Supplementary Regulatory Impact Assessment

Native Vegetation Regulation 2013
<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBA</td>
<td>cost–benefit analysis</td>
</tr>
<tr>
<td>CMAs</td>
<td>catchment management authorities (soon to be Local Land Services)</td>
</tr>
<tr>
<td>EOAM</td>
<td>Environmental Outcomes Assessment Methodology</td>
</tr>
<tr>
<td>EPA</td>
<td>Environment Protection Authority</td>
</tr>
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<td>IFOAs</td>
<td>Integrated Forestry Operations Approvals</td>
</tr>
<tr>
<td>INS</td>
<td>invasive native species</td>
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<tr>
<td>NPV</td>
<td>Net Present Value</td>
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<td>NRC</td>
<td>Natural Resources Commission</td>
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<td>NV Act</td>
<td><em>Native Vegetation Act 2003</em></td>
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<td>OEH</td>
<td>Office of Environment and Heritage</td>
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<td>PNF</td>
<td>Private Native Forestry</td>
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<tr>
<td>PVPs</td>
<td>property management plans</td>
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<tr>
<td>RAMA</td>
<td>routine agricultural management activities</td>
</tr>
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<td>RIS</td>
<td>Regulatory Impact Statement</td>
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<td>TBL</td>
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1. Introduction

1.1 The purpose of this document

The Native Vegetation Regulation 2005, made under the Native Vegetation Act 2003 (NV Act), is due for staged repeal on 1 September 2013. It is proposed to remake the Regulation with the Native Vegetation Regulation 2013.

The proposed Native Vegetation Regulation 2013 is a result of comments made on the draft Native Vegetation Regulation 2012 and the recommendations of the independent facilitator.

The purpose of this supplementary regulatory impact assessment is to present an assessment of the key changes made to the draft Regulation that was released for public comment in 2012.

A summary of the consultation process, and the recommendations of the independent facilitator, are also provided in sections 2 and 3, respectively.

1.2 The Regulatory Impact Statement

The Office of Environment and Heritage (OEH), in accordance with the requirements of the Subordinate Legislation Act 1989, published a Regulatory Impact Statement (RIS) for the draft Native Vegetation Regulation 2012 on its website and invited comments during a public consultation period.

2. The consultation process

On 13 September 2011, the Minister for Environment, the Hon. Robyn Parker MP, announced the commencement of the review of the Native Vegetation Regulation 2005.

A series of 12 workshops were held across regional NSW in late 2011 (see Appendix A for details). The workshops were an opportunity for the public to ask questions about the review and provide feedback on the current regulation of native vegetation.

OEH conducted a public survey (from 10 November 2011 to 30 March 2012) on the way native vegetation is regulated by the NSW government. The survey was designed to give the public an additional way of providing input to the review, and over 400 people completed it. A summary of the key findings is provided in Appendix B.

A stakeholder reference group was also established to provide input to the review, including identifying issues with the current Regulation, and reform proposals. The group comprised representatives from NSW Farmers Association, Total Environment Centre, Nature Conservation Council of NSW, the then Local Government and Shires Association (now Local Government NSW), NSW Forest Products Association, Timber Communities Australia, and Australian Forest Growers Association.

Following this early consultation, a consultation draft Native Vegetation Regulation 2012 (the draft Regulation) and RIS was placed on public exhibition from 29 May 2012 to 24 August 2012. During this time and beyond, the draft Regulation and RIS was available for viewing on the OEH website, with hard copies also available on request.

Submissions on the draft Regulation and RIS were called through notices in State and regional newspapers, a media release, via the OEH website, and through direct contact with the public and stakeholders via:

- regional information sessions that were held throughout New South Wales (see Appendix C for session details) and
- meetings conducted with peak stakeholder groups.

A total of 741 written submissions were received. Of these, 384 were form letters. Submissions are available at www.environment.nsw.gov.au/vegetation/nvsubmissions.htm. Appendix D provides a summary of submissions and the major issues raised, excluding Private Native Forestry (PNF).

Of the 741 written submissions received, 136 raised issues relevant to PNF. Appendix E provides a summary of PNF-related issues raised in written submissions. The full PNF submissions summary is available at www.epa.nsw.gov.au/vegetation/pnfreview.htm
3. The independent facilitator

3.1 Terms of reference

In November 2012, the NSW Government appointed Mr Joe Lane as an independent facilitator to re-engage the farming community and provide advice on ways to improve the native vegetation management system.

The terms of reference for the facilitator were to:

1. facilitate discussion between key stakeholder groups, relevant agencies, CMAs, and the Natural Resources Commission to identify the issues that require consideration in developing a new regulatory framework
2. consider stakeholder and community submissions received during the consultation process
3. examine interstate systems (including any proposed changes to those systems) to ensure relevant best practice approaches are incorporated into NSW legislation
4. recommend changes to the Native Vegetation Regulation 2005 and necessary implementation measures including ways to improve service delivery
5. address any other matters that the facilitator considered should be included in advice back to the NSW Government.

Consistent with the objectives of the Regulation review, the facilitator was required to recommend ways to improve the current Regulation that will:

- maintain the environmental protection standard prescribed by the NV Act
- examine whether the regulatory regime is delivering economically efficient outcomes and, consistent with the NSW Government’s legislated and policy position, reduces the burden of unnecessary regulation and red tape, while increasing flexibility and maximising benefits to NSW stakeholders. This includes, but is not limited to, exploring means of:
  - reducing administrative and other costs to landholders
  - placing greater trust in farmers by exploring options for a self-assessment based system where codes of practice are maximised
  - streamlining native vegetation assessment processes
  - rationalising dual consents
  - encouraging voluntary compliance

The facilitator was not required to directly review the content of the Environmental Outcomes Assessment Methodology (EOAM); however, general observations and conclusions should be made where necessary.

Given the less wide-ranging nature of views expressed by PNF-related submissions, changes to the PNF Code and PNF-related amendments to the Regulation have been progressed separately by the Environment Protection Authority (EPA).
3.2 Recommendations

On 25 March 2013, the independent facilitator presented the NSW Government with his final recommendations report. In preparing his final report, Mr Lane reviewed all submissions made during the public exhibition period and consulted with peak stakeholders.

The report identifies a number of priorities for reform through 40 recommendations for Government action. Fourteen of the recommendations require changes to the Native Vegetation Regulation 2005. The remaining recommendations are supporting reforms that focus on improving service delivery by establishing clear governance arrangements, improved access to information and advisory materials, timely determination of property vegetation plans (PVPs), and future research to better understand the impacts of developing land for more intensive agricultural opportunities.

Key recommendations include:

1. amending the Regulation to allow farmers to clear paddock trees in areas previously cleared for permanent or rotational cropping, manage invasive native species, and thin native vegetation using self-assessable codes
2. amending the Regulation to allow certain grass species to be listed and managed as feral native species, which will assist farmers to sustainably manage their native pastures
3. amending the Regulation to make it easier for catchment management authorities (CMAs, soon to be Local Land Services) to change the regrowth date, allowing farmers to continue existing rotational farming practices
4. amending the Regulation to allow local councils to carry out land management activities without approval
5. reviewing the Environmental Outcomes Assessment Methodology (EOAM) to create faster and simpler assessment of property vegetation plans
6. developing a service-level agreement between the Office of Environment and Heritage and CMAs (soon to be Local Land Services) to ensure more timely responses to inquiries for advice and determination of property vegetation plans.

4. Discussion of additional amendments

4.1 The Native Vegetation Regulation 2013

Changes have been made to the draft Native Vegetation Regulation 2012 as a result of comments received during public consultation in 2012 and the recommendations of the independent facilitator. These changes are reflected in the proposed Native Vegetation Regulation 2013, and include:

1. defining the terms ‘landholding’ and ‘rural infrastructure’, and clarifying the regions to which the rural infrastructure provisions apply

2. extending the routine agricultural management activities (RAMA) in s.11(1) of the NV Act to include:
   (a) the clearing of paddock trees in a cultivation area in accordance with requirements set out in a self-assessable code (these codes will take the legal form of a ministerial order)
   (b) the construction, operation and maintenance of permanent boundary fences, sheds, tracks and trails for non-rural infrastructure purposes
   (c) the construction and maintenance of private powerlines
   (d) certain types of critical rural infrastructure within the existing provision for small rural land holdings and land that is zoned ‘rural residential’ or ‘large lot residential’
   (e) a discretionary power for the Minister for the Environment to make an order declaring that the uprooting of mulga for stock fodder in the Western Division is a RAMA.

3. creating a new offence and prescribing a new penalty notice amount of $200 for failure to notify the Minister for the Environment of proposed clearing under an order

4. extending the current RAMA for Crown land infrastructure works so that it also applies to councils

5. reinstating an amended RAMA for gravel pits and cemeteries

6. amending the requirements for changing the regrowth date

7. clarifying that the PNF code of practice comprises four documents approved by the Minister for the Environment


The changes are designed to:
- clarify the meaning and intent of requirements in the NV Act
- cut unnecessary red tape for farmers
- reduce dual consent
- support local councils carrying out their land management functions
- maintain environment protections.
4.2 Private native forestry

The EPA proposed changes to the PNF Code of Practice during the Native Vegetation Regulation review to address a range of minor operational issues. Feedback received through written submissions showed that stakeholders were more concerned with aspects of the PNF Code that had not been considered during the review process, such as the protection of threatened species and the need for pre-logging surveys. In light of this feedback, the NSW Government is not progressing these operational issue amendments at this time.

However, at the time the Regulation is remade, the PNF Code of Practice for Northern NSW will be amended to address logging on steep slopes in the Northern Rivers Catchment Management Authority area.

The EPA is also developing an improved means of identifying and protecting koala habitat in relation to PNF. Due to the high level of community interest in this issue during consultation on the PNF Code, and the wide-ranging nature of views, the EPA will re-engage with stakeholders on an improved approach in the second half of 2013.

The EPA is also currently reviewing the approvals for logging in State Forests in coastal NSW, called Integrated Forestry Operations Approvals (IFOAs); the EPA will comprehensively review the PNF Code once this IFOA review is complete. The objectives of the PNF Code review will be to address broader issues raised during the public consultation period and align environmental controls in the PNF Code with the new IFOAs to the extent practicable.
5. **Cost–benefit analysis**

A cost-benefit analysis (CBA) was commissioned by OEH to form part of a supplementary Regulatory Impact Assessment for the proposed Native Vegetation Regulation 2013. The CBA is at Appendix F.

This CBA estimates the economic impact of proposed amendments to the current Native Vegetation Regulation 2005 that were not considered in the draft Native Vegetation Regulation 2012 that was publically exhibited from May to August 2012.

These proposed amendments considered in the present CBA have been designated as Option 4 in the CBA; Options 1–3 were considered in the RIS exhibited from May to August 2012. This new Option 4 comprises new amendments that are in addition to the amendments previously contained in Option 2 (the previously preferred option) of the 2012 RIS.

The significant areas of change in the proposed Native Vegetation Regulation 2013 examined in this CBA are:

1. extending RAMAs
2. amending the requirements for changing the regrowth date.

Overall, the proposed Native Vegetation Regulation 2013 seeks to:

- increase flexibility for landholders
- allow landholders to meet environmental standards without an approval
- encourage conservation efforts
- cut red tape and removing dual consent with other Acts
- increase the efficiency (streamlining) of some common processes
- increase the clarity of some provisions for all parties.

On the basis of the analysis carried out in the CBA, Option 4 provides the largest net benefit to society of all the options, with a Net Present Value (NPV) of $26.09 million. That is, Option 4 results in a potential gain in overall welfare of around $26 million over the next 5 years, when compared to a base case of no regulation.

When compared to the RIS (as publically exhibited between May and August 2012) and Option 2 (the previously preferred option), the proposed changes result in increased welfare in the order of $7 million over 5 years.

This improvement includes the expected response to the provision of codes for paddock tree clearing ($5.2 million in NPV terms) and any declared feral species ($1.2 million in NPV), over 5 years.

The improvement derives largely from an expected improvement in agricultural production arising from an increased uptake of controlled traffic farming, improved management of pastures, improved management of regrowth, and reduction in time spent obtaining a property vegetation plan.

The restrictions on use and notification requirements in relation to self-assessable codes are considered sufficient to have no net change in environmental outcomes when comparing Option 4 against Option 2 (the previously preferred option).

Administrative savings to agencies are minor, with savings from a reduction in property vegetation plans almost fully offset by the establishment and management of the codes.
6. Conclusion

An assessment of the direct and indirect costs and benefits for businesses, government and the wider community, indicates that implementation of the proposed Native Vegetation Regulation 2013 would have a net economic benefit compared to no regulation, or other options already assessed in the RIS for the earlier draft Native Vegetation Regulation that was publically exhibited in 2012.

It is therefore recommended that the proposed Native Vegetation Regulation 2013 be made.
# Appendix A  Regional workshops 2011


<table>
<thead>
<tr>
<th>Location</th>
<th>Time and date</th>
<th>CMA</th>
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</thead>
<tbody>
<tr>
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<tr>
<td>Gunnedah</td>
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<td>Namoi CMA</td>
</tr>
<tr>
<td>Tocumwal</td>
<td>16 November 9:30am–12:30pm</td>
<td>Murray CMA</td>
</tr>
<tr>
<td>Cobar</td>
<td>17 November 9:30am–12:30pm</td>
<td>Western CMA</td>
</tr>
<tr>
<td>Ashford</td>
<td>18 November 3:30pm–6:30pm</td>
<td>Border Rivers / Gwydir CMA</td>
</tr>
<tr>
<td>Wentworth</td>
<td>18 November 10:00am–1:00pm</td>
<td>Lower Murray Darling CMA</td>
</tr>
<tr>
<td>Condobolin</td>
<td>18 November 9:30am–12:30pm</td>
<td>Lachlan CMA</td>
</tr>
<tr>
<td>Goulburn</td>
<td>21 November 9:30am–12:30pm</td>
<td>Hawkesbury-Nepean CMA</td>
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<td>Wagga Wagga</td>
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<td>Maitland</td>
<td>25 November 9:30am–12:30pm</td>
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<tr>
<td>Grafton</td>
<td>25 November 9:30am–12:30pm</td>
<td>Northern Rivers CMA</td>
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</table>
Appendix B  Native vegetation survey

OEH conducted a public survey (from 10 November 2011 to 30 March 2012) on the way native vegetation is regulated by the NSW government.

Four hundred and eight people completed the survey. The majority (71 per cent) of respondents were directly involved in the management of a rural property, while 27 per cent of respondents were not.

An independent expert was engaged to analyse the survey results and produce a survey analysis report, which included the following key findings:

- A significant proportion of respondents were from the Northern Rivers CMA (representing 26 per cent of respondents who provided a postcode and 19 per cent of the total sample).
- Seventy-one per cent of all respondents considered native vegetation to be very important for the viability of agriculture in NSW.
- Respondents were split on how well native vegetation is protected under current laws, with 43 per cent stating it is not well protected/not protected at all, and 42 per cent stating it is over-protected/a bit over-protected.
- Respondents were also split regarding the enforcement of rules for native vegetation clearing, with 41 per cent stating the enforcement of the rules is too lax and 33 per cent stating the enforcement of the rules is too strict.
- The majority of suggestions for improving the regulation of native vegetation related to more flexible and localised processes focused on regions, working with and educating the community, and better enforcement of regulations.

Appendix C  Regional information sessions 2012


General information sessions

<table>
<thead>
<tr>
<th>Location</th>
<th>Time and date</th>
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<tr>
<td>Bega</td>
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<tr>
<td>Narooma*</td>
<td>27 June 2012 10:00am–1:00pm</td>
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<td>Deniliquin</td>
<td>28 June 2012 10:00am–12:30pm</td>
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<td>Grafton</td>
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<td>Wagga Wagga</td>
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<td>Murrumbidgee CMA</td>
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<td>Kempsey</td>
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<td>Casino</td>
<td>5 July 2012 10:00am–12:30pm</td>
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<td>Moree</td>
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<td>Goulburn</td>
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<td>Broken Hill</td>
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*The Narooma session on 27 June 2012 was a combined general information session and private native forestry information session.

### Private Native Forestry (PNF) information sessions

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*The Narooma session on 27 June 2012 was a combined general information session and private native forestry information session.
Appendix D  Analysis of submissions  
(excluding private native forestry)

The following is an extract from the Independent Facilitator’s Stage 1 Report (unpublished).

Submissions

Table D1 classifies the source of public submissions into six arbitrary categories to facilitate analysis and enable a broad understanding of the major issues being presented. Organisations presenting public submissions included shire councils, local environmental groups and local farmer groups. A number of individuals used form letter templates as the basis of their submissions.

Table D1  Public submission categories

<table>
<thead>
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<th>Category</th>
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<tr>
<td>Form letters – relax regulations</td>
<td>48</td>
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<tr>
<td>Individuals, organisations – maintain or tighten regulations</td>
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<td>Neutral</td>
<td>13</td>
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<td>TOTAL</td>
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Broad analysis

The following is a summary of the major issues identified by those seeking to relax or tighten regulations that govern native vegetation clearing in NSW.

Issues in support of relaxing regulations

- Repeal the NV Act – many submitters considered the NV Act was an infringement of property rights and inhibited farmers from improving productivity/viability of properties to achieve triple bottom line (TBL) outcomes.
- The all-encompassing definition of broadscale clearing in the NV Act potentially includes clearing of a single tree and the requirement that clearing must improve or maintain environmental outcomes restricts the ability to sustainably manage land despite various exemptions, e.g. RAMAs.
- Prescriptive retention of native vegetation is an opportunity cost to landholders as outcomes include reductions in property values, limited opportunities to gain increases in sustainable productivity, and increased costs of management for pests and weeds, with no compensation by the community for the alleged benefits gained by the community.
- Many landholders understand that judicious retention and management of native vegetation will provide positive TBL outcomes. Many landholders would like decisions to reflect regional differences (a regional planning approach) rather than one size fits all.
- There is inequity in calculating offsets under the NV Act compared to other development proposals involving clearing (e.g. for mining under the Environmental Planning and Assessment Act 1979).
The long timeframes required for getting property management plans (PVPs) approved is evidence of the complexity of the assessment methodology, and this reduces landholder support.

Added to this is the fact that registration of PVPs on property titles reduces property values and restricts future management of the reserved areas if there is a change in legislation or technology.

Codes of practice provide the potential to move to a less regulatory approach where activities have lower risk of negative environmental outcomes.

RAMAs do not fully reflect best practice land management requirements (e.g. control of weeds other than those listed as noxious weeds).

There is confusion on the roles of the many jurisdictions responsible for management of native vegetation, including the fact that dual consents are sometimes required.

There is a perception that more emphasis is placed on compliance and enforcement of regulations, resulting in harassment of landholders, rather than education and awareness. The consequence is that landholders are less willing to engage with officers to achieve genuine environmental outcomes and a loss of respect for the legislation.

Sometimes there are perverse outcomes of the rules that result in a decrease in environmental outcomes. For example, groundcover is protected where greater than 50 per cent of the surface area is covered by native species, which means that weed control in grasslands is delayed with negative environmental outcomes.

The assessment process for minor clearing (e.g. single paddock trees) is out of proportion with the proposed activity, and absorbs a disproportionate time input by CMAs.

Current rules prevent the appropriate management of grasslands, in particular the management of weeds and invasive species.

The NV Act creates barriers to improvements in farm sustainability by creating an effective prohibition on the removal of isolated trees and clumps in cropping paddocks.

The rules governing the clearing of invasive native species (INS) are overly prescriptive and inflexible, hindering the effective management of INS.

Issues in support of maintaining or tightening regulations

The objectives of the NV Act are important for the protection of native vegetation and the proposed changes will weaken the protection, opening loopholes that will lead to more legalised clearing of valuable vegetation, including the cumulative effects of ‘minor’ clearing. There is a need to adopt the precautionary principle.

Native vegetation provides essential environmental benefits and we cannot afford the loss of any more critical habitat areas for the preservation of wildlife and biodiversity. OEH reports suggest that the current Regulations have failed to reduce the rate of broadscale clearing so any relaxation should not proceed until there is evidence of the ‘improve or maintain’ outcomes being achieved.

There are concerns that the proposed streamlined assessment methodology under the EOAM will result in more unjustifiable clearing.

There are concerns that the draft Regulations implied less independent oversight by the Natural Resources Commission (NRC) for changes to the EOAM and other sections.

Compliance with current Regulations is insufficient so that an increase in enforcement is necessary, including appropriate resourcing and auditing/monitoring with the aid of satellite imagery. The proposal to remove CMA consent for some forms of clearing is a
retrograde step. While removal of red tape is supported this should not be at the expense of the environment.

- RAMAs have resulted in extensive vegetation loss on small land holdings where clearing for infrastructure comprises a high proportion of total land area.
- Introduction of new RAMAs will result in greater unregulated clearing.

Neutral issues
Throughout many of the above submissions and also in the submissions categorised as 'neutral' were comments that supported changes in the draft Native Vegetation Regulation 2012 that:

- removed ambiguity (e.g. better definitions)
- ensured alignment and removed dual consent requirements with other legislation, especially those administered by the Department of Planning & Infrastructure, Rural Fire Service and local government
- utilised improving technology (e.g. mapping and internet facilities) for administration
- supported enhanced extension activities to improve knowledge and understanding of landholder requirements and assist with implementation.

There was general recognition that landholders should be rewarded for their role in maintaining or improving native vegetation.
Appendix E  Summary of submissions on private native forestry

Of the 741 written submissions received, 136 raised issues relevant to PNF. Submissions were received from a broad cross-section of stakeholders, including:

- individuals (96)
- conservation groups (14)
- local governments and associations (10)
- industry stakeholders (7)
- industry groups (5)
- other stakeholders (an independent scientific body, an Aboriginal stakeholder group, a regional development organisation and a political party) (4).

Submissions predominantly focused on the operation of the PNF regulatory framework, with key themes including the:

- approach taken by the PNF Code and the EPA in monitoring compliance with the regulatory framework
- need to introduce pre-logging surveys to the PNF Code
- requirements for approvals under both the NV Act and Environmental Planning and Assessment Act 1979 in some local government areas (sometimes called ‘dual consent’) and
- protection for threatened species and ecological communities and the biodiversity certification status of the PNF Code.

Forty-seven submissions also commented specifically on the Koala Discussion Paper, with most submissions recommending a broader approach than that presented.

A detailed summary of the issues raised by stakeholders in submissions is provided in the Summary of Submissions available on the EPA’s website at: www.epa.nsw.gov.au/vegetation/pnfreview.htm
Appendix F  Cost-benefit analysis
NATIVE VEGETATION REGULATION 2013
ADDITIONAL MEASURES

COST BENEFIT ANALYSIS

FINAL REPORT

Prepared for:
Office of Environment and Heritage

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July 2013
NATIVE VEGETATION REGULATION 2013
COST BENEFIT ANALYSIS
FINAL REPORT

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ACRONYMS AND ABBREVIATIONS

BCA  Benefit Cost Analysis - a comparison of economic benefits and costs to society of a policy, program, or project.
BCR  Benefit Cost Ratio
CMA  Catchment Management Authority
DSE  Dry Sheep Equivalent - a method of standardising the carrying capacity.
FTE  Full Time Equivalent (in relation to employment)
ha  Hectares
NPV  Net Present Value - the current value of net benefits (benefits minus costs) that occur over time. A discount rate is used to transform future benefits and costs to their present time equivalent.
The Act  Native Vegetation Act 2003
r  The Discount Rate
PV  Present Value - the current value of expected future cash flows
PVP  Property Vegetation Plan
PNF  Private Native Forestry
RAMA  Routine Agricultural Management Activity
RIS  Regulatory Impact Statement
INTRODUCTION


It is planned that Native Vegetation Regulation 2005 is replaced by proposed Native Vegetation Regulation 2013 (‘Proposed Regulation 2013’).

This cost-benefit analysis (CBA) and report was commissioned by the Office of Environment and Heritage (OEH) to form part of a supplementary regulatory impact assessment for the Proposed Regulation 2013.

The CBA estimates the economic impacts of an additional suite of proposed amendments to the current Native Vegetation Regulation (Option 4).

This new Option 4 will be made up of a new suite of amendments plus the amendments previously contained in Option 2 of the 2012 RIS.

SIGNIFICANT AREAS OF CHANGE

After a period of public consultation in 2012 and report by an independent facilitator, the following amendments to the draft Native Vegetation Regulation 2012 include:

1. to further clarify the meaning of rural infrastructure and the regions to which the rural infrastructure provisions apply

2. to extend the routine agricultural management activities in section 11(1) of the Native Vegetation Act 2003 to:
   a. include clearing of paddock trees in accordance with requirements set out in a self-assessable code (these codes will take the legal form of a Ministerial Order)
   b. include certain types of critical rural infrastructure within the existing provision for small land holdings and land zoned rural-residential or large lot residential;
   c. include a discretionary power for the Minister to make an order declaring that the uprooting of mulga in the Western Division during adverse seasonal conditions is a RAMA

3. extend the current routine agricultural management activity exemptions for Crown land infrastructure works to include works by councils on public land as defined by the Local Government Act (1993); and

4. amend the definition of feral native species.
SUMMARY OF COST BENEFIT ASSESSMENT

In this CBA, the significant areas of change in the Proposed Regulation 2013 examined are:

1. The extension of RAMAs; and
2. The amendment of the requirements for changing the regrowth date.

Overall the amendments in the Proposed Regulation 2013 seek to improve the regulations under the Act by:

- increasing flexibility for landholders;
- allowing landholders to meet environmental standards without an approval;
- encouraging conservation efforts;
- cutting red tape and removing dual consent with other Acts;
- increasing the efficiency (streamlining) of some common processes; and
- increasing the clarity of some provisions for all parties.

Option 4 provides the largest net benefit to society of all the options, with an NPV of $26.09 million, that is, Option 4 results in a potential gain in overall welfare of around $26 million over the next 5 years when compared to the Base Case of no regulation.

When compared to the previous RIS and Option 2 (the previously preferred option), the proposed changes result in increased welfare in the order of $7 million over 5 years.

This improvement includes the expected response to the provision of codes for paddock tree clearing ($5.2 million in NPV terms) and any declared feral species ($1.2 million in NPV), over 5 years.

The improvement derives largely from an expected improvement in agricultural production arising from an increased uptake of controlled traffic farming, improved management of pastures, improved management of regrowth and reduction in time spent obtaining a property vegetation plan.

The restrictions on use and notification requirements in relation to self assessable codes are considered sufficient to have no net change in environmental outcomes when comparing Options 4 against Option 2 (the previously preferred option).

The administration savings to agencies are minor, with savings from a reduction in PVPs almost fully offset by the establishment and management of the codes.
# 1 INTRODUCTION

## 1.1 PURPOSE OF THIS DOCUMENT

The *Native Vegetation Regulation 2005* (the Existing Regulation) underpins the *Native Vegetation Act (2003)* ‘the Act’. The Existing Regulation assists in implementing certain provisions of the Act by, amongst other things:

- prescribing the form and content of Property Vegetation Plans;
- extending and limiting routine agricultural management activities (RAMAs);
- prescribing requirements for the assessment of broadscale clearing, including adopting an Environmental Outcomes Assessment Methodology (EOAM) for the purpose of assessing and determining whether proposed broadscale clearing (other than clearing of native vegetation for the purposes of private native forestry) will improve or maintain environmental outcomes;
- prescribing requirements for clearing for the purposes of private native forestry, including adopting a Private Native Forestry (PNF) Code of Practice; and
- providing for penalty notice offences.

It is planned that Native Vegetation Regulation 2005 is replaced by the proposed Native Vegetation Regulation 2013 (*Proposed Regulation 2013*).

This cost-benefit analysis (CBA) and report was commissioned by the Office of Environment and Heritage (OEH) to form part of a supplementary regulatory impact assessment for the Proposed Regulation 2013.

The CBA estimates the economic impacts of an additional suite of proposed amendments to the current Native Vegetation Regulation (Option 4).

This new Option 4 will be made up of a new suite of amendments plus the amendments previously contained in Option 2 of the 2012 RIS.

## 1.2 PREVIOUS OPTIONS

There were three options outlined in the original Regulation Impact Statement 2012. These are:

- **Option 1 (Base case)** - No regulation would exist - this situation would create procedural and administrative problems with many sections of the Act. Government would be unable to achieve the objectives outlined in the Act.

- **Option 2 (Instate the proposed Native Vegetation Regulation 2012)** - The proposed Native Vegetation Regulation 2012 would be based on the existing Native Vegetation Regulation 2005, but contain a number of amendments to the current Regulation. This Regulation would enable government to achieve the objectives as outlined in the Act with more streamlined assessment processes and establishment of new exemptions for routine agricultural management activities.

- **Option 3 (Remake the Native Vegetation Regulation 2005)** - The Native Vegetation Regulation 2005 would be remade in its current form. This Regulation would enable Government to achieve the objectives as outlined in the Act.
After a series period of public consultation in 2012 and report by an independent facilitator, further amendments to the draft Native Vegetation Regulation 2012 were drafted, thus option retained the improvements of Option 2.

- **Option 4 (Instate the proposed Native Vegetation Regulation 2013)** - The proposed *Native Vegetation Regulation 2013* would be based on the existing *Native Vegetation Regulation 2005*, but contain a number of amendments to the current Regulation. This Regulation would enable government to achieve the objectives as outlined in the Act and included greater use of RAMAs that require compliance with a Ministerial Order (known as a self-assessable codes).

## 2 OPTION 4

### 2.1 THE AMENDMENTS

After a period of public consultation in 2012 and report by an independent facilitator, the following amendments to the draft Native Vegetation Regulation 2012 include:

1. to further clarify the meaning of rural infrastructure and the regions to which the rural infrastructure provisions apply

2. to extend the routine agricultural management activities in section 11(1) of the Native Vegetation Act 2003 to:
   a. include clearing of paddock trees in accordance with requirements set out in a self-assessable code (these codes will take the legal form of a Ministerial Order)
   b. include the construction and maintenance of roads, tracks and trails for non-rural infrastructure purposes;
   c. include construction and maintenance of private powerlines;
   d. include certain types of critical rural infrastructure within the existing provision for small land holdings and land zoned rural-residential or large lot residential;
   e. include a discretionary power for the Minister to make an order declaring that the uprooting of mulga in the Western Division during adverse seasonal conditions is a RAMA

3. extend the current routine agricultural management activity exemptions for Crown land infrastructure works to include works by councils on public land as defined by the *Local Government Act (1993)*;

4. amend the definition of feral native species; and

5. clarify the interaction with the *Rural Fires Act (1997)*.
In this CBA, the significant areas of change in the Proposed Regulation 2013 examined are:

1. The extension of RAMAs; and
2. The amendment of the requirements for changing the regrowth date.

Overall the amendments in the Proposed Regulation 2013 seek to improve the regulations under the Act by:

- increasing flexibility for landholders;
- allowing landholders to meet environmental standards without an approval;
- encouraging conservation efforts;
- cutting red tape and removing dual consent with other Acts;
- increasing the efficiency (streamlining) of some common processes; and
- increasing the clarity of some provisions for all parties.

These changes have the potential to affect environmental outcomes, private landholders and associated industry and government costs.

There are some proposed changes that will have minor impacts on the outcomes achieved under the Act by extending the coverage of the Act where it was ambiguous, or increasing the effectiveness of the existing Native Vegetation Regulation 2005.

There are some PNF-related changes to the Proposed Regulation 2013. These are:

- Changing the rules for minor variations (clause 29C (1)) - removal of the 10% impact rule, proposed in the draft 2012 Regulation will not proceed. Feedback received during the public consultation period indicated that there been no applications for minor variations to date. As such the EPA considers it premature to increase access to minor variations at this stage; and
- Simplifying the procedure for varying or amending a PVP (clause 11(2) (b)) - due to an administrative error this was not included in the previous Regulatory Impact Statement.

There are also changes to the PNF Code of Practice for Northern NSW. Given that the PNF Code of Practice can be amended at any time, these changes are not included in this CBA.

3 DISCUSSIONS OF PROPOSED REGULATION (2013)

3.1 INTRODUCTION

This section provides background and some relevant information on each of the key proposed changes made to the Regulation since the consultation draft 2012 Regulation. The key areas of changes are:

1. Extending RAMAs that are subject to Ministerial Orders; and
2. Amending the requirements for changing the regrowth date.
3.2 EXTENDING RAMAS BY MINISTERIAL ORDER

Routine agricultural management activities (RAMAs) are farming, safety and other activities where clearing of native vegetation does not require approval under the Native Vegetation Act (2003).

All clearing associated with RAMAs must only be undertaken to the minimum extent necessary. While clearing approval for RAMAs is not required under the Act, approval may be required under other legislation such as the Environmental Planning and Assessment Act (1979). Where land is classed as protected riparian land, the range of RAMAs available is limited. RAMAs identified in the Act include:

- construction operation and maintenance of rural infrastructure;
- removal of noxious weeds under the Noxious Weeds Act (1993);
- control of noxious animals under the Rural Lands Protection Act (1998);
- collection of firewood (except for commercial purposes);
- harvesting or other clearing of native vegetation planted for commercial purposes;
- lopping of native vegetation for stock fodder;
- traditional Aboriginal cultural activities (except commercial activities);
- maintenance of public utilities; and
- activity reasonably considered necessary to remove or reduce an imminent risk of serious personal injury or damage to property.

Section 11(2) of the Native Vegetation Act 2003, allows for the Regulation to extend, limit or vary the activities that are RAMAs.

3.2.1 ISOLATED PADDock TREES

Isolated trees are often left in the landscape when the land was cleared for grazing and agriculture. Isolated trees have a range of important values, including:

- Scenic and aesthetic value;
- Shade;
- Nesting sites for wildlife;
- Feeding sites for wildlife;
- Connective value; and
- Fallen limbs.1

Isolated paddock trees are most often removed to enable efficient cropping practices such as controlled traffic farming (CTF). CTF aims to confine soil compaction to permanent traffic lanes. It is dependent on specialised machines and layouts. There are also a significant number of approvals that relate to the development of irrigation layouts. This is especially the case in the Murray (Table 1).

On average there are there are 37 PVPs per annum that include paddock trees. Of those around 5 PVPs also include clumps of native vegetation.

---
Table 1  Paddock Tree approvals by CMA since 2006

<table>
<thead>
<tr>
<th>Element</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Border Rivers/Gwydir</td>
<td>4</td>
<td>1%</td>
</tr>
<tr>
<td>Central West</td>
<td>29</td>
<td>10%</td>
</tr>
<tr>
<td>Hawkesbury/Nepean</td>
<td>2</td>
<td>1%</td>
</tr>
<tr>
<td>Lachlan</td>
<td>107</td>
<td>39%</td>
</tr>
<tr>
<td>Lower Murray/ Darling</td>
<td>14</td>
<td>5%</td>
</tr>
<tr>
<td>Murray</td>
<td>72</td>
<td>26%</td>
</tr>
<tr>
<td>Murrumbidgee</td>
<td>35</td>
<td>13%</td>
</tr>
<tr>
<td>Namoi</td>
<td>12</td>
<td>4%</td>
</tr>
<tr>
<td>Southern Rivers</td>
<td>2</td>
<td>1%</td>
</tr>
<tr>
<td>Total</td>
<td>277</td>
<td></td>
</tr>
</tbody>
</table>

Figure 1  The location of cropping in NSW/ACT NRM regions in 2005-06

According to national land use mapping, about 7.4 million hectares, or 9 per cent of the total area of NSW/ACT is used for cropping. The demand to remove isolated paddock trees will be concentrated in the slopes and plains areas as indicated in Figure 1.

Controlled traffic farming reduces fuel usage, reduces soil erosion, saves on input costs such as fertilizer and improves yields through reducing compaction. It is estimated that the new margin increase can be approximately $50 per hectare per year.
The proposed change to the Regulation is:

**Isolated paddock trees**

*The Minister may by order declare the clearing of a paddock tree within in a cultivated area (being a tree within an area that is cropped, ploughed, fallow or covered in perennial or annual non-indigenous pasture) to be a routine agricultural management activity.*

It is estimated there are 32 PVPs per annum *solely* for paddock trees. It is assumed that 50% of these will fit under the code (assumed to be 15 for the purpose of this analysis). A proportion of paddock tree clearing situations will require assessment through a PVP process as the vegetation and/or the proposed clearing will not fit the code.

**Table 2  Paddock Tree approvals since the commencement of the NV Act 2003 (1st December 2005)**

<table>
<thead>
<tr>
<th>Element</th>
<th>Annual</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number</td>
<td>32</td>
<td>278</td>
</tr>
<tr>
<td>Area of Trees (ha)</td>
<td>770</td>
<td>5,838</td>
</tr>
<tr>
<td>Area of Paddock (ha)</td>
<td>25,660</td>
<td>194,599</td>
</tr>
<tr>
<td>Ratio of area of trees to paddock</td>
<td></td>
<td>33.3</td>
</tr>
</tbody>
</table>

*Source: OEH supplied data.*

Based on the data from Table 2 each approval to clear paddock trees allows an improvement in farming practices over 600 hectares into the future. A move to self-assessment under a code will encourage changes in cropping practices beyond using the PVP approach alone. It is also assumed that the area treated annually will double when the new approach is available. That is, there will be an additional area of 9,000 hectares per year that will enable improved agricultural returns under Option 4.

### 3.2.2 FERAL SPECIES

There are a numbers of changes that aim to improve the management of species of native vegetation declared as feral species.

Currently there are few species declared as feral. The Facilitator’s report targeted plant species with poor livestock grazing attributes (e.g. low palatability or digestibility) or with undesirable features (e.g. seeds or awns that cause animal welfare issues). Examples include spear grass (Stipa and Heteropogon spp.) and wire grass (Aristida spp.).

These species can affect the productivity of grazing opportunities. The extent of the problem is not made clear in the Facilitator’s report, although the Monaro area is identified as one area where this is an issue. Currently any treatment of pastures to improve these grasslands would have to be approved under a PVP process.

---

2 That is, 194,599 / 294 = 661 hectares.
3 Estimated by using a conservative 600 hectares x 15.
The proposed change to the Regulation is:

**Clearing of feral species**

The Minister may by order declare a species of native vegetation as a feral species for specified land (or all land in a specified area), or extend the area for which a species is declared as a feral species, if:

(a) the Minister is satisfied that the species is outside its natural range on the land or in the area specified*, or

(b) the species of vegetation is groundcover$^5$.

*Note, this is a requirement of the existing regulation.

The clearing of a groundcover species declared as a feral species becomes a RAMA.

There is no specific information regarding the likelihood of a feral species being declared in the next five years. There could be a number of species declared. For this analysis it is assumed that any process will focus on the issue of weeds in grasslands. Using the self-assessment approach will encourage appropriate grassland management without the impost of a PVP process.

It is estimated that approximately 10 PVPs per annum are assessed for grasslands management. It is assumed that these will fit under the code and each PVP will cover 300 hectares.

The flexibility afforded by the code should result in improved pasture management. The additional returns per hectare are lower than for cropping enterprises. However, improved pasture management may increase carrying capacity by 1 DSE per hectare$^6$.

Based on current NSW Department of Primary Industries (DPI) gross margin budgets this additional carry capacity can generate approximately $34 per hectare$^7$. It is assumed that the area treated annually will double under the new approach. This is very low estimate given that there are approximately 1.6 million hectares of grazing country in the southern tablelands$^8$.

### 3.3 SUMMARY OF RAMAS

Table 3 provides a description of the changes and likely impacts on those directly affected by the Proposed Regulation on RAMAs.

#### Table 3 Summary of the changes in the Proposed Regulation - RAMAs

<table>
<thead>
<tr>
<th>Element</th>
<th>Change - Description</th>
<th>Effect</th>
<th>Estimated Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Isolated paddock trees</td>
<td>Allow RAMA by Ministerial order</td>
<td>1. Reduces assessment costs</td>
<td>15 paddock tree PVPs annually.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Increase in clearing for</td>
<td>9,000 hectares per year.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>improved cropping net</td>
<td></td>
</tr>
</tbody>
</table>

$^5$ Groundcover is defined by the Act to mean any type of herbaceous vegetation.

$^6$ DSE = Dry Sheep Equivalent.

$^7$ NSW DPI (2011) Gross margin budgets, Merino ewes (18 micron), Merino whether (18 micron), Beef, yearling (Southern/Central NSW).

$^8$ ABS (2011) National Regional Profile, Snowy River, Cooma-Monaro, Boombala, Goulburn, Upper Lachlan LGAs.
<table>
<thead>
<tr>
<th>Element</th>
<th>Change - Description</th>
<th>Effect</th>
<th>Estimated Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feral species</td>
<td>Allow RAMA by Ministerial order</td>
<td>1. Reduces assessment costs</td>
<td>10 PVPs annually</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2. Increase in clearing to improve grazing net revenue</td>
<td>3,000 hectares per year</td>
</tr>
</tbody>
</table>

### 3.3.1 CONDITIONS

A landholder must, at least 14 days before carrying out or authorising another person to carry out the clearing of vegetation in accordance with a declaration by an order under this Division, notify the Minister of the proposed clearing.

Details of the land on which the clearing is to be carried out (including the address and Lot and DP details of the land), the area of the land to be cleared, and the date or dates on which the intended clearing is to take place will need to be provided by the landholder.

### 3.4 AMEND THE REQUIREMENTS FOR CHANGING THE REGROWTH DATE

As noted in the Facilitator’s report the Native Vegetation Regulation 2005 allows the regrowth date to be changed to a date that is earlier than the relevant date specified the Native Vegetation Act 2003⁹. If the vegetation has been cleared twice since 1950 (or 1943 in the Western Division) landholders were required to prove two clearing events before a change of regrowth date can be approved.

The restrictive nature of the current provisions has resulted in them being applied in a very small number of cases, creating considerable frustration among landholders and failing to deliver the original intent of the legislation to provide a legitimate pathway for landholders to manage regrowth when existing rotational farming practices can be proved.

The changes that aim to improve the processes around regrowth are as follows:

**PVPs that change regrowth date:**

(1) A PVP that specifies a date for the purposes of the definition of regrowth in section 9 (2) of the Act that is earlier than the relevant date specified in section 9 (2) (a) of the Act is not to be approved under Part 4 of the Act unless the Minister is satisfied that:

(a) the specified date is based on existing rotational farming practices and is not earlier than the following dates:

(i) 1 January 1943 in the case of land in the Western Division,
(ii) 1 January 1950 in the case of other land, and

(b) the PVP contains a requirement that any clearing of regrowth in accordance with the PVP will not exceed clearing of regrowth in accordance with those existing rotational farming practices.

This is a change from the existing provisions, which require evidence that native vegetation on the land concerned has been cleared pursuant to existing rotational farming practices on at least 2 occasions since 1950, in the case of land not in the Western Division, or 1943 in the case of land in the Western Division.

---

There have been 155 PVPs approved to verify regrowth or confirm continuing use, covering more than 105,000 hectares. This is approximately 20 a year each covering 650 hectares.

In the public register there is a total of 21 PVPs where a new date has been recorded, or an average around 3 per year\(^{10}\).

The landholder response to the changed provisions may result in an increase in the demand for regrowth control from those who cannot currently meet the evidence requirements of the existing provision. It is assumed that this demand will be a doubling of the current demand for changes to the regrowth date to 6 PVPs a year. These additional 3 PVPs will cover 1,950 hectares a year.

Any response would increase agricultural returns on land that is kept in production. Accounting for development costs the increase in net margin is assumed to be approximately $25 per hectare.

### 3.5 IMPLICATIONS - COSTS AND BENEFITS

The potential effects on the well-being of the community that result from Option 4 are:

- development costs of two self-assessable codes and extension of new systems;
- a reduction in on-going agency assessment costs associated with some PVPs for paddock trees and feral species;
- an increase in extension and compliance costs associated with new RAMAs under self-assessable codes;
- an increase in agricultural production from increased uptake of controlled traffic farming;
- an increase in grazing production from improved management of pastures;
- an increase in agricultural production from improved management of regrowth; and
- a reduction in time required for the assessment process for clearing applications, helping to overcome a backlog of applications and long processing times in some regions.

It should be noted that there is a potential transfer in costs of landholder applications under a code from the Catchment Management Authority (CMA) to the landholder if they choose to clear under the code rather than obtain a PVP. The extent of this will depend on the level of resources applied to the self-assessment process by landholders. This could be minimal or significant depending on the circumstances and the appetite for risk of a landholder.

---

\(^{10}\) 21 divided by 7.58 years since the introduction of the Native Vegetation Regulation 2005.
4 ASSESSING THE COST AND BENEFITS OF OPTION 4

4.1 LANDHOLDERS

The current regulatory framework provides landholders with certainty about their rights and obligations regarding clearing and undertaking PNF activities, clearing of paddock trees and regrowth and undertaking other activities. Option 4 continues to provide this certainty, and provides with improved efficiency and clarity.

Potential economic benefits associated with a reduction in PVPs and a more efficient approach to administering clearing related to improved outcomes. Agricultural benefits can be measured by estimating the present value of the potential future stream of net revenue minus any clearing costs.

Table 4 shows the estimate of annual agricultural benefits.

Table 4 Annual returns from agricultural activities on additional cleared land

<table>
<thead>
<tr>
<th>PVP Type</th>
<th>Additional area under code (ha/yr)</th>
<th>Estimate ($/ha)</th>
<th>Net benefit ($/yr)</th>
<th>Note</th>
</tr>
</thead>
<tbody>
<tr>
<td>Isolated paddock trees</td>
<td>9,000</td>
<td>50</td>
<td>$450,000</td>
<td>Controlled traffic farming</td>
</tr>
<tr>
<td>Feral species</td>
<td>3,000</td>
<td>34</td>
<td>$100,630</td>
<td>Improved pasture management</td>
</tr>
<tr>
<td>Regrowth</td>
<td>1,950</td>
<td>25</td>
<td>$48,750</td>
<td>Improved grazing capacity</td>
</tr>
</tbody>
</table>

Source: Based on Arche Consulting estimates and DPI gross margin information for merino wool production and cereal cropping. Annualised returns account for development costs where applicable.

An increase in appropriate clearing carried out under a code will result in additional landholder income in the order of $0.6 million per year.

There is also a potential loss for landholders in avoiding PVP processes by using self-assessment codes. This related to work carried out under self-assessment.

Table 5 Estimates of PVP applications avoided by RAMAs

<table>
<thead>
<tr>
<th>RAMA</th>
<th>Number of self-assessment per yr</th>
<th>Change in cost ($ / yr)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Isolated Paddock Trees</td>
<td>15</td>
<td>22,500</td>
</tr>
<tr>
<td>2. Feral Species</td>
<td>10</td>
<td>15,000</td>
</tr>
<tr>
<td>Total</td>
<td>25</td>
<td>37,500</td>
</tr>
</tbody>
</table>

Under Option 4 the cost to landholders for applications is estimated to increase from a currently negligible cost to $1,500 per clearing event. These costs are based on a very conservative estimate of a consultant servicing the self-assessment process.

Costs are minor at the moment for landholders as the PVP process is carried out by CMAs. This would increase overall costs to landholders by $37,500 per year11.

11 Based on an estimated 25 assessments at $1,500 per year. This is a 3% decrease in the number of PVPs annually.
The potential for benefits from a reduction in delays to PVPs for paddock tree clearing is considered insignificant. The decision to alter a farming system and the associated investment is a significant decision and a PVP process would be unlikely to unduly hold up this process. If this were the case the self-assessment code could be used in some situation to avoid any delay.

4.2 GOVERNMENT AGENCIES

The introduction of RAMAs allows a small reduction in agency costs, as some activities no longer require assessment. This saving is estimated at approximately $43,000 annually\(^\text{12}\) (see Table 7).

There are also costs incurred by the proposed changes. There are significant costs associated with development of Self-assessment Codes, internal training and the extension of the changes and codes to landholders.

It is assumed that each of the 2 codes will take 0.5 FTE working for 6 months to draft and finalise for release. Training will occur via internal workshops and there will also be a significant extension component in Year 2.

On-going management of the process will be required. The key tasks are assumed to be

- One-to-one extension;
- Management of notifications; and
- Auditing.

**Table 6 Resources to develop and manage codes ($)**

<table>
<thead>
<tr>
<th>Code</th>
<th>Development &amp; Training</th>
<th>Extension(^1)</th>
<th>Management &amp; Audit(^1)</th>
<th>Total annualised agency cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paddock trees</td>
<td>63,764</td>
<td>10,833</td>
<td>1,300</td>
<td>22,459</td>
</tr>
<tr>
<td>Feral species</td>
<td>63,764</td>
<td>1,300</td>
<td>867</td>
<td>14,486</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>127,528</strong></td>
<td><strong>12,133</strong></td>
<td><strong>2,167</strong></td>
<td><strong>36,946</strong></td>
</tr>
</tbody>
</table>

\(^1\) Based on daily cost of $433 for agency staff to enable comparison with 2012 RIS.

For the RAMAs, the agency cost savings are a function of the number of clearing applications that are anticipated over time and the current time requirement for CMAs in preparing PVPs.

A survey was undertaken of the 10 CMAs in rural NSW that assess clearing applications\(^\text{13}\). Based on this data, it is assumed that paddock tree and feral species PVPs that could be dealt with under a code will take 4 days of agency staff resources.

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\(^{12}\) Based on an estimated 4 days per application for PVPs - using a daily cost of $433 for agency staff as per previous RIS.

\(^{13}\) Gillespie Economics (2011) Benefit Cost Analysis of Proposed Amendments to the Environmental Outcomes Assessment Methodology.
Table 7  Annual time savings for Agencies

<table>
<thead>
<tr>
<th>Application Type</th>
<th>Annual Application Numbers</th>
<th>CMA time saving (days)</th>
<th>Total agency savings ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paddock trees</td>
<td>15</td>
<td>4</td>
<td>26,000</td>
</tr>
<tr>
<td>Feral species</td>
<td>10</td>
<td>4</td>
<td>17,333</td>
</tr>
<tr>
<td>Totals</td>
<td>25</td>
<td>100</td>
<td>43,333</td>
</tr>
</tbody>
</table>

1 Based on daily cost of $433 for agency staff to enable comparison with 2012 RIS.

When comparing the two methods (i.e. PVP versus a code) if there is a low level of uptake of the codes then the agency savings will be minor.

It should be noted that this assumption is based on a relatively minor increase in clearing of paddock trees and any declared feral species in the future. Given that the costs of a PVP currently fall mainly on agencies, and that there has been a significant record of successful PVPs in the case of paddock tree clearing, it is unlikely that the change will result in a large increase in clearing.

If this did increase significantly, the costs savings to government would also increase.

4.3 ENVIRONMENT

There are no changes to environmental outcomes under the Option 4.
5 COST BENEFIT ASSESSMENT

A CBA is carried out for Option 4 relative to a Base Case of no regulation14. The assessment is consistent with the methods and approach used in the previous Regulatory Impact Statement15.

The main output of the cost benefit analysis is a net present value (NPV). The NPV is the sum of the discounted benefits less the discounted costs compared to alternatives options. From an economic perspective, the preferred option should have a higher NPV than the alternative options.

The cost-benefit analysis is conducted over a 5-year period, consistent with the life of the Regulation. However, the effects of any impacts are expected to continue past this timeframe.

5.1 PREVIOUS ASSESSMENT (2012 RIS)

The RIS carried out in 2012 examined the costs and benefits of three options:

- Option 1 (No regulation);
- Option 2 (Proposed Regulation 2012); and
- Option 3 (Remake the Existing Regulation)16.

Previously the relative costs and benefits of each option have been assessed against the Base Case of no regulation (Option 1).

The Proposed 2012 Regulation (Option 2) provided the greatest net benefit compared to other available alternatives.

The Net Present Value (NPV) of Option 2 was $19.96 million when compared to the Base Case. Option 2 provided a number of financial and administrative improvements, including:

- increased flexibility for landholders to manage operations;
- a reduction in administrative costs for implementation; and
- an increase in the environmental protection of regrowth.

Option 2 was expected to have a minimal impact on individuals and communities, businesses and government compared with the 2005 Regulation. A small net benefit of $2.63 million compared with the Existing Regulation over 5 years was estimated.

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14 Consistent with the NSW Guidelines for Economic Appraisal, a discount rate of 7% is applied in the CBA. Sensitivity testing is to be undertaken by varying the discount rate in the cost-benefit analysis to 4% and 10%.
5.2 THE COST AND BENEFITS OF OPTION 4

Table 8 provides an overview of the costs and benefits for Option 4 quantified using cost-benefit analysis when compared to the Base Case and Option 2. Option 4 provides greater net benefits than the next best option, i.e. Option 2, the amended regulation originally proposed in 2012.

Table 8 Summary of Option 4 cost and benefits against the Base Case ($ million)

<table>
<thead>
<tr>
<th>Option</th>
<th>Option 1: No Regulation</th>
<th>Option 2: Proposed Regulation 2012</th>
<th>Option 4: Remake Regulation 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present value of costs</td>
<td>Economic Base Case</td>
<td>1.25</td>
<td>1.58</td>
</tr>
<tr>
<td>Present value of benefits</td>
<td>Economic Base Case</td>
<td>20.33</td>
<td>27.67</td>
</tr>
<tr>
<td>Net Present Value(^{17})</td>
<td>Economic Base Case</td>
<td>19.08</td>
<td>26.09</td>
</tr>
</tbody>
</table>

Option 4 provides the largest net benefit to society of all the options, with an NPV of $26.09 million, that is, Option 4 results in a potential gain in overall welfare of around $26 million over the next 5 years when compared to the Base Case of no regulation.

When compared to the previous RIS and Option 2 (the previously preferred option), the proposed changes result in increased welfare in the order of $7 million over 5 years.

This improvement includes the expected response to the provision of codes for paddock tree clearing ($5.2 million in NPV terms) and any declared feral species ($1.2 million in NPV), over 5 years.

The improvement derives largely from an expected improvement in agricultural production arising from an increased uptake of controlled traffic farming, improved management of pastures, improved management of regrowth and reduction in time spent obtaining a property vegetation plan.

The restrictions on use and notification requirements in relation to self-assessable codes are considered sufficient to have no net change in environmental outcomes when comparing Options 4 against Option 2 (the previously preferred option).

The numbers of landholders who will use self-assessment codes in the future is estimated at 25 annually. The restrictions on use and notification requirements are considered sufficient to have no net change in environmental outcomes when comparing Options 4 against Option 2 (the previously preferred option).

The administration savings to agencies are minor, with savings from a reduction in PVPs almost fully offset by the establishment and management of the codes.

The results have been tested for the significance of the discount rate:

- Option 4 NPV is $28.48 million assuming a 4% discount rate; and
- Option 4 NPV is $23.99 million with a 10% discount rate.

\(^{17}\) Consistent with the NSW Guidelines for Economic Appraisal, a discount rate of 7% is to be applied in the cost-benefit analysis. Sensitivity testing is to be undertaken by varying the discount rate in the cost-benefit analysis to 4% and 10%.
RED TAPE REDUCTION

Under the Proposed Regulation 2013 there are red tape savings for business of approximately $12,000 per annum, when compared to the 2012 Regulation (Option 2).

There is an impost on landholders to apply the self-assessment code and notify clearing activities. The cost of this process for the landholder is uncertain. It will depend largely on the perceived risk associated with self-assessment. In this analysis it is assumed that a 50% of landholders will continue to use a PVP process. If self-assessment is carried out, a cost is allowed for the time taken to assess and report under the code. This is offset by a reduction in PVP assessment costs.

The red-tape costs associated with the change in regrowth date are not considered of major consequence as a process and significant effort is required to gain approval. However, there is an increase in flexibility that removes unnecessary restriction on a small number of landholders.

The main driver of red tape savings will be reductions in administrative costs. These savings will be sustained over time. They are likely to increase if the code is viewed as a simple and robust approach to clearing paddock trees and feral species.

There may be delay costs avoided from the introduction of RAMAs in the case of particular paddock trees and feral species clearing applications. This is not considered significant as the change of farming system would also require long lead times that would be longer than the current duration of a PVP process.
6 REFERENCES


Department of Agriculture and Forestry (Land Management Practice Trends In New South Wales And The Australian Capital Territory's Broadacre Cropping Industries. Caring For Our Country


NSW DPI (2011) Gross margin budgets, Merino ewes (18 micron), Merino whether (18 micron), Beef, yearling (Southern/Central NSW).


