

Thank you for the opportunity to comment on the Productivity Commission Draft report. The comments that I wish to make are more general comments about the sort of principles that I believe should underlie actions and activities, and provide the basis of a philosophical paradigm for legislation in these areas. I am a landholder in the central west of NSW where I run cattle on four properties. Previously I also owned a large property in far western NSW where I ran 15,000 sheep. I have been on the land all my life, except for time away at University. I was also a member of what I believe was the first Landcare group formed in NSW, I was a TCM Committee member for 6 years when they were first formed, and I have been part of three Landcare groups. I am still involved in natural resource management.

The first point that I wish to make is that the greatest driver of behavior is self-interest. Almost without exception landholders engage in activities that reward them financially. The problem arises when the market system rewards them for doing one set of activities (like increasing productivity/production), but the community value system wants them to do something else (like maintain biodiversity, ecological richness and diversity). While the two are not always incompatible, there are numerous cases where they are. It will not be until we are able to get the market system aligned to our social value system that producers/landholders will be rewarded for carrying out the appropriate actions. There are numerous ways of achieving this outcome, and far more energy should be directed to progress down this path. It is of concern that the concept of "Free Trade" has so much publicity, and yet the serious environmental implications of such a policy have received little attention. It is my belief that with free trade the country that has the lowest cost of production will set the price. One of the factors in arriving at the cost of production is the value placed on natural resources. I am sure the assigning of realistic values to natural resources is of fundamental interest to the Commission. The failure of the market system to align itself with the social values is a crucial impediment to progress.

Part of my University training was to be an economist, and as such I have a reasonable understanding of how the market assigns "value". It is my belief that there are two problems. The first is the lack of alignment between the market system and the value system, as mentioned above (for example, economically it still pays me to clear land and increase productivity rather than to set aside country for nature). The second problem I see is far more complex. That is, I believe the market system in general and the concept of economic rationalism is totally unable to assign appropriate values to many of the issues we are considering. For example, your diagram on P14 purports to display the socially optimum for native vegetation. However, the assumptions underlying this model detract from any practical usefulness. The worry though is the false credibility assigned to such models. The crucial flaw is the lack of knowledge, the failure to know the true costs or benefits of various actions. I am sure this same economic model, if used 100 years ago, would not have assigned the true costs and benefits to irrigation or tree clearing in this country. The costs of salinity were not fully understood even 25 years ago. Economic principles are fine for assigning value to features that we have full knowledge of. This feature therefore makes it very hard to rely with confidence in market values for such things as biodiversity, the preservation of ecosystems and species, and the aesthetic and integrity values of landscape. Market systems are also poor when it comes to assigning "community" costs and benefits, especially those in the future. It is time to recognise this, and not be scared to move outside the market process in assigning value. Importantly, the reliance on the market process to assign appropriate value will certainly result in a failure to

achieve the objectives of sustainable natural resource management. Just as a further point of interest, the market system is totally unable to accommodate the precautionary principle.

The second point that I wish to emphasise is the failure of Government to address, in a meaningful way, issues of equity. If one buys a block of land in the city, there is an "expectation" that you will have the ability to build a house on it. In fact, this is a legally valid expectation, and if the land is appropriately zoned, the owner has recourse through law to be compensated if they are denied approval to do so. However, when this is extended to agriculture, the same respect of equity appears not to apply. In other words, one may buy a property with the expectation of farming it, and be denied from doing so with no compensation. Whether the farmer should or should not clear the land is one argument. The issue of equity and compensation is another, and the two are often confused. Whether it is one acre or ten thousand acres the principle is the same. Your report does deal with this issue, but I suspect that it should have a lot stronger emphasis and be the platform for the development of regulations. An interesting addition to this is the push toward subdivision in many rural landscapes where destruction is caused incrementally by multiple small scale changes (and quite legally), while larger holdings have stringent requirements placed on them. Legislation is in conflict in many natural resource management areas.

One thing that strikes me about native vegetation and biodiversity is that there is a lot of common ground between all parties. However this common ground is often obscured by the use of language or languages that are not common to all parties. All too often the areas of common ground are not explored and the areas of difference highlighted. The other feature is that the common ground is often skipped over, and the focus comes on the impacts of any action before the common principles are agreed upon. The effect of this is that positions are then polarised and legislation becomes necessary. Legislation is one of the least efficient and effective ways of achieving outcomes, and my belief is that it should only be used as a last resort. I do recognise however that there will always be a need for some sort of legislation to underpin changes as there are always a few who refuse to conform to community expectations.

Finally, and it is probably beyond the scope of this review, is the potential to drive change through increased asset values. By this I mean the demand by more informed buyers for properties that have been properly managed, with set aside areas, riparian areas fenced off, trees planted and appropriately stocked/utilized. The property on which I live has about 30% excluded from grazing permanently, riparian areas fenced off, trees planted etc. The productivity of the property has not diminished, and the market value has increased to the extent where I to sell the property it would capture a premium price (\$1500 acre compared to \$1200). The work I have done has been capitalized in asset value. If this benefit were made more public, and buyers purchasing with a more informed approach to natural resource management, then there is a huge potential in this approach.

Thank you for your consideration

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PS I have read most of your report and I agree with much of its contents.