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Senate Finance and Public Affairs Committee
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

By on-line submission through <https://senate.aph.gov.au> website

Dear Sir / Madam,

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

I am not familiar with the already legislated greenhouse gas abatement measures and confine my comments in addressing Term 1 of the Terms of Reference purely to the impact of native vegetation laws.

Native vegetation laws prevent the clearing of native vegetation without a permit from a local government authority. Obtaining a permit is a costly and time-consuming process, and there is no guarantee that the permit will be granted.

In my view, these laws are flawed, unnecessary and often operate in a draconian and life-threatening way. The laws:

1. Diminish the value of land with native vegetation on it as the landowner is effectively prevented from removing it. Once native vegetation takes over previously cleared productive land, it cannot be easily restored to its productive state by the landowner as the law forbids him or her from clearing it;
2. Discourage the planting of new native vegetation since such vegetation (unlike exotics) cannot be easily removed later;
3. Pose a danger to human health and safety as they prevent landowners from creating fire breaks to defend their homes and properties against bushfires. The laws operate to allow local authorities to bully and impoverish landowners who do take steps to try to defend their properties by clearing native vegetation, such as a recent case where a landowner was fined tens of thousands of dollars for clearing native vegetation before the disastrous

Black Saturday bushfires; and,

4. do not contain any adequate compensatory measures as they cannot adequately compensate for the loss of life and property which is likely to result from an uncontrolled bushfire.

In relation to Term 2, I cannot comment on the Leader of the Opposition's proposal as it has only recently been announced, and I am not familiar with the detail of the proposal.

Accordingly, I can only really comment at this stage on the impact of the Government's proposed Carbon Pollution Reduction Scheme ("CPRS") as there are many more publicly known details about this scheme.

The CPRS aims to reduce emissions of Carbon Dioxide from the atmosphere to attempt to make the world cooler (or at least less hot). I understand that world temperatures have not risen since 1998 and may even be starting to cool. If so, there would appear to be no longer any need for a CPRS.

However, for the purposes of this submission, I shall look at the likely impact of the CPRS on landowners if it is introduced.

In my view, the CPRS:

1. Is likely to reduce the value of farming land over time, especially once the initial exemption for agriculture is lifted in 3 years' time. At that point, emissions from farming enterprises will also be taxed under the CPRS. As agriculture is a large emitter of Carbon Dioxide, it is likely that farmers will have to purchase licences to emit the Carbon Dioxide produced in their businesses. This will add an additional tax burden on farmers, cause many to leave farming and reduce the demand for farming land (hence driving land values down);
2. Is likely to reduce the value of industrial land as the CPRS tax will render much of Australia's remaining industry uncompetitive. Australian industry already faces competition from foreign-based industries which do not have to comply with Australia's high industrial relations and pollution standards. As the recent Copenhagen conference showed, there is no consensus in the developing world (particularly large Carbon Dioxide emitters like India and China) to impose a CPRS on their own economies. This will give these foreign-based industries an additional competitive advantage to Australian-based industry, and is likely to drive off-shore much of the activity and jobs created by such industries. As Australian industries and factories close down, this will reduce the demand for industrial land and drive those land values down;
3. Is likely to produce an initially uncertain impact on the value of residential property. As industries and farms close, these should produce greater unemployment in the worst-affected regions and areas. A drop in demand

in those areas should produce localised drops in residential land values. However, Australia was spared the large residential land price falls experienced by countries such as the United Kingdom, Ireland and the US since there is a chronic under-supply of housing in the Australian market. In addition, the CPRS aims to compensate families and individuals facing higher fuel and living costs using the money raised from the CPRS. However, as businesses close their Australian operations and move off-shore, the CPRS is likely to raise less and less money to fund this compensation. The government could then choose to borrow to fund the shortfall in compensation, but this is unlikely to be sustainable. If the under-supply of housing continues, it could prevent residential land values from dropping too much, but as families lose their jobs and government compensation, they will become unable to afford the current high rents. This would create a large permanent homeless underclass in Australia. Without a large increase in housing supply (to drive down residential land prices), I do not believe that residential land prices will fall to the same extent as that seen in other countries hit by the Global Financial Crisis.

In short, the CPRS would likely lower the value of productive land in Australia, reduce active investment and relatively worsen the speculative bubble in unproductive residential land.

Yours faithfully,

Suryan Chandrasegaran