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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.

WITNESSES

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Committee met at 11.13 a.m.

CRAIK, Dr Wendy, Executive Director, National Farmers Federation

LOVETT, Ms Anwen, Director, Environment, National Farmers Federation

CHAIR—I declare open the hearing of the House of Representatives Standing Committee on Environment and Heritage inquiry into public good compensation. At today's hearing, which is the fourth one for the inquiry, we will hear evidence from the National Farmers Federation. I welcome Dr Wendy Craik and Ms Anwen Lovett to the hearing. 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 received a submission from you. Would you like to add to that briefly, before we ask questions?

Dr Craik—Thank you. The NFF certainly appreciates the opportunity to appear before the committee. We see the inquiry as part of a broader suite of strategies currently occurring in relation to natural resource management. We have the ministerial group and the government looking at the Murray-Darling Basin Commission. We have recently had the Murray-Darling Basin Commission salinity strategy outlined and launched. We have had state salinity strategies outlined and, of course, the ACF and the NFF have put out an initiative on dealing with salinity and other environmental matters.

We see, of course, the role of land-holders as critical in the future of natural resource management. I think everybody agrees now that the current problems are massive and they are increasing. In our report with the ACF, we have costed them at something like \$2 billion a year and rising, and those costs are economic, environmental and social. There is a long history of those costs. The history of the problems and the magnitude—

CHAIR—A division has been called in the House of Representatives, so we will take a short break.

Proceedings suspended from 11.16 a.m. to 11.25 a.m.

Dr Craik—The current problems are massive and they are increasing, as you know. Our report costed them at \$2 billion a year, and rising. Obviously, those costs manifest themselves in economic, environmental and social issues. There is a long history that leads to the current problems that we have. The history of those problems and the magnitude and scale of those problems really mean that farmers cannot be expected to meet the total repair bill. It is worth noting that the community is demanding a greater focus on the environment, conservation and rehabilitation of land and water. While farmers are prepared to meet some of the costs, they certainly cannot meet all of the costs, and nor should they. A specific example would be salinity problems on one particular person's property that might be a result of upstream activities and absolutely nothing to do with their own.

We would see that the community has a responsibility to both the framework for repairing these problems and the financing of conservation measures on both public and private land and water. It is worth pointing out that the Productivity Commission made the same point in their

report *A full repairing lease*. In terms of financing repair bills, the NFF and ACF report looked at the relative contributions that might be made by both the government and private sector to deal with the problem. We suggested that governments might contribute something like \$3.5 billion a year and the private sector about \$3 billion per year over a 10-year period and that the public money would be largely used to leverage private money so that you would get investment in areas where you would not get it if there were a proposal to have just private investment alone.

In terms of the framework under which this investment is made, it is true that farmers are concerned about having compensation responsibilities placed on them without also having certainty in many of their property rights and without having conservation for removal of property rights or even a loss of future potential production. Other relevant issues here are the fact that enacting uniform regulations may be inappropriate. One size may not fit all in terms of environmental regulations, and there probably needs to be capacity for variation, depending upon the area. We cannot forget that regulation can often lead to perverse incentives. I suspect the situation that we have seen in Queensland with land clearing would be an example of that.

In terms of the actual mechanisms that you might use, we would suggest that voluntary agreements with land-holders is one quite successful way to go; payments through agreements to land-holders. We obviously support an approach which is in an incentive based approach rather than a regulatory based approach. There needs to be caution. Things like the clawback of water rights, for instance, without any compensation can cause resentment to conservation and actually set back the cause. We certainly acknowledge that land-holders have a duty of care, but that duty of care needs to have some limits. Farmers cannot be expected to fund in full the community's desire for biodiversity conservation.

As a community here in Australia—and probably those elsewhere in the world—we have not valued environmental services. We need to put a dollar value on environmental services. That is an important step in recognition and perhaps in delineation of the relative roles of land-holders and the community in resolving these issues. To get the community to start valuing environmental services will require the community to be educated about the fact that these environmental services do actually have a value and that is in fact why the community should contribute to the cost. That, of course, in itself requires a major communication program as a very important and perhaps integral first step in any natural resource management repair strategy.

CHAIR—I might start off with some questions on the science involved in some of these decisions. I understand the political side, where you say the community are expecting greater environmental protection in many areas. What do we need to do to ensure that the science we are working with is accurate? I know that it is dynamic: we will always be learning more and more about it, but where do we get a decent base to start from to make these decisions?

Dr Craik—I think one of the most important things is for the scientific community to work with the community that is going to end up being affected by the scientific decisions. In some ways, there is often a view that science has the ability to make things black and white, whereas in fact science is as much a judgment as almost anything else.

CHAIR—Especially in environmental areas?

Dr Craik—Yes, especially in environmental areas. Having science training myself, I would agree that it is very much a judgment. At the end of the day, you are asking the community to accept and go along with those decisions. I think you are going to get much greater acceptance of those decisions if the community is involved in that research from go to whoa. I think that involvement has to be even at the stage of saying, ‘We are thinking about doing this research project—what do you think?’ and actually working with the community right from that point; not saying, as many researchers do, to the community, ‘We have thought up this whiz-bang project. This is what we’re going to do—what’s your comment?’

There is a critical need for what is almost research extension right from the very beginning. In that way, you are accepting that science is based on some judgments, there are numbers, we can do confidence intervals and all the rest of it, but you have built acceptance by working with those judgments right into the process with the community that is going to have to wear it at the end of the day.

CHAIR—In the past, the way we delivered this was that, when research had been done and a suggested approach came forward, we would then use our extension services to move that out into the community. Many of those extension services have disappeared, so what are we going to do in that area? How are we going to get the property owners involved in some of the research that shows it would be better management to do it in a certain way?

Dr Craik—Again, we are going to have to have research agencies who train the researchers—and this may go back even to training researchers—to deal with the community, in terms of their research projects. Institutions may also need to employ people who have those skills, to either train or work with the researchers. The Land and Water Resources Research and Development Corporation is probably one of the better examples, that I know of, of working with the community and involving them in research projects, so they are a part of it right from the beginning.

CHAIR—So we could use private extension services?

Dr Craik—I do not see why not. I do not think governments have any monopoly on it. Also, if it is a private extension service, someone has to actually pay, and a value is put on it. Often the role of and the difficulty with that sort of extension is underestimated because it does not have a value put on it.

CHAIR—With the cost, I have seen the figures before that have been put out by your organisation and the Australian Conservation Federation. I think we have to be realistic and say that you are not likely to get that. I have always been of the view that if you can convince people of a better way of doing things, and it is not an economic disadvantage, then they will do it for the protection of their own property. You mentioned property rights—there are clear problems with, say, milk quotas in New South Wales, and recently there were problems with water rights in New South Wales. Governments, particularly state governments, are not very keen—particularly treasuries, I might say, having had some experience in that area—to get legislation in place that will commit government to a payment on a property right. How do we get around that?

Dr Craik—That is right. It is a very difficult one, but fundamentally a lot of the natural resource management problems in this country will not be resolved until some of those issues are clarified to a much greater extent—until people actually feel that, ‘Okay, these water rights that we have are worth so much and if someone wants them back then someone is going to have to pay for them to get them back.’

CHAIR—At the market value?

Dr Craik—At market value. We accept the notion that, if a government wants to put a railway or a road through an urban person’s house or backyard, they pay compensation. But somehow we have not translated that mind-set out to rural and regional Australia to a sufficient degree. You are right: state governments are reluctant to do it. I do not know how the federal government takes a lead in this, but I think it is something that is necessary. Maybe it is going to take a brave individual with some money to make some legal challenges to this framework.

CHAIR—I have some more questions but I know Mr Billson has always been keen on defining land-holder rights so I will defer to him.

Mr BILLSON—I was flabbergasted to hear the railway analogy and about it not being translated out into the regions. I would suggest that maybe the opposite applies: that the idea of property rights as defined by some people in the farming community is an inalienable right to do as they please, whereas in other land uses there are readily accepted, acknowledged constraints on activity, the key being not having one person’s behaviour negatively impact on the interests and opportunities of another. That seems a different definition of property rights than the one you described.

Dr Craik—You would have to say that, in many cases, land-holders in Australia were given land and basically had to develop it under the conditions under which they were given that land. They were encouraged to develop it, their ability to develop it was not fettered in any way, and that was encouraged and fostered by governments. That has led to a particular belief system which we may or may not think is right today, because values have changed. The community’s values have changed, but I do not think anyone has involved the land-holders in that change of community values. While the community may decide that they want to change the value set about property rights and behaviours in relation to land-holders, you have got to bring them along with you; it has got to be a gradual thing. The feeling right now is that they are the ones who are being blamed for the degradation that exists, that they are going to have to pay the bill for it and they really should change their behaviour because it is all pretty awful.

Mr BILLSON—But finding a pathway to make that change is greatly inhibited by the sort of description you provided, which I think is a gross exaggeration—a bit like some of the fuel claims, I might add—and an overplaying of the issue. Isn’t, frankly, one of the challenges that we face, that—you are right—there are some differing mind-sets? When we talk about the community’s expectation and the government paying for something, that is actually the community paying for it as well. Would you accept that there is an expectation from the community that duty of care might mean not doing things with property that affect other people’s interests in property and that that is a reasonable expectation of any land-holder, regardless of where their property is?

Dr Craik—I think that is right. And I am happy to debate the fuel issue with you at some other time—I cannot let that go by! There is no doubt that many farmers these days are at a point where they would like to have some certainty in their property rights so they know what they can do. They are prepared to accept a duty of care; I think that is right. Also, many farmers these days are prepared to accept government money and they realise that there needs to be accountability for government grants where conservation or anything else is concerned. I think you can develop that sort of approach. In terms of these natural resource management issues, there is plenty of information around now and what is probably needed, in our view, is to run pilots—say, one in every state or region, for either a catchment or a region—to actually trial out some of these issues and get the community involved. Many of them have plans that are nearly finished, so get those plans signed off, give them a block of money and let them be accountable, calling for tenders and all those sorts of things, and involving the land-holders. Then you are taking the community with you.

Mr BILLSON—I agree that there is a need for a substantial increase in public investment. There is no disagreement there. My point of difference with what you are describing is that the taxpayers that are financing that, who are not only income poor but also asset poor in many cases, probably do not expect to pay land-holders to do things that would be considered reasonable anyway, but they may be happier to pay for a disproportionate burden that some land-holders may have to carry. It seems there is a lot of daylight between duty of care as described in a Queensland submission—which is anything that is commercial, and anything that is not commercial the taxpayers should pay for: an interesting idea—versus a duty of care where people’s activity has no negative offsite impact and that is their contribution to managing their land. How do we bridge that gap of expectation so that reasonable behaviour comes as part of land management responsibility, and that additional burden we then look at providing incentives for?

Dr Craik—The way you do it is by getting communities to decide what they want in their area or catchment. If the community signs off on it, land-holders are part of that community. The sides may start off here but end up a lot closer together because they are working together to solve a particular problem. That is often the best way to overcome a difference of view. It is not going to be easy, and it is going to take time. I am quite optimistic. When I left Queensland five years ago, if anyone had ever suggested controls on land clearing in Queensland they would have been run out of the state. But Queensland has moved a remarkable distance in five years.

Mr BILLSON—If we are having a national incentive scheme, though, do you feel it is reasonable that there be some level of consistency in performance across the various jurisdictions, given that they are looking for federal funds to help finance it and that it may present some challenges to some states to lift their game quite significantly?

Dr Craik—Qualitatively, yes, there needs to be consistency in performance, but you will need to tailor it to the particular circumstances of the area because each is going to be slightly different.

Mr BILLSON—If we accepted as a concept that the duty of care of any land-holder, regardless of where they live or what productive or peaceful enjoyment use they put their property to, went to not having off-property impacts that adversely affected someone else, wouldn’t that be the starting point from where you could then take account of various

ecosystems, sensitivities and expectations, and move forward in a consistent manner that could gain the support of everyone in the community?

Dr Craik—It is a principle that has a lot of merit. It comes back to the chairman's earlier question about the science that is involved. With a lot of activities, I do not know that the science is such that we are able to say that activity A is not going to have any impact on B, C, D and E. Salinity is the perfect example. While we do have new and relatively inexpensive technologies available for a country this size, it will be some time before we are able to develop benchmarks for each area as to what is appropriate activity. I think that needs to be part of the process.

Mr BILLSON—If you can be confident enough that the science can identify what is helpful behaviour that may warrant some incentive, surely you could then say that the science is clear enough to identify unhelpful behaviour. I am suggesting that you cannot have it both ways.

Dr Craik—I think you can move in those directions but, again, you have got to take the community with you. When we look back 200 years, helpful behaviour and acceptable land management was quite a different story from what we regard as that today. The best trained and best intentioned people would have advocated quite different land management measures 200 years ago in this country from what they do today.

Mr BILLSON—Take car repairers: they used to put CFCs in their airconditioning units; they cannot now and they had to make that adjustment themselves to meet those new expectations. We need to be clear about what suite of measures is appropriate for one sector of the economy that may seem a little odd when viewed through other sectors of the economy when others are paying for them.

Dr Craik—That is probably true, but we should not lose sight of the fact that a lot of the activities we have concerns about now were actually fostered and encouraged in policies of government. It was only in 1985 that tax deductions from land clearing came off, and we are trying to turn the whole thing around in five years. These things take time and attitudinal change, which then takes a while to translate into behavioural change.

Mr BILLSON—The other question is whether we take an integrated but somewhat different approach to behaviour that may degrade natural systems now versus behaviour that is part of addressing the past degradation of natural systems. Do you have any thoughts on whether the two might involve slightly different approaches, incentives or regulations? Fixing something that is already cactus is one thing; avoiding ruining something that is not so degraded at the moment I suggest takes a different line of approach.

Dr Craik—That is an interesting question. The avoidance process might be easier than the repair process in many cases, I suspect.

Mr BILLSON—One might argue more strongly for taxpayer input than the other. Avoidance might reasonably be expected of a land-holder, but fixing past wrongs we might all accept as a community responsibility.

Dr Craik—Yes, that might be the case.

Mr BYRNE—With respect to property rights—that seems to be the issue that predicates everything else—have you put a framework to the government of what you expect property rights to be?

Dr Craik—Not in any detail, no.

Mr BYRNE—Is it something that your organisation is contemplating, given that you have indicated that that is your starting point?

Dr Craik—Yes, I suppose it is something that we have thought about. It is a case of: yes, that is one of those things that is important, but not urgent, that we have not quite got to.

CHAIR—You would be looking for legislative arrangements?

Dr Craik—I think that ultimately we would be, but we have to probably define more clearly some of the precise principles and parameters. At this stage, we have what I think you would have to describe as a reasonably general approach to it.

Ms Lovett—Part of the challenge is the variability throughout the states.

Mr BYRNE—We are talking about a \$6 billion program. One of the starting points is for certainty with respect to property rights. So one would have thought, if you are putting that forward, you would actually have a concrete framework of what your expectation would be with respect to property rights.

Dr Craik—No, we have not yet got a concrete framework; we have a number of principles on which we work. We have identified from this ACF/NFF report that there are a number of things that we have to do to tie everything down more precisely than we have already. That would be one of those things that fall into that category, I think.

Mr BYRNE—With respect to that, have you looked at the possibility of a scenario, say, 10 years down the track where farmers—if these property rights issues are not clarified—are actually taken to court because they did not exercise appropriate duty of care?

Dr Craik—Sorry, what was the beginning of the question?

Mr BYRNE—A gentleman called Murray Raff presented a scenario that I explored with him whereby there could be a test case taken against Australian farmers with respect to their not managing their farms appropriately and thus having an impact on other areas. Is that something that you have looked at?

Dr Craik—That is not something that we have looked at. What we have looked at is the other way around: a test case where farmers take governments to court over the issue of not having clearly defined property rights.

Mr BYRNE—I guess that comes back to my point. Have you taken a survey of your members and they have said, ‘This is what we actually want with respect to property rights’—some sort of framework? That comes back to the starting point. Has that been done?

Dr Craik—As I said before, no, we have not clarified those issues in detail; we are at a very general principle stage. But I think it is something that we are going to have to do.

Mr BYRNE—To me, it seems as though it is a foundation point. Have you got an inventory of programs that may revegetate the environment or do you have a ‘basket’ of potential scenarios that you have presented to the government that say, ‘Okay, this farmer can fix the land up by doing this or we can address this’? Is there a preferred series of options that you have with respect to the environment?

Dr Craik—There is a series of options that you can look at—a kind of suite of things that you can look at. Again, it is going to be horses for courses to some extent.

Mr BYRNE—Do you talk to basically every farmer in the country?

Dr Craik—We are a federation, so our members are actually organisations and they have the individual farmers. We get information filtered through member groups. The information that we have through the ACF/NFF commissioned report presents a series of options in terms of taking that down to greater detail—for instance, how you actually do it in a particular catchment. Our view is that there are a number of fairly basic options that you can look at. You bring in the best advice you can to see what would work for that particular catchment.

Mr BYRNE—Yes, but to some extent isn’t it worth—because it needs to be a national, cohesive program—some sort of coordinated basket of possibilities being put to the government with respect to the expenditure of the money?

Dr Craik—What we have done is put together a broad list of options that would deal with the problem. The report has actually costed those options.

Mr BYRNE—As a broad basket.

Ms Lovett—The Murray-Darling Basin Commission and even the Land and Water Resources Research and Development Corporation are doing work specifically looking at what you actually have to apply in a region to deliver your outcomes. We think it is very important that you have a nationally consistent framework and the flexibility within the regions to actually apply whatever measures are required. Salinity in Western Australia is very different from salinity in the Murray-Darling Basin. We certainly need agreement on what our goals are but also the capacity to apply them flexibly on the ground. It really is the work of groups like MDBC and LWRRDC to pilot these activities within regions and catchments—to actually see them operating, to identify where the trade-offs are, and to identify what people actually respond well to and what they do not respond to.

Mr BYRNE—With respect to your assessment, you have a basket. When do you think there should be some sort of cohesive national action taken? What is our time frame?

Dr Craik—We think it needs to start right away with a big communication program. We really want to get the community involved in understanding the problem, because we believe that the community should contribute to the cost. So we think that needs to start. Then the issue is to identify at least one in each state, catchment or region and really try running a few pilots.

Mr BYRNE—Have you contemplated doing something other than relying on government to publicise that—privately or in conjunction with other organisations like the Australian Conservation Foundation? Basically, have you thought of having some campaign that says, ‘Seriously, if we do not address these sorts of things, this is what is going to occur’? Because it has been my experience that, rather than the government pushing with respect to attitude changes in these sorts of things, what generally happens is that it is the other way around: government is pressured by groups.

Dr Craik—We would say something like the AIDS campaign was a pretty successful communication program largely conducted by the government.

Mr BYRNE—It was started by a lobby group first, though.

Dr Craik—Yes, but the actual big funding would have come from the government.

Mr BYRNE—After the group lobbied them. In a sense, there was a general awareness within a very well-coordinated, powerful lobby group that persuaded the government to take action. Obviously, here is part of that process and a very welcome contribution but—in a general sense—have you done something like held some sort of public event and said, ‘If we do not do this, this is actually what is going to occur’? I am not seeing a lot of that. You represent the stakeholders so—considering there is such a huge amount of angst and anguish out there with respect to these sorts of issues and it does affect your constituency’s livelihood—I am interested to find out whether or not your organisation would be contemplating doing something other than just relying on the government to shoulder the burden.

Dr Craik—Since we launched the strategy with the ACF, both of us have used probably every speaking opportunity that we have had to go through this strategy, to talk about this strategy and to promote this strategy.

Ms Lovett—You are even seeing at the state level an organisation like the New South Wales Farmers Federation working with their conservation council on things like salinity. So you are seeing it operating at that level. But one of the real challenges that we see is that, unless we have a government that comes out and says, ‘Yes, this is a national issue,’ then it is a continuing uphill battle.

Mr JENKINS—This point is very interesting. Nobody could say that the NFF or the ACF are shrinking violets in the lobbying stakes. Their cooperation at the start of Landcare was a significant effort. I thought it was an interesting line of questioning from Mr Byrne. It shows the frustration that there must be at that lobbying level to try to get that change. Given that there is this continuing cooperation at that top level, how do we really get that attitudinal change and the community awareness if we have not got it after such a long period, no matter how much we convince governments—federal, state or wherever—to throw buckets of resources at it? Why does there appear to be an impediment?

Dr Craik—People in rural and regional Australia probably are moderately sensitive to the problem. The difficult area is people in urban metropolitan Australia, and I think the reason is because it does not affect them personally. But now that we are seeing the effects of salinity in western Sydney suburbs, people can actually start to see what it is that is being talked about and that that is going to affect them through their rates for fixing the roads, gutters and whatever. So the impediment is that we have not found a way yet to tap into the psyche of the metropolitan people and get that message across because it is not their issue—it is ‘out there’ and it is outside the immediate range of issues that they need to deal with on a day-to-day basis. That is the impediment. How we overcome it, I am not quite sure, other than clever communication. I do not think we have hit the button yet.

Mrs GALLUS—I was surprised to hear you say that. I would have thought, in my ignorance, that it was the other way around—that it was actually the urban people that really have a concern about this and that a lot of that concern has not been acted on by the people in the rural areas. So I was somewhat stunned to hear you say that. On the question of whose responsibility it is, you said earlier that you had to take the community along with you. At that time I thought you meant taking the rural community along with you so that they did what was appropriate on the land. I am not sure now that that is what you meant.

Dr Craik—Yes, that is what I meant.

Mrs GALLUS—How long do we wait to take that community along with us? In some areas the rural community has already moved and understands what has to be done and what should not be done, but in other areas there is a degree of intransigence. You said that in 1985 they were still being paid to clear the land. That was 15 years ago. If a doctor performed an operation that was usual and appropriate 15 years ago but he had not kept up with changes, it might not be appropriate now. How long can we keep saying in rural areas, ‘We are going to forgive you because way back then it was appropriate and we realise we gave you wrong advice’? That happens in every area: as information and knowledge increases, so does the expectation that people will change their behaviour with regard to that. But you are suggesting, no, there should be a long time lapse for farmers. Am I picking up what you are saying or have I misinterpreted it?

Dr Craik—Not quite. People in rural and regional Australia recognise there is a problem, but you have to take the community with you in terms of what you are going to do about resolving the problem. I was surprised the other day to read that salinity had been identified as a problem in 1897 and that someone had given a pretty good description of the problem and what the causes were in 1924. Here we are, 75 years later, and we are still agonising about what we might do. The issue is that we seem to focus on trying to get more understanding of the problem and there seems to be a reluctance to give money at a strategic level—say, to an entire catchment to actually put their plan into action, and then you will take the community with you.

Mrs GALLUS—Where do we get away from giving money and the responsibility of the people themselves? I will give you an example. We were at a public hearing recently and somebody indicated that they were taking good environmental measures—they were planting bamboo in the creek beds to hold up the creek beds. This person obviously has not the faintest idea of how to look after his land if he is planting bamboo in creeks. So what is his responsibility? Are we supposed to say that because he owns that block of land he has the right

to put bamboo there, that he does not have a responsibility to learn about some of the environmental impacts of what he is doing?

Dr Craik—No. I agree with you that planting bamboo in a creek is hardly going to—

Mr BILLSON—That was offered as best practice in the catchment.

Mrs GALLUS—I was just using that as an example. What can we say to these people: ‘No, you cannot do that and we can prosecute you,’ rather than, ‘Okay, it is your land and you should get a bit more awareness’?

Dr Craik—What can be done is those sorts of things can be built into future conditions of land tenure.

Mrs GALLUS—How long do you wait?

Dr Craik—You are politicians. You know as well as anybody that it takes a long time to get attitudinal change, and it takes even longer to get attitudinal change translated into behavioural change.

Mrs GALLUS—If it is taking this long, I am wondering whether working for attitudinal change is the right way to go or whether we should be coming in with a bigger stick.

CHAIR—If we came in with legislation and said, ‘Thou shalt’, or we put some other controls on the land-holders which we saw as being environmentally responsible but those particular people did not have any money, what result would we get?

Dr Craik—I do not think you would achieve the objective at all. You would just get resentment.

Mr BILLSON—That is a colourfully concocted scenario.

Dr Craik—A lot of the scenarios this morning have been loaded.

Mr BILLSON—Let us take a catchment where there is degradation and there is not the discretionary income as Ian talks about. Would it be unreasonable to say to that catchment: ‘Here’s the state government putting in their extension support’—blah, blah, blah—‘The feds put in money; they’re not going to walk. Here’s a set of locally developed natural systems management tools that make sure you are not inadvertently ruining the environment or running around saying you are doing great things. And here’s some money to implement restoration activities. We won’t make any of that money available until you put your catchment plan in that shows that further degradation will not be tolerated and they are regulatory tools to stop going backwards, and the money that is coming in is to restore what has already been degraded. If you don’t meet those requirements we will invest the money somewhere else where the community is prepared to take on that bundle of responsibilities, that bundle of incentives’?

Dr Craik—If communities are involved in developing a plan, even if that plan has to be accredited against some kind of standards so that it picks up the priorities of the state and federal government in terms of those plans but the community is involved in the development of the plan, if there is accountability, if there are targets to which the community has been a party to setting—

Mr BILLSON—And some regulatory tools.

Mrs VALE—And specific to the problems of that catchment.

Dr Craik—That is right, specific to the problems. Then we would see that you would want to have some private sector money in there as well, and government money. Then you will get somewhere. One of the problems has been the jurisdictional difficulties, I suppose you would have to say, where people are responsible, and the fact that a lot of money has gone for very small areas as opposed to larger strategic issues.

Mrs VALE—I think that idea of a plan is effective. I find this subject fascinating. I have really enjoyed the questions from my fellow members here, because to me it seems you could think on this for ever and ever. Sometimes I get a little bit panic struck about whether there is ever going to be a solution. Bruce talked about negative impact of certain activities and also the avoidance—and perhaps being paid for by the taxpayer to avoid a certain activity on land that is shown to be detrimental. Have there been any instances in Australia where land-holders have been paid to provide ‘off-farm’ environmental benefits? Do you know of any situations where that has actually happened with farmers?

Dr Craik—Not that I am aware of, no.

Ms Lovett—No. Really, the only things are the conservation agreements run by independent—

Mrs VALE—Which have been smaller.

Ms Lovett—Covenanting and that sort of activity. There is a group in Victoria that purchases land and then sells it to people who want to manage it for biodiversity type activities. There is that sort of activity going on but it is not on a broad scale.

CHAIR—Are you aware of any programs anywhere else in the world where farmers are paid to have a sort of environmental farm?

Mr BILLSON—The EU.

Dr Craik—The EU, I suppose, and set aside in the United States—whether that is just not planting or whether it has actually got a direct conservation value as opposed to a ‘no production’ value.

Mrs VALE—That was the limit of my question because I think that individual farmers are not going to be able to do it themselves.

Dr Craik—No.

Mr BARRESI—On the seeking of public and private money that you referred to earlier on, in your submission you talk about some of the percentages that government could perhaps pay, such as 100 per cent for environmental flows, 78 per cent for acid sulfate soils, et cetera, et cetera. Would there really be private money going into that? This is beyond just the attitudinal change. You can have attitudinal change and behavioural change, but at the end of the day you have also got to come up with the bucks. You have spoken about the fact that there is a shortage of money out there. Cash flow is a problem with a lot of farmers. Are they going to come up with the money to do it? Is there evidence? Do you have evidence that they will do that?

Dr Craik—Yes, there is evidence around. The ABS did a survey a couple of years ago and they asked farmers whether they were prepared to invest money out of their own pockets. I think 87 per cent said they were. Then there were some figures suggesting that every government dollar put into a lot of these projects generates something like \$3 to \$13 of community or private money into the project as well. So in fact we would see the government money as leveraging private investment. I suppose in particular areas we would be thinking that a lot of that would come through some money from the government—to lead to planting trees in particular. If you had some money, you might actually get the private sector to put in money to actually make it a going proposition because by itself it just would not be a strictly commercial proposition without government assistance.

Mr BARRESI—We had a submission on a similar question down in Victoria from someone who was talking about having some sort of marketability test on conservation measures—I forget who it was—where you would be placing a value on the conservation in terms of its level of acceptance or benefit to the wider community. So you have the two elements. You have the duty of care—‘This is what I should do as a responsible farmer on my land. This is what I should do for the wider community’—that Bruce is talking about in terms of your neighbours, et cetera. What is your view about that, in terms of placing some sort of value on the fauna and flora values of the conservation; for example, on threatened and endangered species? So far the conversation today has been more about degradation and erosion and all those sorts of things, rather than about the actual flora and fauna.

Dr Craik—I think it is a really good idea. The CSIRO is running a project right now looking at actually placing a dollar value on environmental services. In my next life, I am hoping tourists will come to pay to see exactly those threatened species. In fact there is a new accounting standard which actually puts a value on those things, which you can build into the accounts of the company. I think that is the way Australia has to go so that we can actually see what the environmental value is and then we can start to put much more precise figures on what we are losing and what it is costing when we undertake particular activities.

Ms Lovett—It is also trying to get that shift, from someone who is maybe managing that land to actually see it as an asset rather than a cost to their production.

Mr BARRESI—Which authority should have responsibility to manage this process? Who should it be? Should it be the local catchment authority? Should it be some state government department? Who has overriding responsibility, so that the national benchmarks that you referred to as well as state benchmarks are achieved?

Dr Craik—One does not want to suggest setting up another bureaucracy or institutional arrangement but one would have to say that the current ones have not really worked. I think there is going to need to be some kind of arrangement where you do have something at a federal level that brings together all the interests at a federal level. How do you involve the states in that in a particular state? They are not going to agree to something unless they have a say in it as well. But I think you have to devolve a lot of the responsibility and accountability to the actual catchment level so that that community is responsible, once their plan is ticked off, for spending the money and also for meeting the targets and for being accountable to the community.

CHAIR—Couldn't it be administered through COAG?

Dr Craik—Yes, that would probably be the most sensible way to go.

CHAIR—Really, that is what the Murray-Darling Basin is. Can I start to explore some of these areas, given the fact that we all agree that you are not going to get \$60 billion, or whatever the figure is, and we will need a suite of—

Mr BILLSON—Round it up!

Mrs GALLUS—We have to put up with petrol levies.

Mr BILLSON—That is how the budget is in trouble with the Nats—it goes from \$6 billion to \$60 billion.

CHAIR—As long as it is for our causes.

Dr Craik—We have not given up hope yet. It is only \$3 billion a year.

CHAIR—I thought the estimates for the overall budget were higher than that. Given the fact that they are big figures, we all agree that there will have to be a suite of measures put in place to try to alleviate some of these problems. In the area of markets—particularly, say, in salinity markets or maybe conservation markets—given the fact that some of our knowledge now shows that our salinity problems are starting on the slopes and someone might be expected to revegetate on the slopes where they do not believe that they are really causing a problem, how much of a market could you see that the farming community could bear in buying pollution credits or the rights to pollute? I know it is a bad term but that is basically what it is.

Ms Lovett—The concept that is talked about in the MDBC strategy about a vegetation bank is probably quite a good way of looking at it, where they are actually trying to get investors to put money into that bank and then looking at it in terms of trading salt, carbon, vegetation or biodiversity credits. You almost need to get the competitive factor into it in terms of land-holders and this is where the science is quite valuable. A scenario could be, say, within a region that you undertake the assessment of the issues in that region and you identify where you need revegetation to address salinity problems. Then you tender that out to the land-holders and they compete for that actual investment. You will probably get a good response to that in some areas. In other areas, of course, depending on their situation—

CHAIR—There will be a limit to the market, won't there?

Ms Lovett—There will be a limit. Markets will have a role to play but I think we have a transition to go through before they will stand on their own as a mechanism. There is going to be a need for public investment to get these things off the ground. The MDBC vegetation bank is something we should be willing to put some money into to give it a chance to run—to give them a chance to pilot it, to see how effective it is, to see how the markets respond to it and to see whether private investment really does respond to the concept. At the moment, we are talking about concepts and we do not have any measure of what the response is likely to be to that.

CHAIR—There is no measure to say, ‘If I vegetate so many hundreds of hectares on the slopes, I can’t measure how that is containing the salinity downstream.’ Is that the scientific problem there?

Ms Lovett—The science is actually coming through. The BRS work actually allows you to do it. A lot of the constraint is financial in terms of the science and getting the work done. Certainly, we do not just do it with a broad brush. We identify our hot spots and our target areas and we make the most efficient use of that work. You need that baseline of understanding what is operating in that regional system and to make sure that if you are talking about revegetation it goes in the right place. I find salinity fascinating in Western Australia, where a lot of the reaction by the private individual on their property will have an impact on the salinity on their property; whereas with others you will not really get much of a response or you are talking about a response 30 years on from putting the trees in, so you may need engineering works as well. We need the capacity to look at the integration of measures that you need to take in a region. You have to agree what the outcome for that region is. It may be that each region or catchment—and this is where we will learn a lot from the salt targets in the basin—will show how well people actually manage to meet the target in the baseline and how the states respond to that. We really need to trial these things quite vigorously.

CHAIR—This is where we need to do it so that we can make some measurements as to whether we are reducing the EC units in particular streams or whatever.

Ms Lovett—With the wind-up of the Natural Heritage Trust towards the middle of next year, we need to make sure that the work done, like the land and water audit—all that baseline work—does not fall over for lack of at least some resourcing to maintain that monitoring and the coordination that they have undertaken in terms of what the states are doing. We cannot afford to lose that, having invested five years in starting to pull that work together because, unless we maintain our baseline to have a measure of how we are going, we will get to another 10 years and say, ‘Well, we’ve done this, this and this but we still haven’t had a big impact.’ Particularly with things like salinity, which has response rates of 10, 20, 50, 100 years out, we need to be able to really get those baselines established and be more rigorous about our monitoring.

CHAIR—Unfortunately, one of the politically inhibiting factors in this—having been on both sides of the fence—is that, as soon as some federal money appears, the states pull theirs out and it is a greatly inhibiting factor, I have to say.

Dr Craik—I don’t know how you overcome it.

CHAIR—On another point, there have been proposals put forward that in some instances we might have philanthropists come along and buy up land and do the right conservation value—because they can afford to do that in areas of land. Thinking that through a little bit, it seems to me that there could be a future problem because if those people die—which they inevitably will—and the land has got no real value, except for conservation, who looks after that land from thereon?

Dr Craik—There needs to be some sort of trust at the time of purchase, or at the time of establishment, so that, in fact, there is money for ongoing maintenance of the land. But it is a very real problem, I agree.

CHAIR—Because it would just become neglected land or crown land and someone has to maintain it and manage it.

Dr Craik—That is right, which is always going to be a real problem.

Mr BILLSON—The money being siphoned out—

Dr Craik—Cost shifting.

Mr BILLSON—Yes. It troubles me greatly. I share your view about the institutional arrangements—baseline monitoring, extension activity, targeting the investment—and working within catchments for best outcomes requires a whole lot of cooperation that I am not confident we would get. If we look at the partnership agreements under the NHT, frankly, I think we, at the federal level, wimped out on those and did not insist on some of those things being in place for funds to flow. Would the NFF support a more vigilant effort in that area? Let us say, quick-pick, no super, we have \$5 billion available and the deal is, ‘No, none of this money flows until we have a partnership agreement’—which is not really a partnership agreement; it says, ‘You pay, we’ll spend’—and the partnership agreement says, ‘Here’s what we’re all in for, here’s what we’ll commit to, here are the processes we’ll maintain, here’s the reporting, here are the players, go to it,’ would you support a more vigorous effort to bed those tools down, almost as a pre-condition for funds flowing?

Dr Craik—I think so. It is not something that the NFF has formally considered, I should say, but I think the answer is yes, so long as, in the development of that, there is consultation with bodies such as the NFF in the development of what the terms—

Mr BILLSON—What the thresholds are?

Dr Craik—Yes.

Ms Lovett—There certainly is as much frustration within our constituency about cost shifting as anywhere else. The loss of state extension officers is one that we hear a lot about. HT facilitators can achieve certain things but it is the other side of the spectrum to the land-holder who is planting bamboo. There are the land-holders who say, ‘Okay, I’ve been involved in Landcare for 10 years; I’m aware of these issues on my property; I don’t have access to the technical expertise to help me with my farm plan, to help me outline what work I need to

undertake over the next five, 10, 20 years.' I am hearing that quite a lot now—that they just do not have access to people in their region, on the ground, who can advise them.

Dr Craik—It is almost like you need a bunch of swat teams that can go around, in each state or wherever, and advise people in catchments on the particular activities that would be sensible for that area.

Mr BILLSON—We are hearing that as we travel around. My initial reaction is that it sounds like core state and territory government business that should be a part of their contribution to these sorts of arrangements. The tendering aspect interests me; I am quite attracted to that as well. I have talked about it with some of the other people who have given evidence. It seems a way of dealing with the differing propensity of people to do something. You might put \$10 million on the table for habitat protection. Some people are more inclined to do it than others and will say, 'Great, we'll give you 600 hectares for \$11.50 a hectare for management.' Have we got the catchment structures that could handle that, though, in a way so that the local catchment could work through those sorts of choices and make sure that we are getting best value for the money available by working with those prepared to take some action that is helpful?

Dr Craik—If we do not try it, we will never find out.

Mr BILLSON—That is right; I agree with you.

Ms Lovett—It needs to be tried. I think that you will find that some states are better prepared than others but, if you put the carrot out there, I would be interested to see how many get themselves in a position to go after it.

Mr BILLSON—The flip side of that is: you talked about the tax incentives and there is deductibility for on-land work, but you get a tax penalty in some jurisdictions for land tax and the like—you set aside land being unproductive. Surely that has to be part of it as well, where virtuous behaviour is actually rewarded, not penalised.

Dr Craik—Yes. I agree.

Ms Lovett—Yes. Certainly we have identified the tax system as probably something that we need to have another look at. We have not really progressed that.

Mr BILLSON—One last point is market access. We know that Tesco and a few others are having an ISO 14000 peer over all their suppliers. Is that resonating through your constituency? People talk about sustainable production as being a virtue that should attract a penalty, and my fear is that it is going to be a minimum requirement that will be a precondition for market access. I am wondering whether our external trading relationships are going to be a very hard but blunt tool for driving some behavioural change.

Dr Craik—Our concern would be that they end up being non-tariff trade barriers, but the reality is that we are going to have to find a way to deal with them in some way because people like Tesco are not doing it. We have seen it with the Europeans in HGPs in beef in the United States. While some may choose to take a marketing advantage by saying, 'Our production is

ISO 14000 accredited,' it may in reality on the ground actually mean nothing in terms of whether it is better or environmentally sustainable other than that they have gone through a few processes.

Mr BILLSON—Internalising those externalities of environmental impact is going to keep us WTO friendly, as long as we do not pay for stuff that should be happening anyway—which takes us back to our first discussion, I suspect.

Dr Craik—Yes, it is tricky.

CHAIR—Are you assuming that the US and the EU agree?

Mr BILLSON—No. If we can say, 'Here is an incentive, a payment, for public good conservation,' and clearly say that it is because the private land-holder is doing all that is reasonably expected of them as their duty of care, then that is an argument worth having. But, if we are paying people to behave reasonably, that leaves us pretty exposed.

CHAIR—Maybe I am a perennial sceptic.

Mr JENKINS—Mr Billson asked a question about trade access. One of this inquiry's dilemmas is what I describe as the 'beyond duty of care' aspect, which is really what people are saying when they say, 'We expect somebody else to foot the bill or at least share the bill if we are going beyond duty of care.' Whereas, as I understand it, we could come to some definition of duty of care within a property right on the basis that we are asking people to do things on farm that do not affect off farm. I just wonder whether one of the promoters of that attitudinal change will be the trade access question, whether that is fair or unfair.

Dr Craik—I suspect it will. I think we will see that trade restrictions and the need for meeting particular standards—whether it is fair or not fair and whether we challenge it legally or not—are going to be facts of life and that somehow we are going to have to deal with them. Initially, we will probably see those who feel that they really want that market using it as a market advantage and actually going out of their way to do something to actually get into a market because they want the premium that is in it. I think it will be a driver, much as I think we have seen the supply chain be a real driver of QA through the farm sector—that their goods just will not get bought by Woolworths or whatever if they have not met these specific criteria.

Mr JENKINS—Do you see, as part of the proper catchment management, a more sophisticated way that we could, for want of a better word, zone land uses? It could only be achieved in cooperation with the local level. When we were in Queensland, one of the interesting sidelights was about controls over riparian zones where people said that that was the most productive stretch of their property. It then becomes a big dilemma in trying to get attitudinal change. There would have to be some scientific basis where there is a win-loss ratio about how the person managed their land-holding in different scenarios.

CHAIR—It was about riparian zones, was it not, and the size of riparian zones?

Mr JENKINS—Yes. The point of what they were saying was—and I can understand it to a certain extent—that that was the most productive stretch. There must be some basis whereby, in

some places, it is appropriate to have joint use such that by putting stock or something onto it you are also achieving an environmental outcome if it is done and well managed? In your former life, the zoning that you tried to get in place to protect the Great Barrier Reef, while it was contentious, was trying to achieve something by deciding what were appropriate uses and things like that.

Dr Craik—My own view of the way it worked in the Great Barrier Reef is that it actually worked reasonably well, except that I do not think in the early days that we took enough account of what tourism was going to do. A new activity throws a spanner in the works. It can actually end up being quite sensible. It is time consuming initially to get the zone conditions right but, at the end of the day, it makes for a relatively simple management system. I think that does have possibilities as long as all the consultation is gone through and all those sorts of things.

Mr JENKINS—That worked also in a context where there was contestability about the science, and that is still moving on.

Dr Craik—Yes, enormous contestability about the science. In many cases, we did not have the science to draw the boundaries and we would have to go out and say, ‘We think this is the case’, which is always a challenge when you are telling someone they cannot fish where they have fished all their life, but it can be done. If you sell the message right and say that this is what we think and it will be reviewed in X years, they will be reasonably accepting.

CHAIR—There are no further questions. We have had a pretty fair session. Thank you very much.

Resolved (on motion by **Mr Billson**):

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

Committee adjourned at 12.27 p.m.