SUB 9
003/1240

A SUBMISSION TO THE STANDING COMMITTEE INQUIRING INTO THE SUSTAINABLE MANAGEMENT OF NATURAL RESOURCES IN NEW SOUTH WALES

1. Preamble

Included in this submission is a broad summary, in the form of a project brief (see attachment) which, in essence, provides an outline of a proposed Regional Investment & Management Plan aimed at the establishment of a widely applicable and commercially viable programme of substantially managed usage of natural resources in suitable locations throughout New South Wales.

This document has served a similar purpose in respect to a commentary on the Draft Central West Catchment Blueprint in April 2002 and a submission to the Standing Committee on Salinity in September 2002.

During discussions following the writer's appearance before the Salinity Committee it was suggested by Mr Tony McGrane M.P., Member for Dubbo, that future efforts should be directed towards the establishment of a Pilot Scheme to demonstrate the economic feasibility and to ensure all related aspects of the development and management requirements are determined and incorporated into the planning and implementation of the proposed scheme.

Since subsequent discussions with landholders, regional representatives of relevant statutory authorities and other interested parties have elicited favourable initial responses, it seemed appropriate to seek the approval and co-operation of the recently inaugurated Central West Catchment Management Board in furthering the prospect of implementing the proposed pilot scheme which is considered to be consistent with and should enhance the prospects of achieving many of the Board's stated aims and objectives within the targeted time frames.

2. Submission References:

The subject matters dealt with in detail hereunder comply with the sequence set down in the terms of reference of the inquiry viz:-

(a) **Current disincentives that exist for ecologically sustainable land and water use in NSW** - can probably best be summarised in abstract terms as

- widespread concern, confusion and antipathy engendered by fear of implied radical changes and

in absolute terms as

- concern regarding the possible impacts on the economic, sociological and future direction of established individual, industry and community values and practices coupled with

- uncertainty in relation to the responsibility for the funding required to implement the various proposed sustainable land and water usage programmes.

(b) **options for the removal of such disincentives and any consequences in doing so** will centre around widespread acceptance of the aims, objectives and proposed activities of the Catchment Management Boards which, by successful progressive achievement, will engender confidence throughout the community regarding the benefits to be derived from the sustainable management of natural resources.

However, the enormity of the task of sourcing the potential funding requirements needs to be recognised from the outset and appropriate plans adopted to ensure that ever increasing and ongoing funding will be available as required.

Indeed it was the realisation of this fundamental consideration that led the writer to adopt the commercially focussed investment strategy in respect to the sourcing of funding for regional development purposes from the outset of his studies in the early 90's and has ultimately led to the proposal to establish a Pilot Scheme to achieve the following benefits:-

(i) The provision of an economically viable working model incorporating soundly based scientific and applied research, business planning and the most appropriate legal, financial and management structures which, with lateral planning and flexibility, can be readily adapted to a broad range of situations thereby providing powerful extension, promotion and marketing aids, initiatives and incentives to encourage further similar developments.

(ii) To allow a range of very successful, long standing and widely acceptable initiatives such as the joint total catchment soil conservation schemes (implemented under Section10 of the Soil Conservation Act) to be adapted, revised and commercially implemented.

(iii) To encourage greater utilisation of the comprehensive range of scientific and applied technology services, legal guidelines and agreements and the wealth of other data currently available through New South Wales State Government Departments and agencies.

The consequences of the above would demonstrate the interdependence of all of the prospective participants and highlight and promote the advantages of integrating their respective contributions and resources to achieve the required outcomes.

Furthermore support and assistance for the establishment of the proposed pilot scheme could best be manifested by the setting up of a highly motivated, experienced and suitably qualified working group, authorised by the appropriate New South Wales Government Departments and operating under the auspices of The Central West Catchment Management Board, to undertake the preparation of a detailed feasibility study.

This work should be regarded and acknowledged as a major contribution by the State towards the ultimate widespread potential implementation of the concept outlined in the Regional Investment and management plan attached to this submission.

The remaining terms of reference as listed hereunder

(c) **Approaches to land use management on farms, which both reduce salinity and mitigate the effects of droughts;**

(d) **Ways of increasing the uptake of such land use management practices;**

(e) **The effectiveness of management systems for ensuring that sustainability measures are achieved;** and

(f) **The impact of water management arrangements on the Management of Salinity in New South Wales;**

can all be regarded as components that can be expected to emerge as qualitative and quantitative outcomes resulting from the process of investigating, implementing and operating the proposed pilot scheme programme.

R. B. Hunter.

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Attachment

DRAFT CENTRAL WEST CATCHMENT BLUEPRINT

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Date: 10 April 2002

Sir

I will preface my comments on the Draft Central West Catchment Blueprint by saying how impressed I am with the outcome of the work undertaken by the obviously dedicated and hardworking Catchment Management Board and extend my congratulations to all involved in such a wide ranging study.

After careful perusal of the Fastfacts, Chairman's Foreword and the other background data and statements of objectives, I feel that I can make a positive contribution by offering a brief outline of work of a complementary nature on which I have been engaged for the past ten years and which I believe would integrate and be fully compatible with the outcomes and procedures presented in the subject Blueprint.

It should be pointed out that the summary, attached hereto, in the form of a project brief, was prepared by me following meetings with staff members of the University of New England, Armidale through the good grace of Professor Akram Taji, vice dean of the School of Rural Science and Natural Resources in late May 2001.

Furthermore it will be readily apparent that whilst the initial emphasis of my approach is heavily directed towards a commercially motivated solution to the sociological, economic and environmental problems besetting our regional areas and primary industry sectors it also, by the necessity to provide security for the implementation of such high cost enterprise developments, employs somewhat new approaches to the harvesting, storage, reticulation and distribution of water for irrigation and subsequent processing and value adding purposes.

This in turn would undoubtedly have a considerable beneficial impact by increasing areas of natural vegetation in both catchment and buffer areas, reducing soil degradation and salinity at their source and improving both the quality and efficiency of water usage.

R.B. Hunter

REGIONAL INVESTMENT & MANAGEMENT PROJECT BRIEF

Attached to commentary on Draft Central West Catchment Blueprint.

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1. INTRODUCTION & PROJECT DESCRIPTION

The following project brief outlines details of the areas of further investigation and research required to be undertaken and collated to provide the basis for the preparation of a memorandum of information and / or a Prospectus aimed at raising funds for the establishment of an investment and Management operation which will afford prospective investors the opportunity to participate in the development and ongoing operations of a diverse range of profitable enterprises, located in regional areas of Australia, with a high level of confidence and financial security.

It is envisaged that these developments will be based on, and be fully integrated into, the holistic approach to resources management, including the incorporation of environmental and ecological sustainability and enhancement practices, as epitomised by the Landcare movement's approach to total catchment management programs.

The various subject areas of investigation and research are set out hereunder in a randomised rather than a prioritised sequence since all of the matters proposed will need to be fulfilled to provide the total context required.

2. SUBJECT AREAS OF INVESTIGATION & RESEARCH

2.1 Natural resources utilisation:

Involving water, land, climatic and environmental considerations as detailed hereunder:

2.1.1. Water sources & methods of conservation & usage

Are key fundamental considerations to ensure optimum productivity and provide the required level of security and will predominantly determine the potential suitability of sites for development purposes.

Following a long period of deliberation on past and present methods of harvesting, storing and reticulating irrigation water supplies a preferred system has been identified which involves the harvesting and storage of water in suitable sub-catchment locations in sufficiently large quantities to warrant the level of infrastructure costs involved, to provide reliable supplies for highly efficient irrigation systems and stock and domestic usage, employing technically superior and carefully controlled reticulation, distribution and application methods.

The storage capacity of the dam or dams in each of the sub-catchment locations will vary with:

- The area of such catchments
- The nature & extent of any necessary diversion works

- The siting and placement requirements to avoid or minimise damage resulting from unimpeded flows of excess run-off water.
- The proximity & scope of areas of land suitable for the development of appropriate enterprises.

The establishment of livestock exclusion or control zones embracing each of the catchments would:

- Enable regrowth of natural timber species & native groundcover, supplemented by additional sowings if required, to take place and would lead to
- A slowing down of the rate of water run-,off, with a consequent
- Reduction in soil erosion & degradation, salinisation, siltation, leaching and evaporation resulting in
- Substantial contributions to restored areas of environmental and ecological improvement in the case of both individual and collective site areas.

The above features and considerations will be incorporated into each such plan and included in construction costing and even at this stage of development, without taking into account the eventual uses and productivity value of such irrigation water availability, it can be reasonably assumed that the capital expenditure involved would be more than offset by the increased value of the land involved in the overall development area.

It is further envisaged that the various catchment exclusion zones be declared dedicated protected areas with supervision vested in a community trust set up for the purpose and with management undertaken by arrangement with the owners who will be advised to encourage the appointment of suitably trained Indigenous people as supervisors due to their natural affinity with the land and ability to control feral and noxious pests.

Although, on first impressions, this approach to provision of substantial additional irrigation water supplies would divert water away from existing usage the investigation and research program should high-light the quid pro qua advantages in respect to reduced environmental damage, potential salination etc as well as the countervailing economic and sociological benefits to be gained from the resultant increased productivity.

2.1.2 Land resource considerations

Offer almost unlimited scope for the most dramatic manifestation of benefits to be derived from conversion to alternative production of high return enterprises as set out hereunder.

With the aid of aerial surveys, topographic, sail classification and property location maps together with other relevant data readily accessible through computer records, a system of land assessment embodying the criteria for selecting properties suitable for acquisition and/ or aggregation for development purposes could be established.

This would also enable enterprise selection criteria to be applied and the most appropriate development to be planned.

An important benefit that will undoubtedly accrue from the proposed developments will be in the stabilising effect on the land value of properties considered suitable for this type of development.

2.1.3 Climatic & environmental considerations

Including microclimate and specific environmental requirements of proposed enterprise plant species and varieties could also be programmed for inclusion with the land and property assessment data.

2.2 *Enterprise selection criteria:*

Throughout the duration of investigations over the past ten years leading to this current proposal the proposed developments have been based an a modified version of the continuing economic success of the southern NSW, MIA, northern Victorian Murray Goulburn and Sunrasia and South Australian Riverland irrigation areas.
Indeed it was the growing awareness of the serious environmental and economic problems threatening the future wellbeing of these areas that led to the idea of developing alternative irrigation water supplies and usage practices which would not only avoid a repetition of the problems facing the above areas but could also substantially contribute to the alleviation of those already existing or developing there.

Consequently the broad areas of enterprise selection were readily identified as large-scale horticultural and Semi-intensive dairying and other livestock production developments offering the following advantages:

1) A wide diversity of production creating a large range of selected opportunities to access both domestic and export markets.
2) Ample scope for processing and value adding activities
3) Integrated management, labour flexibility, machinery utilisation and scope for by product and infrastructure usage.
4) Continuous cash flow prospects.

At this stage it should be noted that the qualifying description 'large scale' has not been empirically quantified and in earlier studies areas of 400ha of plantings for each horticultural enterprise were adopted as standard while dairying enterprises milking up to 10,000 cows supplying a cheese manufacturing operation have been investigated. A number of feasibility studies have already been undertaken and show very attractive returns on invested funds. These will be reviewed and further studies undertaken as the full range of suitable enterprise opportunities is identified.

2.2.1 Horticultural developments

Will constitute by far the greatest potential investment area and although a considerable amount of investigation has already been undertaken to determine the economic feasibility of some of the enterprises that may be established this would need to be reviewed and, indeed, a research program should be undertaken to precisely establish the detailed criteria for the selection, propagation and management of the range of horticultural crops available including:

a) Stone and pome fruits for both fresh and processing purposes
b) Citrus fruits as for the above
c) Edible nuts for both in shell sale and processing.
d) Viticulture for wine, table and dried fruit production
e) Specialty crops such as berries, olives, passion fruit & many others including species for the production of industrial, medicinal and other specific uses.

Note : Enterprises that have already been the subject of feasibility studies are underlined.

When used in conjunction with free or contractual domestic and export market information or opportunities the above criteria would enable enterprise selection and development plans to be implemented on available sites and decisions as to the required processing and value adding facilities to be initiated.

2.2.2 Semi-intensive dairying and other livestock production

Featuring pig and free-range poultry activities have been included as an integral part of this project to:

1) Enhance the likelihood of achieving earlier returns
2) Creating a more regular and less seasonal cash flow
3) Provide investors with a greater sense of security by reducing the impact of the lead-time delays associated with horticultural development
4) Broaden the diversification base of the overall project
5) Establish a high level of integration at the production end
6) Profitably utilise the total available land assets

2.3 Investment and management structure and procedures

2.3.1 Preamble:

Agricultural and other related primary industry investment and management operations in Australia have an unenviable and unacceptably high failure rate which has seriously affected investment credibility and adversely impacted on the primary sector's ready access to sources of equity funds.

It would appear that the two principal causes of this phenomenon are:

1) The overemphasis on short term advantages of tax minimisation rather than the more rewarding criteria of longer term dividend payments and growth prospects supplemented by progressive tax reduction entitlements.
2) The disturbing tendency of scheme promoters to front-loading their own often grossly inflated rewards to the detriment of their investment proposal's development.

Based on these observations it should be regarded as imperative that the structures designed to undertake the investment in and management of the developments outlined herewith should be as simple as is legally valid, secure, transparent and strictly adhere to the publicly disclosed operating criteria.

While the investigation and research program required to achieve the above outcomes will need to be professionally compiled guidelines, as set out below, should be incorporated in the instructions issued to those involved in drafting the legal documentation.

2.3.2 Structural requirements

Will be needed to fulfil three distinctly separate functions to achieve the optimum outcome for investors.

Two of these relate to the security, control and direction of the invested funds and the other to the application of these funds to the development and operation of the projects concerned by the duly appointed management organisation.

These requirements can be better understood when considered separately as investor's needs and management duties and responsibilities as set out hereunder:

Investor's needs

Will be best served by a two tier approach which provides for a structure most suitable for the development stage and another following achievement of commercial viability.

During the development stage it will be in the best financial interests of the investors if the taxation deduction entitlements that accrue can be of direct benefit to them on an annual basis. This can probably be best achieved by a suitable form of trust arrangement administered by an accredited custodial trustee who will receive and disburse investor's contributions throughout the duration of each project development phase, hold land title deeds and other instruments in escrow and, at the determination of the trust or, on other prearranged instructions from the investors, transfer their interests in a pro-rata exchange for shares in a listed public company incorporated expressly for the purpose on behalf of these and other similar investment groups at the time of implementation.

It is considered that the total capitalised outlay valuation, reflecting as it does the replacement costs of each such development, will be the most equitable on which to base the pro-rata conversion of investors' equity to shares at the appropriate time. Thereafter, any variations to the volume and value of further share issues will be on the approved recommendation of the duly appointed board of directors of the company.

It is considered that these procedures and the proposed structure would provide investors in such developments with the ultimate level of financial security and investment flexibility.

Management duties and responsibilities

Can probably best be undertaken and discharged by a regionally based limited liability or co-operatively owned registered company controlled by a board comprised of both local and city based directors having the necessary rural, commercial, financial and other professional expertise and experience.

A detailed policy statement defining the management company's responsibilities regarding the selection, planning, development and operation of the various enterprises and the form and content of regular reporting to the investors or their nominees would be issued with the authority of the directors.

Matters that could be considered worthy of inclusion in the above statement could relate to:

a) Management fees and charges during the development phases will be in accordance with the budgets accepted by the investors and will be disbursed by the custodian following receipt and audit of requisitions for payments.

b) The services of reputable and experienced project planning, design and development organisations will be utilised to assist in the establishment of the various enterprises and reputable consultants, R&D organisations and commercial service providers will be retained to provide specific advice and specialised expertise.

c) Vesting the manager with the ownership of all motor vehicles, plant and equipment acquired for use in the development and operation of the enterprises will serve to enhance investors' confidence and security and increase management's

responsibility and incentive per medium of additional earnings from machinery contracting opportunities when time permits.

d) The encouragement of members of the local farming community and people involved in employment and other training programs to participate in regular casual and seasonal operations accompanied by the implementation of continuous evaluation and screening programs of all project employees during the development phase to ensure the ongoing commercial production operations will be undertaken by highly skilled permanent and casual personnel.

e) Where the opportunities present themselves, existing landholders will be encouraged to enter into joint ventures with interested equity investment groups to participate in similar developments.

f) The proposal that at the time of conversion to publicly listed status the management company will receive an approved successful performance fee by way of share issue, of say 10% of capitalised value at par, and be deemed eligible to continue as ongoing manager under a three year to five year contractual term.

3. CONCLUSION

This brief has been prepared by the undersigned as originator and author of the proposals on which it is based and, as such, it expresses his views with any errors, omissions or shortcomings.

Consequently if recipients consider it to have some merit and be worthy of further consideration they should not hesitate to constructively criticise, suggest alterations, corrections, additions or advance ideas that may contribute to improvement.

The one positive assurance that can be given is that this is a genuine attempt to devise a means by which some almost insurmountable problems confronting regional Australia can be confronted and hopefully alleviated if not completely solved.

R.B. HUNTER

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