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**HOUSE OF  
REPRESENTATIVES**

STANDING COMMITTEE ON ENVIRONMENT AND HERITAGE

**Reference: Public good conservation**

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**HOUSE OF REPRESENTATIVES  
STANDING COMMITTEE ON ENVIRONMENT AND HERITAGE**

**Monday, 11 September 2000**

**Members:** Mr Causley (*Chair*), Mr Barresi, Mr Bartlett, Mr Billson, Mr Byrne, Mrs Gallus, Ms Gerick, Mr Jenkins, Dr Lawrence and Mrs Vale

**Members in attendance:** Mr Billson, Mr Causley, Mrs Gallus and Mr Jenkins

**Terms of reference for the inquiry:**

For inquiry into and report on:

- 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.

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**Committee met at 9.42 a.m.**

**DONALDSON, Mr Jim, Director, National Strategies Section, Environment Australia.**

**GUNASEKERA, Dr Don, Assistant Secretary, Policy and Accountability Branch, Environment Australia.**

**HATFIELD-DODDS, Mr Steve, Director, Environmental Economics Unit, Environment Australia.**

**CHAIR**—I declare open this meeting of the House of Representatives Standing Committee on Environment and Heritage for its inquiry into public good conservation. Today's hearing is the second one for the inquiry and is part of the committee's program of hearings and visits in different part of Australia. The hearings and visits allow us to pursue some of the issues raised in the 243 written submissions to the inquiry with the authors of some of these submissions. At today's public hearing we will hear evidence from Environment Australia, the Department of Agriculture, Fisheries and Forestry, and the Australian Property Institute. Our first witnesses are from the Department of the Environment and Heritage, Environment Australia.

Although the committee does not require you to give evidence under oath, I should advise you that the hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House itself. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. We have a submission from you but would you like to make a short opening statement and then we will go into questions.

**Dr Gunasekera**—Yes, thank you. Basically, the Environment Australia submission has four components. At the outset we cover the nature of the problem in terms of natural conservation and public good conservation activities. Secondly, we cover the key principles associated with any government involvement in public good conservation. Thirdly, we go on to discuss the cost sharing arrangements which could be useful in addressing some of the problems that we have discussed. We finish off our submission by highlighting the role of government involvement in public good conservation. My colleague Steve might expand a bit more on some of those issues.

**Mr Hatfield Dodds**—The submission essentially takes an economic approach to defining what public good conservation is. Public good conservation is considered to occur where all, or a significant proportion of, the benefits of conservation are not captured by the individual that undertakes that activity, and hence the reason for the inquiry. While in some cases the private or individual benefits from that conservation activity will outweigh the costs, there will often, or usually, be cases where the conservation activity will not be undertaken unless there is some cost sharing with the broader community. In practice, this definition is easier to say than to implement because often it is not easy to draw a boundary around those conservation activities or to separate conservation activities from other activities, particularly where conservation outcomes relate to the way management practices are undertaken rather than specific and identifiable actions which are conservation actions themselves.

It is also difficult to identify and assess the public dimensions of any particular action because they occur at different geographic scales and often involve long time lags. Retaining remnant vegetation, for example, may contribute to reduced erosion and provide shade for livestock at

the farm level, but the potential public benefits include reduced nutrient run-off, improved water quality, reduced salinity, increased amenity for tourists and local people, and improved transpiration and groundwater impacts. Then there are the direct or indirect impacts of enhanced biodiversity such as enjoyment of the native wildlife and insect and pest control, and, finally, at the global scale, carbon sequestration and reduced greenhouse gas emissions. So it is quite difficult to identify that range of benefits and then to assess the magnitude of those for a particular action.

In terms of principles for government involvement, the submission runs through the logic of that. As we were discussing earlier, individuals should be expected to meet the costs of conservation activities that are required to achieve generally expected environmental standards, and assistance should be limited or targeted to circumstances where parties are moving beyond those expected standards. To ensure that the most affected groups are treated reasonably and equitably, implementing this principle should take account of the evolution or changes to these perceived responsibilities and standards, particularly the notion of land-holder duty of care. The submission suggests that the case for government contributions to public conservation activities is strongest when the agents themselves are best placed to undertake conservation activities and they are not ethically or legally required to undertake those, that the activity can be shown to have a net benefit to society, that the private costs of implementing the conservation activity are greater than the private benefits of doing so, and that the general community is willing to contribute to the cost of these activities on equity grounds or because they are willing to secure those greater conservation benefits.

The submission does not suggest that this is a golden rule or a cast-iron approach. It notes that in some instances it may be appropriate to provide assistance to conservation activities that are required to meet current standards or to address social costs. These may include situations where sources of degradation are diffuse—they are non-point sourcing and cannot be readily identified; cases where there is a desire to support transition to the sustainable use of resources; cases where remediation or conservation activities are beyond the financial resources of some—and, as is often the case, where the current degradation was caused by historical unsustainable resource use, not necessarily by the individuals involved at the moment, and that use was considered appropriate at the time or was supported by government policy.

The submission also makes a few remarks on the sorts of principles that could guide cost sharing arrangements. It notes that in the absence of funding constraints it would be both efficient and equitable to share the costs of undertaking public good conservation activities among the various parties, including governments, in proportion to the benefits that those parties receive or enjoy. In principle, this may involve applying different cost sharing ratios to different categories of environmental projects according to the extent of the public good involved. In practice, however, the submission takes a small step back from that position and notes that public funds are limited and you get into a lot of other principles about the role of government and so forth. But, essentially, the submission suggests that this means that government funds should be limited to covering the gap between the private costs and the private benefits of the activity.

This general approach is already apparent and supports the use of cost sharing rules, such as those that are in place for the National Heritage Trust. This basic approach could, and should, be complemented by more flexible approaches to cost sharing where existing arrangements may be

impeding activities that are worthwhile and that would have substantial public benefits. The submission notes a couple of particular exceptions or places where improved conservation outcomes and greater public benefits may be able to be achieved. These include situations where assistance for public good conservation will reduce other budget outlays, such as where land use change that improves water quality may reduce costs of urban filtration or water treatment in other portfolios. They also include situations where industry or non-government organisations may be willing to contribute to the cost, or situations where conservation goals may be promoted through improved institutional arrangements or through the creation of markets for natural resources or, ecosystem services, or through changes to or removal of certain provisions about property rights, government pricing arrangements and those sorts of things.

I have a few closing remarks on the fourth section about the role of the Commonwealth, as Environment Australia sees it. The submission notes that the Commonwealth's direct responsibilities for natural resource management and conservation are relatively limited and focus on management of areas within its own jurisdiction; meeting Australia's obligation under international laws, including treaties; and matters touching on imports, exports and quarantine. In addition to these there is a national interest case for the conservation of Australia's natural resource assets, particularly in light of the seriousness of current and predicted levels of resource degradation. This more general leadership role could include ensuring policies in governance arrangements applied by the states and at the regional level are consistent across jurisdictional borders and also that the Commonwealth often has a role contributing financially to encourage state and private investments that are required to meet these targets.

In this broader context, the Commonwealth's overarching role is to promote policies that address the causes rather than the symptoms of degradation of natural resources. In this more general role the Commonwealth also has an interest in the development of efficient and equitable funding arrangements and this implies an important role for preventing cost shifting. This includes clarifying the responsibilities of land-holders and others for conserving natural resources. In this particular case, the notion of land-holders' duty of care is set out in the ANZECC national framework for managing and monitoring Australia's native vegetation, some extracts of which are attached to our submission. The practical implications of that framework and those notions of duty of care need to be worked out more thoroughly. The Commonwealth also has a role in ensuring consistent legislation and approaches are established by the various states and by the Commonwealth.

Finally, the submission notes that it is quite appropriate for the Commonwealth to work with rural industries and other resource-based industries—or industries with resource impacts—to develop national standards and approaches that are relevant to integrating natural resource conservation into production activities, and that such standards may have an important role in being formally adopted as part of environmental management systems.

**CHAIR**—Mr Donaldson, do you want to contribute at all to this opening statement?

**Mr Donaldson**—Not to the opening statement, no.

**CHAIR**—Bruce, you were so keen to ask questions earlier so I will hand across to you.

**Mr BILLSON**—One of the things that we need to confront is how you actualise all this stuff. I wonder whether you have some thoughts on that. You touched on the institutional arrangements briefly. My sense is that without aggregating a number of property holders, without creating a catchment-sized unit to work with, a lot of the points you raised are going to continue to be problems—for instance, funding numerous small projects by the Commonwealth is not always the best outcome. If you are looking for transferable property rights, whether it be vegetation or whatever, you need an aggregated size of area to make those transactions; if you are looking at how to spend money well in terms of natural systems outcomes, you need a natural systems unit to work with. I just wonder whether it is as much of a problem as I sense it is that the Commonwealth is not able to get into that operationalised size, that the states have a mixed performance in that area, that some of the catchment institutions do not have the public support and all the tools they need, and that for many of the local councils this is just all beyond them and all a bit hard. Do you have any thoughts on that operationalising of these ideas?

**Dr Gunasekera**—I guess one of the important outcomes of the NHT experience is working at the catchment level or on ground activities, rather than getting involved at a broader level. I think in the submission we are trying to highlight what lessons we can learn from the NHT experience and apply more widely. That is my initial reaction to your point.

**Mr Donaldson**—I would add that I think there is no doubt that people in government find it a very complex and changing situation, particularly as a sense of public and private, or I guess, societal, values keep changing. Working out what is the optimal mix of policy and program instruments is quite a difficult one. The current natural resource management policy discussion is focussing on asking those questions and asking the question of what is the appropriate role of the Commonwealth in relation to other levels of government, but in terms of what are the best instruments.

**CHAIR**—What about the science and database though? If we are going to make any of these decisions we have to be sure—I suppose we can never be sure of our science but we are learning a lot more in recent times. What about the database of saying, ‘We do need vegetation in this area’ or, ‘We do need different practices in another area?’ Have we got that? Do we have a base to start from to make these decisions?

**Mr Donaldson**—Once again, the science and the research behind providing that sort of data, and even the knowledge of the way the ecosystems work, is continuing to evolve. Quite a lot of work is currently being done by the Murray-Darling Basin Commission, CSIRO, and groups like the Bureau of Rural Sciences on exactly that—things like the ideas of determining where salinity is sitting in the landscape and therefore being able to target better where you might take action either to intercept or to plant trees. I think we have seen a big leap forward just in the last year in that sort of area. In terms of biodiversity the same sorts of issues arise—trying to understand what are the most critical parts in the landscape to intervene or to put extra effort to conserve biodiversity. But the database does need quite a lot more development to be able to target effectively.

**Mr Hatfield Dodds**—I think that last point is important—distinguishing between what one might describe as the science and the mechanics of the systems and the information or the application of the science to a particular location and working out the impact of vegetation, or lack of vegetation, in different areas in different farming practices. I think, as a general



statement on agricultural practice issues, the science is quite good and the real need is to apply it and to do the assessment and produce the information or the data. For issues of biodiversity and conservation and those less defined ecosystem services notions, it is not clear that the science is as advanced and so there are two steps required, not one step.

**Mr BILLSON**—But even in those areas you still need some manageable plane from which to work. Before the hearing commenced I was saying that I still think land use planning tools are a nice, publicly palatable, easily understood, easily accessible way of bringing all that together. A fortnight ago they launched a vegetation strategy in Victoria. That is great, and it has a net increase as a goal, but how do you actually operationalise that without saying to certain areas, whether they be catchments or councils, ‘Okay, you can do this on that land but we’ve got to find 30 hectares for vegetation,’ or, ‘Yes, you might only have a poopteenth of the remnant vegetation but you’re a crucial habitat corridor and therefore that’s a big deal.’ You need that sort of dialogue somehow, and even on the market instruments you need a market, you need some containment ethos that actually creates something of value to trade. I do not think the ideas are that complicated, I just think the playing field on which to put them before people is where we keep stumbling. We are not really tackling that hard issue of how you put the good science into good practice.

**Dr Gunasekera**—In a sense what you are arguing, and we tend to agree with that, is that there is enough data and information available at the moment to improve the situation. I am not saying that the data is perfect but there is some data.

**CHAIR**—Enough to start with.

**Dr Gunasekera**—Yes, to start with, and that has been collected by Commonwealth agencies, state agencies and others. The critical point there is do we have the right institutional framework, the right arrangements, to facilitate the things that you were talking about?

**Mr BILLSON**—My answer to that is no. I would be interested to hear your answer.

**Dr Gunasekera**—Again, I just keep coming back to the NHT experience where you are trying to get the Commonwealth and the state agencies, as well as the other stakeholders, to work together and develop frameworks to add to some of those things.

**Mr BILLSON**—To a large extent the feds wimped out on some of that with the partnership agreements, particularly with Queensland. The whole ethos of the policy was to have a minimum level of performance, some threshold behaviours that demonstrated that everyone was committed to the shared goal, and then on top of that you would finance some activities. We are four years in and we are still arguing over who is going to pay for reasonable vegetation clearance controls. That troubles me greatly, but brings us back to that earlier point you were making about duty of care, you called it—I would call it threshold conduct issues—and being for real about that and using whatever funding the taxpayer or other sources make available to get better outcomes than what is a minimum level of performance.

**Dr Gunasekera**—Coming back to the duty of care concept, that has been around for some time, particularly in other areas like occupational health and safety and industrial issues. I think it is still at the early stages in terms of applying that concept to actual resource management,

especially getting the ground rules sorted out—is there a legal commitment or just a voluntary concept; or how do we assist compliance? So there are several issues that we need to work out in terms of the duty of care concept but I do not think we have gone very far in terms of trying to expand that.

**CHAIR**—The basic farmer would just roll his eyes back when you start talking about duty of care. Really, the basis of this is if we have a problem, we say we have a problem in this area. I suppose the question then is how do we resolve it? The next thing is who implements these policies, who actually changes these practices, who pays, because that is the basic problem that we have. If we just say that we are going to legislate to achieve what we feel as being good and warm and we drive these people off the land, who does it then?

**Mr Hatfield Dodds**—From my perception, part of unpacking that issue is to a very large extent the notion of what is reasonable in terms of outcomes, and duty of care or minimum standards, however you frame it, has not changed terribly much. What has changed is that the impacts of particular activities have shown to be greatly different to what we originally imagined.

**CHAIR**—That is correct.

**Mr Hatfield Dodds**—Because things like groundwater slugs take such a long time to travel through the landscape and those sorts of things. So it is not so much a change in the rules or expectations but a need to realign or modify some current behaviour or to reverse past behaviour, of clearing in particular. So there are different issues there and our submission acknowledges that there is an important role for transitional assistance. The real issue is how do you best do that. Just reacting to Mr Billson's point about land planning frameworks though, I think an important first step is not necessarily thinking in terms of planning but simply in terms of communication. Often part of the challenge is not so much how to impose planning regulations but to understand how to coordinate actions so we can respond at a landscape or a catchment scale without taking individual responsibility away from the land-holders, who are at a smaller scale, where the best catchment management practice may involve very substantial changes. Farms on the upper slopes, for example, may need to do significant replanting and a lot of the benefits from that are happening downstream. So the first step is to get your communication. There are tools for people to understand where those need to happen, that the sciences understand—

**CHAIR**—And the obvious question is how?

**Mr BILLSON**—That is why I like the land use planning stuff, because it is no mystery to most people and it is pretty public.

**CHAIR**—Obviously what you are saying is that our knowledge has changed—that is a given—so we need to go out and talk to people about what is happening in the landscape. How do we do it these days without extension? Most of the state governments have got out of extension.

**Mr Donaldson**—I think that is where the Natural Heritage Trust, and the Landrace programs before them, have made a great step forward. I guess the importance of some of the community

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grants processes is actually engaging people, getting them in the debate, getting them in to taking actions and then understanding the issues and the impact of what they are doing on the landscape.

**CHAIR**—A great tool there is coordinators and we do not fund coordinators in the NHT programs.

**Mr BILLSON**—That is a theory.

**CHAIR**—In theory that is true.

**Mr BILLSON**—We are getting beaten up from both sides on that. We go to different parts around the country and they say, ‘All this money should be going into physical works,’ and others are saying, ‘You really need warm bodies on the ground to convey that knowledge and operationalise what these policies are about.’ None of these are necessarily wrong points of view but they seem to hook back to the feds a bit, don’t they. ‘States territories are local; go and talk to the feds.’

**Mr Donaldson**—The overarching aim is to get the on-ground action, and that is certainly where a lot of the community grants money goes. There is a fair bit of money being put into facilitators and coordinators, through the Bushcare program, through the Landrace program, and I am sure through some of the others, including the farm forestry sort of programs.

**CHAIR**—Coordinators are important but you think we need to get the balance of money on the ground and coordination?

**Mr Donaldson**—Once again, the debate is about where the appropriate balance is, and I think different people have different views on that. There is certainly the view that we do not want to fund more bureaucracy without leading to on-ground change, and I guess it is making sure that those connections work effectively.

**CHAIR**—Then how do we, as a federal government, get that message through or get that cooperation with the states?

**Mr Donaldson**—That is essentially what the partnership agreements have set out to do.

**Mr BILLSON**—Which we doubt, in my view, in terms of making that simple point that a core function for states and territories is to have this extension capacity and some of the basic tools on the ground. Yet somehow that has become so fuzzy now. Even that South Australian ambit claim in the last couple of weeks was, ‘Oh, look, we’ve got to do all these things. If only the feds were serious.’ It was an amusing way of saying, ‘Let’s hope someone else pays for it.’ Do we have to go back and really get those institutional arrangements right so that everybody is making the contribution that they are required to?

**CHAIR**—Could it be done through COAG?

**Mr Donaldson**—That issue is certainly on the table and being discussed, once again in the context of the Natural Resource Management policy framework. That has also been raised in the COAG context, I believe for a meeting in November. NRM issues are being raised there and the role of the Commonwealth and the states. I guess a view has been taken that that is an appropriate forum to raise that issue.

**CHAIR**—Because basically the Commonwealth does not really have a lot of legislation that impacts in this area on property owners, does it? There was some concern raised in Victoria about the new environmental act, about its overarching powers on states.

**Mr BILLSON**—That was where there was a nationally listed endangered specie finding its way into a landscape or ecosystem assessment.

**Dr Gunasekera**—I am not really sure whether the new act has any direct links to property rights.

**Mr Hatfield Dodds**—It would affect development proposals where there was a matter of national significance.

**Mr BILLSON**—That is assuming they do nothing to get their processes accredited.

**CHAIR**—I think the concern is the same as with some of the state acts, that the planning acts are used to put conditions on property owners which impinge upon their ability to manage properties. That is where the fear is. For instance, in New South Wales it has been raised with me that the planning acts invariably talk about what has to happen in rural New South Wales but Sydney is exempted. That raises concerns in the rural areas—and Bruce was talking about this earlier—about would it be palatable, or palatable to whom, city people or country people?

**Mr BILLSON**—The analogy is coastal planning. I do not know what it is like in Sydney, but in Victoria it is probably the most over-regulated area, and rightly so because there is a public awareness of what a precious resource it is and the demands that are on it. That seems okay, yet translating that sort of thinking outside the urban coastal areas seems not okay. That is a tad confusing for a simple guy like me.

**CHAIR**—Has anyone in your group done any surveys on public thinking about this, as to what they are prepared to contribute towards natural resource management?

**Dr Gunasekera**—I do not think we have done any specific surveys.

**CHAIR**—Like an environmental levy?

**Dr Gunasekera**—Again, it is coming back to the NHT experience. In a sense it tells you the extent to which cost sharing arrangements have led to a situation where, say, for every thousand dollars that is approved by the Commonwealth there is a contribution of around \$7,000 from other sources, either in funds or in in-kind contributions. In a sense, that is a good example on average of the arrangements. I do not know whether you can use it as a survey but at least it shows the experience of the cost sharing arrangement between the Commonwealth and the non-

Commonwealth entities. So there are some lessons to be learnt from that framework and the question then is how could we extend that to other areas?

**Mr Hatfield Dodds**—Responding to the notion of a levy more specifically, certainly Environment Australia has not done any specific work looking at willingness to pay, willingness to contribute, or acceptance of a levy. I understand that that issue was raised in the public discussion paper on natural resource management policy and the vast majority of the responses to that were quite positive, but it would probably be better to ask our AFFA colleagues about that. More generally, there has been work by academics on willingness to pay for different sorts of things related to tax burdens, which generally finds that where things deliver specific outcomes—

**Mr BILLSON**—Hypothecation?

**Mr Hatfield Dodds**—Yes, but where the respondents or the public see those as being fairly tangible they score well. Environment traditionally comes out in the top one or two topics that people are willing to contribute for, and things like public servants or administration come out rather poorly. But there is always the issue about how far to take the academic work when you actually give people the tax bill and see how they respond then.

**Mr BILLSON**—Is it simply a lack of political will?

**Mr Hatfield Dodds**—That is a difficult one for us to answer.

**Mr BILLSON**—My sense is that it is simply a lack of political will, because everywhere you turn there are people who are going to be aggrieved. For as long as I have been sucking air on the planet we have been encouraging, cajoling and providing incentives, and that has proved modestly successful in some areas. You were talking about communication before, which is a nice way of saying, ‘Is everyone convinced this is necessary?’ Well, not the way you are presenting it, but I would say that is where the communication thing is: people just have not got it yet.

**CHAIR**—I think it is case that not everyone is convinced.

**Mr BILLSON**—I agree. The Australian community and our democracy seem very prepared to do courageous things, as they say in *Yes, Minister*, where there is a shared view that there is a crisis or a genuine need to act. My sense is that we might all think that is now for natural resource management but I am not so sure whether the broader community sees it yet or whether it is too easy to paint the villains as the ones who should be doing things about it and comfortably going on with something else in our life. Would you care to comment on that?

**Mr Hatfield Dodds**—I am happy to be courageous. I do not think it is simply a problem of political will. Normally a problem of political will describes a situation where you just do not have the guts to do what you know you should do, and I do not think that captures the situation accurately. I think there are a number of problems that really all come back to the notion of ownership. I think a very significant problem is the problem of cost shifting, particularly between the states and the Commonwealth where states have jurisdiction but there has been a long tradition of the Commonwealth putting up the bucks. Because that normally happens on a

consensus model, you get the problem of wimping out. The Commonwealth has objectives that are hard to deliver on if it is trying to do it on a consensus basis across the different states, because states have very different levels of what they think is appropriate. So getting that ownership of a problem and willingness to pay your share is, I think, probably the most important aspect. I think the communication issue is significant and ties into that. Communication could help resolve the problem if people were willing to come to the table and say, 'Once we've agreed, we're going to act on this.'

**Mr BILLSON**—So really we need a bit of a love-in to make sure everyone is clear on who is responsible for what and move forward from there?

**Mr Hatfield Dodds**—Not so much a love-in but a recognition that the problems are going to get worse if we do not act. The longer we argy-bargy about who pays for what, the more somebody will have to pay in the long run.

**Mr BILLSON**—I hate using the term, but a Medicare style agreement where years of haggling have washed out most of the cost shifting—some of it is still there but you end up with quite an elaborate scheme of responsibilities and financial obligations. Do we need to move towards something like that before we can really get policy action on the ground, using money wisely and using it resourcefully?

**CHAIR**—I think you can get agreements with states. The aggregation of western lands, which started in Queensland, was an agreement between the federal government and the states and I think that has worked quite well.

**Mr BILLSON**—It was on the nitty-gritty too though, wasn't it?

**CHAIR**—It was an agreement.

**Mrs VALE**—Mr Chairman, can I just ask Steve, having articulated the problem, has Environment Australia thought about what kind of strategies could be put in place to overcome it? I know that my colleague here has made some suggestions but has it been something that Environment Australia has focussed its mind upon?

**Mr Hatfield Dodds**—I think that how I have posed the problem as an ownership issue is a very important part of how we are looking at the notion of natural resource management. We see that as operating at a number of levels and that the key is putting in place institutional arrangements that everything else can hang off properly. My area in particular deals with economic instruments, for example, tradeable rights, ecosystem services and those sorts of things. A prerequisite of that is having something that they nest under, a catchment management body or a state or whatever it is. But you need to be clear on that and make these decisions, so you can then move on. Coming up with agreed institutional arrangements is probably the next big step in terms of dealing with that ownership issue. But it is a perennial problem in Commonwealth-state issues like this. The Medicare levy issue is a bit problematic because a lot of the perceived—

**Mr BILLSON**—Not so much a levy but more an agreement—the tools.

**Mr Hatfield Dodds**—A lot of the perceived costs of doing things is foregone income—taking land out of production and those sorts of things, which are much more difficult to identify, address and fund, particularly where you do not think that income is or was sustainable. If it looked sustainable 20 years ago because we knew less, we do not necessarily want to pay for it for the next 50 years because of a past mistake. So there are a lot of very complicated issues there and I think that is where transitional assistance is more important than notions of compensation and so on. From a public policy perspective, I think there are communications issues, too, with things like the Medicare levy that only pay a third of the cost but where people pay their Medicare levy and say they think they are fine and the government keeps trying to refine health policy partly in relation to that.

**Mr BILLSON**—I was thinking more of the agreement on the states and feds, not so much the levy side of it but more on the outlays side of it. The other thing was that we have heard that some of our other areas of policy are confounding when it comes to natural resource management outcomes. Some of the tax examples, for instance, where at a state level—and even at a Commonwealth level—you get rewarded for your virtuous conduct by a heftier tax bill because you have taken land out of production and therefore it is liable for land taxes and things like that. Trying to do the right thing can be a mighty expensive exercise. Is that something that you guys have had a look at?

**Mr Hatfield Dodds**—Environment Australia has been a sponsor—I am not sure if it is the sole sponsor or a major sponsor—of a quite long CSIRO project into incentives for conservation activity. A major focus of that work has been tax changes that may be required. That has now reached the mature phase at the Commonwealth level and has been considered by the environment minister and others. We are also funding a communication element that because the issues raised are normally local government rate based issues and those sorts of things.

**Mr BILLSON**—But you funded a couple of studies at Melton and the like looking at the way land taxation can be used as a—

**Mr Hatfield Dodds**—Yes, and we are now essentially picking up the tab for the consultants that did that work at CSIRO—particularly Carl Binning, but others as well—to engage with local governments. There is a series of state-based local government forums where they are discussing these issues and the Commonwealth is picking up the tab for part of the expert input to those forums. So I think the Commonwealth is pulling its weight there in providing the information and helping them to move.

**Mr BILLSON**—Are you looking at what might happen 10 years down the track where, for instance, rate incentives and the like may actually find their way back through the financial assistance grants process and see the Commonwealth recognising that as something that needs to be taken into account by a grants commission, or whatever, so that the local community is not left carrying again?

**CHAIR**—That is usually the problem. The council says, ‘Well, who’s going to pay?’

**Mr Donaldson**—I think it is fair to say that under the NHT a number of these rate relief schemes are actually being trialed around the country, so the NHT is actually a vehicle for

piloting some of these ideas. The ongoing question of where the resources will come from over time is an issue. The way we are partly looking at it is that, by helping local government look at the issues, we are also helping them to examine what is their own capacity to fund it through their own rate base, which is difficult, particularly in some of the more remote rural areas.

**Mr BILLSON**—Ian's point is a good one. It seems to work okay on fringe metro areas where you have a population base where you can generate the resources and then lay that off almost on landscape motives to adjoining open space and broadacre farming. It is a bit tough when you are out in the middle of—

**CHAIR**—From my dealings with the rural community I have always believed that if you can show a problem to them they will do everything they can to try and alleviate it, within their means. Do you think that we are better off trying to target the money we do have into sub-catchments, I suppose—in some places the catchments would be too big—where we can demonstrate what can be done in natural resource management in a smaller area where people can see what can be done? They would then want to extend it, possibly, to their own management.

**Mr Donaldson**—I think that is quite possibly right, and once again some steps are actually being taken towards that. For example, the heartlands initiative down in southern New South Wales and northern Victoria has picked out four catchments and, in liaison with CSIRO, is trying to make a concentrated effort to look at them from a research perspective to monitor what real change occurs, but also then using those same catchments as the focus for some of that on-ground investment. A dilemma that always arises is a curly one about, 'Why are all the public resources going into these select locations and why are we missing out just because we are over the range?' That issue is always there to be taken into consideration as well.

**Mr BILLSON**—It concerns me that one of the things that we are not prepared for is what the market might do for the products from our rural industries. Tesco and a few others are now looking for proof of ISO 14000 in our agricultural production before they will buy any of it and those sorts of things. Is there a risk that you will get to the point where our export markets highlight the fact we are not internalising our externalities and have not won the argument on farm subsidies by reconstructing it like the Americans and the Europeans have? Is that going to be a key economic driver to bring about change and to more closely link what I think we have not solved well enough, and that is the link between our productive capacity and our economic opportunities and the health of our natural systems?

**Dr Gunasekera**—Our importers could use those arguments, but I am not really sure whether we are breaching any international trade rules at the moment in terms of our agricultural trade issues. So I am not really sure whether—

**Mr BILLSON**—Yes, but if you do not have a buyer.

**Dr Gunasekera**—The arguments are there, but we are not breaching any WTO rules—

**Mr BILLSON**—I am thinking more of, say, forestry and stewardship arrangements and all that, which are amusing, depending on how you look at them.



**Mr Donaldson**—That issue is certainly being raised in the public domain, and certainly on the agricultural side some academics are raising the very issue you have raised. In forestry that is more up there in lights, in a sense, and there has been a lot of work on criterion indicators for sustainability and some thinking about certification and labelling and how the two relate. I believe there are even a couple of instances where some products have not been allowed overseas, theoretically on that basis. But there is a fair bit of work also going into environment management systems from some of the R&D corporations around town. We are about to have a consultancy looking at the relationship of biodiversity to environment and management standards in agriculture, just teasing out some of those issues.

**CHAIR**—Are you confident that if we complied with all the necessary environmental criteria in Australia in all our industries that we would get a premium from the Europeans and access to their markets?

**Mr Donaldson**—No, I could not say that we would, and that is one of the issues. Even if the factual and scientific base tells you one thing, the social and political factors might tell you another, and I think that is the ongoing dilemma in natural resource management.

**Mrs VALE**—I just have one question, and you May already have answered this. I was just wondering: how successful do you think the current legal and regulatory framework we have here in Australia is at protecting our biodiversity? Do you think it could be improved? Do you have any druthers, let us put it that way?

**Mr Donaldson**—I think there is no doubt that it can be improved, hence the debate in Queensland and, to a slightly lesser extent, in New South Wales. It seems to me that that is at the heart of your inquiry and the dilemma is what are the best mechanisms for moving it forward within constrained resources.

**Mrs VALE**—Yes, I think we know the goals we want to achieve, it is just a matter of the process, of how we get there.

**Mr Donaldson**—And the resources too, I think.

**Mr JENKINS**—Following on from Bruce's question about ISO environmental management standards, one of the dilemmas we appear to have here, especially within farming communities, is that because of restrictions that are placed on their ability to use their land they think they are being singled out when, in fact, there are some examples, for instance within manufacturing industries, where similar things are going on. For instance, Ford asked its component suppliers to have proper ISO 14000, or whatever it is, and that is an economic dilemma for the supplier. I do not say that in an 'us and them' way. What I am trying to say is that as part of this argument we should be pursuing those matters so that we can take people along within the argument, this communication thing, and that might have the outcome.

If you look at the New South Wales Farmers Federation submission, there is a litany of these cases where there has been lack of communication in bringing the land-holder along to achieve outcomes. Some of them have a historic base where I hope we have learnt the lesson, but really this is about—and the discussion here has been about—communication. I am wondering whether these standards for environmental management are one of the tools that can be used to

try to get people to sit around the one table and understand that these things perhaps can be win-win and that nobody is setting rural property owners up on a pedestal to achieve things.

**Mr Hatfield Dodds**—I think they are a tool and they offer significant potential, and there are a couple of reasons for that. Part of it is because it is market-based—it is industry-driven; they decide whether they want to do it. That gives the bureaucrats—or the Commonwealth—a fairly limited role. We want to do things like making sure that any management standards are developed in a way that help broader objectives of public conservation issues and, better still, maintain that balance that the people who take on the standard voluntarily are getting good value for their activity—that it is worth doing.

You raised a question about premium and access. In my view, land-holders are unlikely to get a premium in very many cases. There may be a few where you are looking at a very high quality product and people are paying the premium for the quality and, if they are paying, they want some assurance, but in most cases we are talking about market access issues. For that reason, I do not think the environment department has a view as such, but my personal judgment would be that this is a medium term issue, not a short term issue—that it is more of a sleeper. The issue now is to get things up and working, and trialed and practised, so we do not end up with 18 systems that farmers are choosing from and all the confusion and duplication and 15 different inspectors coming on site and those sorts of things. So you get a coordinated and a simple system that delivers. It is the threat of loss of access that I think is the most significant driver of this sort of activity.

**CHAIR**—That is probably more a trade area. Thank you very much, we are out of time. We may come back to you for some information if we need to, because it is a fairly broad area. Thank you very much for your evidence and we will keep in touch.

[10.35 a.m.]

**ALDRED, Mr Tom, Acting Assistant Secretary, Natural Resources Management Policy Task Force, Department of Agriculture, Fisheries and Forestry Australia.**

**FRANKLIN, Mr Peter, Assistant Secretary, Natural Resources Management Strategies, Department of Agriculture Fisheries and Forestry Australia**

**WILCOCK, Mr Charles, Assistant Secretary, Landrace and Natural Heritage Trust Branch, Department of Agriculture Fisheries**

**CHAIR**—I welcome the representatives of the Department of Agriculture, Fisheries and Forestry Australia. Although the committee does not require you to give evidence under oath, I should advise you the hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House itself. The giving of false or misleading evidence is a serious matter and May be regarded as a contempt of parliament. We have a submission from you, thank you, but would you like to make some opening remarks?

**Mr Franklin**—Yes. Firstly, thank you for the opportunity to be present today. I will only make a very brief statement because you have the submission there. The department recognises that sustainable management of the natural resource base is critical to increasing the profitability and competitiveness of Australia's agricultural, fisheries and forestry industries. This is reflected in the considerable emphasis we give to natural resource management in our work program and our related activities. This outcome is promoted by our contribution to the development and adoption of national and regional policies and strategies on natural resource management issues of national significance with our Commonwealth, state and territory counterparts, through our development and administration of complementary programs, such as via the Natural Heritage Trust, and through supporting relevant research, development and awareness-raising activity, through BRS, ABARE, as well as R&D corporations such as the Land and Water R&D Corporation.

In view of the department's responsibilities for water, soil and other natural resources, our submission outlines the approach adopted by the department in promoting sustainable natural resource management and the resulting public good conservation outcomes. The approach is based on working cooperatively with all levels of government, as well as industry and the community, and forming partnerships and implementing mutually agreed strategies and plans of action with a view to generating, as much as possible, beneficial environment and production outcomes. AFFA's experience suggests that success can be, and has been, achieved by working cooperatively and in a partnership with land-holders, rather than by imposing outcomes on them. Nevertheless, AFFA recognises that in some circumstances approaches based on voluntary cooperation are not suited to achieving the desired outcome and the use of alternative 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 use of voluntary partnerships is the central element of the Natural Heritage Trust. Trust programs have delivered benefits in terms of public good conservation and combined with other Commonwealth initiatives, such as property management planning, taxation incentives and

water reform, have contributed to the adoption of more sustainable agricultural production systems. However, evidence of the increased threat of degradation problems suggests that more needs to be done. The government is looking into strengthening and building on established approaches and is investigating the broader use of mechanisms as part of the process of developing a national approach to sustainable natural resource management, as proposed in the natural resource management discussion paper.

I understand that Ian Thompson and Bill Handke provided an earlier brief to you on where that paper was at the time. Tom Aldred is with me now and if you think it would be useful he could give you an update on where we are.

**CHAIR**—Yes, I think that would be useful, thank you.

**Mr Aldred**—Mr Chairman, members of the committee, the discussion paper, ‘Managing Natural Resources in Rural Australia for a Sustainable Future,’ was released in December for a four-month public comment period. Throughout that period there were about 500 written submissions received. Following the closure of the period, these were considered by the discussion paper steering committee that was comprised of Commonwealth, state and local government officials, and people from the standing committees on agriculture and resource management and on conservation. The report of the steering committee was released a couple of weeks ago, and I have brought copies along that I will leave with you.

Broadly, the comments were supportive of the main themes or directions of the discussion paper, although there were a few concerns. I guess the broad concerns were that it was perhaps a little narrow in its focus in that it concentrated perhaps a bit more on agricultural rural lands than urban or waterways—those sorts of things. There were some concerns in the paper about commitment of long-term funding and the fact that in the regional arrangements that were discussed no specific model was identified. Our response to those concerns is that they reflect the very nature of the fact that it was clearly a discussion paper. It was a discussion paper of broad themes, it did not constitute positions of any governments and so on. In fact, it most definitely was not a proposal, it was looking at the broad sorts of themes.

The completion of the steering committee report on the discussion paper essentially concludes the discussion paper process. The discussion paper and the responses in the steering committee report will now be wound into the natural resource management ministerial group process, which comprises Minister Truss as chairman, ministers Anderson and Hill, and the Treasurer. They are looking at where we go with the future Commonwealth natural resource policy. That discussion paper, as well as the results of the Natural Heritage Trust mid-term review, the Productivity Commission report on a full riparian lease, and various state and Murray-Darling Basin salinity strategies, are all sorts of documents that are being considered in taking that process forward.

**CHAIR**—Thank you. Do you want to make any opening statement, Mr Willcocks?

**Mr Willcocks**—No, thanks, Mr Chairman.

**CHAIR**—The management of these areas, particularly the natural resource management, is basically the area of the states—the states are at the management areas, whether it is vegetation,

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water, water quality or water management. What involvement can the Commonwealth have, through COAG, through ministerial council, through tied grants?

**Mr Franklin**—I guess there is a range of ways we can and do get involved. I think in some of these natural resource management issues it goes to the heart that an effective response is not achieved unless you have a coordinated approach that is informed across jurisdictions. So there are a number of layers to it. There is the policy layer; there is, if you like, the more operational layer; and there is a layer of information. As you point out, at the broad policy level COAG is at the zenith and then, from our perspective, you have ARMCANS, SCARM and the various processes underneath that process. With that there are also some complementary processes that are set up to address the major regional issues, such as through the Murray-Darling Basin Commission and fora such as that. So there are a number of layers to forming the broad policy approach.

There are two levels to shaping broad policy, but probably more importantly is developing strategies that make sense in a national and regional sense that inform the actual actions. The Commonwealth gets involved in a number of those, such as strategies to manage water and particular soil degradation problems, and we work very closely with the agencies on those programs. The next level is the program level and the Natural Heritage Trust is the main vehicle for us in promoting that. That is through the partnership agreements, and Charles May want to expand on that.

**CHAIR**—But it is at the mercy of the states too, isn't it?

**Mr Franklin**—In what respect?

**CHAIR**—Usually what happens is that the nominations for projects come through a regional committee that makes recommendations and then goes to the states, but by the time it gets here it has been through the state process so they have more or less put recommendations to the Commonwealth that are really their agenda.

**Mr Willcocks**—Mr Chairman, the way the project application assessment process works is that the regional and state assessment panels are community dominated. So the bids that come forward are essentially a reflection of what the regions and their communities would support. Now, AFFA programs tend—

**CHAIR**—As a local member I do not even know who has made an application and I am not informed as to what the recommendations are from the regional communities.

**Mr Willcocks**—Presumably, there are processes by which you could inform yourself about what has come forward in the bids.

**CHAIR**—I have tried.

**Mr Willcocks**—The process is confidential until the bids come to Canberra.

**CHAIR**—It is probably getting away from the main subject, but the issue I was trying to get to is that having been on both sides of the fence—I spent some time in the state parliament and

as a minister—I have seen what happens with federal funds that come through the state jurisdictions and how Treasury has managed to get their hands on it and pull state funds out of a program where the Commonwealth is trying to get some extra money into a particular area. How do we refine the process so that we do not waste this money? With the tied grants situation, where you can usually dictate where you want the money to go to from the Commonwealth area, you then build up a bureaucracy where you have a Commonwealth bureaucracy second-guessing a state bureaucracy and most of the money just goes into bureaucracy; it does not get to the ground. Constitutionally, is there any way you can get past that?

**Mr Franklin**—I am not sure constitutionally, but certainly our philosophy is based on establishing a process and honouring the process. The process is to try and engage people at the regional level to get engaged and feel they have a sense of ownership and to dictate and control what is happening in their catchments and regions, rather than, as you say, second-guessing and imposing outcomes from the top, which invariably has not been too successful in the past.

**CHAIR**—But can you honestly say that in this NHT funding state governments have not withdrawn their funding in areas where Commonwealth money has been put?

**Mr Willcocks**—I think there has certainly been a decline in the state's investment in this area, and not necessarily offset by an increase in Commonwealth funding. The Commonwealth programs are supporting a lot of technical people in state agencies. When you talk to the community about this whole idea of money going into bureaucracy and you explain that it is either for facilitation or for technical support then there is a great deal of support. The Landrace programs or projects will not actually work unless that technical support is there. So there is an important link—I would describe it as a partnership—between the Commonwealth, the state and the community. But the question of the relative levels of investment from those three areas I guess is what you are concerned about.

**CHAIR**—The problem I had with the process of tied grants is that you had a department in Canberra that was asking questions of my department in the state and you had some of your best public servants tied up justifying why you should get money from the federal government. I know there has to be some checks on all of this, but really it ties up and wastes a lot of valuable expertise and money.

**Mr Willcocks**—This is an area of difficulty. The way we manage it is to insist that the states at least match Commonwealth funding in projects and programs that we operate.

**CHAIR**—Agreed projects?

**Mr Willcocks**—Agreed projects, yes.

**Mr BILLSON**—Would the utility of those partnership agreements have been improved if we were more insistent on a maintenance of effort from the states and a clearer clarification of who is carrying the can for what part of that natural systems management model? You are dead right on the issue of facilitation and technical advice and, as the chair describes it, extension work getting these things going, but you would have hoped that that was happening as a matter of course anyway. Given it was core business of the states and territories under our federation, you

would have hoped they would have maintained that effort and then a partnership would have brought something new and a quite targeted effort for the billion and a half that was put on the table.

**Mr Willcocks**—I think there are a couple of models. The partnership agreements are not particularly strict about cost sharing, or—

**Mr BILLSON**—Not that robust.

**Mr Willcocks**—The partnership agreements actually provide some important elements. They set out the membership of those regional and state panels, for example. So there is an insistence on community domination of the structures that are there to approve projects. The Murray-Darling Basin model, which is a separate agreement, actually requires that the states put money on the table, so there is a more specific requirement there.

**Mr BILLSON**—The partnership agreements seem more process focussed than that effort and accountability side of it that you mentioned comes through the Murray-Darling Basin process.

**Mr Willcocks**—I think they are, but I think it is important to recognise that the partnership agreements are not necessarily about this process anyway. It is a way of devolving responsibility to the regional level, and that is absolutely critical. You hear a lot of criticism about the Natural Heritage Trust application and assessment processes, but fundamental to that is this devolution of responsibility. Of course there is going to be a lack of clarity. If you have a specific purpose grant you can be pretty specific about what you are going to get out of them. The problem is a lack of clarity.

**Mr BILLSON**—Would you accept the view that some of the criticisms targeted at the NHT were because those mainly regional processes did not have all the tools that were needed to get the outcome the public was looking for? For instance, there have been some successful models. We visited some in the hills of South Australia where the Commonwealth could quite confidently deliver a fairly substantial slab of money to the regional structure that had done the legwork, had its plans in place and had its relationships bedded down well with local government so there was not some extraordinarily perverse land use decision that was riding straight over the top of a vegetation project or something like that we were trying to invest in. Does that point to a need to revisit some of the institutional models to aggregate up the various tools so that there is that regional capacity to deliver better natural resource management outcomes?

**Mr Willcocks**—I might give you a little bit of history and then the others might want to add a bit. The regional model has been developed over a period of time—the Mount Lofty Ranges initiative has been going for some years and there are several of those around the country which have a different nature. There have been some excellent ones down on the Murray, in Western Australia and in South Australia, and some that are actually linked with rural adjustment. For example, in the Eyre Peninsula in South Australia and in south-west Queensland you have natural resource management investment linked to rural adjustment investment. That model has been developing but I think the mid term review and certainly what is coming out of the discussion paper—the natural resource management policy exercise—is showing that we do need to be more targeted at a regional or a catchment level.

**Mr BILLSON**—To get away from, say, the option of tied grants and maybe getting those institutional structures right to ensure that they have all horsepower they need, they have all the tools they need, and the Commonwealth may be satisfying itself that the capacity is there. That might be the threshold test before the money flows, rather than getting picked off on a project by project basis.

**Mr Aldred**—I think you are quite right, and certainly a fair bit of that flavour has come through in the development of the discussion paper and in the public comments. In fact, I guess in that respect the discussion paper has pretty well done its job because certainly those sorts of issues have been discussed more broadly over the last 12 months and so on. What you are saying in terms of the institutional arrangements is correct. It is a question of developing an appropriate system for appropriate regions and we need to look at the capacities of various regions to do certain things. An example might be how well a regional approach would work in the Northern Territory. There are certainly excellent examples of where they are working and where the institutional arrangements have developed over time to the extent where you might be confident in moving more to a model of devolved funding, as long as the appropriate accountability arrangements and so on are in place.

**Mr BILLSON**—If we went down that path and said to the states, local government and the other players, ‘There is a minimum threshold of effort that you need to meet—effort, accountability and a model—an institutional structure that actually gives us some prospect of progress on natural systems management. That will get you in the funding loop. But above that there is a bonus pool. The bonus pool is available on a purchaser-provider model’, picking up on the point in your submission about the Europeans and the Japanese and the concept of ‘multifunctional character of agriculture and land.’ That is the longest way you could imagine of saying production subsidies.

To get away from that and to separate the private good and the public good argument once you have that model in place, what if the feds said, ‘Here is four million bucks, region X. Tender it, give it out in the marketplace’? You know there is that continuum of those people who will not do anything unless they are absolutely forced to versus the altruistic that need very little encouragement to go extra yards. You could then evaluate the bids against your regional plans, against the cost, and against the natural systems outcomes, and actually put it out there as an incentive model that they can only participate in once they meet the grade on what we consider as reasonable practice. Is that a way of tapping into the varying degrees of preparedness of land-holders to get in and implement best practice on their property, whilst separating the private good from the public good that you are actually paying for and funding quite separately and therefore not running into some production subsidy arguments?

**Mr Aldred**—Again, it is certainly a model that has been discussed. Various of those sorts of models exist and it is one worth pursuing more. I guess there are always difficulties in the implementation of those, but certainly in principle, yes.

**Mr BILLSON**—You could actually have a facilitation officer whose sole role is to implement this contract, and it might go across 20 properties, it might go across 30 properties, it might go across 100 properties or the whole catchment. You have that example we saw in Victoria where there are 18 trees standing in the road of a property being worth twice its value because it lends itself to silviculture practice and farm forestry, versus leaving them there and



the value halving. You could actually have someone saying, 'We will move these development and conservation objectives around within the area. We will apply for a tender to pay for it,' and you start getting some of the mechanisms in place that we talk about in a theoretical sense but do not really have the tools in place to implement. I just wonder whether that might be an alternative way of going about it.

**CHAIR**—Could I come back to the community involvement, which I dare say is the area that is very important. In the RFA process there was a lot of community involvement but I do not think there was ever a genuine result achieved. You have groups who are passionately involved in this particular area and it is always going to be difficult to get a consensus. In the finish I believe state governments came in over the top and really resolved the issue in their way and I doubt whether we are going to get a result there, I think we are still going to have conflict. In water, at the present time the New South Wales government are putting out a proposal that they have local committees, but the irrigators, who are the big players, have two on a committee of potentially 20. That will not resolve anything. Given the fact that the problems are with the people who own the land—they are the ones who are sitting in the control seat in this—how do we get out and get the information to them, alert them to the problem, give them some idea about how the problem can be resolved and get that process in action about getting people involved with the problem?

**Mrs VALE**—And also making them feel some sort of ownership of the outcomes too. That is vital.

**CHAIR**—So that they accept it, they are involved with it, there is a problem that everyone in the community owns and they will try and do something about it.

**Mr Willcocks**—Mr Aldred is an expert on the RFA process, Mr Chairman.

**Mr Aldred**—And I might take issue with the fact that it does not work anywhere.

**Mr Willcocks**—You have identified a really key issue. In our view—and this is what the Landrace program has been focussing on—how you actually get local ownership of problems and solutions and implementation of solutions is absolutely fundamental. The focus of the investment has been on awareness raising, on human capacity building— understanding problems and so on—and skills development, through the property management planning program in Landrace. You do that at a community level, not an individual farmer level, because you actually generate some real spin-offs by dealing with groups rather than individuals. That is a fundamental tenet, if you like, for the programs that we run. As you said, that is not easy, and once you start increasing the scale to catchment and regional the difficulties of actually getting that local ownership, understanding and ability to implement solutions really depends very much on local leadership. That is why, as you have seen, the regional development around the country addressing natural resource management problems is patchy because it really fundamentally requires good local leadership and good state agency support.

**CHAIR**—Some years ago—again, from my experience, I suppose—in the area of irrigation we could see that rising watertables were causing trouble in the irrigation areas. The department in those days—and I am talking of New South Wales—was very closely involved with the irrigators, so they could go out and they could explain the problem. They had groundwater maps

which showed how the rising watertables were going to affect areas of land and they could suggest certain procedures. It was quite remarkable the changes in land management with laser levelling and with planting trees around perimeters and trying to alleviate the rising watertables. But that has all gone because state governments, in their wisdom, have reduced their departments—the Department of Water Resources, the Department of Agriculture and the Department of Soil Conservation in New South Wales are only a remnant of what they used to be. How do we get that extension out there? How do we get experimentation on land to show that if you do this, this will be the effect? It is a visible action that people see and can then relate to and go out and do it themselves.

**Mr Franklin**—I think there is a step back before that. First of all, it is understanding what the real problem is. It seems to me that the knowledge base and conventional wisdom has shifted so much in the last five to 10 years and what might have been thought best practice 10 years ago is now no longer best practice. From our point of view, we have done a fair bit to support the Land and Water Resources Development Corporation and I know they are now a lot more appraised of the need for communication and getting their messages out in a way that is a bit more digestible. I think their budget for communications is going from something like five to 20 per cent.

**CHAIR**—Internet?

**Mr Franklin**—I would expect so. Certainly I think the more fundamental thing is the target that some of those R&D corporations have. Rather than targeting other academics and institutions they are trying to shift their target more down to the farmer and the regional level and sending out those messages that can be digested and converted into action. For example, a related program, the national drylands salinity program, has quite a focus on coming up with solutions that make sense both in an environmental sense and also from a production point of view, because I think—

**Mr BILLSON**—You mean the Farmbiz stuff going on as well.

**Mr Franklin**—That is right. PMP and Farmbiz is about helping farmers to build that into their whole strategy so they have one strategic approach to address not only the environmental and the biophysical elements but also the business elements as well. So this is being addressed at a few levels. I guess one of the philosophies with extension services has been to move away from government extension services, because I think the sense is that when people pay for their extension services they value them a bit more and they use them a bit more strategically, rather than—

**CHAIR**—Who pays for that? I not arguing with the use of private extension officers or private agencies, but who pays for it?

**Mr Franklin**—I think the sense is that that is largely a private benefit.

**CHAIR**—That is what state treasuries say, yes.

**Mr Willcocks**—I think there is probably a shared benefit but there is certainly a private benefit where the information increases profitability on the farm. Where that actually also

improves the management of the natural resources and that has off-site effects then governments should have a responsibility to provide support there.

**Mr BILLSON**—Is section 387(a) of the Income Tax Act too narrowly supporting private initiatives for public good, natural systems health activities on private land, where you have that close link between the write-off capability and its income-earning capacity? I guess to some extent that picks up on your point about privately funded extension officers. You can write-off some of it, and Ian will quickly jump in that that is fine as long as they make their profit—there you go, I saved you having to say that. But in terms of broadening the utility of that provision of the tax act, are they the sorts of things that you have been considering? We heard a presentation from CSIRO doing a tax comparison of land set aside for wildlife conservation being about \$22,000 in tax because it was a non-productive use and therefore eligible for state land taxes and a whole range of things. Is how the tax act interacts with natural systems management something that your work has been covering or that has come through the consultations?

**Mr Willcocks**—Others might have comments here, but the Landrace tax arrangements, which are the ones you have referred to, are really part of a package. If you see the Landrace program as being a large investment in grants to community groups, incentives to individual farmers, and that is through the tax measures, supported by, as Mr Franklin mentioned, the investment in research and development, there is a package there that addresses private benefits as well as broader community benefits. So the real issue then is: are those mechanisms providing the correct level of incentive?

**Mr BILLSON**—The argument would be that there is already some capacity for shared public and private benefit through those arrangements.

**Mr Willcocks**—Absolutely.

**Mr BILLSON**—And if we were musing about how appropriate they were we should take a stocktake on what is there now. In particular, my point is what signals do they send for behaviour on broadacre properties, for whatever the purpose it is they are being put to?

**CHAIR**—Can I just in on that. In the past with tax incentives we have always had a problem because high income individuals from non-farming operations come in and take advantage. In this particular instance where CSIRO, for example, are talking about retiring large areas of productive farming land, there may well be an opportunity here where people could have a tax incentive for buying out that land and taking it back to natural vegetation.

**Mr Franklin**—I thought there had been some modifications.

**Mr BILLSON**—There had. You are right, the argy-bargy of the negotiations on the new tax system picked up some of those points. I guess I am trying to draw out to what extent they are satisfactory or whether there is a need to revisit those.

**Mr Franklin**—Certainly we are in the process now of reviewing the rebate arrangement to see what the history with that has been. I think it is fair to say there has been a disappointing uptake and we need to understand why that uptake has been small. It was designed to address

the deficiency that was seen in terms of the high income and low income farmers, so that is due to be—

**CHAIR**—In this instance, though, where you are looking for outside money to achieve some of the natural resource management results, it might be an area that May be quarantined.

**Mr Aldred**—I recall that Environment Australia May have been looking at some of the philanthropy taxation arrangements and so on.

**Mr BILLSON**—One of the arguments is whether it is equitable or not, but philanthropy, by definition, means that you have to have it to give in the first place. I would have thought it was a bit like any port in a storm when you are getting good natural systems outcomes, but there are differing views on that subject.

**Mr JENKINS**—In relation to 387(a), what is the quantum of the tax relief? Do you have a figure for that?

**Mr Franklin**—For the individual?

**Mr JENKINS**—No, overall.

**Mr Franklin**—I am not too sure. Do you mean the take-up rate?

**Mr JENKINS**—The take-up rate and value.

**Mr Franklin**—From 1 July 1998 to 31 December 1999 it was about half a million dollars. It is very difficult to assess these things because sometimes the delay in applying for an application and processing is fairly slow. People do not always lodge their tax returns on time. But I think the bottom line, though, is that the take-up rate has been fairly low and that is one of the reasons why we are initiating this review.

**Mr JENKINS**—So that is half a million compared to what is the total Landrace program?

**Mr Willcocks**—The total Landrace program is about \$260 million, over the period of the trust.

**Mr JENKINS**—There is this argument about where duty of care finishes and a public conservation service sets in. It is also referred to as the concept of things being ‘beyond duty of care.’ Being involved in things to protect biodiversity might actually be beyond our legal definition of duty of care because, as I understand it—not being a lawyer—duty of care is about preventing nuisance to others and things like that. So on the surface this type of 387(a) provision appears to me to be about duty of care things not necessarily under this sort of concept into public good conservation.

**Mr Willcocks**—One thing, 387 is not the only tax provision, there are two sets: there are the rebate arrangements under the Natural Heritage Trust and then there are the write-off concessional depreciation arrangements that have applied for some years for both water and

land investments. Fundamental to that is that these relate to business investments which will have income earning activity and will actually produce environmental benefits as well as business benefits.

**Mr BILLSON**—Say you are minister for the day, what would you do? What is the one thing you would do?

**Mr Willcocks**—Declare a national holiday.

**Mr Aldred**—Is that each of us or collectively?

**Mr BILLSON**—We get these sorts of questions thrown at us all the time and it really sharpens your mind. There are so many things that you can do but their benefits and import are highly graduated.

**CHAIR**—He is mindful of his own minister and what he might think.

**Mr Franklin**—That is right.

**Mr BILLSON**—It helps us to understand your thinking about what are the Jesus issues, what are the things we really have to get on with and get right. There are things that would be nice and neat and thanks very much but are ranked about 11 on your list of priorities.

**Mr Aldred**—I will jump in first. I think there is a clear need to try to get larger landscape scale change at the regional level.

**Mr BILLSON**—So beyond single property stuff?

**Mr Aldred**—Absolutely. I think it is difficult to achieve in a day.

**CHAIR**—Mainly west of the range?

**Mr Aldred**—I must say I tend to think that way a bit. We have already touched on a couple of the things in getting the right regional institutional arrangements, looking at devolved funding type packages, the way in fact the investment is done—the government investment decisions are made. I guess one element targets all those sorts of things. So in developing a regional strategy, do we have finite enough targets that we can make investments against? Targets could be in any range of shapes and sizes, as long as they are appropriate to the region to drive the activity that is required to get that sort of broader scale change. I think that is the nature of the things that I would start to focus on, but there is a whole heap of things that explode out of those.

**Mr Franklin**—I think the next step in that is the acknowledgment that private land-holders control the bulk of our land and the bulk of our water use and that you must fit the small picture into the big picture. I think the real challenge is in the temporal and spatial nature of the problems we are dealing with. I think fundamentally the problem is, as you mentioned in your discussions with EA, land-holders are more than willing to contribute when they know what

they have to contribute. The problem is whether they want to contribute now or later, and their financial imperatives—their timetable—is quite a shorter timetable to a planning timetable. The challenge is not only informing and fitting it into the bigger picture, but just how you come at it, and the spatial issue is that what you do on your property does not necessarily only affect you, it affects other people.

**Mr Willcocks**—I would have picked the need for regional investment, and that goes further than just planning on the ground, it reaches right back into the research and development. We are moving away from just looking at soils or water or specific biophysical aspects of the environment and research is starting to try and put the picture together. It is complex and difficult and I think we need to understand that unless you have the information at the right scale then the people on the ground cannot actually achieve much. I think that is pretty important and I think that unless the farmers, in particular, are involved you will not get anything in this area, you just simply will not.

**CHAIR**—Thank you very much. Again, it is a very involved area and we will probably come back to you to get some comment. The committee will accept the Steering Committee Report on the Public Response to the Discussion Paper on Managing Natural Resources as an exhibit.

[11.20 a.m.]

**SHEEHAN, Mr John, Vice President (NSW), Australian Property Institute**

**WARNER, Mr Grant, Director, Policy and Research, Australian Property Institute.**

**CHAIR**—I welcome the representatives of the Australian Property Institute. Although the committee does not require you to give evidence under oath, I should advise you that the hearings are legal proceedings of the parliament and warrant the same respect as proceedings of the House itself. The giving of false or misleading evidence is a serious matter and may be regarded as a contempt of parliament. We do have a submission from you, thank you, but would you like to make some introductory remarks?

**Mr Sheehan**—We would, thank you very much for the invitation, Mr Chairman. The institute appreciated the opportunity to respond to the inquiry in respect of public good conservation, so much so that if you go to final page of our submission you will note—and it is not something that has been done previously in the past by our institute—that we convened a multi-state submission committee. You may be interested to note that in their capacity as institute members there was a representative of the Department of Natural Resources in Bundaberg, from our Queensland division and, of course, Grant, on my left here, from the institute's National Secretariat. Interestingly, there was a representative, again in his private capacity, from the State Valuation Office in Griffith, a representative from the New South Wales Department of Public Works and, reasonably importantly, there was a representative from rural New South Wales, one of our members who runs both a real estate agency and valuation practice in Tamworth.

Having said that, the institute has been particularly interested in the issue of public good conservation for some time. You will note on page 10 of the report that we have found ourselves being approached, internationally by organisations such as the World Bank and the Food and Agricultural Organisation for advice in respect of Australian rural values and rural land management.

The institute has taken the view—I take you to page four of the introduction to our submission—that we do not presuppose what the standing committee's view might be in relation to the impact of conservation controls which are imposed on land-holder, that they will necessarily be proven to have a measurable cost to the land-holder. That is obviously something that is in the hands of the committee. What we would say is that if that view prevails, we recommend that there be certain actions taken to ameliorate those impacts that you have identified.

I will take you to page five. In relation to the impacts, we note that the mandatory or voluntary conservation measures which can be placed upon a property—as I said, either voluntary or mandatory—can, in terms of an impact, be either a cost or a benefit, and that is something that we recognised as our submission committee was preparing this report. What we did note was that quite often there might be actions taken on a property which might be philanthropic. In fact, quite often, the larger they are in terms of philanthropic motives the smaller is the market response. It is the individual land-owner's own preferred action on his property, for various personal reasons. So not necessarily do those costs which are incurred by a

landowner as a result of public good conservation equate to an equal increase in market value. That is not something that necessarily surprises the valuation profession because it is quite commonly understood within the theory of valuation that cost does not necessarily equal value—we have all seen the example of an owner who may excessively expend capital on a property that is not translated into the value of the property. The same thing applies here.

I now take you to page six, paragraph 2.2. The comment that I would make is that if you look at some of the examples which we have been provided through access to our other kindred organisations, such as the Royal Town Planning Institute in the UK, it is quite interesting to see that conservation of rural landscapes is generally perceived as being something which is desirable from the urban perspective but in fact conflicts significantly with the perception of rural land-holders and rural land users as to what is regarded as efficient and modern 'scientific rural land management.' What may be acceptable in terms of farm management is not necessarily acceptable in the urban view of what the rural landscape is. That is an issue that has been addressed overseas and we can see it emerging in Australia now.

On page seven, paragraph 2.5, there is an issue which our committee identified, and that is that public good conservation measures, whether they be mandatory or voluntary, ought not to occur without regard to the private costs that may have to be borne by a land-holder if modern rural land utilisation practices have been forgone. In other words, if there are things which are necessary to be undertaken on a property—various trees to be removed—to make it more efficient in terms of rural production, that may well not be something which in terms of public good conservation can be done to achieve those measures, but which ought to be done to increase the efficiency of the particular property. So if he is going to forgo that opportunity, there is a real cost here.

I now take you down to the next paragraph, 2.6. It is quite interesting that in terms of the research that we have undertaken, in other common law countries it is very common for these disbenefits that are incurred by the land-owner to be offset by way of rating and taxing relief. That is very much a historic situation in Australia also. As I have said in paragraph 2.7, in statutory valuation legislation in Australia this particular issue is recognised, and we draw the attention of the committee to that particular practice.

I will take you to the top of page eight. We are aware that such things as normal farm management practice are things that ought to be done in terms of the normal operation of a farm. However, the difficulty arises, from our particular standpoint, in establishing at which threshold do you pass over good farm management and move into issues of public good conservation? There is a certain amount of management technique that has to be brought to bear on a property to maintain good farm management, but there is a threshold you move beyond where you are doing things which in fact will not increase the profitability of that property but may well answer public good conservation criteria. The difficulty, of course, for the valuer is being able to determine at which point you move beyond one to the other. At paragraph 3.2 I have said:

The critical question is at what point the economic return is being reduced for the sake of the public good, rather than for the short/long term benefit of the land owner.



Finally, if I could take you to page nine, I would draw your attention to a project which the Queensland representative on our committee has been associated with, Natural Heritage Trust Project No. 972719, which I would commend to you. It is called 'Encouraging conservation through valuation' and it does look at some of those issues in relation to rating offsets. We have indicated there that we believe, with respect, it could be a useful benchmark for the standing committee in its deliberations.

Finally, I come back to the point that I made before concerning the issue of ascertaining that differential valuation between a property that is adversely affected by public good conservation, if it is past that threshold, and a property that is not. I think that the second paragraph under section 4.3 succinctly sums it up:

The difference between the two figures is the value of the public good conservation measures expended by the landholder. This sum could then be used as the basis of income tax or rating and taxing relief, or as a basis of accelerated depreciation for monies expended.

I hope that brief summary is of some assistance and I am more than happy to answer any questions.

**CHAIR**—In your experience, how much does a potential buyer look at the conservation measures that have taken place on a property when they are buying a property, or are the restraints that have been placed on a property by decisions of, particularly, state parliaments through the planning laws more important?

**Mr Sheehan**—I will answer that in two examples. In southern New South Wales, around the Cootamundra area, there has been a particular issue in relation to clearing that occurred a long time ago, and, of course, through the denudation of the vegetation there has been silting up of the creeks and those sorts of things. The Landrace movement has been quite strong down there and a number of members of the institute—and I am speaking anecdotally now—have indicated that when they have looked at properties being sold those land owners who are members of a Landrace group and are seen as exercising that level of interest in the property, and therefore trying to ameliorate whatever the environmental problems are in that area, are more readily sold than those properties that are not. So in terms of a direct application to the marketplace you could well conceive a buyer coming along, he is presented with two properties, one that is badly eroded, the other one may also have some erosion but the owner is attempting to pull back that erosion on the property. The agents and valuers are saying that that property is easier to sell than the one that is not.

**CHAIR**—Of course, the new owner would have to put in place some soil conservation measures that would cost.

**Mr Sheehan**—Yes. So it has already been done. Also, I think it shows a higher level of farm management practice on the property. I said before when I was taking you through the introduction to our report that I think farm management is changing. The level of expertise within farm management has significantly grown from 15 to 20 years ago when I was Foundation Lecturer in Valuation at Hawkesbury Agricultural College. Today it is quite acceptable in that part of New South Wales—in fact, it is nearly a requirement—for owners to evidence some degree of farm management beyond the basic levels.

The other example I would give you is in relation to south western Queensland where, as you know, there has been an issue for some time regarding vegetation removal. Again, I speak only anecdotally, but in the research for the preparation of this submission the committee was interested to see that properties that are exhibiting resistance to vegetation clearance are becoming more attractive for people to purchase, simply because the options are not taken away for the potential purchaser—whatever those options might be—in the future.

**CHAIR**—Are you suggesting there is a certain amount of community peer pressure too?

**Mr Sheehan**—I think there is. I think the valuers and the real estate agents are seeing that reflected in the sales prices. If you are one of nine properties in a particular valley and there is, say, a major erosion problem, clearly if you are the one man or woman out it must be reasonably difficult in a small rural community.

**CHAIR**—There has been a suggestion that we should in some way make payment to people who put in place good conservation measures that benefit others, downstream or whatever. How would you come to value such conservation measures? Is there some way that you could put a palpable value on that?

**Mr Sheehan**—I wish you had not asked the question. As I said when I was taking you through the submission, the issue is determining at which point the threshold is passed. At the very end of that submission, on page nine, you may recall I mentioned to you that it is a matter of looking at the difference between a property which is undertaking ‘normal’ farm management and that which is taking farm management to a different level—not necessarily a higher level, just a different level. The valuer then, of course, has to strike the difference between the two. In terms of payment, what we have suggested in our submission is that rather than actual financial payments to owners it is more a matter of using the historic processes of relief from rating and perhaps accelerated depreciation, or maybe changes in the way in which the Income Tax Act is applied to those rural—

**CHAIR**—What about the property market? I mean by that buying property rights, salinity units, clean water units or whatever. It would certainly add value to the property if you could do that, wouldn’t it?

**Mr Sheehan**—It would have to. One of the problems that we face also, Mr Chairman, is that we have a real dichotomy at the moment in Australia. For example, in the New South Wales Valuation of Land Act, in terms of the valuation of property, there are offsets in the actual striking of the statutory figure where certain works have been done on a property. For example, draining and clearing of vegetation was allowed under the act, which is a benefit that the owner gains in terms of lowering his statutory value. We have the opposite situation, of course, where we have now carbon credits and things like that where people are gaining value from doing the very opposite. So you can see that the current taxation system is doing different things at different times.

**Mr BILLSON**—Just on that issue, we are hearing stories, even in the west and other parts of Australia, that state land taxes land on you more heavily if you are conserving the land. If it is set aside for non-farm use you actually cop it in the throat with higher land taxes, which seems a bit of a disincentive. I was wondering to what extent your membership—which I understand is

mainly valuers, property developers and real estate agent characters—acts as a facilitator to look at where some net gains in vegetation might be engineered by transfers between various properties. We know of some stories where the best use of a highly attractive piece of agricultural land is farm forestry. There is a stand of trees on that property that are the only ones of their kind and they impede the most efficient management of the property, whereas up the road someone who does not really want to do anything with their property has bucket loads of these trees and a habitat that can support wildlife, yet there is not a lot of swapping going on to give you a net outcome. Do you see it as part of your members' charter to try and engineer those sorts of outcomes?

**Mr Sheehan**—I do not know that the institute sees its charter as that. We tend to act primarily as commentators on the marketplace. The 7,000-8,000 people who are members of our institute—it is one of the largest property associations in Australia—are primarily trained as valuers, but a lot of them, of course, are asset managers and some of them, as you quite rightly said, are into property development, acting as advisers, not so much as developers themselves. You can see a change occurring at the moment in the notion of property rights in Australia, if I can give the answer it this way. I think we are on the verge of seeing a significant commodification, to use that word, of natural resources. We are seeing it with carbon credits; we are seeing it at the moment with the move towards water property rights being fully transferable to break the nexus between land and water property rights; and I think this is another excellent example that you put forward of how those things could occur. Whether they are feasible, in terms of how the market would approach them, I cannot answer because it is too early.

What I do know is that the notion of property rights is changing dramatically in this country as we speak. It would have been inconceivable 10 years ago to break the nexus between water property rights and the land at which it was sourced. Land based carbon credits are an interim to breaking the nexus between the carbon credits and the land. The same thing could occur here. We already have transferable development rights, TDRs, in relation to floor space ratios as a result of the public good conservation issue of heritage. It would not seem to me to be a very large step to move to another form of TDRs in relation to something like quantum of endangered vegetation.

**Mr BILLSON**—Issues about building heights and layoffs for conservation and heritage reasons have been around for quite a long time. Even in, say, the Carolinas in the United States, on the Barrier Islands you can layoff some wetlands on one to put a golf course on another one, and there is a net benefit arrangement. So you actually have some tools there. What interests me is, from your institute's point of view, where would you go? The floorspace rights are pretty straightforward—you have land use planning schemes and town planning ordinances that give you something you can trade. Where would you go with this, though? I just wonder whether the institutional structures lend themselves to this type of moving around—I would call it wiggle room—so you can get the best natural resource outcomes with the minimum pain. Where would you go? I just pose the question; I do not think the institutional arrangements are there.

**Mr Sheehan**—They are not there at the moment, but, as I said before, you are seeing a significant shift in the notion of property rights in this country. I do not think it is such a large step to move from things like TDRs for five floors of office space—which we can transfer to that part of north Sydney and this part of north Sydney—and do the same sorts of things with,

say, a species unit, or whatever you want to call it, and to be able to say, 'Look, it can be transferred anywhere within this particular region.' We have done that already with water property rights because in the New South Wales legislation they can be transferred within a particular, I suppose you would call it a biosystem, or whatever they call that particular thing—it is a valley basically.

**CHAIR**—I am the cause of that actually; I was the minister.

**Mr Sheehan**—I do remember.

**Mr BILLSON**—Do you see a risk though in that those benefits are there and the commodification, or codification, of property rights will invariably spit out a discussion about property responsibilities. Where you have a simple notion of peaceful enjoyment, fine, enjoy your property rights, but don't mobilise your salt to compromise the productive capacity of my property rights, blah, blah, blah, and off the debate goes. If we go further down that pathway do you sense that there will almost be a reaction to those beneficial property rights by a codification or stronger emphasis on what are reasonable obligations on the property owner and then get into a more imposing type atmosphere than people might anticipate?

**CHAIR**—Or where is the genesis on the property value, I suppose, too?

**Mr Sheehan**—I think you are really touching also on an even larger area which is the move from statutory planning controls out of urban areas into non-urban areas. Already we are seeing, say—and I can use the example of New South Wales—groundwater vulnerability ratings, riverine vegetation controls, and these are all contained in LEPs or some form of state or regional document.

**CHAIR**—SEPP-14.

**Mr Sheehan**—Yes, there are those for example. You have the normal heritage controls, say in an LEP, and you have the controls which come from the Heritage Act in New South Wales. There are probably about 10 major controls which are there as a form of physical planning control over rural properties. From my observation and the institute's observation, what appears to be happening is that there is a move by the state physical planning agencies to control, at a higher level, the utilisation of regional and rural land. That, perhaps situated with the idea of having transferable commodities, whatever you want to call them, May mean that if you are going to move that particular species unit off that property it is not going to be a free-for-all for all the properties that can remove those species. It also means for the price of that is that there has been overall an increased level of physical land use controls.

**Mr BILLSON**—And the taxpayer would want to see that, whether it is funded via a rate write-off, a grant or some other relief.

**Mr Sheehan**—Absolutely, that is right.

**Mr BILLSON**—I actually hold the view that the planning schemes are a pretty useful tool to communicate this stuff, because there is no great mystery to them and everyone knows about them. You do not need a PhD in government bureaucracy to find your way through to which

report is going to clean you up three years down the track after a real estate agent has told you, 'No worries, mate, clear the bloody lot.' You do not want those sorts of surprises out there.

**Mr Sheehan**—I think the issue is well taken. Again just using the New South Wales example, the local environmental plan—read planning scheme, on a Commonwealth-wide basis—there is little fetter upon the states in terms of those local environmental plans. They can incorporate, such as they do in New South Wales, section 94 contributions where there are payments by developers for things which relate to the community at large. So there are not a lot of constraints upon those local environmental plans and they could be constructed to do these sorts of things without much difficulty.

**Mr BILLSON**—And let's put the STCA little note at the bottom of the sign and have a bit more heading.

**CHAIR**—How would you construct them? Who would have the input? What push would the property holder have, what right would they have, what say would they have?

**Mr Sheehan**—Under the New South Wales legislation, when there is a significant local environment plan, its precursor is a local environmental study which is open for public comment and participation. In fact, that process is quite rigorous. I am also a town planner by discipline so I can speak with some authority in that area. The process with LEPs, particularly in rural areas, has been quite good since the act was introduced in 1979.

**CHAIR**—They go on public display, you have a right to have public comment, but at the end of the day it is the local council and then the state government who decide it.

**Mr Sheehan**—And the Department of Urban Affairs and Planning.

**Mr BILLSON**—Yes, but they are only overlays, aren't they? Isn't the New South Wales planning law where you get a zoning—not an overlay, but a land use planning zoning—that adversely affects your development right, you have some capacity to claim remediation of that loss, whereas with an LEP it is an overlay?

**Mr Sheehan**—No, there is no ability, excepting when land is in private ownership and it is rezoned, say, for something like a public park, and then you can claim compensation.

**Mr BILLSON**—Yes, compulsory acquisition.

**Mr Sheehan**—Not even acquired, just simply zoned. You have a right under the New South Wales legislation to claim inverse compulsory acquisition. You can force the local government authority to acquire it, at your volition, but if for various reasons you choose not to require it to be acquired, it can just sit there and, as is often the case, it can sit there for 10 or 20 years.

**Mr BILLSON**—But isn't that a reasonable model to give effect to LEPs?

**Mr Sheehan**—It is. All I am saying is that there is not any compensation in general for changes of zoning. That overlay you mentioned before, strictly speaking what happens is the

local environmental studies really set the framework under which the LEP is prepared. For example, if you were going to prepare a local environmental plan for some area of Cootamundra, you would say, 'Okay, this is what can happen.' You set up a framework. That would then be translated to the local environmental plan. I think the advantage with the local environmental studies is that they have that local input, because they have to be promulgated by the local council, or groups of councils—you can have them over a couple of local government areas. What then happens, of course, is they go through to the department and then to the parliamentary draftsman. But you cannot produce a significant local environmental plan without the under support of the LES, the local environmental study. So that probably gives the answer in terms of the public participation. It depends on how effective it is, but there is a process whereby you could ensure that if there were going to be certain controls which might relate, for example, to public good conservation, the local community could certainly to the degree participate.

**Mr BILLSON**—You could extend the model a bit and at least the taxpayer—whether it is the immediate local authority's taxpayer or the taxpayer generally—is shot up through the financial assistance grants money, even where LEPs or whatever incur a cost that might then rate for the purposes of the financial assistance grants process. We have all these ideas, but operationalising them is a little bit more difficult. When you are looking to actually transfer wealth from taxpayers, who generally want to see this happening to the people that are at the sharp end whose property it is, there is some need to be transparent about all that.

**Mr Sheehan**—Can I say though, there are two examples which I think merit examination. The first one is that when land is included in a local environmental plan which imposes a heritage control—so we have heritage items—usually by a local government area, that then activates certain things in other legislation in the New South Wales model where, for example, the rating and taxing situation changes if a property is shown as being under an LEP in its heritage item. So you can have that crossing over. So you can see the models there already for that. That financial arrangement is already there at the moment.

**CHAIR**—Have you had any involvement in New South Wales with the SEPP-14 where some years ago tracks of land were declared under the planning act as wetlands?

**Mr Sheehan**—No, I have not. I am aware of it but I have not been involved in it.

**CHAIR**—And those people then effectively could not sell the land.

**Mr Sheehan**—That is right.

**CHAIR**—They had to continue to pay the shire rates but they could not sell their land, and that is still going on. I dare say you would not have any records of that because the land has not been sold?

**Mr Sheehan**—The valuer would not, no, but there is a submission which I am more than happy to make available to you—it is a public submission. It was on the plan making green paper produced by the Department of Urban Affairs and Planning, and Mr Warner can certainly provide you with a copy of that. There was a change to the planning legislation proposed in New South Wales. The institute raised an issue in that submission. We identified in that report,

which was done about 18 months ago I suppose, that over the years there has been an increasing erosion of the private rights held by a private owner through the land use planning process. What is happening is that while a property may not necessarily be being taken, if you are informed that under this new LEP your property is zoned '7(f), special conservation', about the only thing you can do on it is an apiary, and they actually list some of those things. As long as there is something that is a private use on that zoning it means that the inverse compulsory acquisition provisions cannot be activated, and there are some very intelligent lawyers obviously advising some of these bodies. We raised that in the plan making submission which I am more than happy to make available to you. It is a public document. We did raise that issue. We called it 'Taking by stealth'.

**Mr BILLSON**—How do your computer models deal with that? I have the good fortune of being on very close terms with some of your people and have seen the way their computer valuation models function. My observation is the sorts of things we are talking about today do not feature prominently in those models.

**Mr Sheehan**—They do not. Some years ago there was a professor of valuation at Singapore University, Phillip Motha, who passed the comment that beyond mortgage valuations he felt the computer was much less efficient than the human valuer in taking into account other issues.

**Mr BILLSON**—What do they say, copinoptic.

**CHAIR**—Position, position, position.

**Mr Sheehan**—Exactly.

**CHAIR**—I think I have covered what I wanted to cover in the valuation area. If you have any evidence where laws that have been passed by state or local government—probably not as much in the federal scene—have detracted from values we would be very interested in seeing it. It has been argued, and it will be argued further by farmers, that in fact these laws affect their values and affect their economic viability. I suppose that ties into it: if it is not as economically viable, it is not as valuable.

**Mr Sheehan**—Again, I can follow through on that for you. The institute was recently requested by the New South Wales Heritage Council to undertake a report, which I think they are funding, on the economic cost of heritage listing, and that is very close to what you are looking at at the moment. Again I will ask Mr Warner to send that to you if you would like me to because I understand that report is in the process of completion at the moment.

**Mr BILLSON**—Let us take the heritage model: all these veggie overlays, the endangered communities, the flora and fauna guarantee provisions, the salinity mobilisation maps and all these sorts of things, I think are very straightforward to put on to GIS technology. I cannot believe no-one has done it; it is a personal view. It is all out there and with the technology these days it is not that complicated to put it on a three-dimensional model. Then you take that into account when you are looking at land use planning approvals and those sorts of things. You have your minimum requirements for proper care of your land, picking up peaceful enjoyment and domino effects on other property owners' arguments, that sort of stuff. Let us say, for argument's sake, the Commonwealth said, 'Well, there's 40 million bucks out there, guys. We'll

put out to tender public good conservation, 40 million bucks worth. You know what the issues are, you know what all the grand plans are about, you come back to us with the best proposals you can, bringing in private investment, philanthropy, public willingness, voluntary activity', and use that as a way of recognising the fact that some land-holders are of a mind to do that stuff anyway, some won't.

You can then run the business case that you can look at the performance of each of these various public good measures funded by the taxpayer and how much leverage that money has brought to bear and use that as a way of starting to get better than minimum requirement outcomes as a leader of what can be done on private land. Is that something that you guys would think is helpful? The heritage arrangements effectively work that way, 'We'll slap a heritage listing on your property and you can apply for a poopteenth of money each year and see if you can get the exterior walls painted,' or something.

**Mr Sheehan**—I think your point is well taken. I had a meeting only last Friday with Bob Smith, the director-general of the Department of Land and Water Conservation. The institute has done a submission on the water property rights reform. I was interested to see that he had commented that all of the information in relation to water property rights will be placed in the Land Titles Office computers and the information that DLWC has—for example, the maps they have of vegetation. We are very close to having all that information in one spot.

**CHAIR**—That has been worked on for some years now.

**Mr Sheehan**—Yes, and it is extremely close. Only two weeks ago I was in Dubbo and there was a presentation there by one of the officers from DLWC who were involved with the vegetation controls, the vegetation legislation in New South Wales, and that information is extremely easy to put on.

**CHAIR**—Natural Resource Sciences in Canberra have most of that, I think, have they not?

**Mr BILLSON**—I am just thinking out aloud. We hear that these works need to be beyond a single property. We understand they are desirable at a catchment level. There are problems with extension where the states are withdrawing that service, and there is then the issue of varying capacities to make a difference. I just wonder whether a transparent tendering process would have your agronomists ducking around the countryside saying to 40 property owners, 'Look, between you you've got 400 hectares or more, what about if we all did this, this, this?' and actually acted as an extension officer. It is all out there; it is all there to be seen. You cannot claim it is a farm subsidy because it is actually tendering of public good on private land. Whoever wins the contract has got to make it work so they have to do the education and transfer of the technical knowledge and get everyone on board. I just wonder whether that is not a way of going to the next level beyond where we are now where we seem to have plateaued with land care, incentives and a bit of cajoling and things like that.

**Mr Sheehan**—I think it is already happening. As I said at the outset, I think it is interesting to see that the Department of Urban Affairs and Planning have for the last couple of years been looking very closely at rural land use, physical planning. I can see that what is going to emerge out of that in the next few years is going to be a more easily understandable series of controls. I think they will, of necessity, have to be based on catchments or on particular value



arrangements, whatever it might be—some sort of physical definition of those sorts of controls. It is fairly obvious that a lot of the things which have been in place in the past where there has been an arbitrary line drawn down a valley, ‘This is in this shire and that is in that shire,’ cannot continue. They cannot continue from the point of view of our profession, simply because our valuer goes out and he says, ‘Look, I’ve got to value this property and this property is treated differentially than that one over the road,’ but what is going on on that property May be having an immense effect on that property there. The two controls and the two shires May be completely different. You see that in the suburban areas where we have one commercial area where you have three councils split in the middle of a railway station.

**CHAIR**—Thank you very much. We certainly have a very interesting inquiry on our hands. The hearing stands adjourned.

Resolved (on motion by **Mr Jenkins**) that:

That, pursuant to the power conferred by section (a) of standing order 346, this committee authorises publication of evidence given before it at public hearing this day.

**Committee adjourned at 11.59 a.m.**