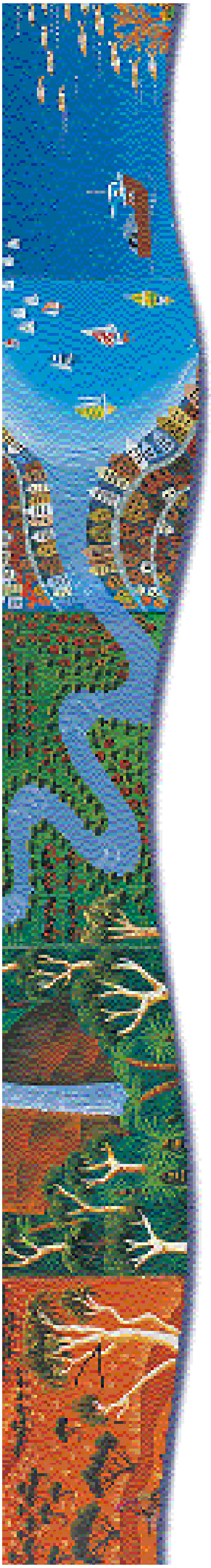

The Potential for Private Sector Nature Conservation in Australia

Research project number ADF5 of the Social and Institutional Research Program of Land & Water Australia.

BACKGROUND

Natural resource management (NRM) and nature conservation have been dominated by the government sector, despite the fact that three-quarters of Australia's land is privately managed via ownership or long-term lease. Governments have only recently given consideration to the potential contribution to NRM by the non-government sector. This has reduced the opportunities for private sector capital and expertise to be motivated and involved in in Australia. The involvement of the non-government sector in in some other countries, such as the United States and England, is much larger.

OBJECTIVE

This project investigated whether a larger non-government sector is desirable for NRM in Australia and how this might be facilitated.

METHODOLOGY

The researcher travelled overseas with the aid of two research fellowships, from Land & Water Australia and the Political Economy Research Center in the United States.

Organisations in the United States and England whose work affects, or is predominantly undertaken on, privately owned land, were selected to demonstrate the scale and scope of the non-government sector in these countries.

To develop a framework for analysis of the incentives of private sector, the study investigated the relationships between the land managers and:

- consumers of natural resource outputs;
- owners and managers of other resources required to produce outputs; and
- those harmed if the resources were reallocated to other uses.

KEY FINDINGS

Organisations active in the United States and English conservation sectors use a range of tools to achieve their goals, including property rights, regulatory structures, contracting and organisational structures and legal tools.

Property rights

The property right regimes in the United States are more developed than in Australia, providing private organisations with more avenues and incentives to conserve land, water, flora and fauna.

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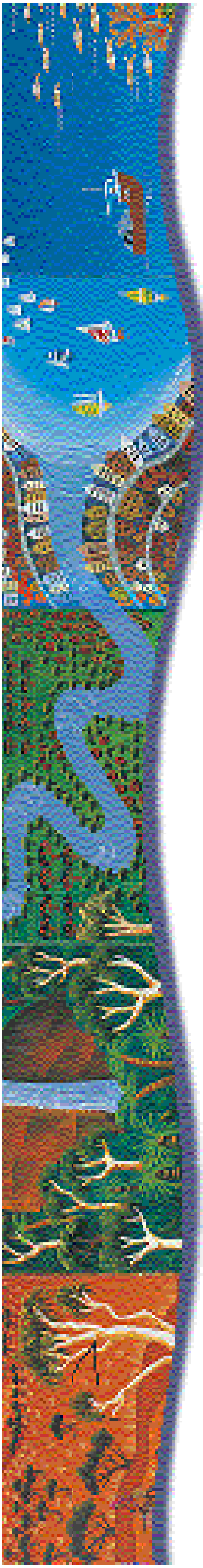

Regulatory structures

Resource-based regulations restrict access to potential development income or other benefits from specified resources. Zone-based regulations restrict uses and, therefore, benefits, based on the geographic position of the resource. Both types are legitimately used to constrain markets to minimise costs or losses to third parties but in doing so, may reduce benefits to property right holders.

Reducing the transaction costs of natural resource management via the taxation system may avoid government failure and may achieve a more efficient outcome.

Contracting and organisational structures

Reducing the costs of improved NRM via the taxation system may avoid government failure and may achieve a more efficient outcome. However, it does not remove the cost from society as a whole. In the United States, almost all forms of donation to conservation organsiations are tax deductible over a number of years and they are also exempt from capital gains tax. Subsidised development programs and farm income support schemes are a major historical cause of natural resource destruction. The researcher recommends that the impacts of subsidies on natural resources be removed or their impacts on NRM be made more transparent.

Legal tools

Rehabilitation or restoration of natural resources such as wetlands can prove to be far more problematic than the initial draining of these areas. This provides potential disincentives to private sector conservation.

A legal difference between Australia and England relates to the legal standing of non-government organisations. Although standing is granted in some cases, it is not uniform across differing issues and states. Where such organisations can identify appropriate forms of damage to their constituency, they should have legal standing.

Suggestions for institutional and incentive reform

The researcher makes a series of suggestions for policy reform to increase private sector involvement in Australian . These policy suggestions have been divided into two groups. Group 1 includes those that create competitive equality between private-sector not-for-profit organisations, government and other private sector firms, as well as suggested changes to taxation incentives that do not extend the incentive. Group 2 comprises additional policy suggestions to increase the level of private-sector nature conservation and avoid government failure. Some opportunities could easily be enacted immediately, while others would require further research.

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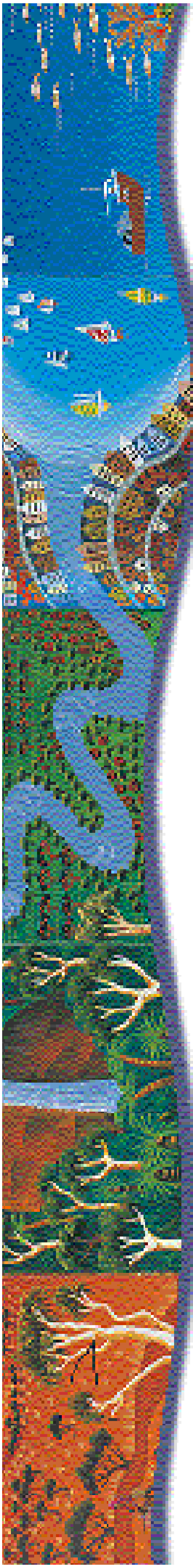


GROUP ONE REFORMS

Reforms to create competitive equality between
the private sector and government

Property Rights

- Continue to reform water property rights.
- Check there are no restrictions that could reduce incentives for conservation, such as property size constraints.
- Investigate and facilitate the use of conservation covenants for land, water and fauna conservation/management.
- Develop mechanisms to allow producers to access gains from production of natural resource outputs where possible.

Enabling incentives

- Treat perpetual and temporary conservation covenants equally under not-for-profit organisation laws.
- Eliminate penalties and broaden the scope for reinvested funds for not-for-profit organisations.
- Allow a suitable time for this exchange or reinvestment.
- Ensure there is an adequate period over which donations can be deducted from taxable income.
- Remove remaining agricultural development subsidies, such as higher rates of depreciation and irrigation-supply subsidies.
- Increase the use of private-public management partnerships.
- Investigate broader application of alternative management entities such as trusts, catchment management committees and water management committees.
- Develop mechanisms to establish and mentor not-for-profit organisations.
- Encourage use of signalling devices, such as revolving funds.

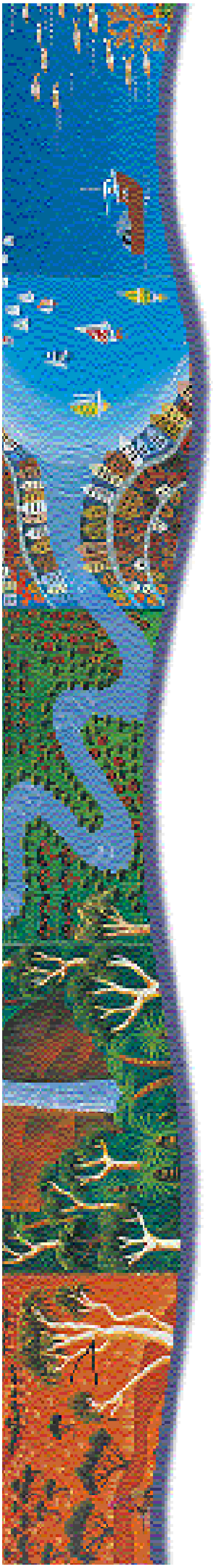
Legal tools

- Investigate legal disincentives for natural resource restoration.
- Ensure the common law principle of 'Use your own property so as not to harm another's property is applied for natural resources.
- Investigate the degree to which non-government organisations have legal standing to act on behalf of the community.

Ensure the principle of 'Use your own property' so as not to harm another's property is applied for natural resources.

Regulation

- Ensure community access to development planning processes covering both monetary and non-monetary environmental damage.
- Investigate use of bonds and insurance against environmental damage resulting from development.
- Facilitate conservation group ownership of conservation covenants or resources.
- Reduce or remove disincentives from legislation, such as endangered species.
- Encourage conservation solutions that include a wider variety of inputs other than just land.
- Facilitate innovation in conservation management.
- Facilitate the use of conservation 'banks'.



GROUP TWO REFORMS

Reforms to create competitive equality between the private sector and government

- Ensure donations of water rights/licences are tax deductible.
- Remove differential tax treatment of conservation and business inputs.
- Treat perpetual and temporary easements equally under tax laws.
- Allow 'discount' land sales for conservation purposes to be tax deductible.
- Increase State and local government tax concessions for conservation.
- Remove capital gains tax from sales to conservation groups.
- Remove tax deductibility from business inputs used for natural resource destruction.
- Consider treating donations as tax credits rather than deductions.
- Consider allowing deductions at greater than 100% for donations to conservation groups.

IMPLICATIONS FOR POLICY MAKERS

A number of conservation tools are available in the US or England that are not available in Australia. These tools are generated by the differing institutional structures in the US and England. That is, if you build the appropriate institutions, the community will use them to contribute to nature conservation.

IMPLICATIONS FOR ADVISORY & COMMUNITY GROUPS

With overseas examples of what can be achieved by involving the private sector in nature conservation, advisory and community groups can identify the tools they wish to use and lobby for their introduction in Australia.

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Other fact sheets available

The following project fact sheets in this series are available from Land & Water Australia:

- Community Participation in Australian Natural Resource Management (ANU21).
- 'It Can't Work Without People' Effective Relationships in Natural Resource Management (CAG2).
- Participation in Natural Resource Management Research and Development (SYN1).

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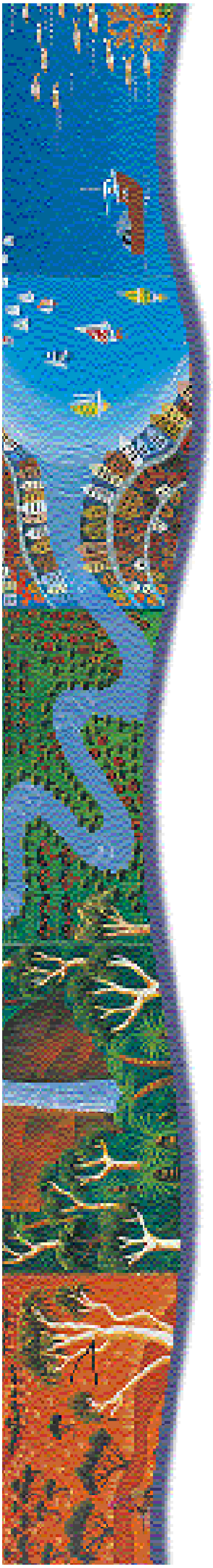

- Evaluating Integrated Catchment Management (CTC7).
- Using Citizens' Juries for Making Decisions in Natural Resource Management (ANU11).
- Social and Institutional Knowledge in Natural Resource Management (UTA11).
- Using Environmental Law for Effective Regulation (TPF1).
- Supporting Decisions: Understanding Natural Resource Management Assessment Techniques (CLW24).
- Evaluating Natural Resource Management Policies and Programs (USQ3).
- Interdisciplinary Research in Natural Resource Management (UMU14).

There is also a booklet called *Natural Resource Management: People and Policies* that brings together the results of these 11 research projects.

For more information

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