

Howard's Environment Agenda: Preservation or Just Plain Politics?

National Parks Association of the ACT

16 March 2006

1. Introduction

I wanted to open by thanking the NPA for having me this evening and to say that I hold the NPA in extremely high regard. In fact, pound-for-pound, I think no other environment group has achieved as much for the advancement of conservation as the NPA network. It is the oldest modern environment group and, in my opinion, the best.

The question I wanted to raise with you tonight is whether the Howard Government's environment agenda is more about politics than substantive environmental outcomes.

2. Balancing politics and policy

At the outset, I need to emphasise that I do not live in the fairyland of policy purists. Policy is always about politics. However, while we cannot expect politicians to be self-sacrificing, there is a point beyond which politicians should not go. That is, policy outcomes can legitimately be a mix of political and non-political factors, but the mix should not be 80/20 in favour of politics. I seek more a 50/50 balance and I believe that good policy outcomes, including good environmental outcomes, can be made to coincide with the interests of politicians. To use a phrase that makes me want to put my head in a blender, environment policy can produce 'win/win' outcomes for decision-makers and society.

3. The shift from polluter pays to taxpayer pays

Much has occurred in the environment field since the Howard Government took office back in 1996. Without doubt, the most radical change from previous federal governments and other state and territory governments has been an ideological one stemming from the Coalition's apparent belief that maximising corporate profits should be the main aim of all policy and that everything else is subordinate to the profit objective.

In practical terms, this has meant a shift from the situation where the presumption was that polluters should bear the primary responsibility for shouldering the costs associated with addressing environmental harm, to the situation where taxpayers are forced to pay for environmental outcomes. In technical jargon, these options are described as the polluter or impacter pays and beneficiary pays principles.

The polluter pays principle suggests that those who undertake an activity should be required to pay the full costs associated with the activity, including the costs of environmental degradation. For example, if a farmer wants to clear native vegetation, they should be required to pay society and other people in their region for the loss of biodiversity, additional greenhouse emissions, salinity and the hydrological effects of the clearing. From a policy perspective, polluter pays usually means regulation that prohibits certain activities or economic instruments that cap the level of pollution and require producers to purchase the right to pollute.

In contrast, the beneficiary pays principle argues that those who benefit from an action or inaction should pay for those benefits. In environmental policy, this invariably translates into the notion that taxpayers should pay polluters not to pollute, or at the very least, that governments should buy what are often called 'public good' environmental outcomes. The rationale is effectively that because society benefits from clearer air, biodiversity conservation and clean water, it should pay those who control or threaten those assets not to damage them.

From an economic perspective, neither option is more efficient than the other. If you adopt a polluter pays approach, the producers lose, while if you adopt a beneficiary pays approach, taxpayers lose, but overall, social welfare remains the same. The question therefore, is one of equity: is it fairer to make producers or taxpayers pay?

Between the 1970s and 1990s, it was generally accepted that the presumption should be in favour of the polluter pays principle. This is reflected in the environmental laws that emerged over this period and the structure of environmental policies.

Governments attempted to outlaw certain activities and regulate how natural resources were used. A central part of this involved air, land and water pollution laws that have been reasonably successful in tackling the so-called 'brown' or 'urban' environmental issues. Changes in the regulation of Crown lands that resulted in the creation of

national parks and other reserves are another example of the polluter pays philosophy in action.

The Howard Government has flipped this long held assumption. Now, if the environment needs fixing, the presumption is that taxpayers must pay. This has been seen right across the environment and heritage portfolio, particularly since Robert Hill departed as the Environment Minister.

4. Who should pay for environmental outcomes?

At this point, I must emphasise that I do not subscribe to the view that polluters should always pay for environmental improvements. Take the example of a farmer who owns a property and 80 per cent of that property contains the habitat of an endangered species or ecological community. Is it fair to expect the farmer not to use almost all of the property without receiving at least some compensation? I don't think so. The farmer should not be automatically entitled to compensation rather the payment they receive should depend on the facts in the case and be determined at the discretion of the government in question.

While compensation may be valid in some circumstances, the overriding presumption should not be that taxpayers should pay for all environmental outcomes. Even the theory behind the beneficiary pays approach suggests that polluters should pay for the private benefits that stem from conservation, while society's contribution should be limited to the value of the public good outcomes. The Productivity Commission has articulated this view on a number of occasions, most recently in the inquiries into native vegetation and biodiversity laws and built heritage.

The theoretical distinction between public and private good environmental outcomes is generally hard to determine and the affected by subjective factors. Yet, if compensation is going to be paid to producers, it is a distinction that decision-makers should be mindful of.

But the Howard Government has often discarded this distinction, preferring simply to assume that all, or the overwhelming majority, of environment benefits are public good benefits and, as a consequence, they should be purchased from polluters at the taxpayer's expense.

5. The reasons for the shift to taxpayer pays

Why has the Federal Government adopted a presumption in favour of the beneficiary pays principle? There are three main drivers and all three relate to politics.

- The first stems from the **political ideology** of profits that I discussed earlier. Profits become before people and conservation, as such, the needs of the environment are secondary.
- The second reason relates more to the harsh realities of **vote hunting**. Put simply, it is easier politically to sell policy changes that have an impact on the profitability of producers by rolling out a pot of money than it is to implement regulatory reforms.

This is a product of a number of issues, none being more important than the fact that producers that are affected by environment policies are often highly concentrated in particular electorates. They also tend to have strong industry associations that are able to effectively mobilise political resources. In contrast, those who support more stringent environmental standards are generally dispersed, both geographically and economically, and they seldom have any real interest in how environmental outcomes are achieved.

- The third factor that is behind the shift to beneficiary pays is that funding-based programs provide the government with considerable scope to mould industry subsidies with environmental programs and, in doing so, to kill two birds with one stone. That is, the government is able to present itself as doing something constructive to improve the environment, while at the same time shovelling money towards old economy industries that employ a considerable amount of people in often politically important areas. The government gets credit for solving environment problems, even if the programs do not work, and they also get credit for securing jobs.

6. Why care about the shift?

Many environmentalists respond to this criticism by saying ‘who cares about how much it costs if we get the desired outcomes?’ My answer to this type of statement is three-fold.

The simplest answer is that I care: I care if we fritter away scarce resources to prop up industries when that money could be used more efficiently to get better environment outcomes, or to improve hospitals or the public education system. Capital is a scarce commodity in the environment and heritage portfolio and we have an obligation to ensure it is used to achieve as much as possible.

My second objection to the ‘who cares’ response also stems from the fact that these voluntary, taxpayer-funded environmental programs rarely achieve their environmental objectives and they can do more harm than good by sustaining inefficient and environmentally harmful industries.

The third problem with the shift to beneficiary pays policies is that it has proven to be a highly effective means of undermining the public momentum for environmental reform.

A couple of examples will illustrate these points.

7. Measures for a Better Environment

Back in 1999, the Government came up with a \$900 million package called Measures for a Better Environment (MBE) as a lure to get the Democrats to agree to the GST. The Democrats took the bait, and ever since we have heard the Government boast about its \$1 billion, now \$1.8 billion spending on greenhouse abatement.

But what actually happened to the money? The MBE was intended to stretch over four years, yet when the four year commitment period came to an end, around \$630 million had not been spent. The Government subsequently stretched the programs out for another four years until the end of 2008/09. However, the forward estimates indicate that there will still be a \$364 million underspend in unadjusted dollars on the original promises.

And the bad news doesn't stop there. The most offensive part of the MBE package is that where money has been spent, on the whole, the programs have been staggeringly unsuccessful. It appears that a significant proportion of the gains that have been made would have occurred anyway and very few of the project objectives have been met.

For example, the \$400 million Greenhouse Gas Abatement Program (GGAP), which is probably the most successful of the MBE initiatives, pays big business to cut emissions. When it was devised, the Government said it would abate around 11 million tonnes of carbon dioxide equivalents per year between 2008 and 2012, i.e. the Kyoto commitment period. The latest projections, which are probably on the generous side, are that GGAP will abate a little over 6 million tonnes of CO₂ equivalents during this period. Don't forget though that this is the most successful of the MBE programs – spare a thought for those that really failed.

Despite the fact that MBE and the other related voluntary greenhouse programs have been both ineffective and inefficient, the Government has been at least partially shielded from criticism as it been able to rely on the erroneous claim that it has spent \$1 billion on greenhouse. Rarely have the media bothered to delve behind these claims, preferred merely to report the Government's lies, and most of the general public accepts these statements at face value.

8. Natural Heritage Trust

The Natural Heritage Trust (NHT) provides another example of how effective voluntary taxpayer funded programs can be from a political perspective and how ineffective they are from a policy perspective.

The NHT is described by the Government as a \$3 billion program that represents 'the biggest financial commitment to environmental action by any Australian Government in Australia's history'. It is supposed to have three main objectives:

- the conservation of Australia's biodiversity through the protection and restoration of habitats;
- the sustainable use and management of Australia's resources to maintain and improve the productivity and profitability of resource based industries; and

- community capacity building and institutional change.

8.1 Sustainable agriculture and natural resource management

The most obvious issue that arises from these objectives is the validity of the ‘sustainable use of natural resources objective’. As the Government has indicated, this objective is about improving the productivity and profitability of resource-based industries.

Improving productivity, profitability and industry sustainability is a worthy objective, but why should taxpayers front the bulk of the bill to address these issues? The areas targeted by the sustainable use projects concern highly modified, mainly agricultural, landscapes that have very little value as a source of biodiversity and the projects in question generally seek to improve soil and water conditions and provide shelter for livestock. In many if not most cases, the public good benefits that we derive from these projects are small compared to the private benefits gained by landholders. Yet, taxpayers bear most of the costs.

Now I am not suggesting that governments should turn its back on soil erosion, soil acidification, salinity and degraded agricultural water sources. These are important issues that need to be addressed. However, they are classic natural resource management issues that arise because of problems with commons where most of the benefits associated with addressing them accrue to those who are directly involved in making a living from the resources.

It is just like fisheries management issues. If steps are taken to stop over-fishing, for example by reducing fishing effort, it is the fishing industry as a whole that is the primary beneficiary. This is why, when governments have sought to buy back fishing licenses and quotes, it usually done through an industry- or fishery-wide levy, with some government assistance.

The same principle should apply to agriculture and other natural resource industries. These issues arise because of poor management and most of the benefits of fixing them go to the producers. Therefore, even if you accept the logic behind the beneficiary pays approach, the producers are the ones that should fund the bulk of the measures needed to address natural resource management problems not taxpayers.

These high private benefit projects are a subsidy – they lower the production costs of farmers and other related producers. As a subsidy, they help to keep people in areas where modern agricultural practices simply cannot be sustained. In effect, they are adding to the problems created by policies like drought assistance. We should be assisting these people to leave unsustainable areas, not pouring in additional money under the guise of environmental programs to help them stay there.

8.2 Biodiversity objective

The NHT's biodiversity objective raises different issues as biodiversity conservation is usually associated with public rather than private benefits – that is, the society as a whole has the greater interest in the preservation of species and ecological communities not producers. The main question for us is how cost-effective has the NHT been in obtaining biodiversity outcomes and have these projects been more about politics than conservation?

Public presentation and lack of accountability

The NHT is the jungle of the federal environment policies – sprawling, difficult to penetrate and almost impossible to accurately evaluate. This makes it ideal for a government that wants to appear to be doing something constructive to deal with environmental challenges, while shovelling subsidies at producers and tossing money down a bottomless pit. Just like the MBE package, the Government has made endless public statements about how it has spent billions on the NHT and its partner, the National Action Plan for Salinity and Water Quality (or NAP). To the media and the general public, this all sounds very positive. But there is no mention of how the money has been spent and what it has achieved.

To make matters more difficult, those wanting to find the answer to these question are faced with a dearth of information and, should you want to ground test outcomes, you'll need to take a 50,000km road trip across Australia, have a large war chest and a small army of workers.

The Government knows its NHT secrets are safe and that any criticism is likely to be muted or, if it isn't, dismissible on the grounds that it isn't backed by solid proof.

Effectiveness

Notwithstanding these problems, I think there is enough information available to conclude that the NHT has not been effective in stopping the decline in biodiversity.

How do I reach this conclusion?

- Firstly, there is little doubt that the number of threatened species and ecological communities in Australia is growing at an alarming rate.

There are currently 383 species of fauna and 1,300 species of flora that are included on the national list of threatened species. These numbers have been increasing in recent years, yet there is little doubt that they are a significant underestimation of the real number of species that qualify for listing. For example, there are very few invertebrates and non-vascular plants on the list because of a lack of information. There are also no commercial fish species on the list – an oversight that is a product of political factors.

Similarly, there are currently only 36 ecological communities have been listed as being nationally threatened, but it has been estimated that there are around 3,000 terrestrial communities alone that qualified as threatened.

The growth in the number of threatened species and ecological communities is partly due to improvements in our understanding of our environment. However, it also reflects upon the unsustainable nature of our lifestyles and the failure of governments to respond effectively.

- The second issue that suggests the NHT has been a failure is that it does not appear to have made any significant inroads into dealing with the major threats to biodiversity.

These threats include land clearing, altered fire regimes, modification of river and groundwater systems, climate change, overfishing and the spread of pests and weeds. The most positive outcomes from the NHT probably relate to pest and weed control and fire regimes. The worst relate to habitat loss.

There is no accurate Australia wide data on land clearing. The best available information comes from Queensland, which also happens to be the state with the highest estimated rate of clearing. Since the NHT commenced in 1996/97, approximately 3.38 million hectares of woody vegetation has been cleared in Queensland, of which around 2.2 million hectares was remnant vegetation.

Table 1 Woody vegetation clearing in Queensland between 1996/97 and 2002/03 ('000 hectares)

Year	1996/97	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Total woody clearing	340	425	425	758	380	498	554
Remnant clearing	227	286	286	505	213	275	366

Source: Queensland Department of Natural Resources and Mines 2005, *Land Cover Change in Queensland 2001 – 2003*, Queensland Government.

Obtaining an equivalent figure for how much land the NHT has revegetated is extremely difficult due to the Government's wayward accounting techniques. What I can tell you is that at the end of the first phase of the NHT in 2001, native vegetation works had been carried out on 780,000 hectares and approximately 84,500 hectares of works that related to the protection or enhancement of threatened species had been undertaken (Environment Australia 2002, *NHT Annual Report 2000/01*, Commonwealth of Australia).

Over the same period, if you subtract the \$40 million that was spent on the National Reserve System Program, and I'll return to that later, around \$920 million was spent on the NHT. So, for the bargain price of almost \$1 billion, we got 780, 000 hectares of native vegetation works and 84,500 hectares of threatened species works, while at the same time around 2.2 million hectares of woody vegetation was cleared in Queensland alone.¹

¹ The figures for NHT works only extend to the end of January 2001; therefore only 7/12ths of the clearing rate for 2000/01 in Queensland was included to reach the 2.2 million hectare figure.

It is obvious that it would be far more cost-effective to stop land clearing and increase reserves than direct money to revegetation and fencing, yet the Government has insisted on proving this for us through the NHT.

At present, it is not clear whether the second phase of the NHT is faring any better. However, some of the data that has been made available in the NHT reports does not provide grounds for great hope. For example, the 2004/05 NHT Annual Report indicates that around \$78 million has already been spent in New South Wales under the new regionally-orientated program delivery structure, but the tangible on-ground outcomes have been few and far between (Department of the Environment and Heritage 2005, *Natural Heritage Trust Annual Report 2004/05*, Commonwealth of Australia). Outcomes outlined in the 2004/05 report include:

- 534 conservation agreements or covenants have been made covering a startlingly low 9,340 hectares;
- 3,480 hectares of native vegetation has been protected by fencing;
- 9,900 hectares of native vegetation has been ‘enhanced or rehabilitated’;
- 586 hectares has been revegetated with native vegetation;
- 1,370 hectares has been revegetated with exotic vegetation;
- 1,560 hectares of wetland has been ‘protected or enhanced’; and
- 5,000 hectares has been fenced for the protection of significant species and ecological communities.

Although the data is sketchy, leaked information from the NSW Department of Natural Resources indicates that clearing rates in New South Wales may have been as high as 200,000 – 300,000 hectares per year since the early 2000s. If you put this rate of clearing up against the achievements of the second phase of the NHT in New South Wales, they look decidedly pitiful.

Things only get worse when you take a close look at some of the projects that have been funded. What gross figures don’t tell you is how effective the revegetation or

protection works have been in protecting biodiversity, and whether any measures have been put in place to ensure that any benefits that have been obtained are not lost if the property is sold or the landholder has a change of heart. As the figures I quoted before about New South Wales indicate, only a relatively small number of conservation agreements and covenants have been signed. In their absence, the small gains that the NHT has made could easily be lost.

The problems with voluntary style programs that dominate the NHT are confounded by the practicalities associated with their administration. For starters, the vast areas over which these projects are spread make it exceedingly difficult and costly to find projects and negotiate agreements with landholders and other interested parties. As the projects are voluntary, each individual project must be negotiated – a tiresome task that quickly eats into funding.

Then there are the problems with monitoring outcomes. Very little effort was put into monitoring and evaluation during the first phase of the NHT and, while it appears improvements have been made, the logistics associated with ground proofing projects that are spread over such a vast area, many of which are in remote locations, makes me sceptical of what can be achieved. These monitoring problems leave the NHT wide open to robbing.

The positives

You should not mistake my critique of these programs as a declaration that they have all been a complete and unmitigated failure. There is no doubt that some of these beneficiary pays programs have been reasonably successful. My favourite, and one that I am sure is close many of your hearts, is the National Reserve System (NRS) program, which funds the acquisition of new national parks and other similar reserves for conservation purposes.

Between 1996/97 and 2002/03, approximately \$72.5 million was spent on the NRS, resulting in the addition of 20.568 million hectares to the terrestrial reserve system. Approximately 13.8 million hectares was added through the Indigenous Protected Areas program, the remainder were standard reserve acquisitions. With these additions, Australia's terrestrial reserve system now covers around 77.5 million hectares.

In terms of cost-effectiveness, it is hard to go past the NRS. The government has effectively paid around \$3.50 per hectare for the permanent protection of these areas. This figure is somewhat misleading, as the bulk of the new reserves are located in Indigenous areas in the middle of Australia where commercial pressures are few and far between. However, there is little doubt the NRS has outperformed most, if not all, of the other NHT programs in terms of the cost-effective delivery of biodiversity benefits.

Another extremely important part of the NHT has been the funding it has provided for research into the condition of our natural resources. The National Land and Water Resources Audit is the prime example – it has expanded our knowledge of the environment and assisted in pulling together a vast array of information. Again, it is difficult to determine the extent to which these benefits can be attributed to the NHT as governments have used the NHT to cost shift and we don't know whether much of this work would have occurred anyway. However, these aspects of the NHT have been a notable achievement and the additional funding and structure provided by the NHT appears to have provided considerable momentum at the very least for a notable increase in environmental information.

9. Conclusion

Notwithstanding these positives, it is difficult to escape the conclusion that the Howard Government's taxpayer-funded environment programs have been woefully ineffective from an environmental perspective, but highly successful from a political one. The failure of these voluntary-style programs is not unsuspected – research from abroad has highlighted their deficiencies. For example, a report prepared by the OECD that was published in 2003 concluded that voluntary approaches rarely 'contribute to environmental improvements significantly different from what would have happened anyway' (OECD 2003, *Voluntary Approaches for Environmental Policy: Effectiveness, Efficiency and Usage in Policy Mixes*, OECD, France).

While these programs have been an environmental failure, they have been extremely successful from a political perspective. In 1992, 72 per cent of people said they were worried about environmental problems. By 2004, this has fallen to 57 per cent (ABS 2004, *Environmental Issues: People's Views and Practices*, ABS, Canberra). The

Federal Government has almost neutralised the environment as a potent political force at a time when one would expect environmental concerns to be paramount.

This was demonstrated during the 2004 election campaign when Mark Latham took a gamble in his Tasmanian forestry policy. It appears he suspected he may sacrifice some Tasmanian seats, but that these losses would be offset by gains in urban areas. The result was predictable; Labor lost two out of five Tasmanian electorates and failed to make the necessary gains in other areas.

The apparent disregard for the environment cannot all be put down to the structure of the Federal Government's environment policies and how it has marketed them. The strength of the economy over the last decade has bred an all pervading apathy about social and environmental issues – 'I'm happy and rich so why would I care' has become a mantra. We also lack an effective opposition that is willing to engage in detailed analysis of existing programs and present alternative policies.

In addition, the Government has been extremely effective in silencing dissent and neutralising the environment movement. This has been achieved by stripping critics of government funding and portraying them as ignorant radicals, while filling the coffers of groups like WWF and the Humane Society International that have been willing to dance to the Government's tune. To give you a taste for the amounts of money involved, WWF Australia received almost \$20 million in government grants between July 1998 and 30 June 2005.

It is through the combination of these factors - politically motivated policy, silencing dissenters, a weak Opposition and a strong economy - that the Government has been able to push the environment to the margins and get away with woefully ineffective and inefficient policies.

The Howard Government is the ultimate politically motivated environmental window-dresser. Unfortunately, there are very few people who are willing, able or interested enough to criticise the Government for its environment policies and outright lies. Until more people engage in this process, we will continue to watch the degradation of our environment and the squandering of resources.