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ENTERPRISE BASED CONSERVATION – CONSERVATION AS A COMMERCIAL LAND USE

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ABSTRACT

To address equity in relation to the cost of conservation on privately managed land the Brewarrina Regional Vegetation Committee has developed a conceptual market-based instrument, termed 'Enterprise Based Conservation' (EBC), to address conservation requirements. Under the proposed EBC scheme, landholders enter a permanent contract to manage an area for conservation purposes and receive an economic return comparable to the value of the production that would have been generated from the previous landuse. The key is that economic returns are generated from an independent and self-sustaining conservation fund rather than the often unpalatable 'stewardship payments' that place a continuing demand on Governments.

Long-term conservation will result from a short-term investment by Government to establish a conservation fund. Estimates of a one-off cost of \$500M (Morton 2002) have been made to provide for the conservation of 10% of the rangelands of Australia.

To help determine the eligibility criteria, conservation management contracts, mechanisms for allocating funds and the administrative framework for EBC, a pilot program has been established in the Western Division by WEST 2000 Plus.

Key words: Enterprise Based Conservation, rangeland conservation, alternative enterprises, conservation fund, Western Division, Market Based Instruments.

INTRODUCTION

To address equity in relation to the cost of conservation on privately managed land, the Brewarrina Regional Vegetation Committee developed a conceptual market-based instrument to achieve conservation. This instrument has been termed 'Enterprise Based Conservation' (EBC). Brewarrina Regional Vegetation Committee was a state government appointed community-based stakeholder group established under the NSW Native Vegetation Conservation Act 1997. Stakeholders included representatives of the Nature Conservation Council, NSW Farmers, Landcare, and NSW Government agencies.

Enterprise Based Conservation arose out of a desire to achieve a conservation target of 20% for the region to balance the development limit of 20%. More importantly, there is a need for the broader community to recognise the cost of conservation as a competing enterprise to the landholder. Enterprise Based Conservation promotes conservation as a legitimate commercial land use.

In principle, landholders voluntarily managing an area for conservation purposes, under a formal conservation agreement, would receive an economic return comparable to the value of the production that would have been generated from the previous landuse. It is important to note that the payments are not a series of handouts, but come from a fund that, once established, is self-generating.

The land conserved by landholders under EBC would be managed to an agreed standard and would be subject to similar management practices to other conservation areas, such as maintenance of fences, total grazing pressure management, noxious weed control, problem weeds, feral and pest control. Burning and grazing under approved conditions may also form part of the management plan but must be targeted for conservation outcomes. Essentially the landholder/lessee would deliver conservation

products to an agreed standard of conservation management. If the land was not managed to the agreed standard, financial penalties would be incurred.

Long-term conservation will result from a short-term investment by the Government to establish a conservation fund. To initiate EBC, financial and administrative support is required from Government or private industry. In the longer term, conservation products would trade on the free market in competition with other commodity production.

The Western Division of NSW like other rangelands of Australia have a high retention of native vegetation, with grazing being the predominant land use. The management of many pastoral enterprises has provided native vegetation that is now considered to be in good condition. The value of this level of management and the retention of large areas of native vegetation has not been generally recognised. This is particularly so in regard to funding for natural resource management and systems of conservation. The Enterprise Based Conservation process enables landholders to receive recognition for management that has provided a certain level of conservation to date. It does this by providing a value for a higher level of conservation management in place of the current grazing production. This requires the conservation of land that is in reasonable condition under the current use and is proportionally representative to the vegetation communities of the general area. This is necessary to ensure all types of habitat are conserved and not only the poorer production country.

A PROGRESSION FROM COVENTIONAL METHODS OF CONSERVATION

To date landholders and the broader community have primarily recognised production values in agricultural enterprises. Current legislative and funding arrangements do not achieve long-term conservation that is a competitive land use to pastoralism. Enterprise Based Conservation allows conservation to have a productive value and be a competitive enterprise to agriculture. One of the major spin-offs would be the establishment of a drought proof alternative enterprise for the rangelands. With the concurrent reduction in drought funding required the system may work out to be cost neutral in the long term.

The commonly held view of political process is that each person gets their vote and elects politicians representing their views. The politicians then set broad goals for the 'public interest'. The government is in fact supposed to be managing the environment and economy for 'public good' (Abel and Tatnell 1997). If this were the current political process then the values attached to the rangelands of Australia would be demonstrated by the equivalent economic institutional input into long term conservation.

As is shown by this paper, conservation could be achieved over a large area of the landscape with a relatively small, one-off economic input from government. It is an opportunity for government to fund a process that will achieve conservation in the long-term and allow a change of agricultural enterprises to include conservation as part of their business. If land managers include conservation as part of their enterprise, conservation can be achieved across the landscape whilst maintaining the viability of the rural industry. This method also maintains a local knowledge base and has the potential to achieve more effective conservation than public conservation such as National Parks.

The comparison of perennial grass cover on park, off park and exclosed areas of the rangelands by Page *et al.* (1999) showed minimal difference in cover between on-park and off-park areas. However the exclosure areas had a considerably higher grass cover. The conclusions were drawn that total grazing pressure was the major factor affecting grass cover. Due to the current economic climate for rangeland landholders, it is unviable to remove stock and control grazing pressure without an alternate income source. Protected area managers are constrained by policy and community perceptions. Enterprise Based Conservation allows landholders to manage for conservation including total grazing pressure, resulting in better biodiversity conservation and prevention of land degradation.

A problem with current incentives for conservation is the reliance on landholder participation in a political climate that has caused a high level of distrust of government and a reluctance to commit to long-term conservation. Due to declining government services in rural communities, combined with general negative experiences, governments are distrusted and seen as 'outsiders' (Davies 1999). The most effective way for government to improve natural resource management and conservation is to facilitate approaches that are controlled by local people. Rangeland management is constrained by institutions and 'mental models', impeding thinking and acting on alternate uses (Abel 1999). Enterprise Based Conservation enables the landholder to have control and see conservation as another landuse in their property management.

Stakeholders in urban populations are hunters, campers, conservationists or consumers of water. Enterprise Based Conservation allows all stakeholders the opportunity to actively contribute to conservation of the rangelands (Abel 1999). The money contributed to a fund could be direct investments from urban populations or from industry offsetting the impacts of urban development. The difficulties in regional viability could be lessened with the investment from urban developers and populations.

Resource use on a regional scale is determined by a variety of factors including effects of past use, institutions, infrastructure, policies (e.g. drought relief) and enterprise level decisions (Abel 1999). Policies such as those relating to drought relief could be altered to allow a change in management and see a shift towards conservation and more conservative grazing management. Fluctuations in commodity prices and variation in rainfall emphasise the need for alternative and diverse uses in the rangelands.

PROCESS FOR ACHIEVING ENTERPRISE BASED CONSERVATION

The process requires that:

1. A Conservation Fund is established, using an initial contribution from government monies.
2. The current land use 'right' is purchased from the landholder. The purchase price is based on the current land use value as determined by a commercial land valuation. (In the Western Division the 'grazing rights' would be purchased from the current lessee.)
3. The money is invested in the Conservation Fund, rather than being paid directly to the landholder, and 'conservation shares' are allocated to the landholder. These 'conservation shares' are attached to the land title.
4. The Conservation Fund is available for the Government (initially) to borrow funds for infrastructure works. The Fund will be attractive to external borrowers/investors interested in environmental and/or ethical investments.
5. The lender pays commercial (or perhaps higher) interest on the loan, which is returned as a dividend to the landholder.
6. If the conservation area is managed to an agreed standard, the landholder receives a dividend based on a percentage of the market value of the land. For example, the landholder receives say an 8% dividend from the fund as payment for the conservation outcomes. If the areas were not managed to the agreed standard, the landholder would receive a reduced return.
7. Involvement by landholders would be voluntary.
8. Agreements would be considered permanent, however future change provisions could be incorporated where agreement was reached between both the landholder and the Conservation Fund administrators (initially the Government).

Example

- A Western Division landholder decides to manage 3,000 hectares (10% of the property) for conservation to an agreed standard.
- The Government purchases the grazing rights from the landholder who receives conservation shares attached to the property title.

- The purchase value of the grazing rights is invested in the Conservation Fund. (The average value of Western Division land is \$30 per hectare, therefore, \$90,000 is invested in the Conservation Fund).
- Money is borrowed by commercial or Government borrowers from the Conservation Fund with interest paid at commercial rates or a slight premium.
- The landholder manages the 3,000 hectares for conservation by destocking the area and managing it to maintain ground cover at or above 40%, which will encourage native grass, improve habitat, improve biodiversity, and enhance soil stability.
- In return, the landholder receives an annual 8% dividend from the Conservation Fund.
- The area would be perpetually managed for conservation, with dividend payments continuing in perpetuity.

COSTS FOR THE WESTERN DIVISION OF NSW

An investment cost of \$96 million (invested in an accumulating capital fund) would result in around 10% of the Western Division or 3.2 million hectares being included in Enterprise Based Conservation. This could be implemented at an annual cost of \$10 million over the next ten years. At an 8% return, this would generate \$7.7 million drought proof income to the region as an alternative enterprise.

This is based on the following assumptions:

- Each year 1% of the Western Division is put in Enterprise Based Conservation.
- The market value of land identified for commercialising conservation is an average of \$30 per hectare.
- The dividend paid on market value is 8% with a \$2.40 per hectare return average.

ENVIRONMENTAL OUTCOMES

Like the Brewarrina Regional Vegetation Committee, the new Catchment Management Authorities (CMAs) will set targets for achieving conservation. To achieve targets set by NRM bodies such as the Western CMA in areas with high retention of native vegetation there needs to be an option for the landholder to receive an economic return for managing land for conservation. Without such an option it is not viable for rangeland landholders to have significant areas with no long-term economic return. Enterprise Based Conservation provides that option.

Short-term incentives have been available in the past. Those incentives have had minimal success in establishing areas of private conservation in rangelands of New South Wales. An alternative for such funds is to contribute to the establishment of Enterprise Based Conservation. The establishment of this instrument could achieve many of the natural resource management targets through landscape conservation and management.

The Western Catchment covers 23 million hectares in Western New South Wales. The catchment includes 20% of the Murray-Darling Basin and a large portion of New South Wales' rangelands. Table 1 shows some of the Western Catchment Blueprint targets and how Enterprise Based Conservation could contribute to their achievement.

A PILOT PROGRAM FOR ENTERPRISE BASED CONSERVATION

The principles of this scheme are already being trialed in the Western Division within a WEST 2000 Plus pilot program. The Western Division is an ideal location for Enterprise Based Conservation due to the largely unmodified nature of the rangelands, allowing for the planning of representative conservation areas across the landscape. This market-based tool could also be applied Australia wide. The pilot program will help to determine some of the detail of how Enterprise Based Conservation can be implemented in the long-term.

Table 1. How Enterprise Based Conservation could achieve the targets of the Western Catchment Blueprint.

Management / Catchment target of the Western Catchment Blueprint	How Enterprise Based Conservation (EBC) could contribute to the achievement of the Blueprint target
An ongoing program is established that allows landholders to incorporate land 'managed for conservation' as alternative land use and part of a viable enterprise	This target led from support of EBC and the support to implement it in the Western Catchment
Ecological communities of high conservation value are identified within 3 years of Blueprint approval and adequately protected throughout the catchment by negotiation with landholders	EBC would provide an instrument for conservation of high priority areas to be competitive with the existing use of the land
In any ecological community, areas cleared for change of land use are proportional to new areas managed for conservation in successive two year planning periods	To date the ability and willingness of landholders to manage areas for conservation has been limited. A system that recognises conservation as a competing land use would see a higher rate of conservation by landholders
Ecological communities of high conservation value are adequately protected Of the area of each other ecological community: <ul style="list-style-type: none"> • 12% is managed for conservation within 10 years and 25% within 25 years • no more than 35% in total is cleared 	EBC provides realistic alternative to grazing that allows both high conservation value areas and representative areas of each ecological community to be conserved and protected
Quality and quantity of vegetation managed to maintain and/or improve designated cover capable of preventing soil erosion	The EBC process ensures areas are managed to agreed standards therefore improving quality of native vegetation
Sustainable Grazing Practice carried out by 100% of landholders within 10 years	An instrument such as EBC that has production returns for conservation management, economically gives landholders an opportunity to manage the remainder of their property at a sustainable level
No increase in the number of species or area of noxious or exotic weed infestation above current levels	Part of the management of areas under EBC is to manage noxious and exotic weeds therefore contributing to the achievement of the target
No increase in the impacts of pest animals above current levels	Pest animal control is part of the agreed management for EBC
Voluntary management of priority areas on Western Catchment rivers, leading to incremental improvement in native riparian vegetation	EBC would also encourage landholders to manage riparian areas for conservation allowing the improvement of western river systems

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