Introduction

Catchment Management Authorities (CMAs) in NSW have considered the issues paper Independent Price and Regulatory Tribunal Review into the development of a funding framework for Local Land Services NSW.

In our paper, A CMA Vision for Local Land Services, presented to the Local Land Services Stakeholder Reference Panel on 17 December 2013, CMAs supported a broad rate based levy being independently struck to fund services and on-ground investment that have a collective or quasi public benefit.

From our perspective, one of the key considerations when developing a rating framework is that LLS will be to be accountable for multiple income streams based on investor preferences. CMAs anticipate that LLS will receive funding from:

- A rate based levy for services that have a private, collective or quasi public benefit in rural, semi rural and urban settings.
- The NSW Government for NRM, biosecurity, food security and community resilience good in rural, semi rural and urban settings that deliver a public good.
- The Australian Government for their NRM, biosecurity and food security priorities.
- The private sector to assist them to meet their statutory obligations and “social licence to operate” obligations in relation to the above.

The NSW and Australian Government’s should continue to fund services and on ground work that have a mostly public benefit and assist to meet government priorities.

The LLS needs a legislated fee for service capacity to meet private needs in the short term, where legitimate market failure exists.

In addition to these general comments, CMAs offer the following specific commentary in response to the questions posed in the issues paper:
Response to specific questions

1. Do you agree with IPART’s proposed cost recovery principles? Are there other factors IPART should consider in developing its cost recovery principles?

CMAs are generally supportive of IPART’s proposed cost recovery principles. These principles should apply to the costs for all services that LLS provides, whether they are its own service offerings or those it is required to provide under agreement, regulation or legislation.

2. Should we use the cost recovery frameworks that we have identified from other jurisdictions? Are there other examples of cost recovery frameworks that we should consider?

CMAs consider the formation and configuration of Local Land Services to be significantly different from arrangements in other jurisdictions and therefore it requires a fresh approach to the rating frameworks. All comparable rating models have their own inherent strengths and weaknesses.

3. Do you agree with IPART’s approach which includes a series of stages and ‘key questions’? Can our suggested approach be improved?

In theory yes, however these stages and key questions may lead to transformational change in short term outcomes for key contributors or investors. It may be difficult or unpalatable for LLS Boards to move quickly to adopt this approach without a transition phase.

4. How should we identify the demand for the services provided? How should we identify the main party or parties that benefit from or contribute to the need for the services?

This needs careful consideration particularly around whether, in developing a rating framework, you continue to look at individual services or bundles of services. In service bundles, the contributors and beneficiaries will vary. CMAs are still considering the ramifications of this.

5. Should a sliding scale arrangement be used to apportion costs between parties using LLS services? If so, are the percentages used for the State/Commonwealth Plant and Animal deeds appropriate for use?

These sliding scales may be useful as a starting point. They have been developed largely to address management of exotic or emergency animal diseases. Whether they are relevant to
the management and control of endemic diseases, Natural Resource Management functions and Agricultural advice and extension functions needs to be considered.

6. Should a risk matrix approach be used to apportion costs between parties using LLS services? If so, what percentages would be appropriate to apply to the relative risks imposed by different stakeholders?

CMAs are still considering this question.

7. Can we assign weights (high, medium and low) to reflect the impact each party has in requiring the service be provided?

Theoretically yes but clear, undisputed metrics around these will be very difficult to identify and the subjective nature of decisions may leave the LLS Boards open to criticism.

8. Should IPART use the Stakeholder Reference Panel’s consultation outcomes to apportion costs shares for LLS services? Are there issues with this approach?

CMAs feel that many of LLS’ key stakeholders were not well represented at the consultation forums, particularly in coastal areas.

9. Should LLS boards be able to exercise discretion under the draft Cost Recovery Framework when determining cost shares between parties?

CMAs are still considering this question.

10. Do you agree with the approaches discussed by IPART to apportion cost shares? If not, why not? Can you suggest another way to determine efficient cost sharing that is transparent and practical?

As above, research will need to be undertaken to support the weightings. The model should be consistent, transparent and defensible.

12. Which rating base(s) should be adopted by LLS and why would this rating base be the best option?

CMAs are currently considering our earlier position in relation to the rating base. As a general principal, the rate base needs to encompass as broad a cross section of the LLS community as possible, to deliver services across all functional areas.
13. Which fee collection system(s) should be adopted by LLS and why should this fee collection system be adopted?

A fee collection system negotiated with Local Government on a fee for service basis would appear to be cost effective.

14. Should exemptions or reductions in charges be used as part of the cost recovery mechanism to provide incentives to reduce risks?

In theory yes to generate preferential management and practice change, however CMAs struggle to see whether the benefits would outweigh the cost of implementing and auditing the scheme in practice.

15. Are there lessons to be learned from the rating bases and fee collection mechanisms that are adopted in other jurisdictions?

LLSs must have the capacity to integrate the funds it receives from rates with those it receives from the Australian and NSW governments to deliver its broad suite of services. In future LLS may be able to use its rate funds to leverage additional funding from government, industry or local organisations for special purpose projects. Continued siloing of the investment streams will prevent LLS from reaching its full potential.

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