

16 May 2000

Mr Ian Dundas
Secretary
House of Representatives Standing Committee on Environment and Heritage
Parliament House
CANBERRA ACT 2600

Dear Mr Dundas

Attached please find a submission from the Tasmanian Farmers and Graziers Association to the "*Inquiry into Public Good Conservation – Impact of Environmental measures imposed on Landholders*".

We welcome the opportunity to respond to the Inquiry and should the members be receiving verbal responses we would like the opportunity to appear before the Committee.

This submission addresses a number of broad issues which are factors for consideration in addressing the relationship that exists and/or should exist between public and private benefit in environmental action particularly as it relates to rural landowners. The task which confronts the Committee is extremely difficult from a number of points of view –

- the actual defining of what constitutes public and private benefit as separate and succinct entities and obtaining agreement on that from all sectors of the community;
- collection of data and appropriate tools to measure that data;
- the ratio of balance that should lie between public and private benefit, and
- the weight given to private dis-benefit.

The submission provides comment on –

- government involvement in agriculture and the changes in the level of involvement over the last years;
- changes in community attitude and the growth of interest in, and knowledge of, environmental matters;
- low commodity prices, changing agricultural practices and the complexity of issues and information which the farmer faces today;

- the targeting of rural farmland by environmental regulation and communities;
- the range of environmental impacts on rural landowners;
- the complexity of defining public and private benefit;
- the individual landowner's benefit and/or dis-benefit compared with the public benefit, and
- the lack of quantitative data available and accepted analytical procedures to provide an appropriate analysis;

Finally, the submission acknowledges the complexity of the Inquiry and provides six principles which should be considered should a scientific quantitative analysis be undertaken. These principles are that –

- the impact of the requirements of governments and expectations of the community on earlier farming practices must be acknowledged;
- an individual landowner should not be required to meet the cost of community service obligations - that is a role for governments;
- action on private land will always have a private benefit/dis-benefit component;
- the personal contribution to public benefit by the landowner and the economic impact that that may have on the farm enterprise viability must be recognised;
- private benefit should be assessed in comparison with “off-farm” benefit, and
- private benefit should be assessed in comparison with the time-frame over which it accrues.

If you require any further information from us or for future correspondence can you please direct it to –

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Yours sincerely

G A RANCE
EXECUTIVE DIRECTOR

**RESPONSE TO THE
HOUSE OF REPRESENTATIVES
STANDING COMMITTEE ON ENVIRONMENT AND HERITAGE**

**INQUIRY INTO PUBLIC GOOD CONSERVATION – IMPACT OF
ENVIRONMENTAL MEASURES IMPOSED ON LANDHOLDERS**

May 2000

INTRODUCTION:

Ever since mankind ceased to be nomadic and began keeping animals and tilling the soil to produce food crops effort has been made to increase the yield and quality of production.

Gradually over the years we have begun to understand more about the matters that can affect production not only from the genetics and diseases of stock and crops, but also in our treatment of the land and water. We are finding out that practices thought to be “good” may not only provide a threat to the livelihood of those on the land, but also can impact on the future lifestyle of the whole of society.

Not only have we found that previously accepted and promoted practices can have detrimental effects, but the information that has become available has required a complete change of approach to agriculture by governments and landowners. We now have far more sophisticated methods of research and methods of information exchange around the world which have resulted in information reaching the farming community in shorter time intervals. In addition the information is more intense, complex and quite often conflicting and confusing.

At the same time the general community has become more aware of environmental issues and has given an indication to governments of an expectation that policies and programs will be developed to address these issues. Once again the number of issues to address is large and highly complex many of which we still do not know the full answers to, such as greenhouse and salinity. The issues are world-wide and far beyond the ability of the rural landowner to solve within the farm gate. Granted rural landowners have a role to play as they manage the land under their ownership, but the rest of society has contributed to the situation in which we find ourselves and so must also bear some of the responsibility and meet some of the cost of the remedies. In particular governments have encouraged, in fact regulated for, practices which farmers are now advised are not suitable or sustainable. One of the most important matters to take into account in determining public/private benefit in relation to expected action by landowners on their land is to recall the history of the practices, that is, the contribution that requirements of governments and the expectations of past societies have made to those practices over the years.

CHANGE AND RURAL LANDOWNERS:

As mentioned it has taken many years for us to reach our situation in relation to recognising the impact of society’s lifestyle on our environment. There appears to be an unreal expectation within certain sectors of the community that not only will we reverse the situation in the immediate future, but also that the cost will be borne by the rural farming community. Where specific environmental legislation and actions have been implemented there appears to be little consideration or promotion of changes to land-use practices to residents in the urban and peri-urban areas. This tends to skew the focus, obscure costs and target the farming community.

Comment has already been made in relation to the vast amount of information on a wide variety of environmental issues which is bomb-barding those in the agricultural sector. This together with the unreal expectations mentioned above tends to cause a conflict between rural and urban communities at a time when we should be working together to address these broad economic and environmental issues.

All of these issues are impacting on the agricultural community at a time when commodity prices are at an all time low and the market has extended into global competition. Consequently, farmers are finding themselves in a situation with very limited disposable income and, at the same time, the need to consider new practices and diversification of products. In addition, assistance in the way of incentives, commodity support and extension advice has been withdrawn by governments.

Many farmers have indicated a preference to undertake more environmentally friendly practices and have moved to QA programs by choice. Other farmers have moved with the times and are already undertaking the most sustainable practices that they can in an effort to keep their enterprises viable. All farmers have been caught up in the net of complex environmental legislation and subordinate legislation and have had to factor those requirements into their management decision-making.

In summary, the whole farming community is trying to work within a complex change environment in which they find themselves and deal with the following issues –

- low commodity prices
- increasing costs
- less disposable income
 - limited access to trained human resources
 - limited access to financial resources
 - limited access to extension advice
 - the need to take off-farm jobs
- drought (in many places)
- requirements to modify farming practices to ensure sustainability
- the need to diversify into new areas requiring new expertise and resources
- the need to incorporate environmental legal requirements into decision making
- the need to respond to community expectations to participate in, and contribute to, environmental action on their properties
- criticism of community environmental groups and urban residents for past practices
- to absorb and assess the wide variety of complex information relating to agricultural practices and environmental issues.

PUBLIC – PRIVATE GOOD:

It is only in relation to government action that the issue of public versus private benefit applies. Australia was settled with a strong bias towards government support and provision of services by State and then Commonwealth governments unlike Europe where there has been much stronger influence of the private sector.

The matter of public versus private good has always been a hotly debated subject and has received considerable prominence during the debate about the privatisation of government enterprises. The issue of whether the government should provide services in competition with the private sector and the need to meet community service obligations in conjunction with those profit making services is extremely complex, but in many ways simpler than that related to environmental obligations on rural landowners. Requiring an individual landowner to take specific action in relation to environmental issues is requiring that individual landowner to meet the cost of community service obligations. This is not the role for individuals in the private sector, and such individuals should be compensated by government whose role it is to fulfil community service obligations. There can only be justification for the farmer meeting some cost of those environmental community service obligations if there is equal private benefit to that landowner and/or complete compensation.

In many areas governments still see a role for themselves in contributing to the private sector, particularly where government would otherwise have to provide the service. Examples are seen in the recent Commonwealth Budget in the areas of education, private hospitals and nursing homes. Governments still see a role for themselves in helping fledging businesses through incubators and export assistance where it is seen to have the potential of national benefits. In many cases government consider that it is in the broader community interest to make those contributions and/or, in fact, less cost than to take responsibility for the full delivery of a service. In the case of protection of the environment if farmers did not participate in many cases governments would have to purchase the land and take responsibility for the maintenance of it. Therefore, it is logical to recognise a component of private benefit is not inappropriate in achieving environmental public benefit.

In relation to rural landowners the private versus public benefit issue has not been difficult to analyse and comprehend prior to the emergence of the environment issue. Assistance to farmers was always seen as of public benefit as it was associated with production, providing food for our local communities and exports to assist Australia's economy. Governments have gradually turned this around with the opening up to global markets and the removal of assistance to farmers except in exceptional circumstances such as drought and other national rural disasters.

The debate really commenced in earnest with the identification of farming practices which were now not deemed sustainable and farmers were advised to change to alternate practices which have been followed, in many circumstances, by forced compliance through regulation. In other words, the community, and therefore government, values had changed and rural landowners were targeted to implement the changes to meet those values.

The issue has really peaked through two prongs. Firstly, the imposition of regulation on landowners which restricts their decision-making options by requiring and preventing particular actions and options. Secondly, the introduction of the Natural Heritage Trust Fund Program which provided funding to governments and community environmental groups to undertake work on land (most of which was private farming land), but limited the access of individual farmers to such funding. Throughout the debate there has tended to be a strong environmental bias in public decision-making forgetting the economic and social impact on individual landowners.

It is considered that both actions have added a cost to agricultural enterprises and discriminate against rural landowners in that the impact on the rest of the community is limited or nil. This is an issue for consideration in relation to where the balance is situated along the continuum of public versus private benefit.

Another important point to note is that sustainable development deals with the triple bottom line – economic, social and environmental cost. Assessing the public/private benefit not only needs to take into account the perceived economic benefit or dis-benefit to an individual farmer, but also the economic, social and environmental (equally weighted) benefit that the action provides to the general community. On occasions a small private benefit may provide a large community benefit and so the action is warranted, or alternatively, a small community benefit may arise from a private dis-benefit and is, therefore, not warranted.

IMPACT ON RURAL LANDOWNERS:

No matter how much a farmer has made an effort to up-date farming practices and undertake production in a most efficient and sustainable manner it is suggested that all farmers will have felt the impact of actions taken in environmental measures by governments or communities. Even farmers who are keen to respond to the various environmental issues that are raised will have had to, on occasions, give due consideration to whether they fore-go an action that would be of benefit to the enterprise for the sake of the wider community benefit.

The impact on landowners results from three aspects –

- restrictions applied through compliance with environmental legislative requirements or voluntary environmental actions,
- opportunity which is fore-gone due to restricted decision-making opportunities, and
- assistance provided through some environmental programs.

The level of impact on a particular landowner will vary and will be related to –

- whether the action is voluntary or regulated
- the level to which the landowner's current practices will already incorporate the actions, and
- the intrusion into management decisions which interfere with current or future productivity.

Acknowledging that this Inquiry is by a House of Representatives Standing Committee reference will not be made to specific state legislation and requirements, but rather general references to identify broad areas of impact/action.

The following are the environmental issues which impact on rural landowners in the name of public benefit and may also have a private impact -

1 Environmental legislation and regulations:

The Commonwealth government and all State governments have enacted a variety of legislation and corresponding regulations which restrict action by landowners. These relate to native vegetation, endangered species, water

quality and quantity, biodiversity, agricultural practices, air quality, noise pollution, riparian land management, land clearing and other issues.

- ❖ All of these matters limit the action that a farmer can take in relation to his land and consequently the options available to him for increasing productivity and diversification and thus viability.
- ❖ There is a cost to the farmer in compliance with action required and/or a cost in opportunity lost.
- ❖ There may also be a cost in a requirement to commence new practices.

2 Commonwealth – State Agreements:

Bilateral agreements between the Commonwealth government and State governments are usually in the form of performance agreements which will have an impact on other stakeholders who are not party to the agreements. In relation to environmental matters the impact is quite often on the rural landowners.

- ❖ See impacts list in 1 above

3 State Policies:

On occasions State governments will use a form of legislation which does not attract the same level of public debate and enact *State Policies* which have the same legal status as 1 above. By nature *State Policies* are generic and open to wide interpretation by the bureaucracy and/or different governments.

- ❖ See impacts listed in 1 above.
- ❖ Impacts of *State Policies* are quite often different from that indicated by the general content of the policy.

4 Amendments to Council Planning Schemes:

Both Commonwealth and State governments identify council planning schemes as vehicles for the implementation of environmental requirements. This raises a number of problems. Due to councils being established under State legislation there is variance between the powers from state to state and also councils vary considerably in resources and expertise within a state.

- ❖ The variation mitigates against equity in the way farmers' applications are treated and the manner in which councils interpret their planning schemes.

5 Codes of Practice:

Sometimes these are industry developed and then they are usually practical and will be adopted by members of that industry or commodity. Other times they are developed by State governments and introduced as minimum requirements.

- ❖ Whether the Codes of Practice are developed by industry or government some farmers will already comply and will probably not have much of an additional cost.
- ❖ If the Codes are developed by industry and there is voluntary compliance some farmers will “up-grade” and have costs.
- ❖ If the Codes are deemed “minimum standards” then there will probably be costs across industry to a large number of farmers as the government will have used this method as pseudo regulation.

6 Guidelines:

The same comment relates to Guidelines as to Codes of Practice. However, guidelines usually rely on a more voluntary up-take, have greater industry participation in their development and so tend to take into account the economic, social and environmental impacts of implementation.

- ❖ See comments on 5 above.

7 Targeted Action:

This results from actions by governments such as the identification of high priority native vegetation or endangered species and promotion of the protection through covenants, management agreements and like vehicles.

- ❖ The impact of this can be quite considerable as the establishment of a covenant may require that the land is no longer used for farming or only for restricted access for stock. There is thus loss of future management options and income to be considered. If a considerable area is targeted the viability of the whole farming enterprise may be in jeopardy.
- ❖ There is also the cost of on-going maintenance of the area.

8 Voluntary Action:

Some farmers have deliberately undertaken actions on their properties which “alienate” farm land for environmental purposes. The action can relate to completely removing land from agricultural production through to planting native trees. This would be seen to be for public benefit with very little to nil private benefit – in fact, there may be a cost to the farmer particularly in future maintenance of the areas.

Farmers may determine to commence farm forestry, which is usually lauded by the general community except those objecting to the planting of monocultures. However, when the trees are due to be harvested the farmer may be confronted by community hostility. The profit of that enterprise is in the harvesting and sale of the wood.

This action will also include community pressure where a farmer feels obliged to participate in a community project on his land.

- ❖ The contribution of the landowner is time, physical resources, land, and perhaps fore-gone income due to the removal of the land from the farming enterprise.
- ❖ Where farmers have undertaken an enterprise in good faith external influences should not impact on the carrying out of the enterprise.
- ❖ There is also the cost of on-going maintenance of the area.

9 Community Standards:

The identification and development of community standards such as the setting water quality objectives which can set restrictions on the use of water and land can also impact on landowners current and future productivity.

- ❖ There is the restriction in the use of water for irrigation
- ❖ There is the restriction of the potential to harvest water through the building of dams and pumping or collecting run-off.
- ❖ Both of the above restrict management options on the farm.

10 Incentives:

There has been considerable research into the most appropriate incentive schemes to assist landowners in undertaking environmental practices and in recognition of the costs which result from such actions. However, there has been little achievement in implementing the schemes by all levels of government.

Research has also indicated that the provision of a wide variety of incentives is appropriate and essential. The list of incentives available in other countries provides a comprehensive list for consideration in Australia, but they do need to be reviewed and assessed for our situation. The schemes not only recognise the contribution of rural landowners, but also acknowledge that contribution and the need for assistance and/or compensation.

The incentives that are in place vary from state to state and most are related to projects financed under the Natural Heritage Trust program which gives them a limited life. The amounts are minimal and are usually available for such matters as fencing and require the establishment of a covenant on the land to recuperate full cost for the fencing. Other costs are often seen as a contribution to the project.

There are also some tax benefits related to environmental actions, however these are only useful where the farming enterprise is sufficiently profitable to be paying tax.

In most states the State governments have determinably avoided any reference to compensation in any enacted environmental legislation. There appears to be two reasons for the avoidance of compensation. The first is the potential cost involved and the second is probably the complexity in determining the actual and realistic cost. This action by governments is a cost transfer onto rural landowners for environmental measures.

- ❖ Incentives are very limited and minimal.
- ❖ Current incentive schemes are not sufficient drivers to encourage farmers to instigate environmental action for the community good, eg responding to greenhouse.
- ❖ Research has indicated a variety of incentives which are available in other countries and could be considered in Australia.
- ❖ Current environmental regulation and procedures transfer costs from the general community (usually undertaken by government expenditure in an area) to one sector of the private community – rural landowners.

11 Improved management practices:

This is an area which probably has a larger component of private benefit in that it can be seen to directly contribute to productivity. However, sometimes there are side issues which add complexity to this. Improved on-farm practices can be compromised by lack of action on adjoining properties, be they public or private land.

- ❖ The requirement to undertake specific practices can be an unexpected cost or a cost which must be absorbed in a short time-frame.
- ❖ Neighbouring or nearby property practices may compromise actions that a farmer is trying to implement (salinity from up-stream, weeds, wildlife invasion).

QUANTIFYING AND CALCULATING THE IMPACT:

For a number of reasons it is extremely difficult to quantify the public/private benefit of the various actions listed above. There are two aspects to this –

- the relationship and balance between public and private benefit, and
- the data available to apply to that determined relationship.

1 THE RELATIONSHIP BETWEEN PRIVATE AND PUBLIC BENEFIT:

The relationship between public and private benefit needs to be addressed through determining where the balance should lie on the continuum. In other words, what is the appropriate balance between the private benefit and public benefit which ensures all of the community meets its full obligation, and no sector shoulders an unequal responsibility or receives an unfair share?

If action is taken by government which impacts on a private landowner then there will always be a private element whether it be a “benefit” or “dis-benefit”.

Surely the balance between private and public benefit will vary from action to action and situation to situation. It should be possible to determine the “off-farm” and “on-farm” benefits in a scientific manner, but there seems to be dispute, even amongst the environmental scientific community, as to the value that should be placed on a particular action such as protection of an endangered species.

One of the strongest debates in the assessment of Natural Heritage Trust projects is the assessment of public versus private benefit. As the Trust did not indicate where the balance should lie in quantitative measures it has become a matter of individual interpretation by the members of the assessment panels throughout Australia. This leads to a lack of consistency in decision making and consequently it would be inappropriate to use Trust information as a data base.

The above seems to imply that the balance is a definitional problem. If this is so then it is not possible or appropriate to set the definition in hind-sight and use that as a measuring tool.

2 DATA COLLECTION:

Farmers in Tasmania have not kept costs related to the issues raised in this paper, either in relation to additional costs or lost opportunity costs.

In respect to costs related to required action and voluntary action at no stage has there been a requirement to collect that data and it has not been documented on a voluntary basis. Also it would be impossible to obtain it from projects under the Natural Heritage Trust Fund as the contribution by landowners is factored in at a pre-set figure or not considered. There will also be a variation from project to project and state to state as mentioned above.

Even if a project was undertaken to assess what had been the contribution of farmers to date it would require individual interviews which being historic in nature would naturally be subjective relying on memory of past actions.

The Natural Heritage Trust program receives estimated quantitative data in applications and more accurate data in continuing project applications, however, the information is not scientifically quantified and generally not attributed to particular land. Thus the information is not particularly useful in relation to this Inquiry.

Discussions with people involved in the environmental area in research and on-ground action has failed to identify quantification methods for determining the impact or contribution by the farming community by participation in environmental action.

It would seem that the only costs which would be easily identified are those related to statutory costs (eg submission of applications) and costs for actions for which materials have to be bought or contractors employed. These would be a very small component of the total contribution.

CONCLUSIONS:

There appears to be dispute in the community as to the relative levels of private or public benefit flowing from a particular environmental action. Due to a polarisation of views within the community about the value of the environment and the value which can be placed on a particular action, it seems to be difficult to achieve a scientific, unemotional and unbiased agreement on the issue. No matter how the subject is approached, there will always be a certain level of personal opinion and subjectivity to that value as the environment is not a commodity open to market valuation. This makes it difficult to put a dollar value on the environment. It is suggested that until this is done, and reliable tests for measuring environmental benefit are developed, then it will continue to be extremely difficult to assess the private and public benefit of particular environmental action or contribution.

It is extremely difficult to provide reliable quantitative information on the private benefit or dis-benefit, or on the contribution made by rural landowners in Tasmania in relation to public good conservation.

It is possible to identify the areas which have, and will continue to, impact on farmers and to indicate that most of these do not have a strong private benefit factor. There will be different impacts or levels of private benefit or dis-benefit depending on a number of mitigating factors identified in this paper. It is also a very complex process to quantify economic opportunity lost due to extraneous factors such as climate, technology changes, market variations, alterations in consumer preferences and new crops.

There is very little private benefit in most of the environmental actions undertaken by farmers whether enforced or voluntary. There is some private benefit where farming practices have been altered, but it appears that this is minimal in the overall picture. The real benefit in relation to altered practices are more likely to contribute to “off-farm” benefits or benefits which will accrue over many years. It should be noted that

the absence of direct on-farm benefits to the landowner can act as significant disincentive in relation to environmental action being carried out particularly in the current agro-economic climate. However, as previously indicated, some farmers have been keen to respond to community values and incorporate environmental considerations into their on-farm decision making and all farmers have had to comply with government environmental regulations. Comments made by an agricultural consultant has indicated that such action on a number of farms has seriously threatened the financial viability of the farming enterprise.

On the other side of the coin there is the need to assess the level of public benefit that the action achieves. The question arises of how wide the benefit must be to be deemed “public”. Is public benefit to be any benefit out-side the farm gate or is it based on catchment, regional or some other geographical area? This becomes extremely important in determining who meets the costs for this public benefit and whether the private benefit is significant.

This gives rise to the question of where the balance between private benefit and public benefit should be placed, that is, what is the required and acceptable ratio between public and private benefit. From a landowner’s point of view in determining where that balance should lie, there are six principles which need to be taken into account –

- the impact of the requirements of governments and expectations of the community on earlier farming practices must be acknowledged;
- an individual landowner should not be required to meet the cost of community service obligations - that is a role for governments;
- action on private land will always have a private benefit/dis-benefit component;
- the personal contribution to public benefit by the landowner and the economic impact that that may have on the farm enterprise viability must be recognised;
- private benefit should be assessed in comparison with “off-farm” benefit, and
- private benefit should be assessed in comparison with the time-frame over which it accrues.

Farmers have contributed considerably through the provision of land, physical resources, human resources, and finance towards public conservation through compliance with regulation and through voluntary action. At the same time they have adopted new agricultural practices – usually at a cost – with very little if any compensation or incentive. Where there have been incentives they are limited, very targeted, short-term and randomly available across Australia.

To provide equity it is important that, where community benefit is perceived, the broader community, through the government, meets its obligation to pay for that public good. A necessary first step is to ensure that the economic and social impact of all environmental actions on the landowner and the community are determined in relation to each action.