INDEPENDENT PRICING AND REGULATORY TRIBUNAL

REVIEW OF A RATING FRAMEWORK FOR LOCAL LAND SERVICES

ROUNDTABLE

Tribunal Members

Dr Peter Boxall, Chairman
Mr Simon Draper, Member
Dr Paul Paterson, Member

Member of the Secretariat

Mr Colin Reid

At

IPART Offices, level 8, 1 Market Street, Sydney

On Monday, 28 October 2013, at 10.00am
OPENING REMARKS

THE CHAIRMAN: Thank you all very much for coming and let's get started. My name is Peter Boxall and I am the chairman of IPART, the Independent Pricing and Regulatory Tribunal of New South Wales. I am joined today by my fellow tribunal members, Simon Draper, on my right, and Paul Paterson, on my left. Assisting the tribunal is IPART’s secretariat member Colin Reid.

I would like to take this opportunity to thank all those who have made submission to the review. Stakeholder submissions are available to the public on our website. All submissions received have been carefully considered by us in developing our findings and our final recommendations. We will also consider matters raised in the course of today's proceedings.

I should also advise that we have agreed to a request from the Minister for Primary Industries to accept the late submission by 6 December 2013 from the new Board of Chairs of Local Land Services. We intend to provide other stakeholders the opportunity to comment on any matters raised in the Board of Chairs' submission. Such submissions will be accepted up to Friday, 20 December 2013. This will delay the completion of our final report until early 2014. We will advise stakeholders of the revised time frame once we receive the Local Land Services Board of Chairs' submission.

A copy of my letter to the minister on this issue is available on our website.

The purpose of today's roundtable is for us to better understand stakeholders' views through a structured discussion. It allows interested parties the opportunity to comment on matters arising from our draft report and from the submissions that we have received.

On the agenda we have two major sessions covering: Who should fund local land services, session 1; and How to set the rate base, session 2. The secretariat will provide a short presentation before each session to outline the issues. I will then ask for comments from participants at the table and then from members of the audience. I will endeavour to give everyone who wishes to do so an opportunity to speak and I request that you limit your comments to five minutes per intervention.

I should advise that today's proceedings will be recorded by our transcriber. To assist the transcriber, I would ask that on each occasion you speak, please identify yourself and, where applicable, the organisation with which you were affiliated. I also ask that you speak clearly.

A copy of the transcript will be made available on our website within the next week.

In terms of housekeeping, we plan to break for morning tea at around 11.45am.

To get underway, I will now turn to Colin Reid from the secretariat to provide a short presentation to introduce the first session, thank you, Colin.

SESSION 1: Who should fund LLS

MR REID: Thanks very much, Peter. As indicated by the Chairman, we have broken today down into two sessions. Obviously there are a lot of subjects within this inquiry and there may be others that we wish to raise and there will be the opportunity to do that, but at least to get the discussion started and to focus the discussion, we have prepared a short presentation.

The first session will cover who should fund local land services and the second is how to set the rate base. As the Chairman indicated, we plan to stop for about 15 minutes around 11.45.

We understand that the government has already set the budget for each local land services board over the short term. So any adoption by the government of IPART’s recommendations would apply down the track with pre-work required in the interim. This inquiry is therefore concerned with the medium-long-term sustainability of the local land services and less concerned with what will happen on January 2014 when local land services will begin operations.
These are our key discussion starters for session 1:

Does the hierarchy work?
Who should be included in the rate base?
Are individual exemptions/discounts practical?

The first term of reference for the IPART review is to develop an efficient and transparent cost recovery framework that local land services boards can use to set service fees for the different categories of service they provide to the different groups of beneficiaries.

There was much debate about whether it is a cost recovery or funding framework. We have interpreted this term of reference to ask who should fund local land services and by how much. We have included the government and government agencies as potential funders of local land services activities. In broad terms this approach is consistent with current funding arrangements for the Livestock Health and Pest Authorities, the CMAs and the DPI extension services and broadly consistent with how the government proposes to fund local land services in the short term.

We have attempted to build a rationale around how those decisions should be made. This rationale has potential to affect the proportions paid by different parties and also expand the rate base, so they are two important issues.

Turning, first of all, to the funding hierarchy, this is obviously an important element in the rationale for how we have recommended local land services be funded. The main objective of the hierarchy is to have those responsible for creating the need for a local land services activity who are best able to control the level of service required to fund it. This requires, for example, producers in some cases to meet the costs of regulatory standards and to the extent that the market will bear those costs, they are in turn passed and to consumers.

Some submitters to our draft report suggested that the hierarchy gives too little emphasis to the public good aspects of local land services and fails to recognise adequately the joint nature of the public and private benefits that flow from local land services. So the key question for this part of the discussion, if you like, is: does the hierarchy work and have we applied it appropriately in our recommendations?

The next element of session 1 is: who should be included in the rate base? At present private landholdings greater than 10 hectares are included and in the western region it is greater than 40 hectares. Biosecurity NSW, along with others, has indicated such a restriction does not capture the biosecurity risks posed by smaller landholders particularly those in peri-urban areas.

Similarly the CMA also stressed the benefits that flow from natural resource management activities to the broader community and the impact that smaller landholdings can have on the natural environment.

In our draft report we recommend that the minimum rateable landholding be reduced to two hectares, in recognition of these concerns and mindful of the administrative costs of reducing the minimum rateable land area further.

Other issues that have been raised are the alleged current uneven playing field between private and publicly owned or controlled land. We have recommended that publicly controlled land be included but possibly on a negotiated fee basis rather than a strict rating basis. This could be extended to include land held by the Aboriginal land councils though any such funding would undoubtedly be financed by the government.

Having done that this leads us then on to the issue of exemptions and discounts; the current exceptions that are granted; and the level of recognition or incentives that should be given for work already undertaken or proposed to be undertaken to ameliorate biosecurity risk or improve the environment.

In this regard some have also queried the current service levels given to their industries by the predecessor organisations for local land services and indeed the ability of local land services going forward to provide the services that are currently industry funded. So the key question for this part of the discussion is: who should be included in the rate base for local land services?
We take that issue of exemptions and discounts a bit further and the question becomes: if there is to be an exemption regime, how would it operate and is it practical? In our draft report we suggest an exemption regime directed at the individual landholders rather than industry based. This is queried, for example, by the sugar industry. The New South Wales Farmers have suggested the poultry industry already operates under separate legislation aimed at achieving the same outcomes as are to be achieved by local land services. Currently, the poultry and the sugar industries are the main exempted industries.

Other sources suggest that the government incurs large expenditures, as for, say, the current bird flu outbreak afflicting the poultry industry, and these expenditures are not recovered from the industry. That is a key issue, whether there should be exemptions and discounts.

So the question issues for discussion in section 1 are therefore:

- Does the hierarchy work?
- Who should be included in the rate base?
- Are individual exemptions/discounts practical?

With that, I will hand back to the Chair.

THE CHAIRMAN: Thank you, very much, Colin. From around the table would anybody like to volunteer to go first otherwise, I will pick somebody. How about you, Ian?

MR I DONGES: Ian Donges, Chairman of the Livestock Health and Pest Authority. Clearly we have lived and breathed this system for three years now and it is interesting to have an outside perspective on where we are up to in terms of rates.

More importantly, I think, Colin, as we have noticed in the last two weeks, there is the big question around biosecurity and how we can ensure that there are sufficient resources and capability and funds to at least protect an industry or ensure the industry is viable as best we can. The avian influenza highlights straight away what sorts of risks are involved out there.

I will correct one thing you said there were an "adequate levy" or an "adequate resource." You did not go specifically into it. You said you did not think it was a good idea to actually rate that land but that there needed to be a negotiation in terms of getting an adequate amount of money to perhaps address the problem. Do you have anything further to add to that in terms of that big a question about public lands because in some of our authorities now, this involves nearly half of the land? With the current regional boundaries, half the land in the south-east is public lands that is adjoining ratepayer landholders and it is certainly providing a greater threat to their businesses because of the pest animal problems that are associated with those public lands and the perceived lack of action from the public land managers.

That is one question I would like to leave in the room to see whether there are some more thoughts about that.

Clearly from our perspective, we have advocated that there should be a widening of the ratepayer base. I think that brings with it a wider argument in terms of how we can best position this new organisation to broaden the rate base at the same time as talking about biosecurity being the number one issue that the ratepayer base will be focused on. Thank you.
have flagged it. We have not come out with a
recommendation to extend the rating base. We have left it
open to negotiation. That does not rule out an extension
of the rating base. We primarily had in mind land owned by
the state government and other governments, but there is
the issue of local government land and Aboriginal land
which has come up as part of the consultation, so this is a
topic that we need to get a landing on.

One alternative is to recommend that rates be applied
to public lands just in the way whatever rates are applied
to private lands. We need to think that through in terms
of the reaction of the public landholders who might want to
make some contribution in kind which they could negotiate.

This is a very important issue and clearly the
biosecurity is a very important issue, so thank you very
much, Ian.

Who would like to come in next?

MR N QUINN: Nelson Quinn, the Serrated Tussock Working
Party for NSW and ACT, and apologies for that long title.

Our people started looking at this from the point of
view of dealing with a pernicious weed issue that was
similar to many other pest issues, and we could never
separate any of these individual issues out from the
landscape as a whole. This applies to many biosecurity
things as well. The avian flu has been mentioned. There
is a link with wild birds and so on.

We have argued, and will continue to argue wherever we
can, that the rate base for this needs to be, as in other
jurisdictions in Australia, as wide as possible and you
cannot separate out the towns from the countryside.

I am involved in the olive industry. I live near
Canberra. There are probably more olives in Canberra
itself than there are all around it. That is just one
simple example. We would argue that there should not be
exemptions - we really need a whole-of-landscape approach.
It is already up there with the issue of horticulturalists
with small stock holdings. The reality of Australia is
that 70 per cent or so of farmers have more than one
enterprise. Again, any attempt at segregating out all
these things becomes really, really difficult.

We would also argue that there are many issues that
are properly within the camp of wholly or partly public
good and unless the community as a whole accepts
responsibility for those, they are very difficult to deal
with.

It also is very difficult to pin down on the
hierarchical idea. It can be very hard to pin down who the
perpetrators are. If you look at most plant and animal
pests in Australia, they come from imports of something,
either without prior knowledge, like fire ants, or through
garden plants. Once a problem has been identified, it can
be very difficult to track back to who was responsible for
it in any meaningful way. On the other hand, you can deal
with that by having better quarantine and by making people
who import things pay to do that. The latter obviously
meets with huge resistance when it is done in a broadbrush
way.

To put it in a nutshell, I suppose it all comes back
to this: the idea of direct cost recovery will apply to
some things but fewer than you might think if you take into
account these broader considerations. Thank you.

THE CHAIRMAN: Thanks very much, Nelson. Also, in your
submission, you raised the issue about public good and
issues like that. One reason why we have gone down to
two hectares as a minimum rather than below that is that
there is an issue here of being able to administer
something and to be practical about it. We have left the
option open for LLSs not to go down to two hectares if they
don't want to. Otherwise, we would just have every
householder paying.

Then you say, "Maybe it's a public good." In the case
of something which has been imported, you are quite right,
it is often difficult to track back to the importer, but
the issue then in the hierarchy, the next level down, is
the beneficiaries who benefit. Talking theoretically for a
minute, is it possible to have the beneficiaries pay? The
alternative to that is to get every taxpayer in New South
Wales to pay and we need to be conscious of that. The
position of IPART in the draft report is that we cannot
always go down to every taxpayer paying. One has to look
and see whether it is possible to bill further up the line.
Thank you very much Nelson. Who would like to go next? Yes, Stefanie?

MS S SCHULTE: Stefanie Schulte, New South Wales Irrigators Council. With regard to the question of who should fund LLS, many of our members find it difficult to answer this question because we have so little detail of what services will actually be provided. A lot of our members come back to us and say, "We have already employed extension officers ourselves and how much input will we actually have in deciding what services will be provided in the individual LLS areas?"

The fear is definitely there that, given the composition of the boards in being mainly appointed members rather than elected members, those kinds of issues will be overlooked and subsequently, I guess, that there might be services offered for which individual landholders will have to pay, but services which they ultimately will not use.

THE CHAIRMAN: Thanks, Stefanie. That also raises some issues that we have wrestled with. The government decided, not us, to have four members appointed by the government and three elected. I guess if you don't like the elected members, you vote other ones in and if you don't like the board appointed by the government, you vote the government out. I realise that has a way to go.

On the issue of what services you will get or your members are getting, there is the case, as Colin outlined, for exemptions. If your members individually believe that they are doing something that they don't see why they should have to pay the LLS to do, then we have left open the issue of an exemption.

THE CHAIRMAN: Thanks, Stefanie. That also raises some issues that we have wrestled with. The government decided, not us, to have four members appointed by the government and three elected. I guess if you don't like the elected members, you vote other ones in and if you don't like the board appointed by the government, you vote the government out. I realise that has a way to go.

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MS SCHULTE: If I may respond to that, in terms of the efficiencies, though, we don't want to see services being doubled up again. There is the importance here of localism, of talking with the individuals in the individual areas to make sure that we don't need to have an exemption, but rather not having to offer those services if they are already delivered otherwise.

THE CHAIRMAN: Thank you, Stefanie. Joylon?

MR J BURNETT: Joylon Burnett from the Macadamia Society. Our position is that the hierarchy that IPART has set out in their document is a sound hierarchy. It gives a good process for working through a funding mechanism. However, we are disappointed that, in the document, it does not seem to have been applied rigorously or consistently. The very idea that Crown land and state government owned land, could somehow be exempt from that hierarchy makes a mockery of the entire hierarchy.

THE CHAIRMAN: They are not exempt, Joylon.

MR BURNETT: Well, they don't currently pay and --

THE CHAIRMAN: Sorry, no, just so we are clear. If the perpetrator is Crown land then they would be held to account.

MR BURNETT: Well, they are not currently.

THE CHAIRMAN: No, we are talking in the future.

MR BURNETT: Okay, and clearly they are. I mean it is Crown lands where often the land management is minimal. If you look at something like feral pigs, for example, it is principally on Crown lands that they breed up and then have excursions into productive land. To have a rating base that does not include Crown land to us makes a mockery of it.

I would also like to emphasise the point that Stefanie Schulte made. If you look at the Rural Research and Development Corporation model where statutory levies are put in place, for those levies to be put in place the industry first has to have a very clear strategic investment plan which sets out in significant detail what will be done, what the outcomes will be and how the ratepayers or the levy payers will capture that benefit and get a return on their investment. We have none of that with the LLS yet. I think it is extraordinarily premature to be deciding who will be paying a rate before we can tell who is going to be able to capture the benefit of that rate.

Again, as Stefanie Schulte raised, there is the potential here for significant duplication of services. Biosecurity was raised by Ian Donges. Our industry, as indeed is the case with many plant industries, is a member of Plant Health Australia. We have a biosecurity plan
MR B WILDE: Thank you, Mr Chairman, Bryce Wilde Natural Resources Commission. Picking up a point that Nelson raised earlier on the issues of biosecurity and also incursions of plants and weeds, with weeds, the risk creators there, research shows that 65 to 70 per cent of all incursions are garden escapees. If you are adopting a framework which is very strong on a risk creator and beneficiary impactor basis which is sound, it seems to be somewhat difficult and constrained then to set up a benchmark of two hectares without going down to really attack some of the key risks which happen in landscapes.

That example is given with weeds, but there are also other examples that can be given in relation to peri-urbanisation, blockies, et cetera, on animal health and biosecurity outbreaks. I would encourage IPART to do a little bit more research on the true risks and then recontest that level of two hectares and look into other areas to streamline and simplify the cost recovery framework.

THE CHAIRMAN: Let me pick that up. This is a really important point. IPART can always do more research, but you get to a point where you have to make a decision and so our draft - and it is a draft and that is why we are having this discussion - proposed two hectares. You get suggestions that - Tom, I don't want to verbal you - it be down to all rural holders. That means somebody living in a country town with a quarter-acre block is caught. Another example is, somebody living out of the Ryde has a fruit tree, with fruit fly in it.

We have to draw a line and every time you draw a line, there is somebody that falls on the other side of it, so we
are open to draw the line in a different place. After consultation and looking at it in terms of administrative efficiency and of being able to collect and levy, we settled at two hectares. Again that is the minimum; they can go down that low. Some LLSs might not go that low. If people have concrete suggestions about where to draw the line, please make them.

MR WILDE: I would applaud IPART’s approach to actually enable there being some regional devolution and variation of the rate setting. This is an area that also could be enabled to have decision making by the Local Land Services Board of Chairs upon a recommendation from an individual LLS board. For instance, say the Central Tablelands, they may wish to go, with community support, to a lower base to attract the key risks in that area. They may not wish to, but if they have the capacity and the freedom to do that within a sound cost recovery framework then that is a step they can take and that would be enabling rather than constraining and addressing the key risks.

THE CHAIRMAN: We enabled down to two hectares in the draft decision. Are you suggesting that we enable down to one hectare or all rural blocks?

MR WILDE: I have not done the work to actually look at the exact level, so what I am encouraging is that it be lower than where it is currently and that there should be some further work. I think time can permit that especially given the extension of time to LLS.

THE CHAIRMAN: Thanks very much, Bryce. I didn't want to put you in a spot.

MR WILDE: I will go on the spot in another matter. In relation to public land management, I think that is vital that there is actually a nil tenure approach, but the emphasis should be beyond national parks and state forests. Too often when people talk about public land managers they are talking about those two principal land managers but there are significant risks created by other public land managers whose core business is not public land management. For instance, linear reserve managers, are critical and significant risk creators and I think the discussion analysis bringing them into the fold is essential if we are to actually improve our landscapes across the state.

THE CHAIRMAN: Thanks very much, Bryce.

MR DRAPER: Bryce, to clarify when you suggest that we do more research on the threshold down to which we can go for charging, what sort of criteria do you think we should be looking at? Is it just about doing more research on the risks created by those small landholders? Other factors Peter has mentioned include administrative efficiency, whether those charges are seen as legitimate by those landholders and various other factors. What do you think we should be looking at?

MR WILDE: I would support the focus on risk creation and also value. I think those are the two key areas, because particularly in coastal areas, from an NRM perspective there is a significant value being created and beneficiaries also at a smaller level which need to be considered, but the major part is about risk. I would encourage IPART to think of other areas in the cost recovery framework to find administrative efficiencies, I would suggest in some areas in relation to the use of cost benefit analysis an activity level done at a preliminary level stage, step three, and then done at a full-blown level, step four. There may be other areas that you can streamline it and make it simpler and easier to use beyond the size of a landholding.

THE CHAIRMAN: Thanks very much you, Bryce. Shaun, from local government?

MR S McBRIDE: Shaun McBride, Local Government Association. We would have some practical concerns about lowering the threshold below two hectares. We find it becomes problematic below that level, or even at that level in many cases. First, many of the public wouldn't be making the connection; they would not be understanding what they are paying for. They would be saying, "We have already paid our council rates. What are these additional rates for? I'm not a rural producer, I live in an urban or peri-urban area." There would be the issue of just communicating that and there would also, of course, be a fair degree of political resistance.

Using the example of the orange tree in Ryde, does the LLS really propose that it will have officers working throughout the Sydney suburbs and perhaps duplicating the
Since around 1985, the industry has enjoyed, through legislation, I understand, exemptions from pasture protection rates of the sort proposed and other sorts. I think my members would expect me to say that they actually find the possibility that they may lose that exemption highly objectionable.

The reason that they obtained the exemption was that the industry had, for many decades, undertaken its own organised and structured approach to what we now call biosecurity and crop protection through crop protection boards and other mechanisms. So today the industry funds that. For example, in this financial year, those three rivers will contribute $1.6 million to our own agricultural services group which is met partly by the millers and also hundreds of caravan parks up and down the New South Wales coast which are primarily Crown reserves, mostly run by councils, all the showgrounds, many sporting fields and things like that. They are not bushland necessarily.

We can see that there is an area that needs to be explored, although I am not sure that we have all the answers there. We would want to avoid duplication there. In most areas councils already have responsibility for weeds management, so there is no need for an LLS to be duplicating that. There is probably a need for councils to work in consultation or in collaboration with the relevant LLS, but councils are already doing a lot of those functions in those areas. You would, therefore, have to take that into account when assessing whether there is a surplus or deficit on council's part when it comes to the land management. I think some of those arguments will also carry over into Crown land managed by a state agency or other trusts on their behalf and, to some extent, national parks.

THE CHAIRMAN: Thank you, very much, Shaun. I was wondering now whether I should go across to Monica, on sugar.

MS M POEL: Thank you, Monica Poel, New South Wales Cane Growers Association. I am here to represent the 600-odd cane growers who are in the three coastal flood plains of northern New South Wales. It is a very concentrated industry in the Clarence, Richmond and Tweed areas.

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The reason that they obtained the exemption was that the industry had, for many decades, undertaken its own organised and structured approach to what we now call biosecurity and crop protection through crop protection boards and other mechanisms. So today the industry funds that. For example, in this financial year, those three rivers will contribute $1.6 million to our own agricultural services group which is met partly by the millers and also
by the canegrowers. That group does have a mandate to
address biosecurity and production and other local land
services that we see a duplication of.

My members are very concerned that, if they do not
continue to receive the exemption, they will actually end
up having to pay twice. When you look at, for example,
the market value test that LLS may apply in the proposed
framework, I think they would say that the test will not
apply because whether the industry may be a risk creator or
a beneficiary, the industry has mechanisms and structures
in place, and processes, and is well organised to be able
to address that itself.

By way of example, I think it may have been about 10
Years ago, acid sulphate soils became a really significant
issue for coastal flood plains and for the industry.
Through this agricultural services group at the time, the
industry established a self-regulatory approach and it
continues to do that today.

There are a number of examples like that where the
industry accepts where it may be a risk creator or a
beneficiary, and because it is so concentrated and
specialised, the industry then acts on that itself.

I think the other important point that is quite
different about sugarcane is that the industry is very
closely related to Queensland. Of Australia’s cane
production, northern New South Wales produces around 5
per cent of the national amount and 95 per cent comes from
Queensland. There is a significant investment which we
leverage off Queensland in biosecurity and in other local
land services. So we actually see ourselves in many ways
much more closely aligned with some of the local land type
services that come out of Queensland in that way.

One of the other points that I would make that is
probably important for everybody to understand is the
majority of our members are primarily and almost completely
cane farmers. I think a minority are also farming, say,
cattle or other industries on a separate property perhaps
or adjacent to their cane farm. On that land they do pay
rates under the existing system and they are not proposing
that there be an exemption. Those people are suggesting
that the exemption really should just apply to the area
under sugar because they already have this investment that
they are making. I think that’s about it.

THE CHAIRMAN: How many LLSs does the sugarcane
industry straddle?

MS POEL: It is set in a relatively small part of the
Northern Rivers.

THE CHAIRMAN: So it is just in one LLS?

MS POEL: Yes.

THE CHAIRMAN: Thank you. Ian, would you like to add
something?

MR I McBEAN: Ian McBean from New South Wales Sugar. If
I could add to what Monica has said, certainly from our
perspective, the sugar industry is highly organised and
strongly linked to Queensland. From our point of view, we
see that the structures and investments we are making in
our local land services per se to our existing
organisations under the current exemption clearly work for
us and we have no doubt that we will strongly advocate for
our exemption to be maintained.

I do have a concern that, in the discussions today,
biosecurity is becoming the principal driver of the
direction in which local land services are going. In
 certains instances where there is a strong public good
component to biosecurity, for example, there are human
health concerns, I can clearly understand that, but from
our industry’s perspective, we have a very efficient and
very organised approach to biosecurity. We manage that
ourselves through our existing processes.

I guess a case in point right now is a concern about
something that has raised itself in the north of
Queensland, which is called yellow canopy syndrome. To
date, our industry, through its own structures, is the one
that is dealing with that issue. We have had no input, no
inquiries, no assistance from any government organisations
in New South Wales to this point. Certainly at this point
you might argue the risk is relatively low; however, it is
on our radar and we are doing something about it. It does
not seem to be on anybody else’s radar.

In relation to individual exemptions, from a sugar

industry perspective - in some instances this links back to what the Irrigators Council was saying - where we have existing structures in place whereby we are funding local land services and whereby, in our instance, all our cane farmers and sugar mills are funding that, I cannot see that an individual exemption process would make any sense whatsoever. You would, in essence, have all of our cane farmers and the sugar mill making the same application for the same exemption on the same basis. Therefore, we strongly believe that the exemption that we currently have should stay and it is our view that, to date, IPART has not made a case as to why our exemption should not continue.

THE CHAIRMAN: Thank you very much, Ian. I was going to ask Angus next.

MR A GIDLEY-BAIRD (NSW Farmers): I will quickly work through the three points on the screen there. “Does the hierarchy work?” Our point at the moment is it is a framework and it is not really going to be known to whether or not it works until it actually hits the ground and we see individual boards applying it to give us a true sense of its application on the ground.

I could not quite understand how they were applied under the different scenarios there, noting that also in the report the regulatory functions probably focus more on the risk creators as the funders whereas the non-regulatory ones focus on the beneficiaries as being the funders.

I know there are probably a number of my members who would probably question some of the environmental requirements that might be placed on them as to whether or not, as a regulatory function, the actual process that it is imposing upon them is creating a cost on them already and they would question why they should be funding, I suppose, the policing or the regulatory support network around that.

I would be interested in your explanation of that, because I think that might help us get a better understanding as to how the framework might be applied in what is to me not so much confusing but it is a little bit of a grey area as to how the LLS functions will be imposed on the ground because there are dual roles both for the individual properties and also for the greater public good.

THE CHAIRMAN: Thank you, Angus. Do you want to reply to that, Colin?

MR REID: Thanks, Angus. I think we made that distinction. Essentially with the non-regulatory functions when we were looking at that, we asked was that adding value, if you like, when they were essentially directed at beneficiaries, for example, whether it be some extension services or agricultural advice, where it was almost like a discretionary service that could be offered through the local land services. Still on the non-regulatory activities, there was some discretion on behalf of the recipients of those services as to whether they in fact signed up for those services or not. In simple terms we...
saw it that way.

With a lot of the regulatory functions, however, that was something that was imposed by government and it was imposed by government in a response to perceived risk or activity where it could be creating an impact or exacerbating existing risk. I know there has been much debate about clearing native vegetation, but put that to one side.

So the regulatory functions we saw as government responding to a perceived risk or impact. For that reason, we thought if fell more directly into the area where it would be the risk creator or the impactor who would pay. That is it in broad terms. It will be defined more clearly in the report, but in broad terms that was the distinction we were making.

MR GIDLEY-BAIRD: I suppose further to that then, I am guessing there is the possibility that the broader beneficiary of some of those regulatory functions can still be recognised under this framework.

MR REID: There is that possibility, that's right. There has been much debate about what a public good is. There have been some issues around that and how you define the public good. Certainly that is true, but obviously the way the hierarchy works, to the extent that they are identifiable and to the extent that it is efficient to have them fund local land services, then obviously the way the hierarchy works, they would be the first ones to pay. If it was not feasible to collect money from the impactor or the risk creator, then obviously the next step would be the beneficiary.

THE CHAIRMAN: Does that help, Angus?

MR GIDLEY-BAIRD: Yes, I think so. As I said, a lot of it will fall out when it starts hitting the ground, but --

THE CHAIRMAN: It will indeed. This is a methodology for the local land services to apply, but where it is so regulatory, if parliament passes a law that there is a certain regulation, then everybody has to fall into line. That would tend to mean that you would look at the risk creator first, if not there, then the beneficiary, then the public good. With something like an agricultural extension service, where a farmer can take it or not, clearly the beneficiary pays. In practice it will take some judgment but that is the sort of framework.

MR GIDLEY-BAIRD: With the beneficiary one, or the particular services developed, from the very origins of the current LHPAs, what they were set up for was to try and develop solutions at the local level to support landholders. That one is all right. It is more the regulatory role that the LLS will perform.

Obviously in many cases some of those regulatory arrangements are imposed for greater public reasons rather than the individual landholder themselves and therefore requiring the individual landholder to pay for the implementation of those regulations. I think it will be questioned by our members in some cases, yes.

THE CHAIRMAN: It raises a pretty interesting point because if parliament decides that a certain activity is causing a problem and if it happens to be that that activity is actually a by-product of farming, for example, then who should pay? In a sense, the occurrence of that activity is actually a by-product or cost of farming. In the end it is paid for by the consumer but in terms of who actually pays the rate under the model, it would be the farmer. I was going to ask Nick next and then John.

MR N MILHAM: Nick Milham from NSW Trade & Investment.

In the broad, the principles outlined in the draft report appear to be reasonable. As a number of speakers have already pointed out, the devil will certainly be in the detail on how it is implemented, but in broad the principles look reasonable.

One thing I wanted to comment on is this issue of joint private and industry or public good and, I guess, express a cautionary note about how easy it is to fall into the trap of sort of defaulting to: if there are a broader range of beneficiaries, then that is where payment for the service or the regulatory activity should come from. I thought your explanation, Peter, was very good in drawing out the error that that can become. The issue is that many private activities generate either goods for an industry or benefits for the broader community.

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Transcript produced by Merrill Corporation
I like to think of the front garden example. We and some of our neighbours put significant effort into our front gardens, which we enjoy, but so do the people who walk up and down the street. Does that mean that the council should subsidise my front garden? I would love them to, but I think as a broad principle, that is on weak ground.

It is the same when we talk about other areas of private activities that also generate benefits either for the industry or for the community and we need to then come back to issues such as: is this an area where we are trying to address a problem that has been created by industry in the sense of a risk creator-type model or is it where we are expecting as a community an industry or a landholder to do something that is otherwise not in their interests or that is in their interests to do partially but not to the extent that we would require, which we call the sufficiency principle.

It is only when it is in the public interest at an industry level, for example, or at a regional level that there is some reason to require or expect a higher level of investment that then there becomes an argument to move beyond the risk creator or private beneficiary paying to achieve that extra benefit that we consider to be in the broader public interest.

THE CHAIRMAN: Thank you very much, Nick. John?

MR J MACARTHUR-STANHAM: John Macarthur-Stanham, representing Local Land Services, which I hasten to add does not start functioning till 1 January, so I need to make two disclosures up-front. Firstly, the board is yet to meet; indeed, it has its first board meeting tomorrow. Therefore, I do thank the Chair and the tribunal for their consideration in allowing us to put in the late submission. Secondly, I am a chook farmer amongst other things.

I would like to make three points at a high level because the board is yet to consider its position, so these observations will be mine and any responsibility therefore rests on my shoulders. Firstly, from my reading of the draft, it is a sound hierarchy and framework with appropriate flexibility, so I do not have a problem with the approach.

Secondly, I would say the movement to two hectares is sensible but perhaps it should only be considered as a first step and some built-in capacity for review should be considered. I say that because certainly one can clearly evidence many individual instances where risk creators are in areas or hold landholdings significantly below two hectares. This obviously has to be balanced with the whole issue of effective transaction costs and I know the tribunal is very keenly aware of that. There may well be a different mechanism to actually bring that into balance below the two hectares but I think perhaps a secondary review should be factored in.

Certainly I think more work needs done on intensive agriculture and horticultural operations. You need to look no further than the example of poultry, which Ian drew to our attention earlier on. There are some issues there which I think we do need to face, in your final report and I think further work is needed there.

In relation to exemptions the whole issue of exemptions sets actually a fairly dangerous precedent. Although some of the risk creation activities can be reduced, I don’t think you are actually eliminating risks. I don’t think any industry bodies can eliminate risk. You also have a temporal issue there as well. Because the risks cannot be eliminated there has to be, by direct definition, a connectivity to other areas within New South Wales. I would be concerned about exemptions. Discounts are another matter which one should approach with caution, but should be there as part of the flexible armoury, I would think.

That is probably all I have to say on this level at this stage, but there will be more in our submission, thank you.
THE CHAIRMAN: Thank you very much, John. Nick, and then Joylon, and then I will move to questions or comments from the floor.

MR MILHAM: If I could take the opportunity to bounce off one of the comments that John made that picks up on points that were made earlier in relation to exemptions. It seems to me, and I guess Colin might like to comment, entirely consistent with the framework that IPART has outlined to give consideration to where, for argument’s sake, an industry is able to demonstrate that it is undertaking an activity that might otherwise have been provided by LLS, and it may well be appropriate to discount rates and on that basis.

However, that then begs the question which John just raised about the extent to which they are in fact eliminating all risk to other landholders arising from them and the management of their property and whether that’s in fact possible. That would be a question which I think the framework could cover. As I said, the framework that has been outlined seems to me to be able to provide for consideration of that in the establishment of a rate or a fee that may apply to a particular landholder or a group of landholders.

MR BURNETT: I would like to pick up on Nick’s analogy of a front garden. No, we would not expect the council to pay for your front garden. I think what is being proposed here is expecting everyone else in the street, including those who don’t have front gardens, to pay for your front garden. This is clearly a case of trying to spread the funding base as broadly as possible and, in our view, irrespective of whether there is any risk creation or benefit capture.

This is not about risk elimination. This is about risk mitigation. I think both poultry and sugar have demonstrated that there are examples where industries can mitigate the risks that are meant to be addressed by LLS to such an extent that an exemption has been granted them, and many horticultural industries are in exactly the same situation.

I don’t think the New South Wales government has demonstrated any market failure here yet where some of the horticultural industries are concerned. We asked the New South Wales government to give us data on the number of times macadamia growers had accessed LHPA services - it was unable to do so.

We did a survey of our industry and, to take your point about 60 to 70 per cent farmers having multi-industries, our members say about 5 per cent of them run livestock; yet all of them will be required to pay this. Just as Ian and Monica so clearly argued for cane, we have in place very rigorous government-endorsed fully funded biosecurity arrangements, even down to regional security plans. We have been given no evidence at all that LLS will add anything to those arrangements.

THE CHAIRMAN: Thank you, Joylon. Monica, and then we will move to the floor.

MS POEL: Thank you, Mr Chairman. I wanted to take the last opportunity, if I could, to come back to trying to answer the final question on the slide there about the practicality of individual exemptions and picking up on the point of my colleague Ian.

I really do not feel that individual exemptions are practical for our industry. If the industry-wide exemption were to be removed I can see that there would be some 600-odd applications for individual exemption received at Northern Rivers Local Land Services, and they would all be exactly the same because the cane industry is very similar. Each farm is very similar from one to the other.

I take the point about connectivity issues, but it is quite a unique industry that is quite different in the landscape from those other industries beside it. While generally there would be connectivity issues, I think they are far, far fewer in cane than they otherwise may be.

MR BURNETT: I could get 3,000 individual exemptions from almost every horticultural grower in the north coast region.

THE CHAIRMAN: Thank you. Monica?

MS POLE: My final point is that I would like to strongly support the possibility of industry-wide exemptions, if nothing else on the basis of administrative efficiency. If
you think forward and turn this around on its head, if there were no industry exemptions for sugarcane, what type of capacity could LLS have to respond to a biosecurity issue? If we were to talk through the issues of smut, yellow canopy syndrome, Fiji leaf gall, they would be quite foreign actually to local land services in all of New South Wales. I think it is important to consider those practicalities.

To try and round this together, given that the LHPA last. I thought it was a good chance to come in last - nearly last.

MR DONGES: Thanks, Mr Chairman. Having been first, I thought it was a good chance to come in last - nearly last.

THE CHAIRMAN: Indeed, thank you, Monica. Ian?

MR DONGES: Thanks, Mr Chairman. Having been first, I thought it was a good chance to come in last - nearly last.

To try and round this together, given that the LHPA rates are the focus of attention here, the broad proposal that you are putting forward fits pretty much in line with what we were proposing in terms of broadening the rate base and addressing a number of what we have called deficiencies in our system at the moment.

In terms of coming down to two hectares, there were two big considerations for us in that regard. The starting point was, first of all, the administration transaction costs, which John talked about. It has certainly been an experience of ours in the past in terms of being able to collect those rates, particularly when we were down to four hectares, that it was a challenge at times justifying to those particular landholders the services that we may or may not provide. I do believe there is a stronger argument now in terms of that question.

The other reason we nominated two hectares is we believe with animal health that is a size of holding that does often carry animals; therefore, there is a justification for the risk that that will be providing to the broader industries and therefore a strong case that two hectares is a good starting point.

I would pick up on Bryce's argument that some flexibility there would be worth a thought because you obviously have huge differences between land capabilities from the coast, say, to the tablelands and the slopes in terms of what two hectares actually stands for. So there may be a case that in some local land services' area where you could bring that area size down.

If you go back prior to those two organisations being very heavily involved in controlling plague locusts, then you will find a very different story from people who were on the slopes, tablelands and maybe even the coast. We want that to continue. I am sure that with the levy, as you proposed, there will continue to be funding for plague locusts as part of local lands services. That is something that impacts on everyone. There are lots of other similar examples.

If you then transpose costs to Animal Health Australia and Plant Health Australia, they will not fund lots of individual problems, or perhaps even regional problems. We can talk about avian influenza because it is so popular or topical today. I would contend that, at this stage, Animal Health Australia will not fund that problem for that particular landholder. I might be wrong, and I hope I am, but early indications are that that is the case.

I think you need to look more broadly at the potential wider risks that we are talking about and the fact that we have had an industry that has been very successful in terms of having a levy in place, which has been quite modest, to help the animal health questions, the pest animal question and the plague locust questions and broadly address those problems, albeit there might be question marks about the performance at times. But that is why you have individuals who are elected and appointed to boards and therefore have to answer for their performance. Thank you.
THE CHAIRMAN: Thank you very much, Ian. Are there any questions from the floor? Does anybody in the audience want to ask a question or make a comment?

MR S GUNTHER: Sam Gunther, from NSW Farmers, I have a question about the manual to be used by LLS boards to assist them in implementing the recommendations once they come out. As has previously been said, the devil is in the detail really in how these recommendations get implemented. What input and opportunities for engagement will there be for stakeholders in this manual and how will the recommendations essentially be put to the local boards into how they would implement them?

THE CHAIRMAN: Thank you, Sam. Colin?

MR REID: In relation to that, we have prepared some draft guidelines. The issue that has been raised, however, is what resources there will be at the local land services level to implement them. That is one issue; in other words, what level they should be directed at. That is obviously a key issue.

The guidelines are out for a very limited review at the moment but certainly once they are in a form and a style, if you like, that we believe that there would be benefit from wider circulation, then we will do that. At the moment, there have been some guidelines prepared but the question for us is the level they are pitched at and how easily they could be adopted by local land services, so we are just reviewing that at the moment.

THE CHAIRMAN: Does that assist?

MR GUNTHER: Yes, thank you.

THE CHAIRMAN: Anything else from the floor?

MR K LEE: Kent Lee, I am the chair of North Coast Local Land Services - not Northern Rivers, North Coast, so we will get that one right.

I would like to make a few comments. Hendra virus, avian flu, cattle ticks, you name it, they do not stop at a boundary fence just because the property size is less than two hectares. It is my contention that if your land is rated rurally, you should pay the rate.

My history is as a tax accountant, so I lived through 1 July 2000, the biggest tax change we have ever seen with GST, and the sun came up the next day which was amazing for some people. However, that system is not as good as it could be simply because it has exemptions built into it. It is much harder for that system to be administered. Much more effort in terms of compliance is wasted on working out what is exempt and what is not rather than looking for avoidance and the like.

If we have exemptions, ipso facto cane, for example, and I am not saying anything about that, we then have to have somebody go around to check that they are actually cane farmers. So that is a policing role taken up rather than maybe an extension officer or some other benefit that can be applied. It is much easier to impose the rate on everybody and then work out individual exemptions. People will apply for them and have to justify the fact that they don't have to pay. It is as simple as that.

Before I go, I can give you a very quick example in support of the small size. We have a small property on the Central Coast, 150 acres. We have five of the old agricultural concessional subdivisions along the edge which are about one hectare each. I was riding along the fence checking it about 12 months ago and there was a pile of 30 dead chickens over the back fence. The people who lived in one of the five properties over there had decided to kill their chooks and throw them over my fence. Under the current system, they pay nothing, unless we catch them or prove they did it. At least if everybody were to contribute, there would be some form of responsibility there. Thank you.

THE CHAIRMAN: Thank you, Kent. With the exemptions issues, at the moment in our draft report, we have the model, which was basically endorsed by Kent; namely, that you levy the rates and then the local land services can give an exemption or a discount to particular landholders if they make a case.

The point about connectivity which John made, which was also in our minds in developing the draft position, we think is a very important point because clearly exempting a whole industry in a sense can have the effect of removing
them from the whole equation, so we think that is a really
important point.

This is a tricky issue and we do need to come down
with our final decision and the comments made today by the
various stakeholders will be taken on board in our
deliberations. We have tried in our draft report, as
I say, to put it on an individual basis and to put it on a
local land services basis. It might be the case that
sugarcane farmers will all be located in one particular
LLS. There are other industries which are fairly close
where they could straddle two, three or four LLSs. So our
thinking thus far is that it is important to leave the
decision making very much at the individual LLS level on
this issue. That has been a really important discussion.

MR BURNETT: Just a quick point on that, please. The
problem with that is the individual LLS boards are
predominantly ministerial appointments.

THE CHAIRMAN: Just let me make the point I made earlier.
This is a democracy. Parliament has been elected and it
decided to appoint four government members and have three
elected members. There is the capacity for local
landholders to make their views known through the three
elected members. I agree four is greater than three. The
next option is to vote the government out. That is an
issue.

In terms of developing a methodology which, if adopted
by the government or some variation thereof is adopted by
the government, will have wide applicability, we need to
take the sort of approach which can go across the whole of
the LLSs.

The other point which has come up is the minimum area.
Clearly it is a very difficult issue and a number of
stakeholders have made points about looking at reducing the
minimum area from two hectares. Again, under our draft
recommendation, each LLS could go down to two. Obviously
if we have something below two, each LLS can go down to
that, so we will take on board those points and also the
points that were made by the CMA and Kent about looking at
all rural holders, but we note that point made by local
government, by Shaun, so we will take that on board.

On intensive industries - intensive industries below

two hectares, or intensive industries below whatever number
we come up with - we have got that down for discussion in
the next session. It is a very important issue because
even if you reduce the minimum to one hectare, there are
some intensive operations which can operate below one
hectare. We have given this matter a lot of thought,
including since we issued the draft report.

If there are any other questions of comments people
would like to make now, including in response to my few
remarks, you are most welcome to make them. Otherwise we
will adjourn for a morning tea break before we move into a
second session. Does anybody want to say anything else at
the moment? Yes, Tom?

MR GAVEL: I would like to make the point that the actual
funding we are looking at is for local land services. It
is not just for one particular area and we need to take
into consideration what those functions of local land
services are, thank you.

THE CHAIRMAN: Thanks, Tom. Is there anything else
before we break?

MS POEL: Could I make one last point?

THE CHAIRMAN: Monica, yes.

MS POEL: Thank you for the opportunity to make another
point. I would be interested to see in the next paper or
piece of work that IPART does on this a little bit more
discussion about the logic and rationale and the importance
of connectively in the landscape if that is going to be a
deciding factor on any type of exemption. If it is
important, and I am not 100 per cent clear that we are all
actually saying the same thing, it would be good to see
IPART have a position on it. I guess other than that, that
would be my final point.

THE CHAIRMAN: Thank you very much, Monica. It is 11.25,
so why don't we resume at 11.45. That gives us 20 minutes,
thank you.

SHORT ADJOURNMENT

THE CHAIRMAN: We might resume now, thank you.
During that break, my colleague, Simon Draper, pointed out to me that we really had not addressed directly the point which has been made by a number of stakeholders including Stefanie, and I think Joylon and Monica, about duplication. You already do a particular activity, then along comes the LLS and does the same activity and then bills you and you end up paying double.

We sort of addressed that indirectly, but to address it more directly and just in case you want to make any follow-up comments, could I just say that if a landholder is engaged in some activity and then the LLS comes along and wants to bill that landholder for doing the same thing, then that is a case for applying for an exemption. Alternatively, you could stop doing it and let the LLS do it, but is a case where your might want to apply for an exemption.

Are there any comments on that?

MS POEL: I took that point from the framework that was presented, which was good, but to build on that, I would say I believe it is logical and practical where there are, say, 600 or thousands of people with exactly the same duplication issue that it would be sensible to do that on an industry rather than on an individual basis.

THE CHAIRMAN: Thank you, Monica. Stefanie?

MS SCHULTE: Just to add to that, if you have a service that is already implemented and then ask the LLS to pay for it, we always thought that the LLS was there to pick up anything that was not available in the marketplace. Hence, if those services are already being employed by industries and are willing to be paid for by industry, it should not be the LLS then who would fund those. I must be understanding this --

THE CHAIRMAN: No, of course if you are getting a service from the private sector, then why would the LLS come along and want to offer you another service? I thought some of the points about duplication were where some of the stakeholders were doing something and the LLS came along and wanted to do the same thing and bill them. I think we have covered it off.

MR DRAPER: Just to clarify the question or the point I made to Peter, it is not so much a case sometimes of persuading the LLS to give you an exemption but to persuade them not undertake the activity and therefore charge for it.

SESSION 2: How to set the rate base?

THE CHAIRMAN: We will move on now to session 2, thank you, Colin.

MR REID: Thanks very much, Peter.

Session 2 we have titled, "How to set the rate base?" The matters that we are looking to consider here are:

What should be the general rate base;

The role of special rates;

How to allow for intensive industry - and some of this has been discussed already obviously;

The level of guidance required for LLS boards; and

Any other issues that people may wish to raise.

Having gone from the first session, where we discussed who should fund local land services, we are now turning our attention in session 2 to how to set that rate base.

There have been a number of options put forward as to what the general rate base should be levelled on. In the letter that came to us from the minister, the issue of land area was raised, the question of notional stock carrying capacity, the unimproved capital value of land, and obviously people have talked about a possible blending of these.

Others have raised, given that this general rate base is to cover some of the core broader functions of local land services, whether any of these measures appropriately capture the biosecurity risk or the natural resource management issues associated with local land services and whether there are any other possibilities.

The funds raised for the general rate base are designed to fund the core regulatory functions of local land services where they are not covered by special rates or fees for service. Some of the submissions were confusing the general rate base with special rates, such as some of the animal health rates, and that is not the intention.
A number of submitters have stressed the productive capacity of the land as measured by notional stock carrying capacity or land value as measured by unimproved capital value as an appropriate rate base. I suppose our concern was that such measures may bear no relationship to the risks created or the benefits received, and we picked up a number of things that the Honourable Richard Ball said when he prepared his report a few years ago when he was putting forward land area as an alternative to those other measures. What should be the general rate base is obviously a key issue.

As far as special rates are concerned, a number of submitters are concerned that while the special rates may give greater transparency - and that was one of the things that the minister focused on in the letter to us in regards to the inquiry, to give greater transparency, and special rates are aimed at doing that, and they also allow better targeting - they create a level of administrative complexity and may in some cases create confusion with local government rates, which is the issue that Shaun has raised; for example, with an environment levy being raised both by local land services and also by local government. It could get to the situation where you have so many special rates that the complexity of them outweighs any perceived benefits. So for this part the question relates to the role of the special rates.

Another issue for this session which we have discussed in part in session 1 was how to allow for intensive industries. A number of these issues have been raised already. As I understand it, and Ian Donges can correct me, notional stock carrying capacity is weighted for some intensive industries, so there is some adjustment made there to allow for feedlots or whatever for some of the intensive industries.

MR DONGES: That's right.

MR REID: Obviously that is an issue that could be pursued in this particular case. The Livestock Health and Pest Authorities were not concerned with intensive horticultural activities. That is a function that I understand is coming across from DPI to local land services, and that is an important new function, recognising the work done by individual industries already.

NSW Farmers have raised the issue of developing special rates for intensive industries. I suppose it is a case of how you would calculate those and what you would link them to. The issue that has been raised before is that obviously some intensive industries may operate on less than two hectares or you may have a mixed farm where part of the farm is devoted to intensive industries and the rest of it is not.

The last issue that we have touched on is the level of guidance to local land services boards. In the formation of local land services, there has obviously been much emphasis on the need for local boards to be close to the local community, to have a high level of independence and delegated authority to meet local needs.

A question for this inquiry, and more broadly, of course, raised by the Irrigators Council and others, is what resources will be available to local boards to implement the funding framework and what guidance and independence they should have in rate setting. Obviously the outcomes of that discussion will influence how we develop our recommendations on how rates are set and the extent of guidance that we provide in our recommendations and in the guidelines.

These are the talking points that we have set as the key issues for session 2:

What should the general rate base be;
What is the role of special rates;
How to allow for intensive industries;
What is the level of guidance required by LLS boards; and
Other issues.

There may be some other issues that people wish to raise. With that I hand back to the Chairman.

THE CHAIRMAN: Thank you very much Colin. Comments and questions around the table. Angus?

MR GIDLEY-BAIRD: I will quickly work through these as an initial starting point for a discussion anyway. We submitted that there should be a general rate and then a
I must admit that policy was formed a couple of years ago before the whole LLS formation and the inclusion of CMA functions came across. I do recognise that there are going to be a number of services performed by the LLS which may not necessarily relate to the actual stocking density on your property.

I suppose the background to the formation of that position was that traditionally the LHPA services, the PP boards and all that beforehand were quite focused on livestock matters and, as a result, notional carrying capacity gave some indication on the benefits received from those agencies when they performed them.

You can have a huge property in the western division of New South Wales and a much smaller property on the eastern side of the range and along the coastal area and have similar, I suppose, livestock on that property. From an income-generating point of view they might have the same income-generation capacity, but obviously if you based it on land area, there would have to be differences weighted on land area by geographical zone or possibly, even within that, some differences across the geographical areas.

We have not really looked too much in terms of the levels of guidance required by LLS boards. I know a lot of our focus in the early stages was on ensuring that there would be a greater number of elected people to those boards and therefore accountable to those ratepayers. We saw that as a means of providing that accountability back to the individuals on how they set, determined and charged rates.

Granted each board probably needs to have a degree of autonomy itself to set and charge rates according to what industries they represent, what industries are in their area and what landforms they have, but at the same time consistency across boards is needed because there is nothing worse than a landholder, who owns two or three properties, realising that he is getting charged differently by different boards or different local land services areas - justifying that across a line on a map basically. That is probably enough for the moment.

THE CHAIRMAN: Thank you very much, Angus. Would anybody else like to comment? Nelson?

MR QUINN: Thank you. We advocated using unimproved...
Also, if we are talking about risk creators and so on, how do we capture the charges that should be imposed on the main pathways for the dispersion of problems? I am referring to things like the transport industry, the nursery and garden industry and so on.

THE CHAIRMAN: We are thinking about not just intensive livestock industries but also intensive horticulture and other industries, so that point is well taken. In our draft paper, draft decision or draft recommendation, we have an option, particularly for the western LLS that might not go down to the minimum of two hectares of being able to use either notional carrying capacity or land area for general rates.

I don't think it is very easy to come up with a sort of general statewide rate and maybe one option is to leave that to the local LLS to determine on intensive industries within their bailiwick. This includes non-livestock intensive industries also.

Anything else? I am sure there are more comments. Who would like to go next? Would you, Shaun, given that you guys raise rates?

MR McBRIDE: As a general point, and we have raised this many times in the committee that was developing the LLSs, we raised the concern about the use of the term "rates". That is probably just from a local government perspective.
MR BURNETT: On the general rate base, our view is that the difficulty you have in trying to find a general rate base is just symptomatic of the difficulty you have in apportioning risk creation and benefit capture across this range of services. Nevertheless, the area rate base would appear to be the simplest and the most equitable. I take your point, Shaun, about Crown lands and we are very keen to see them included in this, if this is about risk creation.

Also if the LLS is moving away from the LHPA to a broader responsibility, the idea of a notional carrying capacity means nothing to more than half of the ratepayers in the north coast LLS, for example, and it will perpetuate a greater sense of injustice than what is already there. For those and the other reasons that I think Colin mentioned about the benefits perhaps of an area rate, that is where we would see the general rate struck.

We would encourage, if we are going to down this route, the role of special rates wherever possible. As we say, it is about a better targeting, a better capture of who creates the risk and who captures the benefit. The general rate is a very broad instrument and should be kept to those parts of the services that are core and widely distributed.

With intensive industries, if you can keep the general rate to the very core functions of the organisation and apply special rates or preferably fee for service for as many of the functions of this body as possible, then intensive industries will probably be caught in the normal area general rate and the other things that would apply to them.

In terms of the level of guidance required by LLS boards, we think there has been some confusion in the structure that has been set up between the governance board, which should be skills based and to that extent could be appointed by the minister, and a representative group that then can comment on the allocation of funds and the setting of special rates and those sorts of things that are regional.

I know it is not really IPART’s responsibility but, John, we would maybe encourage you to look at the use of regional advisory councils to perhaps have a greater role in some of this setting of rates and allocation of funds because the skills-based board has a role to play in governance. Both the Ryan and Bull reports show that LHPA was largely incompetent when it came to governance. I am sorry, Ian, but that is fact of the matter. They could not tell you where the money was spent.

So a skills-based governance board is very important, but it will cause great angst with levy payers, ratepayers, taxpayers, call them what you will, when they see that they do not have the majority say in how these funds are set and allocated. We would encourage you perhaps to look at that sort of thing in terms of guidance.

THE CHAIRMAN: Thank you very much, Joylon. Monica?

MS POEL: In our submission, and today as well, the New South Wales sugar industry has not taken a view on rates and commented on the general rates. The logic is, and the reason is, that we take the view that we should be exempt from these rates and therefore have not commented on them.

THE CHAIRMAN: Noted, thank you, Monica. Who would like to go next? Tom?

MR GAVEL: The CMA's position was that you would use the unimproved capital value of land. Of course, we were looking at a rating system that was over the whole community. I still think that that is our position - well, it is our position as far as getting an equitable process.

We also believe that special rates would be up to each individual local land service area and it would be guided by its community. It could happen through an advisory board. I think it has been recommended that there be an advisory board to assist in some of these things, but each individual local land service area board would set up that process and would be guided in what rating systems they would take forward.

As far as the intensive industries are concerned, I think intensive industries should pay, whether it be a rate or a levy or a figure, to be involved in this process. That is probably our position.

I guess you could look at an overall base rate and look at developing a rating over a different tiered...
process, which is another way of probably looking at the rating system, particularly for those special rates.

THE CHAIRMAN: Thank you, Tom. Who would like to go next? John?

MR MACARTHUR-STANHAM: Taking the issues from the top I think I appreciate both the logic and the limitations to using land area as a basis. I guess my initial position is that may be about as good as we are going to get.

Having said that, I think once the local land services boards meet, there will be a cross-section of views and it will be interesting to see if we can challenge that key assumption.

It is important, when looking at a general rate base, to acknowledge and appreciate the flexibility that is given through having a flexible component and a variable component to a general rate base. I think that is an important point to make.

In relation to special rates I would regard them as fundamental. Tom's view that this be largely driven by regions I think is correct. The focus that special rates give is very consistent with the model that IPART has used in its beneficiary framework.

Also it is important to realise that having special rates will actually be really good as it will allow the community and the person who pays greater transparency and the actual ability to evaluate value on the service delivery. That is really important, so I am certainly a strong supporter of special rates because of the transparency and accountability that should flow from that.

In relation to intensive industries, I think I heard you allude to the fact that since the publication of your draft report, you have given some more thought to that, which is good. Certainly I think you need to do something on intensive industries. It could be that that is regionally led and perhaps one ends up with a matrix where you are looking at a risk dimension or a risk axis and a mitigation axis as the things that drive the cost basis there.

"What level of guidance is required by LLS boards?" Is that "by" or "to"? I am not really sure what the thrust of that question was. Colin you might give me some advice on that so I can better respond.

MR REID: Yes, it should be "to". It was really at what levels should our report and our guidelines be directed at - the level of autonomy they will have, the level of sophistication they will have to be able to implement any funding framework that is recommended.

MR MACARTHUR-STANHAM: I think you have probably pitched it at a reasonable level. Although it will be heavily driven by regions, I would like to think that the LLS would have enough both resources and sense to actually leverage individual regions into a group approach to much of it. There might be a small task force representing a number of regions that is properly resourced so that there is both due respect given to the individual requirements of the regions and an overall consistency that actually pervades those things.

THE CHAIRMAN: Just on that, John, in a sense, you would be comfortable, I think from what you have said, with having relatively high level guidance as opposed to being overly prescriptive?

MR MACARTHUR-STANHAM: I think the high level guidance is the way to go. I also draw attention - I think Bryce or somebody else mentioned this - that there is a clear obligation in the LLS Act, or whatever it is called, about community consultation and involvement and in actually establishing stakeholder communities, et cetera.

I think the answer is that you have actually to let the communities and the people put the pressure on an LLS to deliver. Give us some broad boundaries, which I think you do at a high level. I think it is really important that there are boundaries and parameters set. I am not trying to get away from that, but I think you actually want to allow that value to be surfaced. One of the questions will be what local landholders want, what those communities and stakeholder groups demand. I think there is a rigorous process of actually finetuning that that you will not get right if you try to do it at too fine a level.

THE CHAIRMAN: Thank you very much, John. Bryce?
MR WILDE: On the issue of special rates, the NRC supports what John Macarthur-Stanham has just pointed out. One of the key points of success for local land services will be how regionally variable and innovative they are in providing services customised to their community, their environments and their industries. I think the potential to have special rates which are fit for purpose is a really important part of this suite of packages.

On the fourth question, "What is the level of guidance required by LLS boards", you do need to listen to the incoming board about what they want, so I would make that clear.

From my perspective in reading the framework so far, it is technical. It can be complex and it could be very burdensome to implement. I would support the level of non-prescriptive practical guidance so that there is a suite of tools, a suite of assistance, which might be able to help a board which is trying to do a lot of things in getting services up and running. They would be able to pick and choose from those suites of tools, matrixes, whatever they may be, to help make it more administratively feasible to implement on the ground - so that is being practical but non-prescriptive. Those would be the key points there.

There are a couple of other issues in the framework. I was a little bit confused - it might just be my reading - in the framework - about where strategic planning came in compared with cost recovery framework. We feel that strategic planning, which should involve co-design with the community, industry and government, should be first and foremost.

Those questions of identifying what are the priorities should come first and secondary is the conversation about how to cost them and how to cover those costs. It seemed, to me on my reading of it, it was a little bit interchangeable. I would like to encourage a greater utilisation of strategic planning and then cost recovery.

MR REID: I think we have noted that, Bryce. Certainly the intention would be that the strategic plan drive the activities of local land services and, as you say the funding, how you fund, will follow from that.
I think that needs to be thought through a little bit more and I am happy to have further side conversations with IPART regarding that, if that would benefit.

MR REID: We take that on notice, Bryce, thanks.

THE CHAIRMAN: With the audit, we were very keen not to overburden the LLSs with an excessive numbers of audits.

Mr Wilde: I absolutely endorse that premise. I think for LLSs the first focus is that they should be allowed to get up and running. There should be a removal of regulatory oversight and burdens. I am concerned slightly that in some elements, at least with the annual compliance framework and cost recovery, some of these checklists there, this system may be adding to the burden, so I think that needs to be looked at in its entirety.

THE CHAIRMAN: Thank very much, Bryce. Ian?

Mr Donges: Thank you, Peter. I thought I would hold back for a while and see where the comments were going. If you really want to stir human emotions, talk about rates, levies and taxes and see how you go. Part of the answer to my friend up here who talked about corporate governance, is when the new organisation started in 2009, the one thing they got wrong was the rate setting and some individuals had increases of 40 or 50 per cent. If you want to get the best of people, talk about a 40 or 50 per cent increase in rates!

One of your recommendations, and very rightly so, Peter, is to standardise the rates. At the moment we have some of the old Rural Lands Protection Board areas paying a 30 or 45 per cent rates difference for the same land capability right next door to one another because we have not been able to standardise those rates.

Now we are going from 14 regions to 11. There is hence another challenge there, John, in terms of that standardising of rates and the situation with neighbours talking to one another and finding that their neighbour is paying 20, 30 or 40 per cent less or vice versa. There will be winners and losers in any change in this rating system to start with. I am sure that is surmountable. As I mentioned before, it to have an independent IPART looking at this and bringing that level of scrutiny to where we are going.

We fundamentally agree with your view, Mr Chairman, in terms of where we are up to in having land area as being the starting point when it comes to looking at a general rate. I do think you have come down against UCV, the unimproved capital value, versus the notional carrying question. That is a very big question that has been debated ad nauseam for as long as the LPHAs and their predecessor organisations have been around.

The UCV question means that you will have enormous differences between, say, the north coast with a high land value with minimal animal capability, versus someone over at Trangie, or wherever, who has much lower land value but may have the similar land production capability. Hence we have the system we have at the moment, but it is always good to challenge these things and see where we are going.

The special rates I definitely agree with in terms of targeting where we are going to. We have special rates now of course. We have two of these and potentially there are lots of opportunities to go down that path. I think it is a far more equitable path to take. It gives local boards good reasoning to target various outcomes or certainly various services or functions that they may be looking at. That, I think, would then be the test for obviously the boards but also their communities. If all that works, you will have a good outcome and it is a far more sensible way to go than perhaps even the way we have been going.

The special rate that we have had for plague locusts has given us a lot of grief in terms of some of the history of that, which I will not bore you with, and it didn’t involve bringing in certainly the beneficiaries or the ratepayers.

There is one point I would like to make very strongly and that is that the organisation that I represent has had a whole history of relating to ratepayers. I said when you get the rating system wrong, you get the ire of ratepayers. You need to have a relationship with the ratepayers in terms of building a long-standing confident base so that they trust you - without that, a whole lot of other things will not work. That is something that we are sure at times.
we did not get quite right. Hence there have been numerous reviews into us, which were mostly to do with ratepayers. I believe there is a lot more that can be done with local land services in the future that can build that ratepayer confidence in the organisation.

THE CHAIRMAN: Thank you very much, Ian. Stefanie?

MS SCHULTE: To follow on from what I said earlier this morning and also what we had in our submission, we believe that services or what services will be delivered should be first and then a discussion about the general rate base should be second.

I do acknowledge that this is outside IPART’s scope. However, I would like to mention, though, that the actual rate base that will be decided on might be determined by the services that will actually be delivered. So going through this process back to front a little bit might not necessarily be helpful.

However, if the discussion is about rateable lands of two hectares instead of 10, I guess one of the issues that we have raised in our submission is how we can possibly implement that or enforce it. If the cost of doing so outweighs the benefits, then we don't necessarily see a benefit of going down that path.

Coming to administrative costs as well, with the special rates that are being proposed first and foremost, we believe it should be in consultation with the individual industries that these rates may apply to, to see if they are necessary and how far they should be enforced - but the special rate as well as the minimum rateable area.

I guess this raises also the question of the cost recovery mechanism or the process of how these charges should be recovered. We would like to see some form of recovery that or one kind of process through which all of those charges are recovered and not very separate processes through which these charges will be recovered in the long run. That, we believe, also will aid transparency for the LLS system as a whole.

Finally, in terms of the level of guidance required for LLS, we heard at length that there should be consultation with stakeholders and we will most certainly support that. It is just a matter of whether or not stakeholders will be consulted and whether or not they will be listened to as well. We would like to see a process in there that is not just a consultation process but that those kinds of voices or issues will also be heard within the LLS boards.

THE CHAIRMAN: Thank you very much, Stefanie. Nick?

MR MILHAM: I have one very general comment in relation to the issue of the level of guidance. We have a fair amount of experience within the department - in that context I guess I am speaking for DPI within Trade & Investment - in relation to working on broad cost recovery issues. We would see part of the department's role, particularly in the early days of LLS, working in conjunction with the state level board to provide some support to LLSs in developing that type of capability to sort of think down that way of thinking about what an appropriate level of cost recovery is in terms of applying the principles developed by IPART. So there would be some level of support there.

I guess again more broadly in relation to lessons learned, while I accept what John said earlier about perhaps keeping the guidelines at a reasonably general level, you do need a quite specific worked example type support in order to assist, particularly in the early days, these organisations which will not be used to applying those sorts of principles to actually work it through and see how you would do it until it becomes, I guess, more second nature.

THE CHAIRMAN: Thank you, Nick? Ian, would you like to say anything else? Are there any other questions or comments round the table before I go to the audience? Yes, Angus?

MR GIDLEY-BAIRD: I have a couple of quick questions. There was reference to the NRM rate as a special rate but also there was a proposal about biodiversity rates. I suppose I am a little intrigued, if part of the core functions of LLS are biodiversity and NRM activities, as to how a special rate on those things would actually yield anything more than what, say, the general rate might do. I am interested in your thoughts on how specific that could be in terms of some of the services you are talking about...
being delivered.

Secondly, and I can’t really recall from the draft paper, but were you looking at rates in the sense of a base and then an ad valorem rate similar to what is being used at the moment by the LHPAs and, if so, is there any apportionment in terms of the costs in that actual rate structure?

I know you are talking about the total costs being recovered through the rating process, but granted that there will be certain functions of the LLS that will require certain resources to be on ground 24/7 like some of the emergency response roles that they will have to play with biodiversity, etc., that will require a certain resources level to be there all the time. How might then the additional services being provided under, I suppose, those specifically targeted rates be siphoned out?

Thirdly, to take Ian’s point on the standardisation of the transition process, you mention in there about standardisation but do you have any concept on how that might occur, given that I am guessing with the redefining of boundaries and the 14 LHPAs going to 11 LLSs, obviously there will be some areas that end up with different rates within them? They will be standardised, but then I presume all the new boards will go through a process where they in turn set their own rates, so there could be a two-stage process where each individual landholder may actually have rates change twice over the implementation of this process.

MR REID: I am not quite sure I have captured all the issues, Angus, but I will try. If I haven’t, remind me.

We recognise, for example, talking about natural resource management, first of all, that it relies a lot upon seed funding at the moment. There is obviously Australian government and New South Wales government funding that comes in there to try and leverage off the individual and the broader community in that sense.

What the Catchment Management Authority has raised with us through the hearing process and submissions was the question of whether there were some more broader community catchment resource management activities that possibly could be funded by a broader more general rate, and that was an issue that was raised on its behalf. I don’t know whether Tom wants to add anything further to that particular point.

MR GAVEL: No, that was the basis of our presentation, yes.

MR REID: Thank you.

You raised the issue, Angus, of rate structure. As I understand, it is legislated at the moment and we were suggesting that it continue that there be a fixed charge and a variable charge. Within that, we recognise that a lot of these services have a fairly volatile demand, which obviously may be seasonally based or could vary significantly from one year to the other.

I think one of the key issues that you raised in your initial submission, Angus, was the financial sustainability, if you like - I may not have expressed that properly - of local land services in that sort of situation. People have suggested you could come up with an assessment over time of the likely level of demand or requirement for a service and that you could have an annuity as a way of tackling that issue of volatility.

Obviously you have particular points of view on the locust plague levy, the insect levy. There was a major plague a few years ago. There were insufficient funds provided. A loan, if you like, was made from the government at that stage and then there was a repayment of that loan over time. I think it is difficult to predict the scope and the frequency of a lot of these high security risks, but we foresee that they could be recognised and that you could come up with some sort of annualisation of charges to cover that situation. That is our preferred way or a suggested way of proceeding with those.

As far as the standardisation of rates is concerned, we recognise that there is a substantial difference at the moment and, as indicated, that will be exacerbated with the reduction in the number of local service boards from the old LHPA and the old CMAs. In many cases it might be a large percentage difference but a small dollar variation.

In other cases, that might not be so. Often what IPART has done in the past is it has looked at the standardisation occurring over a number of years and has placed limits on...
either the percentage increase or the dollar increase or a
combination of both to try and come up with a reasonable
outcome, with the end game, of course, of treating everyone
equally. I am not quite sure I have covered all your
issues, but I hope so.

THE CHAIRMAN: Anything else from round the table?

MR QUINN: There is one issue arising in this discussion.
We support a lot of things that have been said about
flexibility and the need for specially targeted or the
capacity for specially targeted fees and charges and rates
or levies, whatever you call them. Our major interest is
in dealing with widespread weed problems and the particular
one we home in on is at least in seven of the 11 LLSs.
I am aware that in the LLS legislation there is provision
for what I would call state-wide things to be brought to
bear so that LLSs have to comply with them and so on.

It is almost possible to use stuffing about with fees
to frustrate what otherwise should be seamless action. In
other words, inaction by an LLS in one area might frustrate
what otherwise should be seamless action. In

MR MACARTHUR-STANHAM: The actual structure of LLS
with the Board of Chairs will assist in achieving the results
you seek. You don't want to be more formalistic,
et cetera. I think you have to allow some flexibility.
You have a good structure to achieve what you are seeking.

THE CHAIRMAN: Thanks, John. Questions or comments from the floor? No? Shaun?

MR McBRIDE: I would like to go back briefly to the public
land issue. I have been thinking about it and it is an
area that needs further exploration. There is a potential
for unintended consequence that would not apply to private
land. It applies to national parks, Crown lands and
probably some council land, in that with limited budgets

and so on, a consequence of applying a rate to the land
might just lead to a corresponding offset in the land
management budget of that particular agency, so
especially, a zero sum gain. This is not likely to happen
on private land where the owner has a vested interest in

THE CHAIRMAN: Thanks, Shaun. In the draft recommendation
thus far, we have the notion of LLSs negotiating with the
holders of public lands. Since issuing the draft report we
have given further thought to local government, prompted by
you, and also to Aboriginal-held land, but we would see at
the moment our draft recommendation would be to leave it
open to negotiate, which does not rule out rating it.

Are there any other comments around the table or any
comments on issues more generally with?

MR BURNETT: On issues more generally, it is a principle
of the federal government in the imposition of mandatory or
statutory levies that a formal process be put in place. A
majority of both producers and production have to support a
levy for R&D or for marketing. While it can be a
cumbersome process to introduce, it does mitigate some of
the issues Ian Donges raised about ratepayer disquiet,
dissatisfaction, angst about the imposition of these
things. It did not appear to have been considered in your
first paper and it would go a long way to ensuring that
there was support for these rates.

THE CHAIRMAN: Any further comments or questions?

We have a situation where the LLS board is accountable
to its LLS. As we have discussed the board has three
elected representatives and four appointed. There is a
scope there for consultation and getting buy-in from the

stakeholders. What you have outlined for the Commonwealth
is another way of doing that. In a sense, we do have that as a result of the LLS legislation and what you are suggesting is an alternative.

I think at this stage it would be difficult to implement that under a greenfield approach, but I can't imagine that consultation won't be part of the process both at the LLS boards and at the chair of LLSs. I will ask John whether he has anything to add to that.

MR MACARTHUR-STANHAM: Thank you. Actually with the processes, particularly the obligation to have community engagement there is a safeguard. I understand the examples you have give in relation to R&D. I am not quite sure if they translate to what we are talking about here. If it did, it would be like saying any industry groups can have a vote on the income tax or company tax, et cetera. I would see that as more of the analogy and I am not sure that too many people would be voting for too high a tax. I actually think the existing framework is appropriate, but again it comes back down to accountability, transparency and good community and stakeholder consultation in there. So I re-echo the comments of the Chairman and I think the LLS structure as envisaged will deliver on that.

THE CHAIRMAN: Thank you, John. Is there anything else? Bryce?

MR WILDE: Just a minor issue: it might help when you are preparing the guidance material to spend a bit more time looking at the benefits which accrue from multiple activities. There is a lot of activity that can't actually be truly separated out. The current framework encourages costing each activity separately when there are interdependencies, particularly in NRM and with LLS in the interface between them in biosecurity. Those issues have multiple benefits and the best interventions are ones which have multiple activities being done at once. There might need to be greater thought given to what is the best intervention and costing that which may have joined up or bundled. If you could explore that issue a bit more, it might be beneficial.

THE CHAIRMAN: Thanks for that, Bryce. Anybody else before we wrap up? Joylon?

MR BURNETT: Before you wrap up, again I don't know whether IPART has looked to establish what costs in the delivery of these services are currently borne by the New South Wales government. A significant concern of ours in this process is that there will be cost shifting from the government to industry and more broadly the community.

Unless we have some sense of what it is currently costing the New South Wales government to deliver these services, it will be very difficult to hold them to account on whether they have shifted some or all of those costs to industry.

MR REID: We have the statements from the minister as to the short to medium-term commitment of the government, so certainly that information is available to us. It is public information. I could certainly send a copy of that to you.

MR BURNETT: Yes, please.

MR REID: I must admit I don't have information in the totality of what it is currently costing for the services that will be performed by LLS. Obviously the LHPA and the CMAs produce annual reports. I am less certain on a lot of the DPI activities and how much they currently cost, and that covers some of the plant biosecurity issues.

I can certainly relay to you the information I do have on what the minister made public.

MR BURNETT: Thank you.

MR DONGES: I can help you with LHPA. That is probably close to my heart because at present we get no New South Wales government funding at all and we have the pleasure of paying payroll tax for running the organisation which amounts at the moment to around $800,000. When the LLS structure comes into being, it will be far above $1 million as a single entry unless you can make it 12 entities, John, so I wish you well in that quest.

A little while ago we were getting two levels of grants from the state government, which have been withdrawn, for various activities that we were undertaking. That is I am sure that Angus Gidley-Baird's organisation is looking closely at too in terms of where we go next, as I am sure you are.
There is one question that I meant to ask you before, Colin. In terms of your recommendations here, you are talking about the minimum rating area of 10 hectares - that is fine - and then above that it could be optional for the regional boards to use notional carrying capacity as the next part of that rating question.

Our submission talked about 40 hectares because we felt there are some many of these smaller landholdings and it gets confusing to landholders who, say, have 20 or 30 hectares to try and understand the notional carrying capacity. We understand that is a problem. Therefore setting a single rate based on a land area under 40 hectares we felt was a simpler way to go, easier to administer, and got around some of our inherent problems at the moment. Can you explain why you started at 10 hectares?

MR REID: Obviously we take advice on that, and the practicalities of these things. I think we recognised that in western New South Wales there were particular issues that arose. We realised that in much of that western area, the type of activity that was being performed was possibly more livestock related than in many other cases. In dealing with the larger landholdings and the livestock issues, then notional stock carrying capacity was obviously a recognised approach.

We did consider the approach that you suggested. As I say, we will take further advice on that, but with the general rating base, the main thrust was land area over notional stock carrying capacity.

MR DONGES: Thank you.

MR REID: The choice technically was fairly arbitrary. It was just more a recognition of issues in western New South Wales than any greater logic than that and recognising administrative issues.

THE CHAIRMAN: One last opportunity. No?

CONCLUDING REMARKS

THE CHAIRMAN: Thank you all very much for attending today's workshop and for your contribution and the spirit within which it was delivered.