there were some provisions in the state legislation whereby under certain circumstances compensation was available. But I would like to have a closer look at that state legislation, which I have not considered personally.

Senator POLLEY—If you could take that on notice, I would appreciate that. I think it would be most helpful. In relation, though, to New South Wales, to the best of your knowledge there has been no offer of compensation? Was there any offer from the former Howard government, which implemented this legislation, to compensate?

Mr Armstrong—We will have to take those details and come back to you on it. These are things that occurred well before any of us were involved and, obviously, I cannot be specific or totally accurate in answering those questions.

Mr Armstrong: response to Question on Notice

Having consulted with parties involved at the time, I am advised that the NSW Government has never offered compensation for loss of beneficial use of capital assets in relation to biodiversity policy or climate change policy objectives. Since NSW government first imposed clearing controls on farm land in the mid 1990s, the Association has argued that property rights must be respected, social and economic impacts must be considered and that full compensation must be paid where land is locked up for environmental purposes and beyond the farmers own voluntary conservation initiatives.

As stated in our submission, the NSW Government claims that its current Native Vegetation management framework addresses any need for compensation. While the NSW government has directed some funding to farmers in relation to the impacts of the legislation, it has always been careful to avoid using the term 'compensation', and has avoided providing any substantive assistance for loss of beneficial use of farm land. The funding has comprised:

- *Farmer exit assistance - this was limited to a total pool of \$12 Million dollars and only applied where entire properties were rendered uneconomic and the landholder was willing or able to exit farming.*
- *"Incentive payments" of various kinds for farmers who are willing to fence off areas of their property for environmental purposes under permanent caveats – these payments are "one off and do not amount to a value that replaces the ongoing value of lost production or development potential.*

No compensation is, or has been offered to farmers, to cover the lost income and land value of areas of land locked up and sterilized from production by the legislation. In other words, there is no remedy for farmers who wish to keep farming, but who have lost beneficial use of land due the legislation.

With regard to the Kyoto objective of clearing bans, this aspect of the policy was not raised with the Association at the time and has only become public knowledge in recent years.

It is noteworthy in this regard, that the major native vegetation reform process Chaired by Ian Sinclair in NSW from 2000 to 2002 did not raise or address the Kyoto objectives of the legislation, and nor did the major 2004 Productivity Commission Inquiry, Impact of Native Vegetation and Biodiversity Regulations.

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Senator CAMERON—I understand that in 2003 there was an ABARE report on native vegetation circulated to farmers associations. Is that correct?

Mrs Kerr—What particular report?

Senator CAMERON—A report on native vegetation.

Mr Armstrong—There was a report. ABARE did do a study. I would suggest that the report I am referring to is 2004, but there was a study done on some of the impacts, looking at the western marginal sheep-wheat belt.

Senator CAMERON—Did it deal with the issue of Kyoto?

Mr Armstrong—I do not know. We will take it on notice.

Senator CAMERON— Can you look specifically at whether that report indicated that the best and most cost-effective way for the government to meet its Kyoto targets was to prevent land clearing. Are you aware of that?

Mr Armstrong: response to Question on Notice

I was referring to the 2004 Productivity Commission Inquiry, Impact of Native Vegetation and Biodiversity Regulations, which ABARE did substantial modelling for). This report did not address Kyoto and the carbon sequestration objectives of the legislation. We are not aware of any other report by ABARE from 2002, or any other year, finding that the best and most cost-effective way for the government to meet its Kyoto targets was to prevent land clearing. If such a report does exist, it is extraordinary that it was not referred to by the Productivity Commission Inquiry, particularly given the significant contribution that ABARE made to that report. As stated in our submission, however, it now appears that both State and Federal Governments have seen the clearing bans as a cheap source of offsets to enable continued growth in emissions from coal fired power stations. The issue at hand is ensuring fair compensation to farmers for providing this service to the community and to owners of power stations.