

# Conservation Inc.

## The Business of Saving Wildlife

Putting a dollar value on endangered species may be their best hope for survival, as the success of an Australian conservation company demonstrates.

**Michael De Alessi** reports

In recent decades, no mammal species has gone extinct in the wild—except in Australia. The mainland mala, which through the early 1900s was one of the most common animals in central Australia, was reduced to two small colonies by 1960. One of those colonies was taken out in the 1980s by a single fox, the other in the early 1990s by a bushfire.<sup>1</sup>

Unlike many of Australia's extinctions over the last 200 years, small numbers of mainland mala still exist in captivity. But the fate of the mala underscores the major causes of extinction in Australia—alteration of the landscape and the introduction of non-native animals, especially cats, foxes and rabbits. Despite knowledge of the threats these non-native species pose, State and federal government efforts to keep them in check have met with only limited success.

Private efforts to conserve native species, on the other hand, have proven highly successful. One sterling example is Earth Sanctuaries, Ltd. (ESL),

a company which has had some dazzling successes bringing back species from the brink of extinction and changing the way that both conservationists and governments think about endangered species protection in Australia.

When the first Europeans settled in Australia at the end of the 18th century, they began to alter radically the Australian landscape. Fires were suppressed, agriculture and ranching of non-native species became widespread, and other

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non-native animals were deliberately introduced. Many of Australia's native species, which had evolved in relative isolation, were ill-equipped to deal with new predators like cats and foxes, and were out-competed for habitat by rabbits. Efforts to contain these pests and predators through poison baits and introduced viruses have had some success, though the damage to the Australian landscape and vegetation remains considerable.

It has been estimated that since European settlement, 90% of Australia's native vegetation in the Eastern, temperate regions of Australia, and more than one-third of all of Australia's forests and woodlands, have been removed by human habitation and activity.<sup>2</sup> Of the original 144 species of native marsupials, 10 are gone,<sup>3</sup> and of the original 53 native species of rodents, eight are extinct.<sup>4</sup>

In all, an estimated 23 species extinctions have occurred in Australia in the last 200 years, more than any other continent. These 23 species amount to almost 10% of Australian mammals which existed in 1788, and account for one-third of all mammal extinctions worldwide in the last 500 years.<sup>5</sup> According to the Red List of Threatened Species of the World Conservation Union (IUCN), Australia now has 63 threatened and endangered mammal species and 37 threatened birds species, one of the highest counts in the world.<sup>6</sup>

### Public conservation

Australia has one of the world's oldest national parks systems, although initially the parks tended to be near population centres and did not attempt to conserve native Australian landscapes, striving instead to replicate European environs.<sup>7</sup> The rise of the environmental movement in the 1960s brought a host of new parks, but according to Kevin Frawley, an environmental planner, many of these efforts served simply 'to establish complex bureaucratic and inquiry processes which delay difficult decision making, and allow governments to be seen to be doing something'.<sup>8</sup>

In January 2003, for example, two-thirds of New South Wales's Kosciuszko National Park—more than 337,000 hectares<sup>9</sup>—was lost to fire, which many blamed on the Park's mismanagement.<sup>10</sup> The Hattah-Kulkyne National Park in Victoria was set up as a reserve for rare plants, but without funds for rabbit control and a

severe overpopulation of kangaroos, the park was described in the early 1990s as 'a waste ground'.<sup>11</sup> At the Belair National Park in South Australia, parks officials kill about 50 foxes every year. As one park ranger noted, 'as soon as we kill the [foxes] in the park, more just come in to take their place'.<sup>12</sup> This is despite a \$30 million Parks Agenda announced by South Australia in 1997, which has primarily gone toward acquiring new land in the same area.

Other parks and recent state conservation efforts have been more successful, most notably Western Australia's Western Shield programme to bait for foxes and cats annually over three and a half million hectares. Arguably, the shift toward eradication instead of control and to predator-proof fencing are the results of the successful application of these two methods by a private conservationist, John Wamsley.<sup>13</sup>

### John Wamsley and Warrawong

When John Wamsley was young, he watched as first foxes and cats and then bushfires displaced the native species and destroyed the bush he loved. As he grew older and looked further afield, Wamsley became convinced that 'the National Park system has failed to protect wildlife'.<sup>14</sup> He also believed that government conservation efforts were bureaucratic, inefficient, and one of the last bastions of socialism.<sup>15</sup>

So in 1969 he began taking matters into his own hands, purchasing a dilapidated dairy farm outside of Adelaide, which he called Warrawong. Eventually more than 100,000 native trees and shrubs would be planted, and more than a kilometre of creeks and pools created.<sup>16</sup> Believing in total eradication of non-native species, Warrawong's electrified, feral-proof fence was completed in 1975, but it was not until 1981 that the sanctuary was 'feral free'. The fence was the first of its kind in Australia, and its impact on the species released into the sanctuary was felt immediately.

Warrawong opened to the public on 1 January 1985. In 1988-89, Wamsley relocated five platypus from Kangaroo Island. In 1991, two puggles (baby platypus) were born—the first platypus bred in captivity since 1943—and today there are two dozen platypus at Warrawong. Wamsley's breeding success earned him the nickname 'the platypus man' and helped bring

visitors to Warrawong. Other species that have been re-introduced to Warrawong's habitat include the long-nosed potoroo, woylie, rufus bettong, southern brown bandicoot, tammar wallaby, red-necked pademelon, red-necked wallaby, and Western grey kangaroo.

**W**ith his success at Warrawong, Wamsley set his sights on saving *all* of Australia's endangered mammals. Wamsley believed that 'If I had one percent of their [all of Australia's wildlife agencies'] budgets, I could save Australia's wildlife.'<sup>17</sup> And so he set out to do just that by raising the money on his own—through commercialisation and the marketplace.

Earth Sanctuaries, Ltd. (ESL) was incorporated in January 1988. Revenues would be generated by attracting visitors and through consulting work. The goal of the company would be 'to ensure the survival of remaining Australian native flora and fauna within a commercial environment, [and] to maximize the returns to shareholders.'<sup>18</sup>

As of 2002, ESL had successfully reintroduced 25 mammal species to their former range and eradicated feral cats, foxes, rabbits, and goats from more than 10,000 hectares.<sup>19</sup> At its peak of land ownership in 2001, ESL owned 10 sanctuaries covering more than 90,000 hectares.<sup>20</sup> Since restructuring in 2002, ESL has sold most of these properties, but they remain wildlife sanctuaries of note.

Warrawong remained ESL's most popular and lucrative site, featuring tent-style accommodations (local planners would not permit permanent lodgings), a restaurant, gift shop, native plant nursery, and dawn and dusk nature walks. It has won numerous tourism awards, including runner up in the Conde Nast Travelers Choice Awards in 1997. In 2001, about 50,000 people visited Warrawong.<sup>21</sup>

### Conservation successes

At Warrawong alone, numbers of Australia's smallest and rarest kangaroo, the woylie, have increased 200-fold; the population of Australia's most primitive kangaroo, the long-nosed potoroo, increased from four to more than 100; and the Sydney subspecies of the red-necked pademelon, believed to be the last colony of this subspecies in the world, increased from just two to more than 50.<sup>22</sup>

In the 1970s, the numbat population was down to about 100 animals, leading David Attenborough,

in his early 1980s television series 'Life on Earth', to declare it to be the next most likely mammal to go extinct.<sup>23</sup> Today, thanks in large part to ESL's reintroduction efforts, there are more than 2,000 numbats, and they have been removed from the endangered list.

ESL's belief that the only way to save species is to value them (that is, attach a price to them) makes it a prime target of criticism, especially from some mainstream environmentalists.

As late as 1990, Tim Flannery classified the woylie as critically endangered, and its numbers were estimated to be near 100.<sup>24</sup> Thanks primarily to ESL and the Western Shield project, it is estimated that there are now about 20,000 woylies living in feral-managed areas in Australia.

The southern brown bandicoot is a sub-species of bandicoot, and the last remaining in South Australia of eight known bandicoot inhabitants. The IUCN Red List describes their numbers as declining, and Australia considers them endangered. At Warrawong, however, there is a stable population of about 100 animals, with a number of translocations and escapees (the very young are small enough to slip through the fence) each year. Wamsley considers this probably ESL's 'most remarkable success' because, despite falling numbers nationally, its numbers in the Adelaide Hills had risen to the highest point in 20 years.<sup>25</sup>

### Controversy and criticism

ESL's belief that the only way to save species is to value them (that is, attach a price to them), makes it a prime target of criticism, especially from some mainstream environmentalists. For example, David Butcher, chief executive officer of the World Wide Fund for Nature, believes that species are 'far more likely to be conserved if they haven't got a value to be flogged off somewhere'.<sup>26</sup>

What Butcher misses is the importance of who owns those species. If they are privately protected, greater value means greater protection—exactly the case at ESL. In addition, if the share value in a company is directly related to the health of the environment or the recovery of a species, then

the company directors have a fiduciary obligation to produce those results. If, on the other hand, environmental assets like clean water or endangered species are part of the public domain, there is often a financial incentive for private companies to deplete those resources (a situation commonly referred to as 'the tragedy of the commons').

The virtue of placing a monetary value on species does have its supporters in Australia, notably Grahame Webb, a crocodile specialist in the Northern Territory who is quick to point out that commercialisation saved the saltwater crocodile there.<sup>27</sup> Landowners saw crocodiles as a menace until the market for their skins developed. As a valuable asset, crocodiles were tolerated and their wetland habitat maintained.

Others have criticised ESL's emphasis on small mammals, worrying that less charismatic species will fall by the wayside. But ESL's emphasis is on saving species in their natural habitat—which means keeping everything in balance, from native grasses to mammals. Wamsley has said, 'It is only possible to save wildlife in the wild together with the whole ecosystem necessary for its survival.'<sup>28</sup>

### Financial and legal constraints

When Earth Sanctuaries was formed in 1988, John Wamsley understood well that as a society, we protect and steward what we value, so he was determined to demonstrate the value of Australia's native species to the marketplace. He knew that when wildlife and the environment became tangible, financial assets, more effort would be put into protecting them.

Shortly after incorporation, ESL began offering shares to private investors. In 1995, ESL had more than 600 shareholders, and offered shares in the company that year at \$1.10.<sup>29</sup> By the year 2000, the last prospectus before ESL went public, shares were offered at \$2.50, and the number of shareholders had risen to more than 4,000.<sup>30</sup>

On 8 May 2000, Earth Sanctuaries, Ltd. was listed on the Australian Stock Exchange (ASX code: ESL). This public offering raised \$12 million, increased the number of shareholders to almost 7,000, and allowed Earth Sanctuaries to proudly declare themselves the first publicly traded company whose core business is conservation.

Tourism was the main source of revenue for ESL, but the company viewed the wildlife it was

conserving as its greatest asset. This probably explains why ESL's initial expansion placed a greater emphasis on the conservation value of a property than on its tourism potential—and why it eventually ran into financial difficulties.

Tourism is much easier to value than conservation. What really is the value of an endangered species? It is illegal to sell them, both under Australian law and under CITES, the United Nations treaty Convention on International Trade in Endangered Species. The Australian government not only bans trade in species, but also sets accounting standards that preclude valuing anything above what it can be traded for—which in the case of endangered wildlife is zero.

To address this problem, in 1995 ESL began trying to use 'green accounting', valuing, for example, rock formations that provide shelter to animals at the cost of building an alternate shelter and wildlife by a fraction of international tourist revenues. Using these methods, ESL estimated its total valuation in 1995 at \$34,340,000. Under standard accounting practices, however, ESL's net assets were \$5,500,000.

ESL's proactive approach to finding ways to value species was one impetus for the Australia Accounting Standard Board to create an accounting category for 'self-generating and regenerating assets' (SGARAs) in 1999. Examples of SGARAs include 'animals, wheat crops, apple trees in an orchard' that are held primarily for 'aesthetic, heritage, ecological, environmental or recreational purposes'.<sup>31</sup> Under this standard, ESL's valuation was more conservative, and in 2001, ESL estimated the value of its 2,285 rare, vulnerable, and endangered species at \$5,412,000.<sup>32</sup>

In 1996, John Wamsley wrote that 'Unfortunately, present analysis of investment opportunities only looks at the very narrow, financial value of the investment. This is all very well for the investor who is only interested in direct personal gain. It fails the investor who believes in other ideals.'<sup>33</sup> In the language of economics, he was frustrated that ESL was not more highly valued for its 'value to society', for the positive externalities and public goods it provides. Economics could also have informed ESL that it would have a difficult time finding investors willing to compensate it for those activities.

### Rough times and reorganisation

By late 2001, ESL was in financial trouble. The initial share price of \$2.50 in May 2000 had declined to 16.5 cents in January 2001. Since then, the price has hovered around 20 cents.<sup>34</sup> The drastic drop in price seems to be a combination of timing—the entire market started to take a dive around this time—and the fact that the market paid closer attention to ESL's valuation under standard accounting practices than 'green' valuations.

At the start of 2002, ESL owned or managed 10 properties, but only five were open for business. And only one—Warrawong—was profitable. The news media began to foretell the demise of ESL, with headlines like 'Australian species in peril as savior founders'.<sup>35</sup> John Wamsley stepped down as director, to be replaced by his wife, Proo Geddes. Staff were let go, and all but three sanctuaries sold. That left Warrawong, Hanson Bay (a leased property on Kangaroo Island off the coast of South Australia), and Little River, a property under development near Melbourne. The three remaining sanctuaries cover just under 5,000 hectares. ESL's other properties were sold to the Australian Wildlife Conservancy (AWC), a not-for-profit organisation inspired by Earth Sanctuaries' success. AWC now owns or manages ten properties across Australia covering more than 575,000 hectares (1.3 million acres) of Australian bush.<sup>36</sup>

After the sales and reorganisation, ESL emerged clear of debt and with a renewed focus on revenues and the tourist trade—specifically focusing efforts on properties near major population centres. After restructuring, ESL had \$5 in million cash reserves and net assets (without placing a monetary value on wildlife) of 38 cents per share. ESL also reported that by late 2002 it had attracted more than \$2 million in new funds and added 1,000 shareholders.<sup>37</sup> The Little River Earth Sanctuary near Melbourne opened in September 2002, and in April 2003, ESL purchased the Waratah Wildlife Park near Sydney.

### Rhetoric versus results

Financial difficulties, common with all kinds of corporations, individuals, and governments, are not an argument against private conservation. Indeed, ESL remains dramatic proof of the power of private conservation. ESL has emerged a leaner and more focused operation. By contrast,

public conservation is rarely driven by results. In the United States and Australia, where National Park budgets are determined politically, failure may even be encouraged. The more endangered a species or fragile a habitat, the more budget and staff can be justified.

ESL has dramatically raised the awareness of the plight of Australia's mammals and the threat posed by non-native species. Based on ESL's success, national parks and conservation areas, especially in Western Australia, have changed the way they operate their reserves. ESL inspired the creation of more private sanctuaries, most notably the Australian Wildlife Conservancy. And ESL has directly contributed to the removal of four species of mammals in Australia from the endangered list.

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Despite reorganisation, little has changed in ESL's approach. Proo Geddes still emphasises 'the importance of having a conservation entity based on outcomes rather than processes. It is clear to me that the best way to achieve this is through a business structure'.<sup>38</sup>

The conservation of threatened species is a noble and worthy goal. That is precisely why efforts in this field must be judged not by rhetoric or intentions but by results. Despite the rocky financial road, well-known English naturalist David Bellamy believes that ESL is 'the best thing that ever happened in conservation' because it has led the way for conservation organisations to actually get down to the business of saving species rather than simply talking about it.<sup>39</sup>

*Disclosure:* After meeting John Wamsley and Proo Geddes in the summer of 1998, the author bought 500 shares—the minimum investment at the time—of ESL stock on 30 November 1998. On 24 April 2003, that stock was trading at about \$0.21 for a total share value of \$105. All dividends, when they are paid, go directly to the ESL Foundation.