

## Public good conservation measures abroad

Another approach to resource management ... 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.<sup>1</sup>

### Introduction

- 4.1 Policies designed to promote public good conservation abroad differ markedly from the approach taken in Australia. In Australia, there is an emphasis on a limited range of policy measures. These include most prominently: regulation prohibiting various actions, and ‘cost sharing’. They also include directing funding to those projects where the landholder is thought not to have a duty of care towards the land, establishing artificial markets, and providing the minimum of public support in order that public good conservation outcomes can ‘free ride’ on the actions of private individuals.<sup>2</sup>

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1 AFFA, submission no. 238, p. 6. Norway, Switzerland and Korea. D. Givord, ‘Defending the European rural and agricultural model at the WTO’; [www.rural\\_europe.aeroll.be/rural\\_en/biblio/model/art02.htm](http://www.rural_europe.aeroll.be/rural_en/biblio/model/art02.htm).

2 B Aretino *et al.*, *Cost sharing for biodiversity conservation: A conceptual framework*, Productivity commission, staff research paper, Canberra: Commonwealth of Australia, 2001, p. 17; SCARM, *A discussion paper on principles for shared investment to achieve sustainable natural resource management practices*, submission no. 238, attachment 2.

4.2 In the case of cost sharing, costs are shared between the private and the public sector based upon an assessment of the level of the benefit each stakeholder is likely to receive from a conservation program. The basic principle is that the beneficiary pays, and the prime beneficiary is usually considered to be the landholder.

4.3 As discussed in chapter 2, the SCARM principles provide that:

Landholders and other resource users have a *duty of care* to take all fair and reasonable measures to ensure that they do not damage the natural resource base. In many circumstances, this legal or moral requirement will cause landholders to pay all costs associated with on-ground works because such works are part of their duty of care. Such expenditure is a requirement of their stewardship role and no funding support or compensation need apply to these investments. In these situations the role of government is often in education, research and advice to support and raise landholders' awareness of their *duty of care*.<sup>3</sup>

In this chapter, the Committee contrasts this approach with that adopted overseas.

4.4 The approach adopted in Europe and the United States involves implementing programs based on broad scale environmental funding to purchase desired outcomes.<sup>4</sup>

4.5 Both the UK and the US have a number of programs aimed at encouraging conservation on private lands. These programs are often combined with tax incentives such as deductions, exemptions and credits, and regulations such as air and water pollution levels, to create a flexible range of measures. In addition to providing incentives for landholders to undertake conservation works, it is also possible for individuals and companies to contribute to conservation on private lands.

4.6 The Committee recognises the difficulties in examining aspects of overseas public good programs, due to a number of factors including differing political structures, geography, history, cultural values and population size. However, the Committee examined public good conservation programs abroad with a view to considering the implementation of public good policies appropriate for Australia.

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3 Submission no. 238, attachment 2, p. 3.

4 C Binning and M Young, *Motivating people: using management agreements to conserve remnant vegetation*, National Research and Development Program on Rehabilitation, Management and Conservation of Remnant Vegetation, Research Report 1/97, Canberra: Commonwealth of Australia (Environment Australia) 1997, p. 21; NSW Farmers' Association, submission no. 177, p. 4.

- 4.7 The Committee received little evidence in relation to overseas public good conservation programs,<sup>5</sup> and undertook its own research in this area. The Committee wishes to note that the following information is by no means exhaustive, and indicative only of general policy directions.
- 4.8 The overseas approaches to public good conservation that are examined are those in the European Union, and then specifically the United Kingdom. Then the approach in the United States is examined.

## The European Union

- 4.9 What has been referred to in this report as public good conservation programs are known in European Union (EU) countries as ‘agri-environmental’ programs. These programs have evolved from modest beginnings in the mid-1980s, and have become increasingly prominent in the reforms of the Common Agricultural Policy (CAP) that occurred in 1992 and again under Agenda 2000.<sup>6</sup> The agri-environment policies implemented in 1992 represented a policy shift for the EU. The new arrangements under Agenda 2000 grew directly out of the 1992 initiatives and their perceived success and seeks to carry them further in an attempt to obtain greater conservation outcomes.
- 4.10 One of the measures accompanying the 1992 reform of the CAP was an agri-environment regulation.<sup>7</sup> This regulation provided for programs to encourage farmers to carry out environmentally beneficial activities on their land. Farmers were paid the costs and reimbursed income losses for providing the environmental service. In addition to the land management measures, the regulation provided for training and demonstration projects to promote the use of environmentally beneficial techniques and good farming practice.
- 4.11 Under the 1992 regulation, member states were required to apply agri-environment measures throughout their territories, according to their environmental needs and potential. Agriculture departments in all Community member states faced pressure to implement programs that contained a wide variety of environmental objectives. The purpose of making implementation of the regulation mandatory was to prevent a repetition of the response of members states to the earlier agri-

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5 Exceptions being submissions no. 177 and 231, attachment E, and exhibit 7 provided by the NSW Farmers Association.

6 Buguñá Hoffmann (ed.), *Stimulating positive linkages between agriculture and biodiversity: recommendations for the EC-Agricultural Action Plan on Biodiversity*, Tilburg: European Centre for Nature Conservation, 2000, p. 25-6.

7 Regulation ECC 2078/92

environment regulation enacted in 1985. That regulation was largely ignored by member states in the south of the EU.

4.12 As well, the new regulation contained a wider range of measures intended to address the environmental concerns of all EU member states. Two broad types of environmental objective are evident:

- to reduce the negative pressures of farming on the environment, in particular on water quality, soil and biodiversity; and
- to promote farm practices necessary for the maintenance of biodiversity and landscape, including to avoid degradation and fire risk from under-use.

4.13 The main elements which characterise agri-environment agreements are:

- farmers deliver an environmental service;
- agreements are voluntary for the farmers;
- measures apply only on farmland;
- payments cover the income foregone, costs incurred and necessary incentive; and
- undertakings must go beyond the application of good agricultural practice.

4.14 The measures that the 1992 regulation called for included:

- substantial reductions in the use of fertilisers and pesticides (or maintenance of reductions already made);
- the wider use of organic farming methods;
- a reduction of livestock numbers per forage area;
- an increase in the use of environmentally friendly farming practices;
- the rearing of local or traditional breeds in danger of extinction;
- the upkeep of abandoned farmland or woodland;
- land management for public access and leisure;
- reversion of intensively used land, such as arable or grass for silage to biologically diverse, but unprofitable extensive grassland;
- creation of nature zones taken out of production;
- continuation of traditional environmental land management in zones liable to neglect; and

- maintenance of landscape features which are no longer agriculturally viable.
- 4.15 The regulation also allowed for all agricultural land to be included in agri-environment programs rather than, as had been the case, only environmentally sensitive land.
- 4.16 The 1992 agri-environment regulation established the principle of ‘paid stewardship’ across the EU, and it was broadly supported by environmentalists.
- 4.17 The programs were managed by regional or national authorities under a decentralised system of management, subject to approval by the Commission for each program.
- 4.18 The 1992 regulation also provided for co-financing of agri-environment schemes from the guarantee section of the European Agricultural Guidance and Guarantee Fund (EAGGF), thus setting the agri-environmental measures on an equal footing with the CAP’s productivist programs. The costs were part-financed from the EU budget.<sup>8</sup> Expenditure from the EAGGF guarantee fund in 1997 amounted to 1.5 billion euros. This was about 4 per cent of EAGGF guarantee expenditure.

### **Result of the 1992 reforms of Common Agricultural Policy (CAP)**

- 4.19 The requirement on member states to apply the 1992 regulation throughout their territories according to their needs stimulated a very rapid expansion of agri-environment initiatives and measures. The EU’s 5th Environmental Action Program adopted in 1992 aimed to have 15 per cent of farmland in the EU under agri-environmental programs by year 2000. The agri-environment programs that accompanied the 1992 reform of the CAP delivered 20 per cent of farmland to agri-environment contracts by 1998. This amounted to one farmer in every seven in the EU participating in those agri-environment programs.
- 4.20 There is evidence, adduced by the EU, that the programs on the whole had a positive effect. These included:
- reductions in the use of N-fertiliser and better application techniques;
  - positive activities for nature protection;

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<sup>8</sup> Part-payment from the EAGGF was first introduced in 1987. However, this development must be seen in the context of the mounting pressure in 1992 on the CAP’s budget, caused through overproduction. It marked the initial acceptance that supporting environmentally friendly farming practices might also help to curb surplus production.

- programs to maintain and improve landscape features have been shown to have positive results in maintaining elements no longer relevant to farm production;
- increase in employment is recorded in some cases, for example where labour intensive environmental management replaces a low-labour intensive activity; and
- contributions to income have been substantial in the case of farmers in marginal areas where continued farming is necessary to provide the environmental benefits. However, the income effects are relatively insignificant in more profitable and intensive areas.

4.21 Evaluation reports also indicate that programs provided value in terms of environmental benefits. The cost to the Community budget is relatively modest: 4 per cent of EAGGF guarantee section. This points to a high level of value for money. The reports also note that the reductions in inputs may require further analysis as some of the reductions may be due to other factors. As well, the Commission of the European Communities observed that adoption of programs was generally low in highly productive and intensive agricultural areas.<sup>9</sup>

### **Agenda 2000 Reform of the CAP and additional agri-environment measures**

4.22 Since ratification of the Maastricht Treaty (1992), there has been a legal obligation on the Union to take account of environmental protection requirements when drawing up and implementing community policies. This is an obligation that was reinforced by the Treaty of Amsterdam on 1 May 1999. The current developments in agri-environmental programs are to be seen in the context of these decisions to include environmental considerations when other policies, including the CAP, are formulated and implemented.<sup>10</sup> In practice the most recent developments in agri-environment programs in the EU are part of the EU's Agenda 2000.<sup>11</sup>

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9 European Commission, *Directions towards sustainable agriculture*, Comm (1999) 22, p. 16; European Commission, *State of application of regulation (EEC) no. 2078/92: Evaluation of agri-environment programmes*, 1998.

10 European Commission, *Indicators for the Integration of Environmental Concerns into the Common Agricultural Policy*, Comm (2000) 20.

11 Agenda 2000 is an action program adopted in 1999 which has the objectives of reforming key EU policies including the CAP, policies concerning the environment and integrating them into all EU policies; the challenges arising out of regional economic differences and the enlargement of the EU through the admission of new states; and adopting a new financial framework. European Commission, *Europe's Agenda 2000: Strengthening and widening the European Union*, 1999, v.31.8.

- 4.23 The current approach to public good conservation in the EU is based upon what is referred to as the 'European model of agriculture'. The fundamental components of this model are:
- 'Sustainability' this refers to the goal that agriculture should meet the needs of the present without compromising the ability of future generation to meet their needs. It entails preserving the overall balance and value of the natural capital stock. It also involves taking a long term view of the real socio-economic costs and benefits of consumption and conservation.
  - 'multifunctionality' agriculture has roles and purposes in addition to the production of goods and foods. These are so called 'non-trade' purposes. They include conservation of biological diversity and the environment in general; maintenance of farmed landscapes and landscape features, preservation of cultural features, including historical remains and land uses of cultural significance; preservation of rural ways of life; a fair standard of living for the agricultural community; and recreational purposes. Multifunctionality typically includes sustainability.
- 4.24 Under the Agenda 2000 reforms to the CAP, member states are required to undertake environmental measures they consider appropriate to their circumstances. The underlying rationale of the Commission's proposals for integrating environmental concerns into agriculture rests on two principles :
- Farming, as is the case for any economic sector, should attain a basic standard of environmental care without specific payment. This should be contained within the scope of good farming practice (which includes many matters other than environment) and comprises observance of regulatory standards and an exercise of care which a reasonable farmer would employ. This is the 'reference level';
  - Wherever society asks farmers to provide an environmental service beyond the reference level, and the farmers incur cost or income loss, society must expect to pay for the service.<sup>12</sup>
- 4.25 There are two components to the Agenda 2000 reforms that provide for agri-environment programs, based upon these principles.
- 4.26 First, the integration of agri-environment goals into the CAP via the operation of various direct support schemes. Under the EU rules applying to direct support schemes, member states must lay down environmental

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12 European Commission, *State of application of regulation (EEC) no. 2078/92: Evaluation of agri-environment programmes*, 1998, p. 115; [http://europa.eu.int/comm/agriculture/envir/programs/index\\_en.htm](http://europa.eu.int/comm/agriculture/envir/programs/index_en.htm), 6.7.2001.

requirements or standards of good farming practice that they consider to be appropriate. States may make direct payments to farmers dependent on compliance with those requirements. The requirements may be for meeting generally applicable environmental requirements or they may make the payments dependent upon meeting specific conditions.

- 4.27 Activities within this element of the reforms to the CAP could include direct payments to reduce production of grain or livestock in environmentally sensitive areas or compensation for setting aside areas of land for environmental reasons.
- 4.28 Second, the implementation of a rural development policy that has as a core element, agri-environment programs. The rural development policy is often referred to as the 'second pillar of the CAP'. It includes specific agri-environment measures. These programs provide payments for commitments going beyond good agricultural practice. They constitute an important environmental tool, being compulsory in all rural development programs for the member states (although participation is optional for farmers) and based on a conscious, voluntary commitment by farmers to greener agriculture.
- 4.29 Aid is usually granted to farmers who undertake programs for a minimum of five years, it is granted annually and the amount is calculated according to the income lost, any additional costs resulting from the activities and whether a financial incentive is required to entice participation.<sup>13</sup>
- 4.30 Under the rural development policy, farmers in so called 'less favoured' areas (areas that are subject to environmental problems) are also eligible for compensatory payments to make good the costs and income losses sustained from implementing EU environment protection measures. Financial support is also available for forestry.<sup>14</sup>

## Other European Union support programs

- 4.31 In addition to the specific agri-environment measures associated with the CAP, other EU programs contain agri-environment measures or the potential for them to develop, with assistance. The Amsterdam Treaty sets out the basic principles of balanced and sustainable development and a high level of environmental protection. The structural funds constitute important financial instruments to support the implementation of

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13 European Commission, *Fact sheet: The CAP reform:- A policy for the future.*

14 European Commission, *Fact sheet: CAP reform: Rural development.*

community policies consistent with these principles. To put these policy objectives into practice in the context of the structural funds program, the regional development strategies, which are designed by member states, contribute to the further incorporation of environmental considerations into priority sectors, such as transport, energy, agriculture, industry and tourism.<sup>15</sup>

- 4.32 Natura 2000 is a European network of areas, proposed under the Birds Directive and the Habitats Directive, where human activity must be compatible with the conservation of sites of natural importance.
- 4.33 Based on the experience gained through agri-environmental measures, there may be a link in the future between Natura 2000 and EU agriculture. By paying for a service provided by farmers to society, the EU support helps to diversify agricultural income, particularly in animal-rearing areas and areas of diversified farming. It therefore contributes to managing potential Natura 2000 sites.
- 4.34 Several member states and regions are now giving priority to Natura 2000 sites by co-financing agri-environmental measures. The opportunities that the EU have identified for a close collaboration between agriculture and agri-environment programs include:
- farmers are remunerated for the environmental services they provide in a transparent way which their fellow citizens can understand; and
  - related activities become more attractive, e.g. the direct sale of meats, cheeses or wines labelled as coming from Natura 2000 sites.
- 4.35 According to the EU, Natura 2000 could become a clear sign of the multifunctionality of agriculture in the third millennium.<sup>16</sup>
- 4.36 It is important to note that the EU does not consider that the payments made to farmers for agri-environmental services to constitute subsidies. According to the EU, a subsidy is a payment designed to improve the competitive position of a supplier or producer. Agri-environmental payments are payments for services provided to the community and, while such payments do contribute to a farmer's income, they do so in respect of paying for services provided. Such payments are similar, according to the EU, in economic nature to the income contributions a farmer receives by selling produce.<sup>17</sup>

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15 See, European Commission, *Fact sheet: CAP reform: Rural development* and <http://europa.eu.int/comm/environment/agenda2000/structural.htm>

16 [http://europa.eu.int/comm/agriculture/envir/report/en/n2000\\_en/report\\_en.htm](http://europa.eu.int/comm/agriculture/envir/report/en/n2000_en/report_en.htm)

17 European Union, *State of application of regulation (EEC) no. 2078/92: Evaluation of agri-environment programmes*, p. 107.

## Agri-environment schemes in England

- 4.37 Agri-environment schemes have been introduced in England, and are undertaken primarily through the Department for Environment, Food, and Rural Affairs (DEFRA), formerly known as the Ministry for Agriculture, Fisheries and Food (MAFF).
- 4.38 DEFRA launched the England Rural Development Program (ERDP) in October 2000, and will spend £1.6 billion over a period of seven years on programs to assist rural areas.<sup>18</sup> The program also receives funding from the EU.<sup>19</sup> Agri-environmental schemes include the following programs.
- **The Countryside Stewardship Scheme.** Under this scheme farmers and land managers enter 10-year agreements to manage land in an environmentally beneficial way in return for annual payments. Grants are also available for capital works such as hedge laying, planting, and repairing dry stone walls.<sup>20</sup> Payments vary according to land management options, and can range between £4–£525 per hectare.<sup>21</sup> This scheme operates outside Environmentally Sensitive Areas (ESA) (described below).
  - **The Environmentally Sensitive Areas Scheme.** This scheme aims to encourage farmers to safeguard areas where the landscape, wildlife or historic interest is of national importance. There are currently 22 ESAs in England, covering 1.1 million hectares, or 10 per cent of agricultural land.<sup>22</sup> Landholders enter into a 10-year agreement with DEFRA to follow specific management practices designed to conserve and enhance the landscape, historic and wildlife value of the land. Payments vary on the type of management required and can range between £8–£500 per hectare.
  - **The Organic Farming Scheme.** The scheme aims to encourage the expansion of organic production through providing landholders with financial assistance during the conversion process.<sup>23</sup>

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18 'England Rural Development Programme', [www.maff.gov.uk/erdp/docs/erdpdocsindex.htm](http://www.maff.gov.uk/erdp/docs/erdpdocsindex.htm), accessed 21 May 2001.

19 'England Rural Development Programme 2000-2006', [www.maff.gov.uk/erd/docs/national/exesummary/funding.htm](http://www.maff.gov.uk/erd/docs/national/exesummary/funding.htm), accessed 21 May 2001.

20 'Countryside Stewardship Scheme', [www.maff.gov.uk/erdp/guidance/cssdet/csshome.htm](http://www.maff.gov.uk/erdp/guidance/cssdet/csshome.htm), accessed 18 May 2001.

21 'England Rural Development Programme', [www.maff.gov.uk/erdp/docs/erdpdocsindex.htm](http://www.maff.gov.uk/erdp/docs/erdpdocsindex.htm), accessed 21 May 2001.

22 'Environmentally Sensitive Areas Scheme', [www.maff.gov.uk/erdp/guidance/esasdet/esashome.htm](http://www.maff.gov.uk/erdp/guidance/esasdet/esashome.htm), accessed 18 May 2001.

23 'Organic farming scheme', [www.maff.gov.uk/edrp/schemes/landbased/landbasedhome.htm](http://www.maff.gov.uk/edrp/schemes/landbased/landbasedhome.htm), accessed 18 May 2001.

- **Hill Farm Allowances.** This scheme aims to compensate hill farmers for the difficulties of farming in less favoured areas. While this is predominantly aimed at retaining the rural characteristics of the English countryside, rather than environmental considerations, landholders are required to observe 'Good Farming Practice' conditions, as outlined by the Government.<sup>24</sup>

4.39 Other relevant schemes administered by DEFRA are listed below.

- **Rural Enterprise Scheme.** This provides targeted assistance to support the development of more sustainable, diversified and enterprising rural economies.
- **The Vocational Training Scheme.** This provides funding for training in a number of areas, including environmental and conservation skills.
- **The Process and Marketing Grant Scheme.** This provides grants for projects that can meet particular objectives, one of which is the protection of the environment.
- **The Energy Crops Scheme.** This scheme aims to promote the planting of crops that have the potential to reduce greenhouse gas emissions and or be used in the generation of renewable energy.<sup>25</sup>

4.40 The Department of Forestry, in conjunction with DEFRA also runs a number of schemes.

- **The Woodland Grant Scheme.** This scheme provides grants to create new woodlands and encourage good management and regeneration of existing woodlands in England. The landowner agrees to look after specified woodlands and to undertake approved work to a satisfactory standard for 10 years.<sup>26</sup> Grants are awarded in two instalments – 70 per cent when planting is completed and a further 30 per cent after five years. Basic grants for the establishment of new woodlands are either £700 or £1350 per hectare depending on the type of woodland planted. The British Parliament has provided for a total expenditure of £139 million over a period of seven years (2000-2006).<sup>27</sup>

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24 'Hill Farm Allowances' [www.maff.gov.uk/erdp/schemes/landbased/hfas/hfashome.htm](http://www.maff.gov.uk/erdp/schemes/landbased/hfas/hfashome.htm), accessed 18 May 2001.

25 'England Rural Development Programme', [www.maff.gov.uk/erdp/docs/erdpdocsindex.htm](http://www.maff.gov.uk/erdp/docs/erdpdocsindex.htm), accessed 21 May 2001.

26 'What is the woodland grant scheme?', [www.maff.gov.uk/edrp/schemes/landbased/landbasedhome.htm](http://www.maff.gov.uk/edrp/schemes/landbased/landbasedhome.htm), accessed 18 May 2001.

27 'Farm Woodland Premium Scheme', [www.maff.gov.uk/erdp/guidance/fwpsdet/fwpsdhome.htm](http://www.maff.gov.uk/erdp/guidance/fwpsdet/fwpsdhome.htm), accessed 18 May 2001.

- **The Farm Woodland Premium Scheme.** This scheme is run in conjunction with the Woodland Grant Scheme. The Premium Scheme provides annual payments to landholders of up to £300 per hectare for 10 or 15 years while agricultural lands are converted to woodlands. The payments are designed to offset the agricultural income forgone until landholders can make a financial return from timber production. The British Parliament has committed a total of £77 million on this scheme for the period 2000-2006.<sup>28</sup>

## Agri-environment schemes in the United States

- 4.41 Since the 1985 Farm Bill, assistance given to farmers has been tied to achievement of conservation goals. The US is at the eighteenth round of the Farm Bill. Funds available under this round are allocated through an auction system, where farmers must compete with each other to receive government funds. Farm Bill legislation requires that funds be allocated on a competitive basis. To receive funds allocated under the Farm Bill, farmers must now provide environmental services for their land under specific programs.
- 4.42 In the US, support for the agricultural sector has a long history that goes back to the Great Depression in 1933. In its initial phase, the aim of US farm policy was simply to support farm incomes. The need to support farm income stems from the agricultural sector's history of chronic excess farm capacity.
- 4.43 US agri-environment schemes are run primarily through the US Department of Agriculture's Natural Resources Conservation Service (NRCS) and the Farm Service Agency (FSA). The schemes are regulated under the conservation provisions of the 1996 Farm Bill, which authorised more than US \$2.2 billion over six years until 2002.<sup>29</sup> Schemes include:
- **The Conservation Reserve Program (CRP).** This program protects highly erodible and environmentally sensitive lands with grass, trees, and other long-term cover. Up to 36.4 million acres can be enrolled in the program at any one time,<sup>30</sup> with funding provided for assistance with annual rental payments. Up to 50 per cent cost sharing is available for long-term resource conservation. Participants enrol in CRP contracts for periods between 10 and up to 15 years.<sup>31</sup>

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28 'Farm Woodland Premium Scheme', [www.maff.gov.uk/erdp/guidance/fwpsdet/fwpsdhome.htm](http://www.maff.gov.uk/erdp/guidance/fwpsdet/fwpsdhome.htm), accessed 18 May 2001.

29 'Summary', [www.nhq.nrcs.usda.gov/OPA/FB96OPA/Sum96FB.html](http://www.nhq.nrcs.usda.gov/OPA/FB96OPA/Sum96FB.html), accessed 18 May 2001.

30 'Summary', [www.nhq.nrcs.usda.gov/OPA/FB96OPA/Sum96FB.html](http://www.nhq.nrcs.usda.gov/OPA/FB96OPA/Sum96FB.html), accessed 18 May 2001.

31 'Conservation Reserve Program', [www.fsa.usda.gov/dafp/cepd/crp.htm](http://www.fsa.usda.gov/dafp/cepd/crp.htm), accessed 18 May 2001.

- **The Conservation Reserve Enhancement Program.** This program extends the CRP by establishing state and federal partnerships. These provide landholders with incentive payments to install specific conservation practices for periods of between 10 and 15 years.<sup>32</sup> For example, the US Federal Government has provided the state of Illinois with US \$250 million to preserve land along waterways throughout the Illinois river watershed.<sup>33</sup>
- **Environmental Quality Incentives Program (EQIP).** This program funds technical assistance and cost-sharing for conservation practices in priority areas, with 50 per cent of the funds dedicated to conservation associated with livestock operations.<sup>34</sup> The program establishes 5 to 10 year contracts with landowners who agree to manage areas according to set criteria in return for technical assistance and payments of up to 75 per cent for the cost of conservation practices.<sup>35</sup> The program is funded at US \$200 million annually.
- **The Wetlands Reserve Program.** This program has an enrolment cap of 975 000 acres, of which one third of must be in permanent easements, one third in 30-year easements and one third in restoration only cost sharing arrangements with a minimum 10 year duration.<sup>36</sup>

The US Government provides 50-100 per cent of costs depending on the type of management arrangement entered into.<sup>37</sup> Under this program the landholder is still entitled to lease the land for undeveloped recreational activities such as fishing or hunting. The landholder is also entitled to request that additional activities be evaluated to determine if they are compatible uses for the site, such as cutting hay or grazing livestock.<sup>38</sup>

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32 'Conservation Reserve Enhancement Program – questions and answers', [www.fsa.usda.gov/dafp/cepd/crepqnas.htm](http://www.fsa.usda.gov/dafp/cepd/crepqnas.htm), accessed 18 May 2001.

33 'Conservation Reserve Enhancement Program', [www.fsa.usda.gov/dafp/cepd/crep.htm](http://www.fsa.usda.gov/dafp/cepd/crep.htm), accessed 18 May 2001.

34 'Environmental Quality Incentives Program – Fact Sheet' [www.nhq.nrcs.usda.gov/OPA/FB96OPA/eqipfact.html](http://www.nhq.nrcs.usda.gov/OPA/FB96OPA/eqipfact.html), accessed 18 May 2001.

35 'Summary', [www.nhq.nrcs.usda.gov/OPA/FB96OPA/Sum96FB.html](http://www.nhq.nrcs.usda.gov/OPA/FB96OPA/Sum96FB.html), accessed 18 May 2001.

36 'The 1996 Farm Bill's commitment to conservation', [www.nhq.nrcs.usda.gov/OPA/FB96OPA/OviewFB.html](http://www.nhq.nrcs.usda.gov/OPA/FB96OPA/OviewFB.html), accessed 18 May 2001.

37 'Summary', [www.nhq.nrcs.usda.gov/OPA/FB96OPA/Sum96FB.html](http://www.nhq.nrcs.usda.gov/OPA/FB96OPA/Sum96FB.html), accessed 18 May 2001.

38 'Wetlands Reserve Program – questions and answers', [www.nhq.nrcs.usda.gov/OPA/FB96OPA/WRPQ%26A.html](http://www.nhq.nrcs.usda.gov/OPA/FB96OPA/WRPQ%26A.html), accessed 22 May 2001.

- **The Wildlife Habitat Incentives Program.** This program provides technical assistance and cost sharing of up to 75 per cent to help landowners improve fish and wildlife habitat on private lands.<sup>39</sup> While the funding arrangements are similar to EQIP (listed above), this program is not tied to priority areas.
- **Emergency Conservation Program.** This program provides emergency funding for land owners to rehabilitate farmland damaged by natural disasters, such as hurricanes or floods. The US Government provides up to 64 per cent of the costs of restoration.<sup>40</sup>

4.44 US states have implemented a number of mechanisms to conserve private lands. For example, some states have created market based mechanisms to enable trade in endangered species, which, if implemented successfully, can lead to preservation and creation of wildlife habitats. Dr Lavery, chair of Australian Environment International, gave evidence to the Committee regarding the trade in red cockaded woodpeckers in the US:

The most intriguing one that I know of relates to the International Forest company, which sweeps across the south of the United States and which now has, effectively, a banking licence to look after the red cockaded woodpecker, one of their endangered species. They have set aside 3 000 acres of forest to manage a core population of some 30 pairs of red cockaded woodpeckers on the basis that they can trade the rights of any excess number over that 30 – they have to be demonstrated, of course, and they are monitored - for those who might wish to develop forestlands or timber country elsewhere.<sup>41</sup>

## Opportunities for non-government contribution

### The United States

4.45 Over 1 500 land trusts support conservation on private lands in the US. These trusts buy land, and resell it after imposing conservation covenants. The Nature Conservancy is the largest of these conservation organisations, and protects over nine million acres of ecologically significant land.<sup>42</sup> The Nature Conservancy has become one of the top ten charities in the US.

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39 'The 1996 Farm Bill's commitment to conservation', downloaded from [www.nhq.nrcs.usda.gov/OPA/FB96OPA/OviewFB.html](http://www.nhq.nrcs.usda.gov/OPA/FB96OPA/OviewFB.html), accessed 18 May 2001.

40 'Emergency Conservation Program, downloaded from [www.fsa.usda.gov/pas/publications/facts/html/ecp00.htm](http://www.fsa.usda.gov/pas/publications/facts/html/ecp00.htm), accessed 18 May 2001.

41 Transcript of evidence, p. 155.

42 'Philanthropy: Sustaining the Land', The Ian Potter Foundation, Melbourne 1999, p. 6.

Individuals and corporations provide 80 per cent of its funding.<sup>43</sup> The annual turnover of the Conservancy exceeds \$US 450 million.<sup>44</sup> Additionally, several other US private sector organisations have also conserved over one million hectares.<sup>45</sup>

## England and the United Kingdom

- 4.46 The National Trust was the first organisation in the UK to be given a statutory duty to conserve wildlife and earth science features, through the National Trust Act of 1907.<sup>46</sup> The National Trust was founded in 1895 as an independent charity to hold and manage in perpetuity, for the benefit of the nation, countryside and historic buildings in England, Wales and Northern Ireland.<sup>47</sup> The Trust, while not specifically a nature conservation organisation, owns and manages 240 000 ha of land in the UK, with many of the properties over 500 ha in size. The Trust is the largest private owner of agricultural land in England, Wales and Northern Ireland.<sup>48</sup>
- 4.47 The Trust has over 600 staff, and over 15 000 volunteers.<sup>49</sup> Most of the Trusts agricultural land is leased back to farmers under agreements which allow the Trust and their tenants to work out terms to suit their circumstances.
- 4.48 Other private agencies include:
- **The Wildlife Trust.** The Wildlife Trust cares for more than 3000 nature reserves, covering 74 000 hectares. The Wildlife Trust has more than 343 000 members and 22 000 volunteers.<sup>50</sup>

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43 'Philanthropy: Sustaining the Land', The Ian Potter Foundation, Melbourne 1999, p. 6.

44 'Philanthropy: Sustaining the Land', The Ian Potter Foundation, Melbourne 1999, p. 6.

45 S Whitten, 'If you build them, will they pay? – Institutions for private sector nature conservation', paper presented at the 45th Annual Conference of the Australian Agricultural and Resources Economics Society, Adelaide, January 2001, p. 1.

46 'Grazing for nature conservation on National Trust land', [www.ntenvironment.com/html/nat\\_con/Papers/grazing1.htm](http://www.ntenvironment.com/html/nat_con/Papers/grazing1.htm), accessed 24 May 2001.

47 'Guidelines on Management Agreement Payments: The National Trust's response', [www.ntenvironment.com/html/land\\_use/papers/manage01.htm](http://www.ntenvironment.com/html/land_use/papers/manage01.htm), accessed 24 May 2001.

48 'The National Trust: A nature conservation organisation', [www.ntenvironment.com/html/nat\\_con/papers/intro1.htm](http://www.ntenvironment.com/html/nat_con/papers/intro1.htm), accessed 24 May 2001.

49 'The National Trust: A nature conservation organisation', [www.ntenvironment.com/html/nat\\_con/papers/intro1.htm](http://www.ntenvironment.com/html/nat_con/papers/intro1.htm), accessed 24 May 2001.

50 'Protecting wildlife for the future', [www.quiet-storm.net/wildlifetrusts/mainframe.php?section=aboutus](http://www.quiet-storm.net/wildlifetrusts/mainframe.php?section=aboutus), accessed 24 May 2001.

- **The Wildfowl and Wetlands Trust.** The Trust is the largest international wetland conservation charity in the UK, and promotes the conservation of wetlands by providing safe havens for birds, protecting wetlands, and creating wetlands.<sup>51</sup>
- **The Woodland Trust.** The Woodland Trust is a UK charity dedicated solely to the protection of the UK's native woodland heritage. The Trust acquires and manages woodland for wildlife and public enjoyment. The Trust protects over 1000 sites covering 17 5000 hectares and over the last ten years, has invested over £60 million in woodland conservation. The Trust has 200 000 active supporters, including 70 000 members.<sup>52</sup>

## Taxation arrangements

### United States

- 4.49 Giving tax concessions, tax deductions, or tax credits to individuals or companies can facilitate donations of money and/or land for public good conservation purposes. The US has a range of financial mechanisms to encourage conservation on private land, including:
- cash donations;
  - donations of assets – ie shares;
  - donations of land; and
  - bequests.<sup>53</sup>
- 4.50 Other financing options are available in the US that involve using the tax system as motivation for public good conservation. These include:
- Bargain sales of land to conservation trusts. In this situation, the gap between full market value and the price paid by the charity is considered a donation and is therefore tax deductible.
  - Landswaps and exchanges. A land trust exchanges land of high conservation value for land or other assets of similar value.
  - Capital gains roll over for voluntary acquisitions. If land is compulsorily acquired by the government, landholders receive a 12 month capital gains relief in which time they may acquire replacement assets.

51 'About WWT' downloaded from [www.wwt.org.uk/about/about\\_bod.htm](http://www.wwt.org.uk/about/about_bod.htm), accessed 24 May 2001.

52 'Who we are', [www.woodland-trust.org.uk/findoutmore/who.htm](http://www.woodland-trust.org.uk/findoutmore/who.htm), accessed 24 May 2001.

53 C binning and M Young / The Ian Potter Foundation, *Philanthropy: Sustaining the Land*, Melbourne, 1999, p. 8.

- Donation of land with retained right of occupation. Land is donated to a conservation trust with the provision that the current owner can live on the land until his or her death.
- Financial options annuities and trusts. These include options for the purchase of high conservation value land, payment of annuities to people who donate land or other assets, the use of tax free bonds and sales of shares in conservation lands.<sup>54</sup>

4.51 A comparison of US and Australian tools available for conservation, including changes required to Australian taxation arrangements to make them similar to US arrangements, is given in Table 4.1. This table was published in 'Philanthropy: Sustaining the land', The Ian Potter Foundation, Melbourne, 1999.

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54 'Philanthropy: Sustaining the Land', The Ian Potter Foundation, Melbourne 1999, p. 9.

**Table 4.1 Comparison of Australian and American Tax Treatments**

<b>Tool</b>	<b>US situation</b>	<b>Australian situation</b>	<b>Changes required</b>
<i>Mechanisms that Involve Conservation Covenants</i>			
Donation of conservation covenants	Deduction of the difference in land value before and after the covenant is entered	Not currently, although may be allowable under existing gifting provisions if a statutory covenant is considered property. Requires a test case.	Confirm current situation and make legislative changes if required
Deduction of managements costs	No	No – unless carrying out a business on the land	Give access to the 34% Landcare rebate to land covered by a conservation agreement
Negative gearing and primary producer status	Not applicable	No	Allow negative gearing of properties covered by a conservation agreement Give landholders who enter conservation covenants primary producer status for tax purposes
State government land tax	Exempt in many US states but not all	No exemption provided	State governments would be required to exempt land covered by a conservation covenant
Local government Rates	Exempt in many US states but not all	A small number (less than 15) of local governments provide rate exemptions NSW Voluntary Conservation Agreements are exempt from rates	State governments would be required to exempt land covered by a conservation covenant
Revolving funds	Exempt from land sales taxes and charges in some states	Only Trust for Nature (Victoria) and state agencies are currently exempt	Allow conservation trusts to enter conservation covenants Exempt registered Conservation trusts from stamp duty, taxes and charges associated with the purchase and sale of land

<b>Tool</b>	<b>US situation</b>	<b>Australian situation</b>	<b>Changes required</b>
<i>Other financing options</i>			
Bargain sale of land	Deductible Capital gains exempt May be apportioned over 5 years	Current taxation arrangements do not allow for bargain sales	Allow the gap between sale price and full market value to be a tax deductible gift Capital gains exemption Apportionment over five years
Landswaps and exchanges	Does not trigger capital gains tax	Capital gains tax would be triggered by the disposal and acquisition of assets	Allow capital gains to be rolled over negotiated land swaps
Capital gains roll-over for land voluntarily acquired	Proceeds may be reinvested in similar capital (ie land) within two years provided a government agency has committed to compulsorily acquire the land in the absence of voluntary sale	No arrangements in place	Allow capital gains roll over for properties voluntarily sold to conservation trusts
Donation of land with retained right of occupation	Donation of the value of the land is allowed over five years and is capital gains tax exempt	May be deductible but is untested	Allow deduction for the donation of land with retained right of occupation Capital gains tax exemption Apportionment over five years
Conservation annuities, bonds and shares	Receive favourable taxation treatment especially in relation to capital gains and estate taxes	Only deductible once annuity, bond or shares mature/are sold	Allow donations of principal to be deducted over five years Exempt from capital gains tax Treat life time annuities as income

Source *'Philanthropy: Sustaining the land, The Ian Potter Foundation, Melbourne, 1999, pp. 11-12.*

## United Kingdom

- 4.52 Income and transfer tax exemptions are available in the UK if a site (including land and/or buildings) of 'pre-eminent' national, scientific, historic or artistic interest is donated to a recognised charity.<sup>55</sup> Individuals can get income tax and capital gains tax relief on gifts of assets such as land or stocks to recognised charities, including wildlife charities. Companies can get corporation tax relief, for gifts of the same types of investments. Companies can get this relief in addition to relief from corporation tax on capital gains on gifts to authorised charities of shares, securities and other assets.<sup>56</sup>

## Legislative and regulatory approaches

### United States

- 4.53 The US Farm Bill provides funding and authorises programs for the undertaking of public good conservation on private land. However, the Farm Bill does not focus on regulatory approaches, instead concentrating on the removal of funding if landholders do not abide by management agreements. The US Environmental Protection Agency is responsible for a number of laws that may affect landholders, and undertakes a number of programs which can affect landholders, including air, water and pesticide programs.<sup>57</sup> These laws tend to focus on point source pollution, including the 1955 Clean Air Act, the 1973 Endangered Species Act, the 1965 Shoreline Erosion Protection Act, the 1974 Safe Drinking Water Act and the 1976 Toxic Substances Control Act.<sup>58</sup>

## Conclusion

- 4.54 In its report, *Co-ordinating catchment management*, the Committee:
- ... acknowledged that there are many initiatives addressing and many reports highlighting the problems facing our catchment

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55 'Relief for heritage assets. Part 3' [www.inlandrevenue.gov.uk/rha/rha3.htm](http://www.inlandrevenue.gov.uk/rha/rha3.htm), accessed 31 May 2001.

56 'IR78: Giving shares and securities to charity' [www.inlandrevenue.gov.uk/pdfs/ir178.htm](http://www.inlandrevenue.gov.uk/pdfs/ir178.htm), accessed 31 May 2001.

57 'Chapter 1- Environmental Protection Agency', [www.epa.gov/epahome](http://www.epa.gov/epahome), accessed 25 May 2001.

58 'Introduction to Laws and Regulations', [www.epa.gov/epahome/lawintro.htm](http://www.epa.gov/epahome/lawintro.htm), accessed 25 May 2001

systems. There has been, until recent times, little systematic and co-ordinated action. There is at the time of tabling this report, no nationally co-ordinated approach.<sup>59</sup>

- 4.55 The Committee also clearly provided its support to the initiatives of the Government in respect of salinity and water quality:

The Committee therefore welcomes the announcement by the Prime Minister, the Hon. John Howard MP, of *Our Vital Resources: National Action Plan for Salinity and Water Quality in Australia*. The action plan proposes the first co-ordinated, national approach to the problems of salinity and water quality. The plan provides the Commonwealth with the lead role in facilitating, in co-operation and agreement with the states, solutions to these problems. The Prime Minister said that unless the Commonwealth took the lead role, the problems 'will never be fixed because there are competing and colliding state interests that only the facilitating, co-ordinating leadership role of the Federal Government can overcome'.<sup>60</sup>

- 4.56 The Committee concluded, however, that the arrangements for managing catchment systems are:

... based on inadequate information and ongoing monitoring, are poorly co-ordinated and do not provide for effective harmonisation of programs between jurisdictions. As a consequence, what would be effective programs in one area can be undone by poorly conceived actions in another. Moreover, while specific local programs have been implemented, whole-of-catchment programs are not developed or implemented. The approach is piecemeal and embodies considerable inefficiencies.<sup>61</sup>

- 4.57 A considerable amount of the evidence collected in this inquiry indicates that the conclusion the Committee reached in *Co-ordinating catchment management* apply generally to public good conservation programs. It appears from the evidence that, despite some local successes and some landholders who have made the transition to sustainable land use practices, there are many landholders who cannot afford to make the transition and programs that are not as effective as they could be.

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59 *Co-ordinating catchment management*.

60 Prime Minister, The Hon. John Howard, Press conference transcript on the launch of *Our vital resources: National action plan for salinity and water quality in Australia*, Parliament House, Canberra, 10 October, 2000.

61 *Co-ordinating catchment management*.

- 4.58 This is not through a failure on the part of the many thousands of people who participate regularly in public good conservation measures. It is a failure on the part of policy makers to design policies and programs that are appropriate to the problems at hand.
- 4.59 As an example, the Committee notes that, similar to Australia, the power to legislate in respect of environmental matters in the US lies predominantly with the individual states. Consequently, Australia and the US share a number of the same structural difficulties, including ad-hoc programs and unco-ordinated approaches between many of the states.
- 4.60 However, the Committee notes that when, in the 1930s, the United States was faced with the 'Dust Bowl', an environmental and agricultural catastrophe, the US Federal Administration established a permanent agency to focus national efforts to tackle the problem. The result, the US Department of Agriculture's Natural Resources Conservation Service, provides support in various forms to landholders undertaking conservation works.<sup>62</sup>
- 4.61 The Committee concludes that our public good conservation effort has much to learn from the programs, policies and approaches undertaken abroad. In particular, we must adopt an approach that aims to obtain outcomes and devote more financial resources to the environmental problems facing the nation. What is clear from overseas experience is that not only is funding provided, but genuine attempts are made to alleviate and mitigate the effect of change upon landholders that is occasioned by changes to farming practice caused by environmental problems and the need for public good conservation outcomes.
- 4.62 **Therefore, the Committee iterates the recommendations from its report, *Co-ordinating catchment management*, that a national catchment management authority should be established to foster public good conservation and that the government should examine the feasibility of an environment levy to fund the effort required to remedy the environmental problems facing the nation.**

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62 For a detailed description of the US approach, see the Inquiry into public good conservation, NSW Farmers' Federation, Submission no. 177, p. 22. See also appendix F.