INDEPENDENT PRICING AND REGULATORY TRIBUNAL

REVIEW OF A RATING FRAMEWORK FOR LOCAL LAND SERVICES

PUBLIC FORUM

Tribunal Member and Forum Chairman

Mr James Cox, CEO

Members of the Secretariat

Mr Colin Reid, Mr Peter Leventis,
Mr Thomas Clay and Mr Alex Kelty

At the Quality Hotel Powerhouse Tamworth
Guy Kable Room
240a Armidale Road, New England Highway
Tamworth NSW 2340

On Tuesday, 18 June 2013 at
10.00am .18/06/2013  1

Transcript produced by Merrill Corporation
OPENING REMARKS

THE CHAIRMAN: Good morning, ladies and gentlemen. Could you take your seats and we will get underway. Thank you, everyone, for coming. I realise some of you have travelled quite some distance to be here and we appreciate that.

I would like to welcome you to this public forum, which is part of our review of the development of a funding framework for local land services in New South Wales.

My name is Jim Cox and I am the chief executive officer and full time member of Independent Pricing and Regulatory Tribunal of New South Wales (IPART). Assisting me today are members of the IPART secretariat - Colin Reid, who is on my right, Peter Leventis, who is on my left, and Thomas Clay and Alex Kelty.

We released an issues paper on 21 May which asked stakeholders for their views in response to the terms of reference issued by the Minister for Primary Industries. These terms of reference asked us to:

- Develop a framework that local land services boards can use to set service fees;
- Recommend the rating base - for example, stock carrying capacity, land area or land value - and an associated fee connections mechanism; and
- Develop an approach to ensure that local land services boards comply with what is recommended in the setting of service fees.

We will not determine actual service fees. The intention is that such fees may vary between regions to reflect local needs. However, it is proposed that they be calculated using a common approach which will be developed as part of this inquiry. Some services, as now, will be funded by government. Other services will be priced to recover part or all of their costs from landholders.

Our timetable for the review is as follows:

There was a public forum in Wagga on 14 June, one here in Tamworth today on 18 June, and there will be another one in Penrith on 8 July. We will submit our draft report to the government by the end of August. There will then be a roundtable in Sydney in September to discuss what is in the draft report, and we will provide a final report to the government by the end of November.

We have divided today’s forum into three sessions. The first session will introduce the matters on which we are asked to make recommendations. This session will also provide an opportunity for stakeholders to comment more generally on the services they currently receive from livestock health and pest authorities, DPI extension services and catchment management authorities and what they pay for their services.

The second session will be on the costs of LLS that should be recovered from individual landholders and the costs that should be borne by the broader community.

The third session will be on the rating base which should be adopted for the recovery of the costs, for example, notional stock carrying capacity, land value or land area.

For each of these sessions, a member of the IPART secretariat will provide a brief presentation that outlines the key issues that we see as important for making our recommendations. Then I will ask for comment from people in the audience. May I ask that each stakeholder restrict their comments to the relevant topic and we have a roving microphone available so that everyone to hear.

This forum is being transcribed, as you can see, so that IPART can have a record of what was said and to help us in our work and, of course, the record will be available to any member of the public through our website. To assist with the recording of the proceedings, please identify yourself and the organisation you represent, where relevant, before you start to speak.

In terms of housekeeping, we plan to break for lunch at 12.30 and we will have some light lunch available. We
We look forward to your contribution today. We are very much to listen to your points of view in this inquiry and would be interested in having a discussion with you.

First of all, for the introductory session, I will hand over to Colin Reid, who will introduce this topic.

SESSION 1 - INTRODUCTION

MR REID: Thanks very much, Jim.

As Jim has indicated, we have broken today down to three separate sessions. I will introduce the first session. Then Peter, sitting on Jim's left, will introduce session 2, "Deciding who pays", and that's looking at that break-up of who should pay between the government representing the broader community and the individual, and Thomas Clay will introduce session 3, which is essentially deciding on the rate base; that is the basis of paying, as Jim mentioned, the notional stock carrying capacity the livestock health and pest authorities currently use, the land area concept that was pushed by Richard Bull in his 2007 report, or land value, which is used currently for the Hunter CMA.

Obviously we have had the benefit of the outcomes of the earlier consultation by the stakeholder reference panel and, in particular, the outcomes of the workshop session that was run by Mick Keogh when he surveyed people's views on who benefited from the various services that will be combined under local land services.

The purpose of today's forum, as Jim has indicated, is first of all, to convey our interpretation of the terms of reference that we have been given, but, more importantly, to provide you with the opportunity to voice your views on what happens at the moment, what you believe should happen and how it can be ensured what is adopted will be complied with by the local land service boards in setting their service fees.

I suppose in that regard, an important matter for consideration is how tight this framework that we develop should be and how much discretion should be allowed to local land service boards in setting service fees. We will certainly be keen to get your views on that matter.

To set the context for this review, in late May, the government, as you are aware, introduced a bill into parliament for the formation of local land services and, at the same time, it released a number of fact sheets. What I have done here is extract some key points that were raised in those fact sheets to provide a context for our review.

First of all, the government indicated that local land services will be funded, as now, by a combination of sources, and they are, obviously, the Australian government, the New South Wales state government and local ratepayers. What they have indicated is that local ratepayers currently fund around one-third of the services that will be combined under local land services and they anticipate that that proportion will broadly continue. Obviously the final outcome of that will be dependent upon the funding framework that we recommend as well as decisions made by the local land service boards.

The government also indicated that it supported, in principle, the recommendation of the stakeholder reference panel - that is the panel that was chaired by John Keniry - to amend the current rating system to collect a flat fee from small properties ranging from 2 hectares to 10 hectares in size - as you know, there is a limitation, at the moment, of 10 hectares that applies - and, secondly, from those same properties to collect a biosecurity levy in recognition of the biosecurity risk they create.

The issue that has been raised as an example in that regard is when the horse flu hit, issues arose with people on small properties having horses and they were not contributing or were not paying anything towards the cost of that high security risk and controlling that risk.

The government has also indicated that local boards and ratepayers can decide to pay for additional new services. Obviously, in setting the charges for those services, they will need to comply with the framework that is adopted for setting fees more broadly.

At the same time as the government released these fact sheets, it also released an indicative funding source of funds sheet and what this indicated or what it showed was...
aggregate figures for the four years commencing 1 July 2014 and the various sources of funds that are anticipated will pay for the services to be offered by local land services.

The things I would emphasise about this table are, firstly, that the figures are aggregate for the four years - they are not annual figures - and that the government hopes to save around $5 million in administrative efficiencies in combining the various services that are provided by these different organisations at the moment, like the livestock health and pest authorities, the catchment management authorities and part of DPI. As I understand it, it is intended that those savings will be used to provide advisory and extension services.

Turning then to the terms of reference, given that context that has been set by the government - that is the terms of reference that we are to respond to - the first term of reference relates to developing an efficient and transparent cost recovery framework to be applied by local land service boards in setting service fees. In doing so, we are to assess the strengths and weaknesses of cost recovery frameworks used in other jurisdictions.

When we were down in Wagga, an issue was raised with us by someone who was close to the Victorian boarder, about the different schemes and regimes that apply between the states and an uneven playing field that may already be there or could arise in the future.

The second term of reference asks us to advise on an efficient rating base and an efficient fee collection mechanism, and the third term of reference is to develop an audit methodology for assessing the extent efficient cost recovery pricing is introduced. I emphasise that IPART is not setting the actual price of services but establishing the framework for which fees will be set.

Our review timetable is on the screen. We released the issues paper on 21 May. We will be receiving public submissions up to 2 July. We are holding regional workshops in June and July. We will release a draft report at the end of August. There will then be a public roundtable, in our offices in Sydney, around mid September. We will receive submissions on the draft report up to mid October before presenting a final report to government at the end of November and the government will then make a decision whether they accept our recommendations.

Turning to the specific terms of reference and looking at them in more detail, first of all, setting up a cost recovery framework, obviously, in doing that, firstly, you have to nominate the services that will be delivered. The way I presented it here is akin to the silos of what is currently provided by the three organisations - biosecurity, advisory/extension services, natural resource management, emergency services - recognising that the intention is to get rid of those silos with a new organisation and also recognising that, even at the moment, some of the services provided by one or more of the organisations cut across these various functions.

Having defined and nominated the services that are going to be delivered, the second thing to do then is determine the level of service with decisions obviously in part to be decided by the local land service boards. There are other aspects; for example, biosecurity one would think would be imposed centrally. Having decided the services and having decided the level of service to be provided, it is an issue, of course, of calculating the efficient cost of service delivery. Then there is the question determining which parties pay and how much, which is the main focus of Peter's session, the second session today.

That would have to all be reassessed, of course, in the light of available government funding and the outcomes of the financial positions of the local land services board.

One of the issues that some of the catchment management people have raised with us is the issue of duty of care that goes with being a landholder. There are certain responsibilities that go with being a landholder that would be expected to be provided over and above anything that local land services will be providing and the interaction between the two, of course, is quite an interesting issue.

The second part of our terms of reference is advising on an efficient charging base. The ones that have been nominated to us are: a fee for service, where there is a charge for an individual where the service that is being provided is captured entirely by that individual and, secondly, an industry levy. When we talk about an industry levy, and this caused a little bit of confusion in Wagga,
we are talking about a group of landholders that are somehow linked by some common feature, in other words, a charge that is administratively inefficient to put to an individual but may be recovered from a broader group of landholders.

The third possible basis is a more broadly based rate such as the notional stock carrying capacity currently imposed by livestock health and pest authorities; the land area, which Richard Bull suggested; and the other one, of course, is land value. These rates would be charged more broadly across the general rate base.

In looking at a rate base and making decisions there, the rate base would need to be linked to particular services. So there needs to be that relationship between the service being provided and the rate base.

The decision obviously when choosing your rate base is that it has to be simple to understand, it has to be transparent, verifiable. You have to look at the volatility and the associated implications. If you have a volatile rate base, you have to look at the implications for managing the local land services, and the administrative cost of maintaining the rate base and the charging mechanism.

Finally, there is the issue of legal constraints. People have raised with us the constitutional issues. There are certain charges that state bodies cannot impose. Obviously, we have to think through the legal/constitutional issues that may be relevant to the recommendations that we make.

The next part of the terms of reference is advising on an efficient fee collection mechanism. Once again, there is that relationship between the rate base and the fee collection mechanism. Some of the possible fee collection mechanisms that have been suggested so far are: to bill for individual service; a payment based on the annual return send out by the local land services, similar to what the LHPAs do at the moment; and another alternative would be local government rates. The example that is always given there is, of course, the Hunter CMA.

The last part of our terms of reference is to develop an audit methodology to assess the extent to which efficient cost recovery pricing is introduced; in other words, what checks and balances are required to ensure local land services comply with the efficient and transparent cost recovery framework that is recommended, that they adopt an efficient rating base and they implement an efficient fee collection mechanism.

Having in mind that we have separate sessions for how we should move forward, on who should pay, and what basis should service fees be set, I would now like to open up this session to general discussion. I have put up some discussion starters but you may have other matters you wish to raise.

I must say that, at the moment, the area we have least information on is the DPI's advisory and extension services and how they are funded at the moment, if there is any private funding of those and the extent of the private funding.

In addition, I would like to raise the example that was reported in the Hunter-Central Rivers CMA 2011-2012 annual report. It would appear to me from that example, which deals with eradicating feral dogs, that, in some ways, you have already gone through the process and that the framework has already been established to establish the funding for a particular project or activity.

In this particular case, the eradication of feral dogs, the CMA put in money from the Australian government Caring for the Country program of $70,000. The Livestock Health and Pest Authority put in $74,000, $25,000 was put in by National Parks, and $51,000 was collected from local landholders. Obviously, in coming up with those figures, you have gone through a process of establishing what the costs of the project will be. You have come up with, presumably, and developed the efficient costs of providing that service. You have then, somehow or other, apportioned the costs of the functions between various risk creators or beneficiaries, if you like, and the services provided there. So, in some ways, that program or that project captures what we have been asked to do on a much broader basis and it would be interesting to explore and see if people here can help us go through the process that you went through and the framework that was used in developing the funding for that particular activity.

.18/06/2013 8 LLS - TAMWORTH
Transcript produced by Merrill Corporation
Without further ado, I will hand back to Jim for general discussion, thank you.

THE CHAIRMAN: Thank you very much, Colin. There is now the opportunity for contributions by members sitting in the audience. If you would like to ask a question or make a statement, just indicate by raising your hand and we will get a mike to you, and please introduce yourself for the benefit of the transcript. So who would like to go first?

MR BRIAN TOMALIN: Brian Tomalin, I am a director of Namoi CMA and also New England LHPA. Just looking at the list of services to be delivered, it doesn't cover a lot of what either organisation currently does. I am thinking particularly with my LHPA hat on at the moment of the regulatory function and I'll talk about the old act rather than the new Bill because there are some changes. Under the Rural Lands Protection Act, the only function that livestock health and pest authorities have under that act is regulatory. The service functions that they provide are not backed by the legislation.

So what we have at the moment for the LHPA is a regulatory function or a regulatory system which is entirely paid for by landholders. Now, that does not fit into the service delivery areas that you are currently talking about and we need to really know or really consider how that regulatory function will be financed into the future. Will it still come out of the ratepayer? Will it come out of government? So that is one issue that is missing.

Other issues are natural resource management and biosecurity, and also our agricultural extension services. The public benefit of all those covers the whole community, not just the rural community or farmers. If we are not picking up the whole community, farmers will end up paying for a public benefit for the whole community. Unless we spread that rating base much wider, I could see farmers picking up a bigger cost than they are currently picking up. Part of what we should be trying to aim for in this is to try to reduce that rates burden on a small group of landholders who are paying for a wide public benefit.

THE CHAIRMAN: Thank you, Brian. Just for my benefit, can you tell us a bit more about the distinction between regulatory and service functions. My colleagues may be aware of this, but I am not sure I am.

MR TOMALIN: Sure. Currently, with pest animals - and there are only three of them, which are rabbits, pigs and wild dogs, and some insects like plague locusts - the landholders have a statutory obligation to control the pest on their property. What is currently done at the moment is that the LPHAs, and as you just mentioned through CMAs now, are contributing a lot of funding to landholders to control those pests.

What is not recognised in the legislation is that pest control, weed control, biosecurity, to some extent, is simply beyond the capability of any individual landholder. Pests, weeds, et cetera, are so mobile that if you put the statutory responsibility entirely on an individual landholder, he can't control that pest because it is much more widespread. That is where LHPA, the old RLPBs, have picked up that as something that really should be done, but, at the moment, until the new bill is introduced, there is no legislative backing for that service that we are currently providing.

THE CHAIRMAN: Thank you. Who would like to speak next?

MR CAMPBELL: Ron Campbell, I am a director of the Central North Livestock and Health Pest Authority. Also I am a landholder and a ratepayer. I have a query regarding the continuation of the wild dog funding. It has just been said by Brian that they are very mobile. We have had an attack down there where we lost 12 pregnant ewes and 25 were badly mauled some 300 metres from a residence.

The point I am making is that as they are mobile there needs to be a continuation of funding not only from the landowners but also from government and the wider community because, as this problem continues, it is not just localised to one area. It is a state-wide problem.

Some time ago, I, along with other members of the LHPA, instituted a campaign to try and get awareness of the dog problem and I got phone calls and signatures from almost all over the state. My concern is that we have an awareness of this problem, but we need to have it funded not only by the landowners. I accept that it is the responsibility of the landowner to control these pests on his property, but there is a wider problem because there is...
I had a call from a person at Scone - he is involved in the CMA - where the feral pigs have just caused so much damage, it has cost thousands of dollars. He said, "This corridor that we made for natural habitat is just becoming a place where these feral animals are propagating." I think we need to address that issue and I would like to suggest that in our submissions we continue on that vein. It is a very serious problem.

You asked for some clarification, Jim, on the example you gave - the framework we use. It was a combination of funding. The CMA was putting Australian government funding into it for the biodiversity and adjacent to the World Heritage area of control. The landholders were putting funding into it from the duty of care and productivity gains. Livestock health and pest authorities were putting money from the productivity gains, but we were getting a biodiversity outcome from that as well in terms of improved habitat.

I might also add that because it was in the area of the Upper Hunter, it would have had Hunter catchment contributions, which is our rate-paying base from landholders. I would be happy to answer questions in the break if you need more detail.

Mr Reid: Thanks for that, Fiona. What I would like to explore a bit further with you is how you decided on the benefit. Then they would go forward with programs that would benefit from.

Mr Reid: Thank you.

Ms Jess Brown: Jess Brown, from the CMA. To follow on from Fiona Marshall, in the conversation we have been having about some of these key questions, it is very clear that all of the organisations coming into local land services are already managing the public/private benefit dilemma in their own way to try and get the maximum from their investment.

DPI, as I understand it, with the agricultural services, through some short conversations I have had, does that right up-front. They do their assessment early and then they don't offer services that are purely a private benefit or they would look to work more with the industry groups and have the industry groups share much more of the cost burden of something that was substantially private benefit. Then they would go forward with programs that they have internally assessed through robust mechanisms they have in house that are more in the public vein.

CMAs, for example, probably pull in about $2.50 for every dollar of New South Wales government money that we invest, and that is through a range of mechanisms, but mostly either market-based instrument methods or methods where you would look at an individual project basis as to the public/private benefit split through a transparent methodology. LHPAs have similar investment processes, I guess they assess what they should invest on behalf of their ratepayers and what they can also collect from CMAs or directly from government funding programs for their work.

such a lot of country now locked up in national parks and there is very much a move to make corridors that extend from one point of the state to the other.

We use a market-based process. We go out to the market explaining, I guess, and targeting specific actions. So we were looking for biodiversity benefits around the World Heritage area. It is up to the market then to put bids into us. They do that through a process of negotiation. What we generally do is we identify all the benefits. We use a scoring system to identify all those different benefits, and that helps determine the tender or the bid amount that they put in. We don't advise them what bid amount to put in. They do that themselves, but, in this case, all the parties sat around the table before they put that bid in to work out what services each would benefit from.
The point I am trying to make is that, through local land services, there is obviously the opportunity, if you look at it as an investor preference model, that you look at a total project and then, from your internal budget and your internal investor preferences, you look at which streams of funding pay what for an integrated project outcome.

For example, in the Hunter-Central Rivers model, you have a private benefit and if you have a ratepayer stream in an organisation, then there is obviously some money that can come from that stream. If there are biodiversity outcomes, Australian government outcomes, that can be delivered by a project, then you can draw on that investment stream into an integrated project.

So there are obviously big opportunities from a project investment perspective and there are already a lot of good examples in all three organisations about how that can be managed in an investor preference model in one organisation.

MR REID: To the extent that that is documented or there are examples that you could give us, I think that would greatly assist what we come up with.

MS BROWN: For example, one that I have a bit of experience in is with Caring for our Country funding in the Macquarie Marshes. This project was funded by Caring for our Country in the initial phase for a lot of pest animal management, but also then contributed to by the Livestock Health and Pest Authority, both from their own money and also being contracted through the project. There was Catchment Action NSW funding for wetland management and weed management and ground cover management and other catchment action.

That is a specific example of a million dollar project over a number of years with three funding streams already embedded in that project, so that is there.

THE CHAIRMAN: Thank you. Who is next?

MR DAVID GOWING: David Gowing, I am chair of the Wallamore Road Landcare and a director of the Central North LHPA. The chair of this meeting did ask a question about regulatory powers of LHPAs and I wondered if it was fully explained. I would like to add a couple of comments about that.

THE CHAIRMAN: Thank you.

MR GOWING: The regulatory powers are used, say, in the case of footrot, when a landholder has footrot in his sheep, then every assistance is given to him to enable him to clean up the disease, but the regulatory powers come in when either the producer signs a voluntary quarantine or, failing that, is put into public quarantine, or in the case of pest animals when a ranger finds there are pest animals on a producer’s property, then the ranger will advise the producer on how to deal with the problem.

If, after time, the problem is not dealt with, then the regulatory powers will come in and form 17s and such like things will be introduced and in the final upshot could be caught, but that is pretty rare. I hope that’s added to the considerations.

THE CHAIRMAN: So it is sort of help before the big sting?

MR GOWING: Yes. The idea of the LHPA system is you help the landholder to overcome the problem. If that fails to happen, then the thing is dealt with under regulation. And there are other regulatory powers that operate in saleyards and such things, but that just gives you a quick rundown.

THE CHAIRMAN: Yes, thank you very much.

MR IAN FREESTONE: My name is Ian Freestone. I am a ratepayer and a landowner. What I will say may be a little disjointed but I have made a few notes.

I am concerned, first of all, about the representation here today to give the feedback to you people. I think there is most probably a lot of local government people and that here and it doesn’t seem to me that there is a hell of a lot of genuine primary producers.

With the LHPA, it was only two or three years ago that there was a name change and all the rates were increased for people on the land anyway to do with stock carrying, et cetera.
A comment was made by Mr Tomalin to do with it being
generalised and that it hit everyone across the community
with helping to pay the cost for the control of feral animals,
et cetera. I don't agree with that. I think that people
who are ratepayers in cities have enough burdens now with
their councils and with increased rating and so on. For
instance, with the last rate increase with the Tamworth
Regional Council - and I put in a submission to IPART -
where the proposed rate was reduced 6 per cent, it still
ended up close to 15 per cent, which is equivalent to five
years CPI.

With regard to these organisations, you can merge
them, you can do whatever you like with them, and it is
most probably a good idea, but in the 27 years that I have
actually owned property, I have never ever seen a weeds
inspector or anything like that.

I would also like to say that a lot of people out
there who are on the land are not particularly impressed
with the word "authority" - for instance, "catchment
management authority".

The other thing is that it would be nice when we get a
notice from these organisations - for instance, the LHPA -
to receive a P&L and a balance sheet to give landowners
some idea of how we are travelling, who is doing the
funding and which organisations are getting the cream off
the top.

With this new merger, I really sort of see that
with most people out there, because it's their prime
investment - the land is their prime investment - they are
not going to, on purpose, let it go downhill. I would more
like to see a situation where there is minimal cost to the
people on the land - because they are paying enough now in
taxes with every other thing that is going on - a user pays
situation where, if they want the services or the advice
from a particular section of this organisation, there is a
rate established, rather than sort of expecting everyone to
carry the costs of someone that gets very involved. That's
about all.

Obviously these services have to be provided and paid
for by someone. No-one likes paying, but I think what we
are trying to do is find some reasonable, equitable and
realistic basis for the charge for the services that will be
sustainable going forward. That is what we are trying to
do here. Thank you.

MR MALCOLM ROTH: Malcolm Roth, from Mudgee, chairman
of the Central North Livestock Health and Pest Authority, and
I am involved in other primary industry organisations.

I am very concerned how any overlapping of different
services will be administered. I have been involved with
the system since 1982 going back to the PP board. Every
time you bring in another service, generally, you have to
put another girl in the office and the administration of
these services should be a concern to everyone in this
room.

UNIDENTIFIED SPEAKER FROM THE FLOOR: Hear, hear.

MR ROTH: I feel there is scope for the LLS at the end of
the day, but let's get it right from the start because
there has to be a lot of work to be done and we know that.
I know the amount of the meetings that I have attended and
I have only been attending a few because of other
commitments.

Believe you me, the question is: who will pay at
the end of the day for the administration of all these
services - that is what you people are here for obviously -
and how it will be gazetted and what will be in the final
bill that will be passed by parliament.

The emergency services, I would like to speak on that,
and we can go back to when we got the horse flu outbreak.
On our books in the Mudgee-Merriwa area, there were
something like 10,000 horses, but it was discovered that we
had over double that number. We put every bit of financial
applications towards getting rid of that flu outbreak. A
lot of people did suffer because of it, but we won it then.
When you get an emergency like that, you suddenly realise
how extensive it is and how big it is to the community.
Not only does the man on the land or the small farmer
suffer, but people in the town suffer too.
I think I support the IPART inquiry. Yes, it is an inquiry, really because, at the end of the day you will put a submission in to the minister, and I think we just have to get it right. Thank you.

THE CHAIRMAN: Thank you very much. Who would like to go next?

MR STEVE EASTWOOD: Hi, my name is Steve Eastwood. I am the senior district vet with the New England LHPA. I am interested in the second statement there where you talk about the gaps - "Are there any gaps in what we propose?"

With the current funding arrangements with respect to biosecurity, when we talk about biosecurity with LLS, we are looking at animal biosecurity, plant biosecurity and pest animal control. The LHPA currently delivers animal biosecurity and pest animal control.

I am not sure of your back-grounding, but currently none of the organisations deliver plant biosecurity. As it stands, that is unfunded. So until we actually have a clearer direction of what is expected of us with plant biosecurity, it will be difficult to understand who the beneficiaries or the risk creators are and how big the job will actually be.

THE CHAIRMAN: Steve, can you give us an example of what plant biosecurity would involve and what happens at the moment?

MR EASTWOOD: I can't tell you what happens at the moment because we don't actually deliver it. My understanding is that it will not involve weeds. What it will involve is potentially diseases in crops. I don't know whether that will include regulation, but there will obviously be surveillance tracing and similar stuff to what is delivered with our animal biosecurity. We have the staff, we have the knowledge to deliver the animal stuff; however, as it stands we don't have it for the plant biosecurity side. It really depends on what the expectations are and we have not been told. Maybe higher up they have a better understanding of what is expected and you would need to talk to them.

MR REID: Thanks, Steve. This is an issue that was also raised in Wagga. There seemed to be lack of clarity there as well. An indication was given that those services are currently delivered by DPI, but I am unsure of that. We are meeting with DPI at the end of this week. Obviously, we will explore that with them, but, if anyone here can elaborate or give us some more information on that, we would be most interested.

MS CAROLYN RAINE: I am Carolyn Raine, from DPI. Yes, those services are delivered by both Biosecurity NSW and Agriculture NSW for the DPI. Some of those services were delivered by the agriculture advisory and extension staff in partnership with the DPI staff, so at this stage, that will be the extent of the role of LLS until that is further developed with LLS itself.

MR ARCHIE CAMERON: Archie Cameron, member of the NSW Farmers Association, executive councillor for Region 2, which covers the Northern Tablelands. We are concerned that the balance of costs be shared as it should be. At the moment, the suggestion is one-third to landholders in the very broad scheme of things. Taking the LHAPAs, which at this stage will be the last group merged into the LLS, it is unclear in some ways, but there are basic charges and also extra charges specified, like insect levies and animal health levies, and also there is talk of charges for intensive industries in special cases.

Working on that as well, when it comes to biosecurity you have the question of the national good, which involves endemic diseases and also exotic diseases. That comes under the Department of Agriculture in part and AHA, which is Animal Health Australia. If we get an exotic disease outbreak, there are certain protocols that are then enforced and it is almost martial law as far as lockdown is concerned.

Where we are concerned is that we are paying a certain amount now. The state and federal governments contribute to the CMAs and the state government to the Department of Agriculture extension services. The situation is unclear. The federal budget has just been handed down and the state government budget will come today, so we will find out what money will be made available this coming year. However, our concern is very much that, in the future, we don't want to see governments and instrumentalities walking away from the costs and then expecting us to pick up the tab. If, in their wisdom, they
decide not to fund things, then, from our point of view, much as these are desirable effects, we don't consider that we should pick up the entire tab for that.

There was talk about weeds. At the moment, the DPI has oversight but local government associations actually have weeds inspectors. Unlike the gentleman here, I have had weeds inspectors and I know in my area, which is Glen Innes area, they do come round and conduct inspections, either by aerial means or visiting, to discuss things to do with weeds. We have quite a number. African lovegrass, nodding thistle and Chilean needle grass are three very prominent weeds which really started in Victoria and spread at least into the Northern Tablelands. Unfortunately we didn't learn - they started down in the south very early and then they found out further north, 'Yes, they have got some', but they didn't pass on information and we have lost a lot of time in trying to get to grips with the situation.

Talking about wild dogs, there are wild dog associations. There has been quite a bit of money provided from a variety of sources including Meat and Livestock Australia, Australian Wool Innovation, governments and others. It is an ongoing thing.

In this northern region, things did start to be done better in the mid-1960s where they got groups together to look at the problem. Throughout Australia in the eastern parts, wild dogs have grown almost exponentially, but I would venture to say that, in the Northern Tablelands, because of our reasonably regular climate and happenings, our numbers have not varied a lot. There is a Pest Animal CRC that has done a lot of work in this and we need to keep work ongoing.

In some cases, as has been mentioned, there are special charges at times. One case in point where a local LHPA operates - it should be in the LLS, but our boundaries for the north will be the same as presently - OJD does not manifest itself here and by due diligence we have kept it out, but there can be a specialist charge against us landholders to help ameliorate the problem.

THE CHAIRMAN: Thank you.

MR RON CAMPBELL: Ron Campbell, director of the Central North Livestock Health and Pest Authority. I reside at Merriwa. I would like to ask a question. At the present time in the Hunter Valley, the Upper Hunter shire, the Singleton and Muswellbrook shires form a county council. They have three weeds officers who come around and inspect farms. Will that continue? I understood it was going to be absorbed into the new LLS. If so, once again, who will fund those inspections and controls?

MR REID: I can't answer that specific question. I don't know whether Carolyn or someone else can.

UNIDENTIFIED SPEAKER FROM THE FLOOR: Weeds remain with local government, for the moment.

MR REID: I think the answer is that weeds will remain with local government at the moment.

MR PETER SCOTT: My name is Peter Scott. I am just a citizen. I don't officially represent anyone, but I have lived in the area all my life, and my family before me, just south of here.

The question I have about the weeds relates to the distinction between declared noxious weeds and the rest of the weeds that are recognised as very invasive but not actually declared. The problem arises in funding the work that needs to be done in education through the Department of Agriculture or Primary Industries, whichever it is called, with the distinction between a regulated declared noxious weed and the rest of the weeds. Who will pick up the funding?

Increasingly, over the last number of years, the CMAs have picked up and offered money for projects on many of these other weeds in specific areas. That is not to say that that should not be done, but quite often the work that is expected of the local government is at the expense of the noxious weeds that are out there and endemic in a lot of the areas. What is happening is, increasingly, the call is to take some of these other weeds off the noxious weeds list, forget about them and take on some of these other projects. The problem is that a lot of the work is not funded sufficiently and the regulation work of explaining to landowners is slipping by the bye.

My point is: please ensure that there are sufficient funds there to take care of and inquire into the damage.
that weeds are well recognised as doing.

I have another point, while I am on my feet, if I might. I am very supportive of broadening the base of the collection of the funding. There are two reasons that I can think of. Noxious weeds as such are all recognised - I think it is 98 per cent, 99 per cent - are garden escapees, so any one of our forebears is or was responsible for the garden escapees - whether it was just a small household or a property that allowed things to go. It could be someone who owned a horse or someone who owned a fruit tree in their backyard. In that case the flying foxes can come in there and spread it further to a bigger property or a smaller property.

I ask that all properties be recognised as a potential source of a problem and obviously as a potential benefactor from any work that is done. Thank you

THE CHAIRMAN: Thank you, Peter.

MS JANE COADY: Hello, I am Jane Coady, and I am the president of the Tamworth Regional Landcare Association. I concur with what you are saying. It does worry me greatly that education is not in that list. I can see that possibly it will come in with advisory and extension, but you need to educate the whole community. You don't just go out and talk to one landholder. There needs to be a lot more community involvement in this. I don't think it is fair on individual landholders to be paying one-third of what should be a whole community project or educational venture. Thank you

THE CHAIRMAN: Thank you.

MR JIM SWALES: Thank you, Mr Chairman. I am Jim Swales. I am a director of the Northern Tablelands LHPA, the New England LHPA - I am not too sure what we will be called now.

To go back to your original discussion points and how the current funding arrangements relate to the services, with the advisory and extension services, the officers who were formally part of DPI now will come over to the LLS. Currently, and for the next four years, there is a budget to pay for those from state revenue, but there are additional advisory and extension services delivered by LHPAs on a number of matters at the moment where our staff have the capacity to do that, and the same applies to CMAs particularly with respect to natural resource management.

With respect to biosecurity, and I might be telling you what you already know, but I thought it would be better to go through it --

THE CHAIRMAN: Tell us anyway.

MR SWALES: The DPI has the overall regulatory role and there are a considerable number of staff members within DPI, although they have been drastically reduced since the cuts to that organisation, with respect to biosecurity. They control, to a large extent, the Australian ability to produce safe food, to access markets and that sort of thing, but the surveillance for that is carried out essentially by staff of LHPAs so that they can report back to the DPI to know what is happening. They have also a major role in the regulation of some pest control, as has already been discussed.

With regard to natural resource management, essentially the funding that comes from the CMAs at the moment is public funding, although they have a number of, as I understand it, programs where individual landholders who benefit also contribute towards the cost of that benefit. There would be a number of examples. The obvious one, I guess, would be the water course management with respect to pigs in the western areas and also the elimination of harmful trees, willows and the like, along water courses where the landholder has to make a contribution towards the cost of that remediation.

The landholders themselves contribute, in almost all instances, to a large part of natural resource management just as part of their natural activity of running livestock or growing crops or whatever it might be.

With respect to emergencies, the major ones are already funded by the DPI, but the DPI always use the staff of the LHPAs, because they don't have enough frontline staff to manage any of those. LHPA staff go out and eliminate poultry where there may be an outbreak of avian influenza, or something like that. In a number of issues, sometimes there is a contribution by DPI towards the cost of those staff members; sometimes there isn't.
I have covered those things briefly, but the other thing that I think is important is that the government has flagged its intention to include those 2 to 10 hectare landholders who currently don't pay rates, but certainly create risks with respect to feral animals and with respect to weeds and that sort of thing.

During the last couple of years, the Policy Council of the LHPA developed a rating mechanism, which I think you have, which will be effective in providing some funding as a contribution towards the cost of managing those problems. I believe that this is something that should be seriously looked at. It might be a bit tricky getting down to 2 hectares, but certainly down to 4 hectares would be fairly reasonable. I think, because they are risk creators, they should have a direct cost.

Of course, the other thing that I would agree with, and it has already been spoken about, is that there is a very considerable element of public benefit in all of the activities of the organisations that will go into LLS and the government must continue to contribute to that in a very considerable way to recognise that public benefit.

Thank you.

THE CHAIRMAN: Thank you very much, Jim. Are there any further comments?

MR LAWRIE DONOGHUE: My name is Lawrie Donaghue. I come from Dubbo. I chair the State Policy Council for the LHPA. Much has been made by the government announcement on the LLS that they will be contributing two-thirds of the governance - state and federal contribute two-thirds of the funding. I am yet to find a politician or a bureaucrat who will guarantee me that. We have heard lovely glossy statements, but the cynic in me tells me, with budgetary restrictions both federal and state, that money will diminish, so it will become more and more a user pays organisation. Therefore, I would consider it essential that we spread the rating base as widely as we can; otherwise those ratepayers who are left carrying the can will find it prohibitive and the services will diminish because there will be no funds to fund them. Thank you.

THE CHAIRMAN: Thank you, Lawrie. Yes, Brian.

MS BROWN: An issue that we would like to flag now, and it might be more relevant to the next session, is balancing the needs of the regional organisations versus the state organisation as a whole and managing the issues around risk creators and beneficiaries being potentially not within the area of the local land service. So from a biosecurity perspective and an NRM perspective, people in a local land service both create risk elsewhere and benefit from the management elsewhere.

Moving from two organisations out of the three that are currently their own regional statutory authorities into a state entity model does have some risks but also opens up opportunities for looking at funding the organisation, raising the rates and funding at a state level, and how you then talk to ratepayers about the fact that you are spending a rate collected in X location in Y location.
I guess we need to explore that further when we talk about who should pay and how it is collected.

THE CHAIRMAN: Thank you, Jess.

MR BILL O’HALLORAN: Bill O’Halloran, New England Livestock Health and Pest Authority director. You had a question up there on the screen about the current funding arrangements for services delivered through DPI advisory and extension. That was my history up to a few years ago. At that point, the great majority of that came from consolidated revenue recurrent funding for the extension group, but there were some charges to users for things like field days, workshops and so on. There was a certain amount of industry funding - I can’t say how much - that was attracted by those advisory staff as well because some of them were not just doing advisory work, they were doing on-farm research as well. Therefore, there was a considerable amount of that sort of funding as well.

THE CHAIRMAN: Can you comment on whether these are services which, by their nature, have to be funded by government or is there scope for individuals to pay for them as a whole and, to a certain extent, to communities as a whole. The other aspect of that is that one of the things that extension staff - advisory staff or whatever you want to call them - do is that they will go to very efficient producers, look at the sorts of things that they do and then basically extend that information to others. So it is a give and take thing. I don’t think that it would be advisable ever to simply have a charge on all of that service, otherwise, I think it would probably disappear and the benefits that come to the community and to industries would go with it.

It is a very small part when you think of the total cost of the new organisation - $5 million, or whatever it is - and it will be a very important component to actually get right. To be frank, I think it has been handled very badly. In moving that group across to LLS, we have lost a lost of very experienced older staff who have had to go elsewhere because of pay structures and one thing and another. That is an unfortunate start. I think charging for that group as a particular group would make that a lot worse, in the short term at least, anyway.

THE CHAIRMAN: Thank you. I want to move on soon to who should pay, but are there any final comments on this session before we go. We will take two more speakers and then we will move on to the next session. So John?

MR JOHN MADDEN: John Madden from Arche Consulting. I am working with the LHPA.

THE CHAIRMAN: Yes, and not for us, you mean.

MR MADDEN: I have a couple of comments - they maybe be discussed later in some more detail - and they relate to one of the key issues with the terms of reference that has been discussed. I wish to say a little bit about what the application of the cost recovery framework would actually mean without a strategic context - we have the example of advisory staff, and the cost recovery framework is, I guess set in stone. That will have ramifications five or ten years down the track in where that will end up. You can see a trajectory. It will be said, “People are not using that”, so it will slowly erode away and then suddenly it is lost.

Without strategic planning and the articulation of goals, it is a bit hard to be very prescriptive with the cost allocation framework. So that is a note to be thinking about integrating the two. I think that is missing a little bit at the moment - just the staging of this process.

The other thing is more of a question, and maybe this will come up later, about the checks and balances for efficient cost pricing. Again we are looking at cost allocation on a budget, which is an example, and the budget is set. It is a bit unsure, and I have not seen too much in there, about where the efficient assessment comes. There is a driver in a private organisation, pretty much with the LHPA, where you have a low overhead. You have to test this, but the anecdotal evidence is that you have a low overhead, and so on, and you have ratepayers and you have a direct stake in that, and maybe a more vocal stake in that, in driving that efficiency over time.
I wonder with this organisation, and it is a bit unclear with the state of planning, what are the drivers of efficiency over time. You talk about an audit in the process, but I wonder, in the planning phase as well, who has a role in assessing what is an efficient cost structure for this entity as it starts out as opposed to an audit just of the actual cost allocation framework? Maybe that will be dealt with later on in the day, but I am just wondering if you have any thoughts on that.

MR REID: Thanks, John. In relation to the efficient cost question, it is not explicit, as you know, in the terms of reference. Obviously the local land service board will have some role in driving efficiency. We have already talked about people relying upon or going to the market for services, and that is one source of efficiency for that—

THE CHAIRMAN: Thank you. I would like now to move on to the second session which is on deciding who should pay and I'll ask Peter Leventis to make the presentation.

SESSION 2 - WHO SHOULD PAY?

MR LEVENTIS: Thank you, Jim.

The terms of reference asked IPART to develop a cost recovery framework. In our issues paper, we provided some preliminary thoughts on issues to consider when developing a funding framework. Our aim is to be informed by stakeholders on an efficient and transparent framework and, if impediments might exist in applying the framework.

We should note that work has already been undertaken by the stakeholder reference panel with its own research through Michael Keogh which asked stakeholders on their views on who benefited from proposed LLS services. This consultation effort and stakeholders views we receive in our workshops and from our reports will assist us to develop an efficient and transparent funding framework. The words 'efficient and transparent' will be repeated a few times because it is the key element of this; it is the key term of reference for this part of the review.

We are seeking stakeholder thoughts on what principles are appropriate to consider when developing a funding framework. The principles will help to us assess whether any particular funding framework works better than another. The framework in general seeks to link the provision of the service to the appropriate funding options.

Given our research so far, it appears that funding frameworks use key questions to elicit required information to allow for a consistent approach to funding government functions. Broadly we have identified three questions as being important. These are:

The reason for government intervention - what is the market failure that these services are trying to address; Which particular driver of the service is important, either to reduce risk or provide a service; and Whether particular individuals or groups exist that should be charged - therefore, the cost-sharing arrangements.

IPART's proposed principles were developed based on preliminary research which included the Commonwealth Department of Finance guidelines, which followed on from a Productivity Commission review, and guidelines developed by the OECD. This session considers issued relating to the first principle - who should be charged for government-provided services?

The principles we have identified may conflict, in particular the first three principles, where what is economically efficient may not be efficient to administer and a charging approach that is efficient would need to be within the powers of the state government to legislate.
The need for transparency ensures that all relevant parties have a say in how a service is delivered and should it be provided. Further it is also important to create a framework that is usable which may conflict with strict adherence to theory.

We developed a four-stage process to link demand for a service to an appropriate funding option. This session is aimed at stages 1 and 2, which uses the key questions approach to identify who should pay. It is important to understand that local land services boards must be able to consistently apply the funding framework; therefore, we have split the task into stages and, in particular, four stages as shown on this slide and the next slide.

It would be helpful to know if this approach is useful because it will assist us to develop an efficient and transparent framework that is also usable by each local land services board.

Following on from the previous stages, the funding framework would seek to identify funding options available and how they link to the service provided. IPART’s second principle, administrative efficiency, is important here as administratively inefficient funding option could potentially outweigh the benefit from charging for the service. The next session will discuss issues surrounding charging for services.

In general, our issues paper attempts to highlight the key relationship between the provision of a service and what drives that. Economic efficiency requires that all possible costs be internalised by those parties involved in an activity. Where these costs cannot be internalised, the market finds it difficult to adequately provide a service at a level that benefits society. Here we are interested in understanding which cost recovery strategies should be applied in the funding framework so that the parties who create the need for the service or will benefit from its provision are on efficiency grounds and equity charged for its provision where possible.

We found that the literature identified certain cost recovery strategies that would allow for specific parties to be identified as the drivers of the service. These include; risk creators, those who create the need for the service, for example, a polluter; beneficiaries, either from the prevention or elimination of risk or from the provision of information services; and the taxpayer, represented here by the government.

Our research so far has shown that a key questions approach is useful to elicit the information that will help to determine the reason for a service and hence who and to what extent should the identified party contribute towards its provision. What our key questions approach is seeking to do is assist the user of the framework to understand why the service is being provided; that is, which failure of the market may warrant government intervention. Also, and importantly, it is seeking to understand which cost recovery strategy is appropriate considering the market failure the service is trying to address. We identified a risk creator/beneficiary/taxpayer hierarchy which appears to be used in many jurisdictions in Australia to efficiently allocate costs.

This hierarchy raises some interesting issues, for example, the sufficiency principle, which influences how costs are allocated. That is, where it is possible that an identifiable party or group should be charged and the benefits to private individuals or industry outweigh the costs of the service, then any additional benefits derived by third parties are irrelevant - so it is a concept that exists out there.

Further, is it possible to charge risk creators or beneficiaries efficiently at all and hence the role of the government as a funder of last resort should it wish to proceed? Once the reason for the service has been investigated thoroughly and the appropriate cost recovery approach identified, then the question remains as to which parties should be classified as risk creators or beneficiaries. It should be noted it that it may be possible to be both a risk creator and a beneficiary.

To ensure all the potential parties in an LLS area are considered appropriately we have split parties for charging into three broad categories:

- Landholders, which include individuals on contiguous landholdings for any purpose;
- Industry, to account for commercial users of landholdings, that is a group or a collection of landholders producing the same commodity, for example cattle, sheep, grapes or wheat;
The community, which would either be the community within the LLS area or more broadly refer to all people in New South Wales.

Each of those categories can be desegregated further to specifically identify, if possible, who creates the need for the service or is deriving a benefit from its provision.

We also developed a set of mechanical approaches to apportion cost shares. Where it is considered appropriate, the one party should not bear the entire cost of the service, it would be useful to have an approach that transparently allows for shares to be allocated.

Presently two general agreements exist between government and non-government stakeholders for emergency biosecurity. We augmented the sliding scale approach used for the so-called plants and animal deeds to allow for landholders to be included. However, what we are attempting to show is a possible approach should such a circumstance arise, not that in all circumstances should this or any other cost sharing approach be applied.

Our issues paper also discussed other approaches of various degrees of complexity to share costs. There may be other approaches to sharing costs and we would be interested to know what they may be.

This side shows how the approach in the previous slide will finally distribute costs across multiple parties. Again I stress that it does not mean that this approach should be used; rather if it is considered appropriate that more than one party should contribute to the cost of a service, that some arrangement is necessary to transparently share costs.

In this session we are seeking stakeholder thoughts on what is an appropriate funding framework to decide who pays. Before a framework can be developed, it is important that we apply the correct principles to assess alternatives. The framework is a tool that should allow for consistent application across the various services provided by each LHPA. However, the outcomes may vary given the circumstances in each area.

It may or may not be obvious which services exist because of risk creators or beneficiaries or whether component parts of the service may be due to a risk creator or beneficiary. Here stakeholder views will assist us to understand what issues a funding framework must take into account. Therefore, we are seeking stakeholder views on what the appropriate contribution is for a service or a group of services by the parties we have identified - landholders, industry and the community. Your thoughts on these issues and any other framework-related issue will assist IPART to develop an efficient and transparent funding framework as per our requirement within the terms of reference. Thank you.

We will now take questions, contributions, comments from people of the audience. Who would like to go first?

MR ROTH: I have a question related to when you get to the second party - it won't be the second party where we have the DPI involved. I am just going back to the horse flu outbreak. When you got another party - I know you set up the framework to get the moneys in and obviously we are using government agencies - who will determine who pays what? Will there be a committee? I should probably not be asking this question at the moment. It probably would go back to the board of the particular division, but, to me, it will make it very difficult to ascertain who will pay what when you have different agencies within that framework.

THE CHAIRMAN: As I understand it, it will be the job of the boards of the local land services agencies to determine ultimately who pays for what, using the framework and the methodology that we are developing in this review.

MR LEVENTIS: Yes, that's correct.

MR ROTH: I thought it would be.

MR FREESTONE: I wish to make a very quick comment, as a community member in Tamworth for over 40 years, I have seen a lot of mergers, ultimatums and takeovers. All I have seen as a result of a lot of them is further costs to the end user. That is the reason why I suggested that you should be looking more at user pays on a lot of these issues. That is just something to take into consideration.
As you get older, you get very cynical, I think, and the proof is out there that this is an actuality. It is what happens; there are just more and more costs and less benefit in a lot of instances. Thank you.

MR LEVENTIS: To somewhat respond to that, the next session will discuss various charging approaches that can be used. If you can conceive a service that is a direct provision to an individual landholder, then it would seem reasonable that a fee for service would apply. This framework does not exclude individuals being charged for services that they seek. If there is a collection of users, they would also be receiving services. I guess the idea of the framework is to provide a signal to them of what the value of that service is and whether they wish to proceed. I think that signal should be for all identifiable parties.

THE CHAIRMAN: To add to that, there was some discussion in the previous session about efficient costs. Obviously we are concerned that costs should not be more than needed to provide the services that the community wants to see provided.

MR LEVENTIS: I can extend on that discussion for John. Biosecurity NSW released its strategy recently. One of the appendices was its framework on how to work through the impactors, beneficiaries - so a cost recovery framework. A part of that framework was how you decide costs. There are certain strategies that the Productivity Commission came up with years ago which have been adopted by general government, commonwealth and state. Depending on whether the service has a regulatory function or non-regulatory function, you use either fully distributed costs, marginal costs, avoidable costs. That is made up of - right now, I can't remember all of it - capital, overheads, labour. Depending on which cost you are looking at, whether it is marginal costs or fully distributed costs, it tells you what should be included in there. However, systems would need to be in place to determine what you are actually spending and where the cost lines are.

MR DONOGHUE: I see a risk here. Under the present regime, the DPI - or the Department of Agriculture, whichever name you are using at the time - provides agronomy advice to landholders at government expense. Those agronomists are considered to be impartial and independent, whereas a lot of agronomy advice is provided by agribusiness, where you have sales agronomists running around. No doubt some of them are very good and are widely used, but they cannot be considered to be truly independent in their advice because they have sales to make.

If it becomes user pays in the LLS for this agronomy advice, obviously ratepayers will not see the need for that advice because they will be receiving it from their agribusiness adviser. Now, that is a free of charge service, but they buy the products from them. The risk is we will lose our independence and we will not have truly independent agronomy advice, which hitherto has been provided by the government. Thank you.

MR LEVENTIS: I will make a quick response. That issue has been raised in stakeholder visits that we undertook with landholders around Bathurst. The LHPA people in the area took us to visit some farmers. They did raise the issue that they do value the independence of agronomists, but they do also understand that other people have shifted across and used the private agronomists.

I guess the idea that has to be tested then is what value do these publicly provided agronomists - not necessarily publicly funded but publicly provided - provide and then who is the appropriate group or individuals for whom that is their service? That is a question that has to be answered.

MR DONOGHUE: Therefore, it is a straight-out cost shift from the government to the rate-paying community.

THE CHAIRMAN: I would say not necessarily. I think we did have some prior discussion that some of the benefits of the service may be enjoyed by the farming community as a whole, in which case I would have thought some introduction of user pays is appropriate perhaps with some sort of cost sharing among the beneficiary community.

MR O'HALLORAN: In your slide 22, "Sharing costs - sliding scale", I think you based that on the emergency response for plant and animals, the advertised scheme. That is a probably a fairly simplistic way to look at this because it is an industry to government rather than an individual to agency-type response. While that works there quite well, I am not sure that it is a great example, to be quite
MR LEVENTIS: This sliding scale and the other approaches we discussed in the issues paper is a way for IPART to consider how do you distribute costs between multiple parties? Is there a cost allocation method that you know of that will then do it transparently because if you say, "There is 40 per cent here and 60 per cent there", then you need to be able to back that up. You need to back up those numbers with some evidence. So we have used this sliding scale approach to say, "If there are public benefits that override the private benefits, then the cost sharing arrangement might be 80:20." But you would go through the framework to determine what the service is providing, who are the risk creators or who are the beneficiaries. If there are multiple beneficiaries and you wish to spread the cost across multiple beneficiaries, then what approach do you use?

MR O’HALLORAN: Good question - don’t know the answer.

However, I do know that in DPI, probably 10 or 15 years ago, we tried the approach of doing something which involved using a system of cost centres. We used to say, "Okay, in the morning if you’re going to see Joe Blow about sheep and then in the afternoon about something else, you split your costs for your vehicle and for your time." Over time it got so complex that we had to get rid of it. You have so much administrative costs doing that sort of approach that you end up having to have a corporate services group, which I think the government is aiming to reduce severely in this new set-up rather than increase. I think that is the risk. If you go down that track, you will end up with so much paperwork that it gets so unwieldy.

It is probably simpler to charge for certain activities rather than on that sort of industry-based public-good type of sharing approach. Charge for the activities where it is fine to charge for them and that will recover a reasonable amount of costs of that service anyway.

THE CHAIRMAN: Thank you. We will hear from Brian next.

MR TOMALIN: Thank you, Mr Chairman. We are talking about who should pay. I am sort of coming to the conclusion that a risk matrix might be a more appropriate method than a sliding scale. I know I have been scratching my head over the last few days to work out how to draw one up. It is not easy, but I think if we can do it, it would probably give us a better basis than a straight-out sliding scale.

On the subject of who creates the risk, I can see myself having a lot of trouble convincing a lot of
landholders, who have a weed, a pest, an NRM issue or a
native vegetation issue, that the risk creator is not the
government because they enacted the legislation which
required them to take certain actions.

Also, while I am on my feet, with regard to our
natural resource management and PVPs, I noticed in the
discussion paper there is a bit of discussion about
charging landholders for a PVP, or a portion of it. If we
go back to the second reading speech of the minister when
that act was introduced, it was quite clear that that was
going to be a free service to the landholder. Until there
is another act implemented and there is another second
reading speech, the courts will rule that way.

So, yes, with natural resource management programs,
currently, as we have already discussed, there is a
landholder contribution required. With our experience in
pest animal control over the years - I think I have been
fiddling around in that area for around 30 years - unless
you require the landholders to make a reasonable
contribution, the program simply becomes financially
unsustainable because the more you do, the more they
demand and the more it costs the service provider and the less
they do for themselves. Therefore, it is vital that
landholders do make some sort of a contribution and take
some ownership of these programs and the cost recovery
framework is essential. As I said, how we develop it, I am
inclined to go with, at this stage, a risk matrix as
probably being the most effective way to go.

MS MARSHALL: Having had 50 years of a catchment levy,
we have tried a number of options. I think it is quite
challenging to come up with a framework that will be one
size fits all across the state. You had the example Jess
raised before. On the coast, for those in the room who
don't know, we levy every ratepayer in the Hunter. It is a
very minimal charge of $20 to $30. It is not a serious
amount, but it does raise about $3.3 million for us and
that goes into catchment activities and flood mitigation
activities.

The challenge is with your idea of cost benefit and
who creates the issues, with things like natural resource
management action, and as another speaker said, extension
services, it gets a bit difficult trying to say who
benefits. Then you have an equity issue of how you spread

the rates that you raise. For instance, we have gone from
a regime where we, I guess, paid incentives or rebates to
landholders that were putting in gully control structures,
et cetera, because that had a benefit down in the ports
area, it had a benefit to flood mitigation and riverbank
stabilisation, and so on.

We now, as you mentioned earlier, target areas.
Instead of that scattergun approach, we will pick a
sub-catchment with a major soil salinity and sediment
source problem. The problem is deciding who the
beneficiaries are. In the estuary, the Ports Corp
benefits, the environment benefits in terms of migratory
bird species, et cetera, and wetland maintenance, and the
private landholder benefits because they are getting rid of
the gully that is dissecting their property.

It is quite challenging to come up with one framework.
I think with your idea of a sliding scale, the problem is
someone has to make a subjective decision. We will have
the issue where you will have boundary local land services
where one has one sliding scale and the other has another
and the difference is a line on the map.

Then there is the matter of distributing the levy.
Certainly with things like biosecurity, that is quite black
and white and a lot more straightforward, but with natural
resource management and extension and education, it is a
lot more difficult to identify the beneficiaries and
therefore use that sliding scale.

MR LEVENTIS: The framework is meant to be quite general
because if you can make it flexible, you can ask each LLS
board to understand the circumstances in their area. Where
the beneficiaries in one area may be identified, it could
be different if you ask that same question somewhere else.
The point of the framework and these key questions is to
ask if there is a risk creator, what is the risk they
create and what is the market failure? Is there is some kind
of cost that they are imposing on others through pollution
or they are not taking care of their own land and that is
affecting their neighbour? I guess these are the questions
that you have ask to begin with when you are trying to
understand what the service is trying to provide.

Again with the extension services, I should respond to
that. It is not a cost shift. What we are trying to
understand is what is the service trying to provide. If you can show that it has general community benefits, then there is a case to be made for general community funding. But the idea is that you have to make that case to begin with. Do all extension services have a community benefit? Do some extension services have purely private benefits, but may have a public good issue? In that case, what you're trying to do is say, "There is this problem that the government is trying to step in to fix. It is a public good issue, but there are identifiable beneficiaries who are private sector." That may not be for every extension service, but you need to ask that question to begin with before you say either it's all landholders or all government.

That is the process that we are getting at. It is not a cost shift, but you have to ask the question what is the service providing and to whom? Do they value it and for what reason? If there are general community benefits, then they should be taken into account, but you have to ask these questions to begin with.

MR DONOGHUE: May I make a quick comment, Mr Chairman?

THE CHAIRMAN: Yes.

MR DONOGHUE: I would suggest that if a community is interested in safe food, they have an interest in all of our activities.

THE CHAIRMAN: I guess that's right, they do. I would, however, counsel against taking this line of argument too far to the view that, "Well, landholders and the local community should not pay for anything." At the end of the day, I think we have to get some realistic cost sharing exercise.

MR DONOGHUE: I agree, but I just make the point that if people want safe food, they surely benefit from our activities.

THE CHAIRMAN: They do, and they are the ultimate beneficiary, but those benefits are reflected through the market mechanism to the prices earned by primary producers.

MR CAMPBELL: Listening here to the discussion this morning, it has been very interesting, but I would like to say one thing: let's keep it simple. The more we put restrictions and things on how it is going to happen and sliding scales, and so on, we must be very careful we do not end up with an administration cost that will really not benefit anyone to any degree.

I would like to suggest also that we don't appreciate the public benefit that these organisation do and are trying to do and trying to achieve. It is very hard to isolate the benefits to an individual user and then say, "You should pay for that." Yes, I accept that there should be some cost benefits recognised, but I believe that we should have the broadest base that we can of fair taxation which is really what it is - or a benefit, you can call it whatever you like, or a levy - that can be of benefit not only the landholder but also to the public.

I go back to the example of the wild dogs and invasive pests. Wild dogs and pigs are getting closer to towns and villages - this is happening. We need to realise that it is a public benefit to have those pests controlled. I would again reiterate what I said earlier. Let's try and keep it as simple as possible and recognise that there is a greater public benefit than what I think we appreciate now. Thank you.

THE CHAIRMAN: Thank you for that. I would agree that there needs to be a degree of commonsense and practicality about all of this, at the end of the day. Yes, I don't think we are looking at something that would be so complex that no-one would understand it or understand why they pay what they are paying. However, we need some reasonable basis for sharing the costs which are inevitably incurred amongst those who benefit as an organisation.

MR BRUCE BROWN: I want to make some comments about extension services. There are some different models around Australia. The cotton industry is an absolute classic example of where it has privatised its extension services. There is a linkage between Cotton Australia, the cotton research entity, Cotton Seed Distributors, which is a private entity. They now employ six or seven extension officers across the cotton-growing areas in Australia.

It is interesting when you look at the GRDC work they have recently completed a survey in terms of benchmarking. From sourced agricultural economic advice,
68 per cent of broad-acre primary producers dry land now use private agricultural agronomists.

It is interesting also when one looks at the differential between the cropping industries and the livestock industries. Where the cropping industries see agricultural advice as very much actually a private benefit, we still in the livestock industries look at it as being a public benefit. So there are huge differences.

One could, therefore, make a great case that, in essence, unless there is some regulatory public benefit, all of the agricultural extension services should be privatised and should not be actually run by an LLS or a Department of Agriculture of any other government entity for that matter also.

MR ROTH: Just going on a little bit further there, that is definitely right. I am a member of the Registered Seeds Association of New South Wales. When they started privatising different parts of the DPI, registered seeds did come into that and it affected them very badly. Down in Temora, when the huge coolroom broke down, the government didn't renew the terminal for the cooling system and we lost a large amount of our registered seeds, some of the regional foundation seeds. Of course it was all privatised and that was an escape pad. The private corporate world is helping our cause and we must acknowledge this because they are part of our future.

THE CHAIRMAN: Thank you. Jess would you like to make a comment?

MS BROWN: I am looking at the first point up there, "What principles we should adopt in developing the funding framework?" I think it would also be useful for IPART to make some commentary about at what scale the framework should be applied. A lot of discussions we have had so far are easier at a project or a program or a specific line of service delivery level, but they become much more complex when you are looking at the total service area at a board level to be making these kinds of decisions. It would be useful to consider at what scale these things can be applicable when making the framework recommendations.

MR LEVENTIS: I can respond to that. At this stage, we have not explicitly considered that, but it is an issue where you have cross-border, and cross-border is not just between New South Wales and Victoria; it could be cross-border between certain LLSs.

MS BROWN: And internally.

MR LEVENTIS: And internally, between parts.

MS BROWN: Yes, between parts of service offerings or - yes.

MR LEVENTIS: It could be an issue. You could have, I guess, an idea for a special purpose levy in a certain LLS to deal with a local issue. What happens if that issue is the three at the top rather than the three at the bottom? How do they work together? That is something that we will consider because it could practically affect the way the framework is applied. That is something to take on notice. Thank you.

MR GOWING: There is just one thing that we should think about. These decisions need to be made on a local basis. There are issues that are contrary in different parts of the state. I will give you one quick example mentioned by Archie Cameron of NSW Farmers and that is the OJD biosecurity that has been set up in New England and over a large part of the state. If they could not set their own matrix or whatever system you decide to use, there would be a real problem because people at the other end of the state have a totally contrary view. They would be fighting against any public interest, whereas people up here setting up biosecurity areas do realise that there are public interests. In fact the latest research from Japan indicates that Chron's disease, which is on the increase in New South Wales and all of Australia, is actually triggered by OJD and JD - they are all members of the same family. People up here would appreciate those things; whereas people down in the south of the state would be fighting against that, and the same goes with the biosecurity matters. So it is essential that local areas can set their own agenda.

MR LEVENTIS: The framework, in the first instance, is meant to be decided on by the LLS board in the area. So it provides flexibility for them to understand what the issues are. It provides them the flexibility to determine the
MR GOWING: I am glad to hear that.

THE CHAIRMAN: But I understand there is an audit process as well, so they will be required to adopt the framework and demonstrate they have done so.

MR GOWING: I don’t have problems with that.

MR LEVENTIS: Just to clarify, there would be an overarching board of chairs or a policy council that exists for the new areas. I would have thought that these cross-border issues may best be determined at that level so that those discussions would be occurring then. If there is to be any cross funding to protect yourself for insurance, I would have thought that would be where those issues would be discussed rather than at the local board. The local board would understand what it has to do, run the framework through its services, so it can then say, “This is how we believe we should be funded” - public, private or however they may be. I would have thought that is the best place to decide what happens across multiple boards. I need that confirmed by someone in terms of whether this overarching body exists.

MR GOWING: If you have a biosecurity area, you must be able to maintain that and you must be able to make that decision and use funding that will come locally.

THE CHAIRMAN: Thank you. Yes, Archie.

MR CAMERON: Talking about the public good, in the first instance, all of us who might pay taxes are contributing to the pot that goes into commonwealth and the states; therefore that comes to the public good.

Talking about agriculture on the whole, that is a benefit, both at the local level and export level, to all Australians or what we do in New South Wales is a benefit to New South Wales. In terms of independent advice, in the agriculture extension service, we have seen over many years it has been reduced in this state and in some of the others states it is almost non-existent - so I sound a note of warning about independence. We won’t go into GMs and so on, but that has created a lot of controversy and “fors” and “againsts” and so on. That is a whole area where it would be far better if we could have independent assessments rather than groups pushing their own situation. In the case of landcare and CMAs, they administer the Native Vegetation Act. Queensland and Victoria have just moved to change their acts quite drastically. New South Wales has just brought down a discussion on the regulations and there is talk of changing the Native Vegetation Act. This would make a very big difference in administering and in what can be done for innovative weeds and native species and so on, as well as PVPs, which were mentioned.

At the moment, the way the PVP is constructed, unless you have an alternative lifestyle block and can afford a bit of time, virtually no practical person in agriculture would use a PVP because they have been set up virtually not to be operational or worthwhile.

With regard to the pest animals, insects, and so on, you have a base situation where there is advice at the local level, but when you go to action like using 1080, whether it be rabbits, foxes, wild dogs and the administration of those goings with baits, there is then a charge for that operation, whether you combine as a wild dog association and hire an aircraft, whether you hire the rabbit carrot spreader, and so on.

THE CHAIRMAN: Thank you. John?

MR MADDEN: In a discussion on flexibility, I think it is necessary to define what you mean by “flexibility”. It is one thing to say as a principle, yes, boards have flexibility and they can set their own agenda. However, if you then have a framework which basically has a single point - they don’t really have any - but if it is then a band where a particular service could fall within this band, that is a degree of flexibility. Then there is another degree of flexibility if you make a case to go outside that band and then gets approved in a process.
If you think of Jess's point about sitting down and doing a corporate budget for the year on a set of services that you think is agreed should be done, your funding could potentially, within bands, upper or lower, go from 30 per cent private to 70 per cent private depending on where you land on those things if you just take a kind of matrix line-by-line budget item.

You need to be very careful about how far you can go whatsoever. That then the boards do not have any flexibility back to the other side where you are being so prescriptive that then the boards do not have any flexibility whatsoever.

I think you will very soon get into a situation where you are not providing much guidance at all, or you flip that way of security. You were talking about OJD. There are boundaries are lines on the map. I ask you to consider in your deliberations the situation where you have one board that has a standard that is not equal to the other in the way of security. You were talking about OJD. There are boundaries where one situation applies and in another one it doesn't. There is a zone in the middle.

THE CHAIRMAN: Could you give an example of that?

MR SCOTT: Okay, take noxious weeds. In one area, a weed may be present very predominantly in a national park or private property. Then you have the fellow who is in the neighbouring property and he has the weed literally flapping through the fence at him. The fellow who has it coming through the fence has been doing the right thing for years and he says, "The government body is not doing anything about it", or, "That private landowner is not doing anything about it and they say it belongs in another area." Someone will not win out of that. I just ask you to keep in consideration the ability to have a buffer zone for the fellow who is trying to do the right thing.

THE CHAIRMAN: Thank you. Brian?

MR TOMALIN: To take up that point a bit further, I noticed in the discussion paper you canvassed the option of either a reduction for somebody who takes part in a particular program or an increased charge for somebody who does not. I can see an administrative nightmare there. However, you could overcome that situation to some extent by developing regional or local levies to cover where there is a particular issue and apply that to the landholders or all the property owners within that particular region for that particular issue.

THE CHAIRMAN: I understand what you are saying there, but the idea was that there should be some reward for people who manage the risk well on their property. I think that...
is the motivation behind it, but I do agree there could be
some interesting issues administratively.

MR TOMALIN: Yes, I understand the concept.

THE CHAIRMAN: The next comment?

MR CAMPBELL: Maybe it is labouring the point, but you are
quite correct. The reward for the person who is doing the
right job means that his carrying capacity has increased,
that his farm is managed in a better way. I guess that
means then that a good farmer is really a good manager and
if a good manager is applying what he is trying to do, then
he has increased benefits to his farm.

It is a big problem because, in our region, there is
an evasive weed that is a noxious weed in the Upper Hunter
Shire Council area and down that way, but to the west of
us, it is not a noxious weed and that is exactly what
happens. Being on the county council for the Weeds
Authority, I have said, "Hang on. We need to investigate
and get the CSIRO involved in this."

I would suggest that that is the answer to many of our
weed problems, because we need to have some biological
control. Trying to do it with chemicals is not the answer.
It runs into all sorts of problems near waterways
et cetera. There are other management ways in which it can
be done. I suggest we need to address that, if we can,
through this LLS. Thank you

THE CHAIRMAN: So we have another speaker?

MR SWALES: We seem to be getting a little confused as to
what services the new LLS will provide and therefore what
services we need to take into consideration when
determining risk or otherwise. Hopefully, the act will
define which services the LLSs will have to provide.

One of the things that will not be in the act, as I
understand it, will be individual advice from experts, such
as was referred to by the gentleman over here, who didn't
identify himself and who was talking about the cotton
industry. I do not expect, as a producer, to have the LHPA
officers come out and tell me how to manage my sheep best
or how to make more money out of growing wool, which is a
bit of a challenge. That is not part of the role of the
organisation, unless it is for the identification of a
disease amongst animals which could affect the whole of the
area or the state.

If we do not understand what the organisation is
supposed to be doing, perhaps that is something that needs
to be clarified, and also it needs to be clarified in
determining what charges are to be made for that sort of
activity. Thank you.

MR REID: Obviously we take on board, in developing our
framework, the decision of government as to what functions
would come under local land services. We are not the
determining body for that. There has been a process that
has been gone through with the stakeholder reference panel,
making recommendations to government and obviously
decisions by the minister.

I acknowledge and accept what you are saying is that
we need to be clear up-front as to what services will be
provided and then build the funding framework around those
particular services, but the actual decision on what
services will and will not be provided is obviously outside
our scope.

MR SWALES: There are additional services which are
currently not under either of them. One of the ones which
we have not considered is animal welfare, which will now be
part of the responsibility as well as plant health. We
don't know how that will impinge on the sort of funding or
who will provide that funding. The act, unfortunately, is
not clear and, to some extent, we are working in the dark.

THE CHAIRMAN: Thank you.

MR FREESTONE: It looks as though I have to be the
crusader, it seems, for people who live in the city,
because, as I say, there does not seem to be very many
people here representing them.

To give you an idea of what has been happening in the
last few years with council amalgamations, we have these
greater councils now that have taken over a lot of smaller,
small town councils. In Tamworth, as I pointed out to you
earlier this morning, the recent rate increase on the UCV
for Tamworth was 14.6 per cent. Some of the reasons for
imposing that additional rate on generally the city
ratepayers was to replace country bridges and that, timber
bridges, to the point of about $5 million. I get a little
bit concerned about the suggestion, "Let's put more cost
onto the ratepayers who live in the town", so that you're
looking at a broader base. I just cannot agree to that.
You are talking about marketing mechanisms and everything.
People that are on the land, I know that they are not
getting a good spin out of this because they are virtually
controlled by the market or the vagaries of the market.
I feel that people on the land should be getting a lot more
for their products and the middleman should be getting
less, but until someone comes up with a formula to change
the status quo, well, we will have to put up with it,
I suppose. Thank you.

THE CHAIRMAN: You have raised a fair point in that there
are lots of other competing claims on the ratepayer dollar
other than local land services. That is a fair point.
Nonetheless, these services need to be provided and someone
has to pay for them and we need to find a reasonable way of
dividing the costs up between the various people that can
pay for that.

MR FREESTONE: Maybe they should not have become
greater councils and --

THE CHAIRMAN: I am not sure of the history of the
amalgamation of Tamworth Council, but I do think there were
smaller rural councils which had some difficulties in
funding what they are required to do and that may have been
one of the motives or the amalgamation.

MS BROWN: Talking about principles we should adopt,
there is probably something more we should consider. I don't
mean to be frivolous, but when we are developing
frameworks for both costing projects and programs and also
then apportioning the cost of them to the different users or
beneficiaries, one principle across all organisations is
that we never have enough money to do the job properly, and
that is just across the board.

The framework has to be sufficiently open to
interpretation so that there is not a public gap always for
local land service boards to have to bridge between the
framework-delivered public expectation and what they can
actually manage. I appreciate that that gap is leverage

and political leverage involves discussion and
negotiation, but at a local land service board level, there
will be difficulties where the cost percentages of projects
that are determined through the framework are not able to
be met by budgets and have to be shifted; for example, if
landholders or the community want a job done, they are
prepared to negotiate a greater percentage, because the
government or the ratepayer budget of the local land
service is finite for that particular year, et cetera.

There are all of those considerations around the framework
as well

THE CHAIRMAN: Those are good points. There has to be
some sort of accommodation between what is available and
what might be desirable in terms of the framework. I think
that is the reality. Who is next?

MS COADY: As a point on that, if it was strictly
one-third, one-third, one-third and the government decided
it couldn't afford very much, then the one-third would go
down in real terms. If the government became very
generous, for some strange reason - and I wish it would -
then, all of a sudden, landholders would be up for a very
much bigger real amount. I hope that it will be much more
flexible than that.

THE CHAIRMAN: Thank you. We have room for a couple
of more comments before we break for lunch.

MR GEOFF TURNBULL: Geoff Turnbull. I am a landholder.
There are some of us here and some of our rates actually
got to pay for the $8,000 palm trees up the main street,
so I think there is a bit of give and take there.

I am on the land and I am being asked to provide
funds, so I guess I am as much a stakeholder as anybody.
In talking about trying to apportion payment for these
things, just as an example, the CMA, in my view, to a
certain extent, was created to administer the Native
Vegetation Act, which everybody knows was quite broken. It
was developed originally not because there was a disease or
a problem, but because a Labor government required more
urban and green votes to support their political
aspirations and we are the recipients of it. I think most
people at the actual coalface will agree that it has caused
quite a degree of hardship rather than helping landholders.
Speaking personally, it has helped to make my place almost
unviable. If my place becomes unviable, there is no-one there to control St Johns wort, pigs, blackberries, rabbits and all those things. If I am going to be asked to contribute to some of the activities of the CMA, they are actually of no benefit to me and actually cause my property to become more unviable. As an example, some of the forward planning of the CMA that I have read has decreed that, in the interests of the whole Namoi catchment, my country should retain 70 per cent of woody native vegetation, which, of course, is unviable.

I am not happy to have to pay for things that actually mitigate against my ability to survive. Recently we paid for a private agronomist to come out and give us some advice on soil tests I had and pasture advice and that is fine. That is user pays and we gain benefit from it, but I am not happy to pay for things that benefit the whole community or, in actual fact, support some of the strange way-out ideas of the government.

That is what I would like to comment on. I think that needs to be looked at. The broader picture needs to be taken into account when you are deciding who pays for what and for what reason the money is being asked for to pay for them.

THE CHAIRMAN: Thank you very much.

MR FREESTONE: There are 30,000 people on the land who are in that situation to do with native vegetation. That was something that Peter Spencer was on about in his crusade. It is all to do with Kyoto credits and the fact we have locked up through native vegetation acts 109 million hectares of land and 30,000 farmers are affected.

THE CHAIRMAN: Thank you.

MR TURNBULL: May I make one further comment?

THE CHAIRMAN: Yes.

MR TURNBULL: In your funding arrangements and talking about money too, you need to have a situation where, for people who are adversely affected by decisions made by the LLS, there is some form of compensation that they are able to claim. If any bureaucratic decision is made that impinges on someone's livelihood or on their land, or whatever, they are paid just compensation.
UPON RESUMPTION:

THE CHAIRMAN: Welcome back, everyone, after lunch to the third and final session. This session is on the rating base and we will start off with a presentation from Thomas Clay.

SESSION 3 - DECIDING THE BASIS OF SERVICE FEES

MR THOMAS CLAY: Thank you, Jim.

This will cover some areas that have already been discussed, but we will just go over them for clarity’s sake.

The purpose of this session is to outline the rating issues IPART has been asked to advise on. This will include an overview of the terms of reference, desirable attributes of fees and service fees, an overview of fees that are currently charged, and issues IPART has identified so far.

The terms of reference asked IPART to advise on an efficient rating base for compulsory fee collections and a fee collection mechanism giving specific consideration to:

- How well each rating base aligns with specific risk creators and service beneficiaries;
- The appropriateness of specific purpose levies and how they are determined.

IPART has identified the following desirable attributes for LLS service fees. They should:

- Reflect the efficient cost of providing a service;
- Be simple and cost effective to administer;
- Comply with statutory and legal constraints; and
- Be clear and easily understood by ratepayers.

Current LHPA funding: Currently LHPAs are funded through fee for service items sold to commercial operations and through rates. The current minimum rating land area for LHPAs is 10 hectares. All rates are comprised of a base charge and a variable charge. The variable charge is multiplied by the notional stock carrying capacity and then added to the base charge to calculate the total charge for each rate. Total rates payable are calculated by adding the general rate, the animal health rate and any special purpose rates together.

Currently CMAs are almost exclusively funded by grants from the New South Wales and Commonwealth governments. CMAs leverage participation from the community in the form of co-payments, labour and materials. Under their legislation, CMAs do have the ability to charge rates; however, the Hunter CMA is the only one to have done this through their flood mitigation levy. The Hunter levy is collected by local governments within the Hunter CMA for a small percentage of the total money collected.

The issues that IPART has identified so far include matching service fees with beneficiaries and risk creators, different rate options, problems with efficiency of special purpose rates, and efficient fee collection options.

Firstly, we considered how different service fees might align with different risk creators and beneficiaries. We came up with this table to summarise our preliminary thinking. Fee for services should only be used where benefit from the service or product can be restricted to those who pay for it. Government funding should only be used where the wider community is identified as the beneficiary or risk creator or when it is administratively inefficient to collect from risk creators or beneficiaries. Rates can be as broad or targeted as each LLS boards desires, depending on the service provided, where it may be possible to use different rate bases to target different individuals or industries.

With regard to an efficient rate base, we have identified the following options:

- Notional carrying capacity, which is the current LHPA rating base;
- Land area per hectare, which was identified in the Bull report of 2007; and
- Unimproved capital value of land, which is currently used by local governments.

With regard to minimum rateable land area, the LLS could either leave the minimum rateable land area the same at 10 hectares for most LHPAs or it could reduce the minimal rateable land area below 10 hectares to try and capture risk creators or beneficiaries on smaller properties.
IPART has also been asked to advise on efficient fee collection mechanisms. Based on our preliminary analysis, we have identified two options. It could either enlist the help of local government to collect rates on its behalf; however, this will mean that the rate will be less targeted at actual beneficiaries and risk creators. Conversely, the more specific or targeted rates are, the less efficient they will be to administer.

THE CHAIRMAN: Thank you. Who would like to speak next?

MR GOWING: I am going to argue very, very strongly that we maintain the current rating system as used by LHPAs, which is a base rate which should, I believe, cover all landholders. I don't mean city/town blocks. They all own land. If we drive a car, we have to have a licence. I think something similar should apply.

I am going to use my farm as an example of why we should not use one of the other systems that you have suggested. My farm is here very close to Tamworth. It has a high valuation from the valuer general. If that rating base was used, I would be paying a very high rate with no relationship to the farm's earning capacity. On the other hand, should it be done on an area basis, then I would be paying a relatively small rate, because my farm is relatively productive, and the fellow who is well out of town and who does not have a very productive property would be paying a very high rate. In my opinion, that is grossly unfair.

I also would argue, even though people have suggested that you can do alterations to this, that that is a subjective thing. The only real criticism that I have ever seen of what I would call the assessed carrying capacity that is used by the LHPAs is that it is subjective. But in the past they have always been sufficiently professional people, who are quite able to assess the capacity of the stock carrying capacity of land. I would imagine that that is not a huge problem. I am pointing out to you, by using the example of my property, that both those other rates are very inequitable and I would strongly argue that the rates should be somehow related to the earning capacity of the property.

MR TOMALIN: I want to clear up one point. I will probably make some other points later, but the CMA's rating ability under the current act is limited to the ability to raise a levy to pay for a shortfall in the annual implementation program. This is a little bit different from the Hunter. Because they already had a levy in place, they were treated slightly differently in the act. It is proposed that that will be slightly changed in the new bill, but at the moment, the CMA's rating ability is limited to that shortfall in the annual program.

THE CHAIRMAN: Thank you.
MS BROWN: To follow on from the last speaker, one of the things that has come to CMA’s attention in the last little while is the lack of mechanism for involvement of the fishing and aquaculture industries and their relationship with local land services. Fishing and aquaculture industries, such as oysters - those kinds of estuary industries - are both beneficiaries of upper catchment NRM action. They are risk creators and beneficiaries in the main park management sphere and CMAs will take those functions with us into local land services. I guess they are farmers of some sort. They are both risk creators and beneficiaries in the purview of local land services. They will require services. They will potentially require some regulatory function.

None of these bases pick up an ability to rate them apart from a potential base rate. I guess you would need to define farming or agriculture or bring aquaculture and fishing into the definition of those who would pay a rate. That is a point I wished to make there. Thank you.

MR GEOFF WEBSTER: My name is Geoff Webster. I would like to follow up the point made by my friend over the way here about rating options relating to notional carrying capacity of properties. Obviously a property which is of greater fertility, is closer to a market and has natural attributes of serviced water, and that sort of thing, will naturally be a more productive property than one like mine, which is hilly property. If my notional capacity is calculated on the actual number of stock I have on there, does that really look at the way in which I am bringing in and paying out a lot more for, say, feed, water even, or something like that? Will that be considered? Otherwise, if it is not, the notional carrying capacity is unrelated, really, to the property because if I turn it into an entire feedlot, it may raise more money but, in fact, it is not a true indicator of its capacity to earn. Thank you.

MR GOWING: Could I explain something about nominal carrying capacity. While you do submit a return saying what is the number of stock on your property, the carrying capacity is actually assessed. It is the number of stock that, under normal circumstances - for the type of stock, a 140-kilogram wether, for instance, equals one - is assessed. It is not actually what you carry within your property that you are rated on; it is what your property is capable of carrying in a normal season.
been mentioned.

When it comes to the insect levy, at the moment there is one that is charged for all and that is for plague locusts. In the far north-west of the state and in the Tablelands, it is a slightly different set up. I am not sure about the far north-west, but they suffer from the spur-throated locust and I don't know about whether the plague gets out there.

When it comes to most of the Tablelands, plague locusts have not invaded this area. In my area, it was said that, in 1920, they came to the foot of range, they laid and they never hatched. In the Tablelands again, there is what is called a mountain hopper. It doesn't actually fly, but it can be quite devastating. If there was consideration to varying the plague locust levy across all, I would suggest that that be given consideration.

As I said, government landholders and all landholders should be pegged to the CPI. Also, if possible, the government should give a five-year commitment to the expenditure they are prepared to provide to the LLS so they would have into the future some idea of what parameters that they might have. Overall, we want transparency, whether it be reporting to the landholders and the auditing and everything else, so one can understand as fully as we can fix what is going on and the expenditures.

MR TOMALIN: Looking at the three options, land area is totally inequitable. That has been explained. If you are highly productive on a small area, you pay a low rate. If you have an extensive area which is unproductive, you pay a high rate. You could overcome that with a differential rate, but you would have more differential rates than you would have standard rates.

Notional carrying capacity works for livestock enterprises. It does not work if we want to expand the rating base. It is a limiting factor to expanding the rating base. It does not work for broad-acre croppers, if we look at our region to the west and the properties turning off $10 to $15 million a year off what was once plains grass country which had a carrying capacity of one sheep to the acre.

Particularly if we are starting to bring in plant biosecurity, those issues will need to be considered as to how do you raise the rate for those higher value property.

I think while notional carrying capacity for the livestock industries measures the capacity to pay, it does not do anything for the services that they are going to be asking for or the services that they require to be delivered. Instead of basing a rate on capacity to pay it really should be based, basically, on the services that are required for that area.

THE CHAIRMAN: Thank you. Fiona?

MS MARSHALL: You asked in one of the questions, should exemptions be allowed? I would like to point out I know certainly some of the local government areas in the Hunter provide reduced rates - that is local government rates - for people who have conservation agreements or property vegetation plans where they were managing areas with obviously reduced stocking rate.

THE CHAIRMAN: Thank you.

MS RAINE: Speaking as an LHPA ratepayer now, I agree with Brian Tomalin's point. There are currently horticulturalists, orchardists and viniculturalists paying rates. That has nothing to do with carrying capacity. That is how they are assessed, and they are not feeling they are getting a service from the LHPA for those rates because they are not dealing in livestock which a lot of the services are based around. Also the irrigation industry is exempt from rates at the moment. That may or may not be a fair thing.

There was a comment from a gentleman over here that the properties are assessed, that they are assessed on the size and location; they are actually assessed on the land type. I speak personally, owning a large property in the Central West, which allegedly can carry 351 dry sheep equivalents - it is a bush block. If it had more than four sheep on it, they would die of starvation. It is a little bit irresponsible to say it is assessed when it is not actually fully assessed and I have two personal examples of where that has occurred. If you are going to use this system, that's fine, but make sure it is assessed properly.

THE CHAIRMAN: Thank you. Jim?

.18/06/2013 60 LLS - TAMWORTH Transcript produced by Merrill Corporation
MR SWALES: If we start at the top question, "Are the current service fees reflective of the efficient cost of providing services?" Yes, I believe they are. I believe they are adequately targeted as well as you can get it without getting too defined. I think their reasonably simple to administer and they are cost effective. I think they are compliant with the statutory and legal constraints as far as I know. Although there are a few people challenging the legality of them, as far as I know they have not been able to succeed and probably won't.

They are not necessarily clear and easily understood. I would like to see, as others have mentioned already, the concept of notional carrying capacity perhaps extended to something called land capability, which would do much the same thing but would reflect more readily the activity that is being taken on there, whether it be cropping or livestock management or, in the case of the smaller areas, I guess horticulture or viticulture or whatever it might be.

The other thing that I would like to see is that the size of the area that comes under that sort of general thing perhaps could be increased to 40 hectares. That would cover most of the smaller non-animal producing type activities except for, say, intensive industries which obviously need to be treated differently - feedlots and chooks, and that sort of thing.

There was something else that someone else raised that I was going to refer to. It might come to me as we go through the rest of them.

As to the fees and, things like the animal health levy and the pest insect levy, the animal health levy was originally raised to provide inspection services for the saleyards and that sort of things. Now, I think it mostly covers the cost of inspectors seeing that fresh food gets into the shops for consumers. I don't believe that the animal health levy is a fair levy any longer. It only hits people who have livestock and the funding is not used exclusively for that purpose. If there is to be a levy, it should also be contributed to by retailers and everyone else.

I have commented on the ratings base. As to another special purpose rate, the pest insect levy, I thought...
How would a special purpose rate be determined? As I mentioned, there are some people who do not have stock on their, say, 100-acre block. Some of the ground around Mudgee in the southern points of the district is pretty close to wilderness, but you cannot take that away from them. They are quite entitled to live there and I have no problem with that whatsoever because I think they are a part and parcel of the people who live in the town and must go on - carry on like that.

"Clear and easily understood" - yes, I wish that was the top heading. Thank you

THE CHAIRMAN: Thank you very much. Who would like to go next?

MR FREESTONE: Just a thought to do with the rating issue. With the existing rates that are charged, when this gets going, I would not like to see those rates being increased any more, like the idea about the CPI and something like that. You could possibly use the existing charge base that is there. You have to remember, as I say, a year ago or so, whenever there was the changeover to the LHPA, when it actually changed over to the LHPA, the rates were increased quite a lot from the set-up before that. So don't say that this gives this new organisation any excuse to bump them up again and then sort of start charging CPI.

MR GOWING: Someone here mentioned that it was said that they could run - if I remember the figures correctly - 300 head of stock and they reckoned they could only run four. I would like to point out that, under the current provisions, and I assume the future provisions, they have the right to have their property reassessed at any time. I think this is a very important part of the thing and I definitely would not like to see that done away with.

The other point I would like to reiterate is that a base rate must be part of the equation. That is for those people who have small areas and everyone who owns land should pay it. We realise that these people are a risk to the rest of the community as well as everyone else and those properties are quite capable of harbouring pest animals, weeds and all these other types of things.

MS BROWN: When CMAs were discussing rating, rating bases and the framework around rating, we looked at all of current rating systems around including our own - the Hunter-Central Rivers CMA and the LHPA's. We considered the differences and the risks and opportunities with a constant base rate, a base rate plus a series of subjective variables, a base rate with the opportunity to have a special interest or a special issue levy for a period of time and then go back to a base rate.

In our discussions, we talked about whether all of those different styles are proactive or reactive styles of responses to problems or issues that might come up. For example, a special purpose or interest or issue levy, that assumes that you have the issue already, that you have now got to quickly scramble to convince the community that you will give them a 15 per cent bump for this particular issue. We watch that play out in the local government arena every year with your good selves where we have an organisation having to convince people that a 15, 27, 50 - whatever it is - rate hike for a period of time for a particular issue is a good idea.

Given all of the discussion we had around that, we came to the view that a constant base rate that is year in, year out, that might be able to give you a store of funding to invest in special issues as they come up in a proactive sense, was a solid footing for the organisation.

THE CHAIRMAN: A constant base rate on what, though?

MS BROWN: Good question. We had it as broad a base as possible - so, yes

THE CHAIRMAN: Thanks.

MS RAINE: I have a bit of an idea for that - based on the Hunter model, a constant base rate for unimproved land value. I know people have said that that has issues, but the whole issue of unimproved land value set by the valuer general is - and I am reading this off the website - for the provision of fair, accurate, consistent land values for rating and taxing purposes. That's what it is for - so use it

THE CHAIRMAN: I think Ron would like to speak next.

MR CAMPBELL: Thank you. With all of the discussion, I think we really need to understand, and I would like to
stress this, that it is biosecurity. No matter how it is funded or anything like that, if we are not going to be able to fund our biosecurity and protect our markets and protect our livestock industries, we are not going anywhere. The most important thing that I believe the LLS can deliver is secure biosecurity.

As to whether we go down to 2 hectares, the risk, just as David Gowing has said, is very great. If you have someone, including myself, who travels overseas, comes home with some disease, not knowingly, and who has a few animals in the backyard, that disease can then spread. That is why we have to be very careful with biosecurity. I can't stress that any more. Thank you.

MR CAMERON: In the case of animal health, and the LHPAs will correct me if I don't have it quite right, there are a number of segments, partly biosecurity. If we deal with biosecurity at the exotic disease level, we then have the AHA and the Department of Agriculture. What has not been said, and I think we need to flag it at least, is where the LLS vets - and we are not sure how many will continue in this situation, but we will say some at least - are there, we need a complete understanding of the costing. We need to know, whether it is a state or national issues, that the LLSs will be reimbursed for any efforts they make on behalf of the state or the commonwealth. I think this needs to be clearly laid down, so there is no mistake.

Also on the animal health levies, the saleyard NLIS will correct me if I don't have it quite right, there are a number of segments, partly biosecurity. If we deal with biosecurity at the exotic disease level, we then have the AHA and the Department of Agriculture. What has not been said, and I think we need to flag it at least, is where the LLS vets - and we are not sure how many will continue in this situation, but we will say some at least - are there, we need a complete understanding of the costing. We need to know, whether it is a state or national issues, that the LLSs will be reimbursed for any efforts they make on behalf of the state or the commonwealth. I think this needs to be clearly laid down, so there is no mistake.

Also on the animal health levies, the saleyard NLIS will correct me if I don't have it quite right, there are a number of segments, partly biosecurity. If we deal with biosecurity at the exotic disease level, we then have the AHA and the Department of Agriculture. What has not been said, and I think we need to flag it at least, is where the LLS vets - and we are not sure how many will continue in this situation, but we will say some at least - are there, we need a complete understanding of the costing. We need to know, whether it is a state or national issues, that the LLSs will be reimbursed for any efforts they make on behalf of the state or the commonwealth. I think this needs to be clearly laid down, so there is no mistake.

Also on the animal health levies, the saleyard NLIS will correct me if I don't have it quite right, there are a number of segments, partly biosecurity. If we deal with biosecurity at the exotic disease level, we then have the AHA and the Department of Agriculture. What has not been said, and I think we need to flag it at least, is where the LLS vets - and we are not sure how many will continue in this situation, but we will say some at least - are there, we need a complete understanding of the costing. We need to know, whether it is a state or national issues, that the LLSs will be reimbursed for any efforts they make on behalf of the state or the commonwealth. I think this needs to be clearly laid down, so there is no mistake.

THE CHAIRMAN: Thank you. It occurs to me that LSS boards may want to access different rate bases to fund their various services, so that is a possibility.

MR SWALES: With respect to the changeover from RLPBs to the LHPAs and rating, the only time when rates went up was where a number of old boards were amalgamated and they had a different rate base so that there were some increases. Mind you, most of these increases were quoted in percentage terms. A 50 per cent increase, when you go from $10 to $20, is not very great really, and a lot of the smaller holdings who were faced with that sort of increase made that sort of dollar change. In the main, the overall amount that an LHPA could raise was no greater than the previous RLPB, based on incremental information.

MR DONOGHUE: I wish to make a couple of comments. There was a marked increase in rates on the authorities on the eastern seaboard. This came about because Minister Macdonald, in his wisdom or otherwise, raised the minimum rating rateable area to 10 hectares for what some of us would cynically see as political purposes. That meant that...
those authorities lost hundreds of thousands of dollars in rate revenue so they had to raise the rates of everybody else to cover the bills. When they did that, he hung them out in the press, but that is history.

The LHPA rates working group, as you would know from the report that was furnished to you, considered land value. In our considerations and our deliberations about a rating system that would work, we had to try and establish a system that we could collect the rates from. There are some high-value land holdings along the coast that are there because of their scenic values but they have no relation at all to the productive value of that land. As earlier has been suggested, there are large tracts of unproductive land which would pay inequitable rates as opposed to smaller more productive country.

We really tried to base our deliberation on capacity to pay and capacity to collect the rates. That is why we do not pretend that notional carrying capacity is a perfect concept, but at least it is based on the capacity of a landholder to pay.

THE CHAIRMAN: So you think that is the best available basis? It's not perfect, but it's the best available.

MR DONOGHUE: It's not perfect, but it's the best we could arrive at, because, in the end, we have to go and collect those rates.

THE CHAIRMAN: Thanks, Lawrie. Yes, John?

MR MADDEN: Just a quick comment on that. Capacity to repay is one thing, but it is actually alignment with benefits as well. Otherwise with capacity to pay, you would argue that the people who own the scenic property on the coast can pay; therefore let's charge them. I think we should get the notion that there is actually alignment to who benefits most at the moment, with obviously some capacity to pay elements mixed in. All these things it is a bit of a trade-off.

An important point is that a lot of the discussion people are having is on the existing bundle of services that they have experience with, which is all the stuff relating to animal health and biosecurity, et cetera. Once you have considered the CMA prospective, you would get a totally different discussion. Mixing the two at this stage is a bit risky. Separating the CMA-type activities and their potential bases should actually be teased apart at this stage for consideration because communities --

THE CHAIRMAN: So you can imagine local land services boards charging biosecurity at one rating base and cash management at another?

MR MADDEN: I think it should be two line items and a bunch of activities. An irrigator could be the key beneficiary, if they are all about water quality up at Wagga, up in the upper catchment - but who benefits? It is actually the people who get better water quality using it down bottom of the catchment. There are a whole lot of different considerations once you take those kinds of environmental activities into account.

MR FREESTONE: Does this mean that once this whole thing gets going to do with remuneration for the Catchment Management Authority where in the past it has been funded by the state government 100 per cent - is that right? Does it mean that there is an expectation that the state government will stand aside from their funding and that funding will be passed on to the landholders?

THE CHAIRMAN: Maybe someone could answer better on the funding of catchment management authorities than we can.

MR CAMERON: I am not in disagreement --

THE CHAIRMAN: I am sorry, Archie. I would like to get someone from the catchment management authorities to talk about their funding, we will deal with that first.

MR CAMERON: I was on the same subject.

THE CHAIRMAN: We will come to you next.

MR TOM GAVEL: Tom Gavel, I am the chair of the Catchment Management Authorities Chairs Council. As far as the funding is concerned, the funding at the present time from the commonwealth has been guaranteed for one year, with a review taking place, and that could be then extended for another three to four years. The state government funding has been guaranteed for four years and that has been put in place at the present time and I think it should be in the
budget today.

Other than that, that is probably all I need to say unless you have a question for me. Private landholders do put funds in, as I think has been mentioned earlier. Thank you.

THE CHAIRMAN: Thank you. Archie?

MR CAMERON: I am not in disagreement with that, but the point NSW Farmers is making is that they have a guarantee now, but until the budget in New South Wales comes out we don't know whether that is as a status quo or allowing for increments of CPI or anything else. It is good that the commonwealth has given a short-term guarantee, but where we are coming from is if, for whatever reason, they - either state or federal - back out of funding requirements, we, from our point of view, do not think we should step into the breach and pay extra rates to cover what has been dropped away.

Of course, in CMAs with tree planting and various other things in kind, farmer participators, landholder participators do pay either in actual money or in actual works as part and parcel of the thing now, which is separate from what we are talking about here as far as levying rates are concerned.

THE CHAIRMAN: Thank you. Archie?

MR FREESTONE: I would like to make one final statement. Once all this is established and it gets going - and I mentioned earlier about getting a profit and loss and balance sheets and all the rest of it - I would like to see a very comprehensive breakdown of all of the costs and everything involved to run this organisation, possibly even a comparison with the organisations when they were split. I suppose in time we will soon find out what sort of income they are able to gather year by year.

MS BROWN: I have one point to make to clarify and to wrap up the funding or the NRM functions discussion. CMAs are, I guess, going into local land services talking about the investor preference models as we have been today. If the investors no longer wish to invest in the functions that we deliver, those functions or services are no longer delivered. That is the kind of basis on which we have been working.

THE CHAIRMAN: Brian next perhaps.

MR TOMALIN: On the financial statements, et cetera, annual reports are available for both LHPAs and CMAs. All of have to do is go and find them. They will give you the breakdown that you are looking for. I wanted to address the commercial activities a little bit, and particular the supply of 1080 baits. The Ryan report dealt with it fairly extensively. He considered that the supply of baits was a commercial operation, which was not open to competition. It is not the supply of baits which is restricted; it is the supply of the 1080. 1080 is a security sensitive chemical that is highly regulated. It can only be obtained through a certain channel, which is currently the LHPA. If you want commercially prepared baits, the only way you can get them with the 1080 included is through the regulatory authority. If you want to supply your own bait material, you just take to the LHPA and then they inject the bait. So it is not the 1080 which is the commercial issue; it is the supply of the bait material.

MR SCOTT: I have come here to support a broad-based approach on the basis of the potential capacities. I think it has been acknowledged and said that it is not perfect. There will be a "they" out there who agree that this is the best one, and there will be a "they" who don't. What I think has been identified with these new services that we are looking for is an increase and a diversity of biosecurity issues that have been identified as needing support.

One of the other speakers said if we permit things to come into the country, we need to be able to stop them at the ports through the activities of AQIS and things like that.

The other thing that has been identified, and through the CMAs, is natural resource management. It is not hard to find argument and discussion about the fact that there can be more done. Whether we can afford to do it or not, that is another thing. They can become prioritised at a local level and that is where I would support the local land services boards making those sorts of determinations - but broaden it out. I mentioned earlier today that the
smaller blocks too have the potential to start the problem. As another speaker said, he could come in from overseas and inadvertently bring in a problem. It can start off in a fruit tree. It can then get out of the small-town situation into a broad-acre commercial operation and the devastation will be the same. This is not looking at charging them exorbitant fees, but by involving them with a fee-paying obligation, they will be aware, or the potential is there for them to be aware, of the problems that they could have or could start. Thank you

THE CHAIRMAN: Thank you. When we had the meeting last week in Wagga, the general view was that we should not lower the threshold from 10 hectares to 2 hectares because it was too much trouble to collect the money basically. That does not seem to be the view of this group here. I would be interested in teasing out whether we should lower the threshold to the smaller block, to the 2 hectare blocks.

MR SCOTT: Mr Chairman, could I comment?

THE CHAIRMAN: Yes.

MR SCOTT: As I said, I support the broad base and I have explained the reasons. The avenue to do it, I believe is right in front of us through the local government ability to levy the rates. The local boards are the ones who can determine the extra rates outside the rates that the local government already determined. Literally two extra columns or lines on a rating notice for each local government area to be notified what that would be would be the simplest way to levy the rates. Creating other structures to deliver rate notices and things like that is, I don't think, in anyone's best interests. The ability is there to service the rates that are needed, or notify people of the rates that they need to pay. The ability is there - let's not look outside that - at a cost obviously and not just an unfunded mandate to collect the rates, but some sort of fee could be established by recommendation from yourselves, I would suggest.

MR CAMERON: I have a question for the LHPA people here. Also before I ask that, I would suggest that if there seemed to be a problem with the 2 to 10 hectare areas, obviously once agreed, the LLS would strike the rate, it might be simpler in that case for that particular charge to go out of the rates. Apart from that, when we have a diversity of possible charges, I think it would probably be better coming from the LLS rather than anything else.

My question is to the LHPA people. When they changed from RLP boards to LHPAs, the collection was then centralised in Orange. I am just wondering whether this has worked out all right or whether they consider that they have had problems with it.

THE CHAIRMAN: Would someone like to answer that? I think Jim has volunteered.

MR SWALES: The situation with respect to collection of rates in Orange is that there is a unit set up to do that on behalf of LHPAs. However, in the LLS system, I understand that the overseeing government department, which is over the head of DPI - it is Industry and Investment or something like that - has a rate collection agency and also one that looks after IT. They have informed us that they will be taking over that function.

MR CAMERON: How worthwhile has it been now for what your rates have been collected?

MR SWALES: You will have to ask the minister.

MR CAMERON: When you have had centralised rate collecting, have you had a problem with costs or anything else from the local LHPA board perspective?

MR SWALES: I cannot speak for all LHPA boards, but I do believe that the system as it evolved has been quite effective and economic.

MR CAMERON: Thank you.

MS MARSHALL: I have a quick comment on your 2 hectare question. As probably one of few representatives from the coastal CMAs here, I guess we play a lot in this space in small landholdings. Cumulatively they cover quite a large land area up and down the coast. Certainly in terms of natural resource management, biosecurity, better land management, we do a lot of work in that space and particularly the education side of things as well, so I do think they should be included.
MR ROTH: I mentioned earlier about the horse flu. We had, on our books at Mudgee-Merriwa - that was when there was a board - something like 10,000 horses for 10 hectares and above and we found another 10,000 horses under the 10 hectares. My response would be that, yes, we do include them. I know there it might be a ministerial nightmare, however, they are getting services now. Someone with a horse problem, only on an advisory capacity, can ring up the board. It would be said that for all the person who are paying rates, it would not be equal, but how can you refuse a service? You must give a service. Thank you.

THE CHAIRMAN: Anyone else?

MR GOWING: Just a quick word of caution: I understand that DITRIS levy the CMAs about twice what it costs the LHPAs to do their total overall accounting and bookwork, which includes obviously the sending out of the rates heading towards the east, as we do, there are so many of them. I know there it might be a ministerial nightmare, but the sooner we forget about solely livestock, and so on, and look at a broad-based rate that covers everybody, the better.

As far as the difficulty in getting the rates from individuals, that is real issue, but it should not be a reason not to charge them. If they create a risk or if they benefit from a service, they should pay. It is as simple as that. Where I sit now, I could make my life a whole lot easier by exempting a whole lot of ratepayers that give me hell on a week in week out basis, but the balance left would have to pay a lot more, and I don't see that as being equitable. There are a lot of inefficiencies in our current systems - cropping countries paying on livestock and so forth; the list is endless - but this whole process is about finding something that will work for the organisation. We have to forget about the past and we need to consider all the alternatives, as you no doubt will. Thank you.

MS ROBYN JACKSON: I am Robyn Jackson and I am the chair of the New England LHPA. I have been listening with great interest today, and never let it be said that a woman would interrupt a man, but within our own authority, we have actually talked about this quite a lot. I would like to say thank you today to the authority directors who are here with me who have put in a lot of work and who have contributed today.

Personally, I really cannot see past the notional carrying capacity as being something that we can at least hang our hats on. There are so many other alternatives I know that really just don't work for the basic landholder and that is all I am thinking of. I just wonder why at Wagga, as you commented earlier, they did not want to broaden the rate base. Maybe it is because they have larger landholdings and they think that they would not have enough to make it worth their while. Certainly up here and heading towards the east, as we do, there are so many of those smaller rated areas and we could actually do with that rate income.

We also know that Daryl and Lawrie have done so much work in working on this rating case, and I am sure that you pays a rate based on animals. Biosecurity now is not solely about animals; even though it will be a large proportion of the biosecurity burden, it is about a whole gambit of things. The sooner we forget about solely livestock, and so on, and look at a broad-based rate that covers everybody, the better.
are taking great note of what they have done, as I know is
John Madden, because he had picked up on the material too.

I want to say thank you for today. It has certainly
sparked a lot of interest and thank you to all the people
who have contributed. I know that you will be breaking up
soon, so I needed to get the last say in, I think. Thank
you.

THE CHAIRMAN: Thank you, Robyn, very much.

MR ROTH: End of debate!

THE CHAIRMAN: Is there anyone who wants to make a
final comment?

MR FREESTONE: Our last speaker up the back there was just
referring to the 113,000 ratepayers who have landholdings
of 2 hectares and above for a rating situation. So, in
other words, you are not talking about the ratepayers in
the city.

THE CHAIRMAN: No.

MR FREESTONE: But what you are overlooking is the rates
that we pay in the city compared to what you pay on the
land. I know that you have a lot more upkeep and
everything to do, and I have a few acres myself, but there
are a lot more cost imposts in the city. Not only that; we
can’t run a few head of cattle when the rates go up to
offset those additional costs.

THE CHAIRMAN: Ian, can I suggest that this is a private
discussion the two of you should have outside.

MR WEBSTER: Thanks, we pay our rates here too.

THE CHAIRMAN: Is there anyone who wants to make a
final comment? Yes, please, down the back.

MS RAINE: It is just a quick clarification for the
record. CMAs don’t buy their corporate services from
DITRIS; they come from Service First.

THE CHAIRMAN: Thank you, Carolyn. Anyone else? In
that case, I think we should bring proceedings to a close.

CLOSING REMARKS

THE CHAIRMAN: I have found this a very interesting day.
I thank you very much for the effort you have put in to
help us. I think we have had a good discussion. It has
been in good spirit and I very much welcome the assistance
you have given to us today. That is just to thank you for
your contribution and for helping us to understand what we
need to do to develop funding framework for local land
services, so thanks for that.

The transcript of today’s forum will be available on
our website within the next week, so you can have a look at
that, if you would like to.

We welcome written submissions and we would like you
to provide them to us either online or by post by 2 July.
We will then produce a draft report by the end of August.
After that there will be a further opportunity for
stakeholders to comment on our findings and there will be a
public roundtable in mid September. That is the plan from
Finally, once again, I thank you very much for attending and for your contribution today and with those remarks, I will close the forum.

MR CAMPBELL: Thank you, James. You are a very good facilitator. I think you have given us all a good opportunity to put our points of view and to contribute, so thank you very much. To all the other members of the panel, but especially to you, James, thank you for being such a great facilitator.

THE CHAIRMAN: My pleasure.

AT 2.35PM THE TRIBUNAL WAS ADJOURNED ACCORDINGLY