

Property rights and the environment

Some farm groups are claiming that statutory compensation is required whenever governments attempt to improve environmental outcomes. Andrew Macintosh and Richard Denniss critique such proposals in Property Rights and the Environment: Should farmers have a right to compensation? (Discussion Paper 74).

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*Andrew Macintosh and
Richard Denniss*

The peripatetic Institute

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Property rights are the foundation on which market economies are built. Without well-defined property rights, it is impossible for markets to facilitate efficiently the exchange of property between buyers to sellers. But while the textbooks say that property rights need to be well defined, the reality is often quite different.

For example, if you own a house in Sydney and decide that you want to knock it down and build a block of units, most people accept that you need government permission to do so. Similarly, most people who lease a house do not think that they have the right to chop down a large tree or knock down an internal wall. While we may think of some things as 'our property', we understand that the way in which we can use our property is constrained by custom and law.

Although most people accept such constraints, the National Farmers Federation (NFF) is mounting a campaign to ensure that any attempts to impinge on farmers' 'propertyrights' will result in automatic compensation. If they succeed, they will enjoy safeguards that no other Australians (be they individuals or businesses) enjoy.

At the heart of the NFF's campaign is the demand that farmers be provided with additional legal rights to compensation when restrictions are placed on their ability to use or clear land and when water allocations are reduced for environmental purposes. At its most

extreme, this request roughly equates to a claim for absolute ownership of all land and water resources that are used for agricultural purposes. However, in most cases, farm lobby groups have expressed a willingness to confine the right to compensation to those instances when farmers' interests are abrogated for 'public good' environmental purposes.

We do not expect people suffering from asthma to pay factories to stop polluting the airways.

This request has been justified on the grounds that such compensation is equitable and on the economic argument that the provision of more secure property rights will stimulate greater investment and improve the allocation of scarce agricultural resources. Despite the lack of evidence to support these arguments, the Government, and even some green groups, have reacted favourably to the NFF's campaign.

Despite the rhetoric that is often associated with the property rights debate, farmers are in the same position as homeowners in that they do not own land in an absolute sense. Irrespective of whether they hold a freehold title, leasehold title or a mere

licence, the government remains the ultimate owner of the land. Their interests are, and always have been, subject to the government's underlying interests in the land and its rights to regulate how the land is used.

The situation with respect to farmers' interests in water is similar to that concerning their interests in land. While there are differences between jurisdictions, it is generally the case that state and territory governments 'own', or at the very least have the right to control, the freshwater resources within their borders. Farmers' rights to access and use water are primarily derived from licences granted by the state and territory governments. Hence, it is the governments that actually own Australia's water resources, not the farmers.

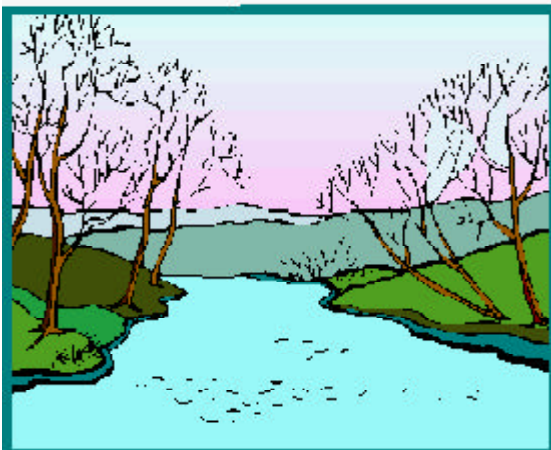
The justification for the NFF's position on compensating farmers when governments seek to modify farmers' land and water use practices is based on

This will result in a large transfer of resources from taxpayers to farmers without any notable improvement in agricultural productivity, environmental outcomes or social welfare.

the 'beneficiary pays' approach. That is, because the Australian community as a whole benefits from farmers improving the way they use land and water, the NFF argues that the community as a whole should pay farmers for the benefits they receive. Such an approach is neither equitable nor efficient.

First, we do not expect people suffering from asthma to pay factories to stop

polluting the airways, nor do we expect people who live near airports to pay airlines to fly quieter jets. Second, if the community as a whole pays farmers to stop harming the environment then subsidies to the farming sector will be increased. Marginal farmers who would otherwise go out of business will remain viable, using fragile land and scarce water for longer than would



otherwise be the case. Similarly, such a subsidy will serve to insulate consumers from the full costs of agricultural production, resulting in lower prices and higher demand than is desirable.

The discussion paper concludes that the calls from farm lobby groups for a legal right to compensation for restrictions on farmers' property rights in land are excessive and need to be balanced against the interests of the broader community. The existing rights to compensation are adequate.

Expanding the rights to compensation to protect farmers' interests in land will result in a large transfer of resources from taxpayers to farmers without any notable improvement in agricultural productivity, environmental outcomes or social welfare. Indeed, there is a significant risk it will result in substantially worse environmental outcomes.

In the case of water, the paper concludes that, while there may be some merit in considering reform for water property rights, the current approach under the National Water Initiative is inequitable and creates impediments to the efficient allocation of water resources. ■

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GPI gaining international acceptance

Richard Denniss has recently returned from an OECD conference in Palermo, Italy on the development of new ways of measuring policy outcomes, and progress more generally. The OECD World Forum on Key Indicators was attended by bureaucrats, statisticians, academics and representatives of NGOs from around the world.

Richard reports that while there is not yet a consensus about the development of an alternative to GDP as a measure of progress there appears to be agreement on the problems with using GDP as a measure of national progress and the need to develop alternatives.

Disagreement seems to be greatest about whether or not a new summary indicator should be developed or whether more effort should be put into presenting GDP and other economic indicators in a broader context. While it appears unlikely that we will see measures such as the Genuine Progress Indicator being produced by national statistical agencies in the near future, there is little doubt that the debate around the current focus on GDP will intensify.

Papers from the conference can be downloaded from the OECD website.

Broaching sustainable consumption

Clive Hamilton attended a workshop on sustainable production and consumption in Chiang Mai, Thailand in October. Organised by Chiang Mai University, it brought together 25 experts from around the world to discuss some of the most intractable issues associated with sustainability.

The growing emphasis on the sustainability of consumption patterns represents a sharp break from the previous preoccupation with technological solutions to environment problems and brings difficult political

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Trading away our food safety

Free trade agreements weaken Australia's capacity to use quarantine to protect the safety of our food supply, as Hilary Bambrick writes.

Australia is fortunate to be one of few countries to remain free of BSE, the degenerative brain disease in cattle that causes the deadly variant CJD in people. But the Free Trade Agreement recently signed with the United States may change this.

Throughout the recent trade negotiations, Minister Mark Vaile frequently said that Australian quarantine was not 'on the negotiating table'. Maybe not, but Australia made several concessions to our quarantine system sought by the US.

In addition, our food standards are under constant fire from the World Trade Organization (WTO). In theory, WTO member countries can set their own health standards on imported foods. However, disputes between trading partners are being settled increasingly in favour of the lowest common denominator. Minimum international standards are fast becoming the maximum that any country can impose on imported food. Food standards are driven downwards in the interest of increasing trade rather than protecting human health.

Under the WTO rules countries cannot invoke quarantine to exclude an import unless they can prove a specific risk exists. Concerns over *potential* risks are insufficient, and banning potentially dangerous imports is not considered scientifically justifiable.

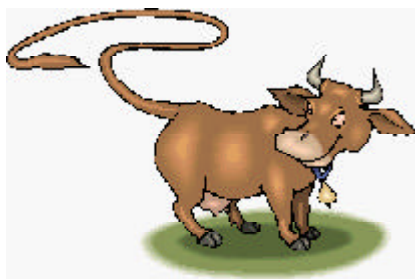
But scientific knowledge is incomplete and uncertain, making precautionary action the only way to protect public health. Science is always a work in progress, never a finished masterpiece. Decisions on public health should not wait for the bodies to pile up.

When British cattle were fed the remains of sick sheep, BSE and its human health dangers were unknown. Nevertheless, in 1966 Australia banned the

importation from Britain of any stock feed that contained animal parts, which later had the effect of protecting Australia from BSE.

However, when Australia tries to adopt similar precautionary measures today, its actions are condemned by trading partners as restrictive trade practice. Australia's 'choice' is either to accept potentially dangerous imports or face retaliatory action by trading partners. Several countries still feed sheep to cattle, proving that a practice that is internationally accepted can still be dangerous.

Despite everything we now know about the specific risks, testing cattle



for BSE remains inadequate. Until last December, when their first case of BSE was confirmed, the US tested only 0.01 per cent of all cattle slaughtered, and most of these were obviously sick. Now the US is increasing sampling ten-fold, to one per cent.

The first US case may not be an isolated incident – two thirds of the cattle imported from Canada with the infected cow could not be traced. Furthermore, Canada says the cow was infected via stockfeed from the US. The cow that tested positive had not appeared to be ill and was tested because of an unrelated injury, after it had been declared fit for human consumption.

Yet calls from Japan for the US to test all its cattle intended for human consumption have been branded by the US meat industry as 'unscientific'.

The infective protein that causes BSE is extremely hardy, and is resilient to high temperatures and ordinary cleaning methods. Even hospital sterilisation is insufficient to destroy it. BSE's resilience raises questions about the safety of 'sterilised' pet food, manufactured from slaughterhouse leftovers – materials that are particularly high risk.

A few years ago Australia banned the importation of pet food from all countries except Canada, the US and New Zealand. Neither the US nor Canada can continue to claim BSE-free status, but Australia still accepts pet food from them.

Transmission of the disease via pet foods may be unlikely, but it is conceivable. Cats in the UK have been infected with BSE. Half of Australia's households have at least one cat or dog, and most of these are fed manufactured pet food. Even if Fluffy or Rex don't live long enough to develop the disease, millions of Australians have been handling their pets' food, perhaps even using the same cutlery, or been lovingly licked by a tongue that just finished dinner.

Under the US Free Trade Agreement, direct pressure to accept US imports is increased. Should Australia be compelled to accept beef products from a BSE-affected country that only samples 1 in 100 of their slaughtered cattle?

Australia's cautious approach to quarantine should be recognised as best practice and minimum safety standards must not be treated as a ceiling. The BSE disaster provides an opportunity to learn from mistakes, but practices in the global marketplace still favour small short-term economic gains over major human health considerations. ■

Dr Hilary Bambrick is the Vincent Fairfax Family Foundation Postdoctoral Fellow with the National Centre for Epidemiology and Population Health, ANU. Her report Trading in Food Safety is published by the Australia Institute.

Can we bury our greenhouse problem?

The Federal Government has seized on proposals to capture greenhouse gases from power plants and sequester it forever in huge saline aquifers under the desert. The Institute commissioned the first detailed independent report on the prospects for geosequestration and here the principal author Hugh Saddler summarises the conclusions.

In the last few years ambitious proposals have been made to use geosequestration as a means of reducing the greenhouse gas emissions caused by burning fossil fuels, especially emissions from coal burned to generate electricity. A technical system which could reduce the emissions to a small fraction of their present level, while continuing to burn coal, has great superficial appeal.

However, publicly available analysis to demonstrate that this is the best energy policy option is conspicuously lacking. The Institute's Discussion Paper set out to fill this gap, by examining how much emissions abatement geosequestration may be able to deliver, how soon it may be able to do so, what the cost of such abatement may be and how it compares with other energy policy options to reduce emissions.

A system to geosequester CO₂ will be a complex, multi-stage process. The first step is either to convert the fossil fuel to a gas before combustion and

Carbon capture and storage is a far costlier source of new electricity supply than a number of other low-emission options for electricity generation.

extracting the CO₂, or capturing the CO₂ from the stream of combustion gases. It would then require a mechanism to transport the CO₂ from the point of production to the geosequestration site, and then to inject the CO₂ into the geological formation.

The CO₂ capture step is in many ways the most complex and difficult stage. On the other hand, it is the final geosequestration step that is subject to the most uncertainty about its performance over the long term.



New power generation technologies will have to be used, of which the most favoured seems to be integrated gasification combined cycle, but the technology requires further improvements and will always be much more expensive than conventional coal fired generation.

Research over recent years has improved knowledge of areas where the geology may be suitable for long term underground storage of CO₂. At present, sites have been identified within a reasonable distance of coal fired power stations in Queensland, Victoria and WA, but none have been found near enough to power stations in the Sydney Basin. This represents a formidable cost barrier.

Costs

The evidence points unequivocally to carbon capture and storage (CCS) being a much more costly source of new electricity supply than a number of other low-emission electricity generation

options including natural gas fired combined cycle gas turbines, gas fired cogeneration, wind and many types of biomass.

All these technologies are far more mature. They are proven, already in widespread commercial use, but also likely to reduce considerably in cost over time. Increasing the efficiency of energy use is much more cost effective again than any of these electricity supply technologies.

Modelling for the study found that use of CCS alone would reduce emission by about 9% in 2030, and cumulative emissions by only 2.4%. Scenarios that include extensive energy efficiency improvements, though still well within identified technical potential, combined with use of gas and renewables could reduce emissions in 2030 by more than five times as much as CCS alone, and cumulative emissions by ten times as much.

Is it good energy policy?

In the absence of a decisive change in policy, growth in Australia's energy-related greenhouse emissions will mean that national emissions exceed the Kyoto commitment level by 2009, and keep growing thereafter. It is not difficult to envisage international pressures, both diplomatic and economic, which could compel Australia to reduce emissions well before 2025. Present policy does nothing to shield Australia from such a risk.

Over the next two decades, however, a policy that neglects or excludes these low emission technologies in favour of coal with CCS will place Australia on an unnecessary high cost path to reducing emissions. This is not an economically optimal policy for reducing greenhouse emissions from the energy sector. ■

Climate Change Taskforce reaches consensus

Following a successful meeting in Sydney last month, the International Climate Change Taskforce is finalising its recommendations on how to propel global action beyond the Kyoto Protocol. Alan Tate reports.

The recommendations of the International Climate Change Taskforce will be delivered to all governments in late January, providing guidance for international negotiators as debate

consensus on actions necessary to have the best chance of preventing climate change from causing substantial future loss of human life and ecological catastrophe.

enough to allow all nations to accept a role. To achieve that, the pathway has to provide for fairness between the efforts asked of different nations in various levels of development and with different emissions intensity.



Climate Change Taskforce: NSW Premier Bob Carr and Institute Director Clive Hamilton speak to the press at the Sydney meeting.

It must also provide a way for the USA and Australia to rejoin the multi-lateral effort and for large countries in the developing world to be drawn into stronger emissions control.

The Sydney meeting attracted widespread media coverage in Australia and overseas. A crowded press conference led by Taskforce co-chair Stephen Byers, MP,

begins on options for a post-Kyoto Protocol global architecture.

As one of three international think tanks behind the establishment of the Taskforce, the Institute joined with the NSW Government to host the visit of Taskforce members to Sydney. The Institute has been active in the secretariat to the Taskforce preparing a proposal for a new global approach to control emissions of greenhouse gases that builds on the Kyoto Protocol.

The two other think tanks – the Institute for Public Policy Research in London and the Centre for American Progress in Washington, DC – presented their research and recommendations for a long-term target for emissions control, and technological approaches to carbon reductions.

Taskforce members – made up of leaders in science, politics, environment, and business from developed and developing countries – reached a

Among the Taskforce's most fundamental challenges is to design a global plan that charts a pathway ambitious enough to meet the climate challenge, but also politically feasible

Australian member Premier Bob Carr, and Institute Executive Director Clive Hamilton, was held outside the meeting venue at NSW Government House. ■

Hoodwinking the public

“... the greens have successfully hoodwinked the public into thinking there are only five trees left standing in Tasmania and if one is chopped down it is a major catastrophe. That is a lie, it is a fraud and it is hypocrisy and it is running to another agenda; you'll notice WWF, who I have some respect for, don't go on about the old-growth forests, they know the reality... I can't help but feel the ACF and TWS are just fronts for the Labor Party and running a political agenda rather than an environmental one, whereas WWF are genuinely concerned about environmental issues and biodiversity and understand logging of old-growth forests isn't the end of the world.”

Federal Forests Minister Ian Macdonald, *Australian Financial Review* 28 October 2004

Time to mothball the Kyoto sceptics

“A riddle wrapped in a mystery inside an enigma.” Churchill’s description of Russia has been as apposite in the post-Cold War era as it was in 1939, not least with respect to the drawn-out decision over whether or not Russia will ratify the Kyoto Protocol.

The agonising wait is now over and the treaty will enter into force on 16th February next. Russian participation brings the total number of countries to have ratified to 128. They cover 90% of the world’s population and around 70% of global carbon dioxide emissions.



Illarionov (above) claims that the Kyoto Protocol is killing off the world economy like an “international Auschwitz”.

But some mysteries remain. Why, for example, is President Putin’s economic adviser being brought to Australia by a right-wing think tank to launch an attack on the Kyoto Protocol and undermine the credibility of his own Government?

The Institute of Public Affairs, which for years has been agitating against international action to tackle climate change, is hosting a visit by Andrei Illarionov this month. Illarionov has been campaigning vigorously against Kyoto for some years and his criticisms

have become even more strident now that he has been over-ruled by his boss.

Like other Kyoto sceptics, including our own Hugh Morgan and the society of uber-sceptics known as the Lavoisier Group, Illarionov adopts an apocalyptic tone, not about the likely effects of climate change but about attempts to prevent it.

For the sceptics Kyoto has become the source of all evil. A recent talk by Illarionov was entitled “The Kyoto Protocol: An assault on economic growth, environment, public safety, science and human civilization itself”. Illarionov did not blame Kyoto for obesity, paedophilia and Islamic fundamentalism, but he did write in the *Moscow Times* that it is killing off the world economy like an “international Auschwitz”.

In the London *Financial Times* last month he compared the Kyoto Protocol to fascism and communism because it is “an attack on basic human freedoms behind a smokescreen of propaganda”. The aim of this “death pact”, which his President and the Russian Parliament have just endorsed, “is to strangle economic growth and economic activity”.

Similar sorts of arguments have been advanced in Australia by the small band of climate sceptics, and periodically we see newspaper reports predicting massive economic costs associated with attempts to reduce our greenhouse gas emissions. But even the Howard Government’s own economic modelling has concluded that if Australia ratified the Kyoto Protocol then the economic cost would be a delay of eight weeks in the time it will take for our GNP to double – from the beginning of December 2020 to the end of January 2021.

So when in one of his more feverish declarations Illarionov suggests that pursuing Kyoto would reduce the size of Russia’s economy to that of Estonia it’s worth taking with a grain of salt.

Like Grigory Rasputin – whose penis, thought to be the source of his power, is now preserved in formaldehyde in a St Petersburg museum – Illarionov will be remembered as a curiosity swept aside by the force of history. Perhaps his brain could be preserved in formaldehyde and kept in the lobby of the IPA. ■

Clive Hamilton

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Take the rest of the year off

If the average Australian employee knocked off work for the year on November 20 they would have already worked as many hours as the average employee in developed countries. In a recent web paper Richard Denniss examined Australia's culture of long work hours.

Throughout the first two thirds of the 20th century Australia became a better and better place to live and work. Paid annual leave was introduced and grew steadily from one week at the beginning of the century to four weeks by the 1970s. The work-week was steadily shortened, paid sick leave introduced and, in the public sector at least, paid maternity leave was granted.

such as paid leave and sick pay. While GDP has grown steadily, and plasma screen TVs adorn more and more lounge room walls, apparently we can no longer afford such luxuries as time with our families, or time to recover from illness.

While Australians often consider themselves as living in the land of the

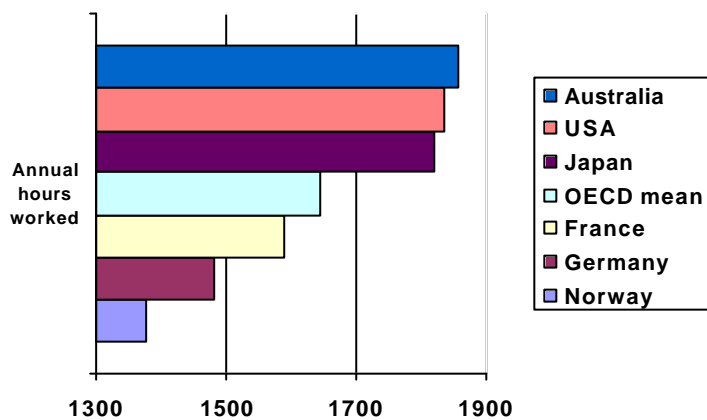
average of only 1643. Employees in Norway work an average of only 1376 hours per year. That is, Australians work nearly 500 hours per year, or 10 hours per week, more than Norwegian workers (see chart).

A recent study by the International Labour Office supports this conclusion. It found that Australia had the fourth highest proportion of people who work more than 50 hours per week and that the number of Australians working these hours had grown faster than in any other industrialised country (see chart on page 8).

Similarly, as discussed in an Institute Discussion paper last year, Australians have fewer days of paid holidays than most other workers in OECD countries (the Germans and the Dutch enjoy six weeks paid leave each year) and only an average number of public holidays.

There is no doubt that for some Australians working long hours is a choice that reflects either their preference for income or the enjoyment they get from their work. There is, however, also no doubt that many Australians believe that they are pressured to work such hours by employers, managers and even

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But that all ended in the early 1970s. While conditions remained the same for some time they have now actually begun to go backwards. Work hours have stabilised at a new, higher level and growing numbers of contract and casual workers are missing out on conditions

long weekend, the reality is that they now work the longest hours in the developed world. According to *How Australia Compares* by Rodney Tiffen and Ross Gittens, Australian employees work an average 1855 hours each year compared to the developed country

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challenges not least in the disjunction between overconsumption in rich countries and underconsumption in poor ones.

Among the topics argued out were: the environmental problems associated with commodity chains through international trade; the myth of consumer sovereignty and the role of advertising; linking production and consumption through labelling schemes; and, the future of fair trade.

Highlighting men's role in gender equality

Michael Flood was invited to Bangkok to address a United Nations Economic and Social Commission for Asia and the Pacific high-level meeting on the regional implementation of the Beijing Platform for Action. This Platform, a wide-ranging declaration on gender equality, was adopted at the Fourth World Conference on Women in Beijing, China in 1995. Government representatives from countries throughout the Asia-Pacific region came to Bangkok in September to report on

their efforts and to develop new strategies.

Michael addressed the meeting on a theme that has become prominent in international policy-making on gender: the role of men and boys in achieving gender equality. He emphasised that men have a vital role to play in joining with women to build gender equality, and that men themselves will benefit from a more equal world. There was considerable interest among policy-makers and community workers in effective ways to engage men and the practical and political dilemmas posed by this work. ■

Institute notes

New Publications

R. Denniss, *November 20th: Take-the-Rest-of-the-Year-Off Day*, Web paper, November 2004.

A. Macintosh and R. Denniss, *Property Rights and the Environment: Should farmers have a right to compensation?*, Discussion Paper 74, November 2004.

H. Bambrick, *Trading in Food Safety? The impact of trade agreements on quarantine in Australia*, Discussion Paper 73, October 2004.

H. Saddler, C. Riedy and R. Passey, *Geosequestration: What is it and how much can it contribute to a sustainable energy policy for Australia?*, Discussion Paper 72, September 2004.

Forthcoming Publications

The effect of commuting on personal and social relationships

Loneliness and living alone

The impact of HECS debts on fertility

Older workers and hidden unemployment

Wasteful consumption



NOTE:

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and fax numbers

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Take the rest of the year off, continued from page 7

their colleagues. Australians are often told that they have to work long hours if Australia is to remain 'competitive', whatever that means.

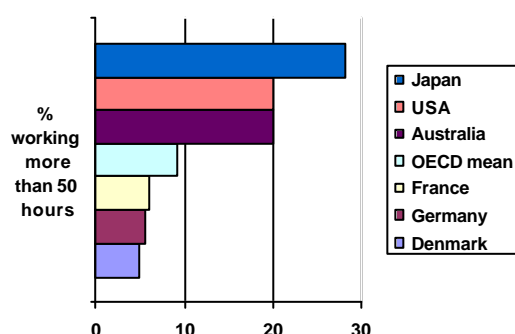
This is a furphy. Long hours of work are not essential to economic growth or prosperity. In fact, there is growing evidence of the adverse personal and social costs of pursuing such a course. As shown above, many wealthy countries work significantly fewer hours each week than Australians do.

Another reason that Australians may work such long hours is that they become trapped in a work/spend cycle. Having taken on large mortgages or accumulated large credit card debts, the only solution that some people see is to work longer hours either in exchange for more overtime, or in the hope that their apparent dedication will result in promotions or pay rises.

To that end, many Australian families are placing themselves under financial, physical and emotional stress. A wide range of research suggests that such patterns of behaviour are good for neither our physical health nor our relationships.

Australia has a strong economy and a sick workforce. Long work hours are an important cause of both. Over the last

While governments and business groups often decry attempts to achieve work family balance as economically irresponsible, there is clear international evidence that this is not the case. On the contrary, working to the point where our personal and community bonds are weakened is neither economically nor socially responsible. ■



15 years obesity, depression and heart disease have been rising along with the time we spend in the workplace. If as individuals and as a society we choose to measure progress simply in terms of our personal and our national incomes then we are likely to work ourselves sick.

The Australia Institute

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