

HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ENVIRONMENT AND HERITAGE INQUIRY INTO PUBLIC GOOD CONSERVATION

SUBMISSION BY THE DEPARTMENT OF AGRICULTURE, FISHERIES AND FORESTRY - AUSTRALIA (AFFA)

Executive Summary

This Submission outlines the approach adopted by the Department of Agriculture, Fisheries and Forestry – Australia in promoting sustainable natural resource management and the resulting public good conservation outcomes. The approach is based on working cooperatively with stakeholders, forming partnerships and implementing mutually agreed strategies and plans of action with a view to generating, as much as possible, win/win environmental and production outcomes. This involves working with all levels of government as well as industry and the community.

AFFA's experience in managing natural resource management programs is that success has been achieved by working cooperatively and in partnership with all interested parties rather than imposing approaches on landholders. Nevertheless, AFFA recognises that in some circumstances approaches based on voluntary cooperation are not suited to achieving the desired outcome. In this situation, the use of alternative policy approaches, including the imposition of regulatory and/or legislative measures, may be necessary to ensure minimum standards of environmental management and conservation are met.

The Natural Heritage Trust is the Commonwealth Government's major current initiative to promote the conservation of Australia's environmental infrastructure, improve the management of Australia's natural resources and promote sustainable agriculture. The Trust supports a range of programs with a particular emphasis on working with landholders and community groups to achieve improved natural resource management outcomes. These programs have delivered benefits in terms of public good conservation and combined with other Commonwealth initiatives (eg. property management planning, taxation incentives and water market reform) have contributed to the adoption of more sustainable agricultural production systems.

The Commonwealth Government is looking to strengthen and build on this approach and is investigating the broader use of other mechanisms in the further development of a national natural resource management policy. These alternative directions for the future are also canvassed in this submission.

Background

In addition to its interests in the profitability and competitiveness of agricultural, fisheries and forestry industries the Commonwealth Department of Agriculture, Fisheries and Forestry – Australia (AFFA) is responsible for Commonwealth responsibilities regarding water, soils and other natural resources. To achieve its objectives, AFFA delivers research, policy advice, programs and services.

Natural resource based industries – agriculture, forestry and fisheries – make an important contribution to the national economy. The viability of rural and regional communities in Australia is closely associated with the viability of these industries.

Australia has a unique environment. Much of Australia is arid or semi-arid, soils are old and infertile and easily eroded, little water is available in the river systems, droughts are frequent and often severe, much of our native fauna and flora is not found elsewhere and many ecological systems are fragile and easily damaged. This environment is not universally suited to the land management practices that have developed since European settlement. Land management practices have often not been adapted to the constraints of the resource base.

Changes to the landscape have occurred as a result of agricultural practices which were adopted without a full understanding of the capacity of the natural resource base to support our farming systems. This has been compounded by the fact that environmental problems frequently took many years to emerge, often long after the activities that caused them had ceased or occurred a considerable distance from the activities that cause them.

Achieving sustainable management of the natural resource base is a key component of AFFA's responsibilities. It depends on providing strategic direction and leadership in the development of national policies and programs that are underpinned by scientific and economic assessments, analysis and advice and linked to effective evaluation models to provide feedback mechanisms.

Natural resource management operates at international, national, local and farm levels. At the international level sustainable resource management has been identified by world governments as a desirable global goal. Global plans of action for sustainable resource management were encapsulated in the 1992 Rio Declaration on Environment and Development, Agenda 21. In reviewing the implementation of the Agriculture and Land Management chapters of Agenda 21 in April 2000 the United Nations Commission for Sustainable Development reconfirmed the need for governments to continue the significant progress that has been made.

Consumers are also demanding products to be safer and healthier and to have environmentally sound production systems. Shifts in regional economies, such as the Asian crisis in 1998, may effect on export earnings of Australian commodities and have an impact on the capacity of landholders to invest in natural resource management. Australian policies in response to the Kyoto Protocol, adopted by the United Nations to control greenhouse gas emissions, will also influence the type and scale of land management practices, particularly as those practices affect carbon sequestration. The overall impact of these trends is that Australian farmers will need to continue to adopt improved natural resource management practices.

There is increasing evidence that management of Australia's natural resource base faces significant challenges. Rising salinity levels in the Murray-Darling river system, increasing spread of dryland salinity in the Murray-Darling Basin and in the Western Australian wheatbelt, loss of species and ecological communities, algal blooms in lakes and estuaries across the country and the significant impact of feral animals and weeds are all issues requiring consideration.

At the national level, governments have developed policy responses to achieve environmental sustainability. Strategies such as the National Strategy for Ecologically Sustainable Development and the National Strategy for the Conservation of Australia's Biological Diversity have had significant influences on land management practices in the rural sector. Governments have also invested in a range of natural resource and environmental management programs to address the issues involved in the sustainable use of our natural resource base.

Structure of the Submission

This submission has been structured to address the Terms of Reference of the Inquiry. These are:

- the impact on landholders and farmers in Australia of public-good conservation measures imposed by either State or Commonwealth Governments;
- policy measures adopted internationally to ensure the cost of public good conservation measures are ameliorated for private landholders;
- appropriate mechanisms to establish private and public-good components of Government environment conservation measures; and
- recommendations, including potential legislative and constitutional means to ensure that costs associated with public-good conservation measures are shared equitably by all members of the community.

1. The impact on landholders and farmers in Australia of conservation measures imposed by either State or Commonwealth Governments

The Australian Constitution makes no specific mention of the environment, or responsibility for land use decision making. State and Territory Governments hold prime responsibility for environment, conservation and land use matters.

The Commonwealth has become involved in land, vegetation and water degradation issues because of their significance to the national economy and environment, and because successive governments have recognised that national involvement and leadership is required to ensure adequate and co-ordinated action.

The potential for government policy designed to ensure the conservation of public goods to impose costs on farmers and rural communities is highlighted in a separate submission to the inquiry by the Australian Bureau of Agricultural and Resource Economics (ABARE). The form of intervention chosen will largely dictate who bears the cost of supplying public goods. Some instruments impose the costs on the resource user while other policy approaches result in the broader community bearing the cost through government expenditures.

Recognising both the constitutional responsibilities and the complexity of the issues, AFFA's approach at the national level has been to support coordinated action by State and Territory Governments, communities and individuals in a participatory and cooperative way.

AFFA programs over the last ten years, particularly the National Landcare Program, have been very successful in raising awareness and in landholders and communities taking responsibility for their own actions. It has not been an approach of imposing action. This has been reinforced under the Natural Heritage Trust which recognises that voluntary participation by landholders in community landcare groups make an important contribution to the change process.

Attachment 1 provides a summary of Natural Heritage Trust programs managed by AFFA.

The philosophy adopted with Trust programs has been to invest public funds in activities that have significant public benefit components. This investment has been catalytic and has resulted in

significant additional contributions from other parties. A review of the administration of the Natural Heritage Trust (November 1999) found that for every one dollar invested by the Commonwealth a further seven dollars was invested by other parties. This clearly shows that establishing partnerships and joint initiatives is an effective approach to generating shared benefits including complementary environmental and production outcomes.

In this context voluntary cooperation between landholders, community groups, industry and the Commonwealth, State and Territory governments is an important feature of Australia's approach to natural resource management. While it is important at the local level it is equally relevant at the catchment and regional level.

Community landcare groups play an important role for a number of reasons:

- local groups are in the best position to identify the degradation problems that most affect them and to develop and implement the remedial activities that best suit their needs;
- the nature and extent of degradation problems frequently requires action and investment at the regional level, and this is most effectively done where the communities concerned generate the activities and coordinate the necessary resources themselves;
- group based approaches are often the most effective way of providing the information and skills that landholders require to improve their management practices. It is often easier for organisations supplying information and skills to work through groups rather than individuals, and groups can often adapt more easily to technical support services that are complex; and
- the use of groups to promote learning and the transfer of information and skills results in a wider spread of interests, issues and information throughout the community. The effectiveness of groups is enhanced by peer pressure, which provides an incentive for landholders that might otherwise not participate to act in concert with others.

There are some 4 500 community landcare groups across Australia and at least one in three farmers are members of a group. The establishment of the community landcare network across Australia and its broad acceptance by rural and regional communities is a substantial achievement and provides a solid framework for further developing Australia's natural resource management system.

Current natural resource management programs implemented from 1991 and agreed to by the Commonwealth and State and Territory Governments emphasise an ethic that landholders are responsible for managing their own resources with governments facilitating action, providing leadership and targeting investment in the public interest.

This approach is exemplified through the National Property Management Planning Campaign, a joint Commonwealth and State Government initiative, first established in 1992. The Campaign was aimed at achieving greater farmer self reliance through funding for education and training related to risk management and drought preparedness based on whole farm planning. Since its inception the program has evolved to the point where it now has a focus on introducing farmers to the process of strategic business planning. Participants are taken through a process that enables them to look holistically at their business and to understand how the various components (human resources, natural resources, financial resources and enterprises) are all important in successfully achieving their personal and business goals. Results of evaluation suggest the program is contributing to a better understanding of and improved approach to sustainable natural resource management outcomes.

The level of private investment in improved natural resource management and/or quality has been substantial. A survey by the Australian Bureau of Agricultural and Resource Economics of landcare expenditures for 1998-99 indicates that average landcare expenditures by farmers are about \$4 400 a year, about 4 per cent of farm operating costs. In addressing private resource management issues, a coincidence of interest can occur where private investments may also produce a level of public good conservation benefits.

In addition, the awareness raising components of government programs may also have encouraged private resource users to invest directly in public good conservation. This highlights how such programs can be a cost-effective way to encourage greater public good conservation. In particular when the costs for resource users of public good conservation are relatively small, or the public good conservation is complementary to productive use of the natural resources.

However, voluntary and cooperative approaches may be less effective when public good conservation imposes larger costs on resource users. The Government is investigating the broader use of other mechanisms like economic instruments to assist in addressing this issue in the context of the development of a national natural resource management policy which is discussed later in this Submission.

Tax concessions for investment in preventing and treating land degradation, are provided under subdivision 387-A of the *Income Tax Assessment Act 1997*. Landholders are provided with an immediate tax deduction for preventing and treating land degradation where this is part of earning an income from a business on rural land. The deduction recognises that primary producers are reliant on their natural resources for their business operations, and that preventing and treating degradation of the resource base is an essential cost involved in their profitable operations. While the tax deduction is aimed at promoting sustainable management of individual farm businesses the activities that are supported can also provide significant off-site benefits.

Measures to improve the efficiency and effectiveness of water resources management agreed by all Australian Governments in 1994 through the Council of Australian Governments encompasses charging for the full costs of natural resources use. About 70 per cent of the water flows in Australia's rivers are diverted for irrigation, and water use is of major importance both to the rural economy and the environment. Water is scarce and it is important that the available resource is used efficiently and sustainably.

The water reform framework is intended to generate an economically sustainable water industry with improved outcomes in terms of sustainability of natural resource use as well as better environmental outcomes. The reforms include guidelines for setting water prices to fully recover the cost of supplying water, for establishing entitlements for the use of water and for trading in entitlements, and for the provision of water for the environment.

The full implementation of the reforms will provide industry with greater certainty in water allocations and security of water supply, future maintenance of headworks and delivery infrastructure will be fully accounted for and they will be able to buy or sell entitlements in a water trading market. Devolution of responsibility to irrigators will allow them to directly influence levels of service and ensure that water delivery more closely matches production needs. This in turn can lead to greater opportunity for irrigators to introduce on farm water use efficiency measures which will further reduce water input costs. Specific water

allocations for the environment will result in healthier rivers, improved water quality and a more sustainable future for users.

As part of the management arrangements for natural resources in the Murray-Darling Basin, a ceiling or Cap has been placed on the total use of irrigation water within the Basin. The cap is the key to water reform in the Basin. A review in March 2000 – ('Review of the Operation of the Cap') found that without the Cap there would have been a greater risk that the environmental degradation in the Basin would have worsened. The Review also suggested that the Cap has delivered significant economic and social benefits to industries and communities across the Basin. Regardless of the extent of the economic and social benefits that may have be attributed to the cap it has clearly made a significant contribution to the establishment of robust markets for water trading. Following a period of public comment the Review will be considered by the Murray-Darling Basin Ministerial Council in August 2000.

2. Policy measures adopted internationally to ensure the cost of public good conservation measures are ameliorated for private landholders.

Australia is promoting internationally our 'landcare' approach of assisting local and community landcare groups to assume responsibility for the sustainable management of their own resources. The landcare approach is then complemented with government efforts to facilitate action, provide leadership and target public investment in the public interest.

There has been significant international interest in the 'landcare' approach, reinforced by the attendance of representatives from at least thirty countries at the International Landcare Conference held in Melbourne in March 2000.

Papers presented at the International Landcare Conference indicated that within their own sustainable agriculture and land management context New Zealand and the Philippines have implemented 'landcare' as one approach for addressing natural resource management issues. South Africa is also currently developing a model based on 'landcare'.

The Canadian Government has developed a sustainable agriculture strategy (*Agriculture in Harmony with Nature*) that is based on principles including partnerships, integration, ecosystem approach and environmental and resource stewardship.

Another approach to resource management being promoted in international fora by countries in the European Union and Japan involves the concept of the "multifunctional character of agriculture and land". This involves a recognition that in addition to agricultural production there are other unpriced benefits from agriculture including environmental values, rural amenities, cultural values, rural employment and rural development.

The concept of multifunctionality being promoted by the EU and Japan is seen as a mechanism to justify the continued subsidisation of agricultural production. Australia has opposed this approach on the basis that where governments need to act to protect the environment or to promote public good conservation this should be done in a way that promotes ecological sustainability and does not unduly distort trade by subsidising agricultural production.

3. Appropriate mechanisms to establish private and public-good components of Government environment conservation measures.

In 1998 the Standing Committee on Agriculture and Resource Management (SCARM) endorsed a set of principles for shared investment in on-ground works to achieve sustainable natural resource management practices. These principles recognise that sustainable natural resource management can only be achieved through a clear understanding by all stakeholders of their respective roles and responsibilities and a sharing of both the costs and the benefits in a partnership approach.

AFFA supports the view that a more useful term than cost sharing is 'shared investment'. This gives equal emphasis to costs and to benefits, recognises the need for joint efforts by landholders and governments and recognises that there are many factors involved in making investments including in-kind work, education, research and development and planning.

SCARM agreed on five major categories of shared investment principles: (i) duty of care; (ii) beneficiary and impactor pays; (iii) government contributes for public benefit; (iv) economic viability/social impacts and environmental impacts; and (v) policy, planning and monitoring, research and investigations.

AFFA draws the Committee's attention to the SCARM Discussion Paper on Shared Investment Principles. It is AFFA's view that the discussion paper provides a good basis to inform and guide stakeholders in making investment decisions for on-ground works addressing natural resource management. AFFA is however mindful that on-ground works and the shared investment principles relating to them, are just one instrument in achieving sustainable management practices and should be considered along with the range of other instruments available to both government and the community including training, regulation, incentives and education.

A copy of the SCARM Discussion Paper on Shared Investment Principles is at [Attachment 2](#).

ABARE in its submission to the Inquiry discussed a range of approaches that weigh up the public and private benefits from different resource uses. While some of these approaches provide information on the private and public good components of environmental conservation measures the SCARM Shared Investment principles still apply.

The policy tool chosen to promote the resource use outcome preferred by society as a whole often ultimately dictates who bears the cost of public good conservation. [Attachment 3](#) is an additional paper prepared by ABARE that discusses the public good conservation problem, outlines a number of policy tools (including taxes, subsidies and tradeable quotas) available for promoting public good conservation and the circumstances under which they may be used.

4. Recommendations, including potential legislative and constitutional means to ensure that costs associated with public-good conservation measures are shared equitably by all members of the community.

There are a number of processes through which possible future approaches to natural resource management are being developed at the Commonwealth and State level. AFFA wishes to bring to the attention of the Committee the range of future issues identified in the development of the National Discussion Paper "*Managing Natural Resources in Rural*

Australia for a Sustainable Future” and the steps to bring the process to a conclusion. AFFA thanks the Committee for providing the opportunity for Mr Ian Thompson and Mr Bill Handke of the Natural Resource Management Policy Division, AFFA, to present the key policy directions proposed in the Discussion Paper to the Committee on 7 June 2000.

The Government has established a Ministerial Group to develop a national policy on managing Australia's natural resources - its soil, water and vegetation. The Group consists of Mr Truss, Minister for Agriculture, Fisheries and Forestry (Chair), the Deputy Prime Minister and Minister for Transport and Regional Services, Mr Anderson, Treasurer Mr Costello and Senator Hill, Minister for the Environment and Heritage. The Commonwealth and the States and Territories are continuing to develop a national approach to natural resource management issues for consideration by the Council of Australian Governments.

Key documents under consideration by the Ministerial Group include the Mid-term Review of the Natural Heritage Trust, the Productivity Commission Report on Ecologically Sustainable Land Management, the Murray Darling Basin Salinity Audit and the Western Australia Salinity strategy. In addition the Group is considering landholder, industry and community views on future policies for natural resource management, including through the 500 written submissions to the Discussion Paper. The Discussion Paper was developed by a Steering Committee of Commonwealth, State, Territory and local government, in consultation with a community reference group.

Public submissions received on the Discussion Paper were strongly supportive of the seven proposed key policy directions, namely,

Working Together Effectively

- ◆ Aligning policies and activities on natural resource management between and within governments and greater consideration by local government of the possible impact of their decision making on natural resources;
- ◆ Strengthening cooperation between landholders, industry, rural communities, and governments through partnerships and shared investments; and
- ◆ A more business-oriented approach to natural resource investments, with opportunities for block funding to regional bodies to implement agreed regional strategies.

Devolving Authority and Empowering Regions

- ◆ Empowering regional communities, through the establishment of relevant regional bodies, with authority to develop and implement regional strategies, to prioritise and be accountable for natural resource management investments.

Investing more strategically at the regional level

- ◆ Giving a greater focus to tackling natural resource management issues at the regional and catchment scale through integrated approaches to natural resource management that are tailored to unique regional circumstances; and
- ◆ Adopting a more strategic approach to natural resource management investments with larger scale regional / catchment projects and by drawing on the proposed innovative toolkit of approaches that will encourage changes in management practices at a landscape scale.

Facilitating fundamental change

- ◆ Facilitating fundamental changes in resource use and increased adoption of improved natural resource management practices through, amongst other things,

the use of economic and market-based incentives, including industry-driven production accreditation systems;

- ◆ Promoting the synergies between production and the environment; and
- ◆ Strengthening the role of industry — particularly commodity associations — in promoting sound natural resource use and management amongst landholders.

Building on the landcare ethic

- ◆ Building on the landcare ethic amongst the broader community and the landholder and community commitment to on-ground activities;
- ◆ Raising public awareness, including through school curricula; and
- ◆ Building the landcare ethic within corporate Australia.

Capacity building for improved natural resource management

- ◆ Providing the training and educational opportunities for individuals and regional communities to enhance their skills and abilities to develop and adopt best management practices; and
- ◆ Fostering leaders and ‘champions’ in the community who can demonstrate benefits and motivate actions for sound natural resource management.

Enhancing knowledge and information

- ◆ Improving knowledge through research and development;
- ◆ Developing production systems suitable to Australian circumstances; and
- ◆ Improving access and use of regional and local scale information and data by landholders and regional bodies.

While there was strong support for the directions of policy proposed in the Discussion Paper, the responses have been critical of a number of elements of the Discussion Paper. Firstly, there was a common view that the scope of the Discussion Paper, with its primary emphasis on rural Australia and the agricultural sector is too narrow. Natural resource management needs to be considered from a broader perspective that includes the rural, urban and coastal environments, and all sectors of the economy that use and have an impact on soils, water resources, native plants and animals, and the atmosphere. In addition, many people noted that future policy on natural resource management needs to encompass biodiversity more specifically than covered in the Discussion Paper.

Secondly, while there was strong support for the proposition that a concerted, continuing effort and increased investments are necessary, there were concerns that the Discussion Paper did not outline a long-term funding commitment of governments.

Thirdly, there were concerns about a lack of precise detail relating to the proposed regional institutional bodies. In particular, there were questions as to how these bodies would be structured and the precise area for which they would have authority. However, a level of flexibility would be required in the establishment and structure of such bodies, given the variability of State legislative and institutional arrangements and the different capacity of some communities to accept this opportunity.

Finally, a number of people were concerned that devolution to regional bodies implied that governments were intending to distance themselves from this nationally important issue and place the onus on regional communities. Rather, the Discussion Paper proposes that regional communities have a greater level of authority in developing and implementing regional strategies — the appropriate scale for tackling NRM issues — with on-going government support.

The Discussion Paper and public submissions received during the four month consultation period (to end March 2000) have been very valuable as the major vehicle for public input to a new national direction for natural resource management being developed by the Ministerial Group for consideration by Government.

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