INDEPENDENT PRICING AND REGULATORY TRIBUNAL

REVIEW OF A RATING FRAMEWORK FOR LOCAL LAND SERVICES

PUBLIC FORUM

Tribunal Member

Mr James Cox, CEO

Members of the Secretariat

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

At the Wagga Wagga Commercial Club
Nathan Room
77 Gurwood Street,
Wagga Wagga NSW 2650

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MR COX: Good morning ladies and gentlemen and thank you very much for coming to this public forum. I realise that some of you have come quite a distance to be with us today and we very much appreciate the effort you’ve put in to assisting us with this public forum.

This public forum is part of our review into the development of a funding framework for Local Land Services NSW. My name is Jim Cox and I am the Chief Executive Officer and full-time member of the Independent Pricing and Regulatory Tribunal of New South Wales, or IPART, and assisting me today are members of the IPART Secretariat, Colin Reid on my left, Peter Leventis and Thomas Clay on my right and Alex Kelty is in the audience.

There was an issues paper on 21 May asking the stakeholders for their views in response to the terms of reference issued by the Minister For Primary Industries and these terms of reference ask us to develop a framework that local land services boards can use to set service fees, recommend a rating base - for example, stock carrying capacity, land area or land value - an associated fee collection mechanism and develop an approach to ensure that local land services boards comply with what is recommended in the setting of service fees.

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

Our timetable for the review is as follows: There will be public forums in Wagga on 14 June, Tamworth next week, on 18 June, and in Penrith on 8 July. Submissions will be due by 2 July. We will submit a draft report to the government by the end of August. There will be a roundtable in Sydney in September to deal with submissions and we will submit a final report to the government by the end of November and then the government will decide whether it will adopt our recommendations.

Today’s public forum provides stakeholders with an opportunity to present their views on the matters raised by the term of reference and we have attempted to capture these matters in our issues paper. Obviously, today our intention is very much to listen to your views and perhaps have some discussion about some of the issues that arise today.

We have divided today’s forum into three sessions.

The first session will introduce the matters on which we are asked to make recommendations. This session will also provide an opportunity for stakeholders to comment more generally on the services that they currently receive from the livestock health and pest authorities, the DPI, the Department of Primary Industry extension services and catchment management authorities and what they pay for these services. As the end of the first session there will be a general discussion.

The second session will be on the costs of local land services that should be recovered from individual landholders and the costs that should be borne by the broader community, so it is a cost sharing issue.

The third session will be on the rating base that should be adopted to recover those costs - should it be notional stock carrying capacity, land value, land area or something else.

For each of these sessions a member of IPART’s Secretariat will provide a brief presentation that outlines the key issues that we see as important in making our recommendations and then we’ll ask for comments from the stakeholders, which is the audience. Can I ask that each of you restrict your comments to the relevant topic.

We have a roving microphone so that you can make your comments heard and help everyone to hear what you’re saying.

As you would have noticed, this forum is being transcribed so that we have a record of what is said to help us in our work. Of course, this record will also be available to any member of the public through our website. To assist the recording of the proceedings, please identify yourself and the organisation you represent and do that before you speak. In terms of housekeeping, we plan to break at lunch at 12.30pm and we’ll make a light lunch available. We will plan to break at that time.
To start off with the introductory session, I hand over to Colin Reid who will introduce this topic. Colin.

MR REID: Thanks very much, Jim. As Jim has indicated, we are on a learning experience at the moment, so we hope to get input from yourselves. This is meant to be an informal session. It is not a formal hearing as such. It is an interactive session with you. We have allowed time for us to scope out each session and then for you to comment and ask questions and possibly for us to ask questions back to you.

As Jim indicated, we've broken the day into the three sessions. My name is Colin Reid and I will give a broad introduction. Subsequent to that, Peter Leventis will talk on the question of the apportionment between the individual landholder, industries and government - in other words, deciding who pays - and the third session, the final session, is intended to be on deciding the basis to pay and how much that is going to cost, whether it be for service, as Jim indicated, whether it retains the concept of notional stock carrying capacity, land value or land area. They're the broad issues that we hope to get through today.

The purpose of today is, therefore, to convey our understanding of the terms of reference that we've been given and we'll go through those terms of reference in detail in a moment, but mainly to provide you with an opportunity to voice your views on current funding arrangements, what the funding arrangements should be, the rating basis and fee collection mechanisms and what checks and balances need to be in place to ensure that the charges that are set by local land service boards comply with the approved and adopted framework.

In that context is the issue of how tight that framework should be and what discretion should be allowed to land service boards in setting fees and decisions on that will obviously determine the detail that goes into the framework that IPART is asked to establish.

At the end of May the government, as you may well know, introduced a bill into Parliament for local land services and it also released a number of facts sheets. What I've done here is extract some of those points raised in those facts sheets which give context for the review that IPART is undertaking.

First of all, the government indicated that local land services will be funded by a combination of government money and private money.

The Australian Government contributes, for example, at the moment for catchment management. The New South Wales Government also contributes, whether it be some of the costs of operation or whether it be for specific grants or specific activities, and obviously locally ratepayers also contribute.

In the facts sheet what the government indicated is that traditionally if you combine the functions that come under local land services, about a third of that money is raised through charges on ratepayers. They have the expectation that around that same proportion would continue. That is a general expectation. Obviously, that will be dependent upon the framework that we come up with and then what the final decisions are.

The second thing that the government raised in these facts sheets that came out with the legislation was that the government said they support in principle the recommendation from John Keniry's group, the stakeholder reference panel, to amend the current rating system to collect a flat fee for small properties ranging from two hectares to 10 hectares. There is a limit at the moment on the size of properties from which fees can be collected.

John Keniry's panel was also recommending a biosecurity levy be collected from those smaller properties in recognition of the biosecurity risks they create. One of the major things that has been quoted is the equine influenza outbreak and the issue that was raised there with small properties.

The third point the government has raised that I've extracted here is that local boards and ratepayers can decide to fund and provide additional services. It is not expected that each local or land service board would provide exactly the same services: obviously different biosecurity threats exist in different parts of the State. As Jim has indicated, there may be different charges that apply to the same service provided in different areas, depending on the
economics of those different areas, but I think the
anticipation is that - if I read the government’s
announcements correctly - where there are additional
services, to the bread and butter ones that are provided, the
anticipation would be that there would be agreement between
the ratepayers and the board to provide those services to
the cost of the ratepayers.

The government also provided this source of funds statement,
which in some ways pre-empts what we’re looking at, but it
is their expectation, it is an indicative source of funds
that they have provided. This applies for the four years
from 1 July 2014. The figures shown here are the aggregate
for the four years, they’re not annual figures. What
they’re saying is that they would anticipate, in broad
terms, that the existing rate base that comes from the
Livestock Health and Pest Authority, which raised, roughly,
about $140 million over four years, would broadly
continue.

There’s government funding at the
moment for recurrent expenditure and there
is also grant funding from the New South Wales Government
and the Commonwealth Government.

The big area, the big uncertainty from the
information that has been put to us so far is
the DPI extension/advisory services and if and to what
extent they’re paid for by ratepayers.

However, what the government has indicated is that in
combining the three organisations - the livestock health
and pest authorities, the catchment management authorities
and parts of the Department of Primary Industries - they
hope to make administrative savings of about $5 million a
year and the indication is that the government intends to
apply that to fund the extension services and advisory
services. This is my interpretation of what the government
has put out.

MR SALMON: Excuse me. On that efficiency dividend, I was
under the impression that that was the increased efficiency
of the existing organisations, so the government’s actually
going to put extra money in because the organisations are
running more efficiently.

MR REID: The source of the money will be that efficiency
gain by cutting down the number of --

MR SALMON: That is already in the income.

MR REID: Yes, that’s right.

MR SALMON: It is a budget fictitious method in play.

MR REID: The specific terms of reference that we’ve been
given is to develop an efficient and transparent cost
recovery framework to be applied by local land service
boards in setting fees. In doing so we’re to have regard
to the strengths and weaknesses of the cost recovery
frameworks in other jurisdictions. We have done some
preliminary work on that looking at what happens in the
other States in Australia and, for example, in New Zealand.

The second term of reference asks us to advise on an
efficient rating base - and we have talked about notional
stock carrying capacity, et cetera - and an efficient fee
collection mechanism. At the moment we have the annual
returns for the livestock health and pest authorities and
in the case say for the Hunter Catchment Management
Authority, there is an additional charge on local
government rates and Thomas will talk about that in more
detail later on.

The third term of reference we’ve been given is to
develop an audit methodology for assessing the extent
of efficient cost recovery pricing is introduced. My
interpretation of that is ensuring the previous two terms of
reference are implemented properly. As Jim emphasised, we
are not out there to set the actual fees but are to provide
the framework within which fees will be set, providing the
government adopts that framework.

Our review timetable - we released an issues paper and
invited submissions. We did that on 21 May. Public
submissions are due up until 2 July. You can either do
that through our website or just post us a submission. We
are holding these regional workshops. As Jim indicated,
we’re holding this one in Wagga today, then Tamworth on
Going into a little bit more detail about our terms of reference, the first term of reference refers to developing this cost recovery framework. Some of the elements that you might get in the cost recovery framework - obviously, nominating the services that are going to be provided. I have listed the services as siloed at the moment: biosecurity, advisory extension services, natural resource management, emergency services.

Obviously, as some people have indicated to us, when you provide, for example, advisory extension services, it may also have natural resource benefits. Those silos that I have here may not necessarily apply and obviously in combining three organisations it is intended to get rid of those silos, but for simplicity and understanding the broad range of functions provided by local land services, it is easy to put them into these categories.

Having nominated the services, the local land service board will have to determine the level of service that's going to be provided and I see that as most probably an iterative process. LLS will have to calculate the costs of delivery and there is an issue of how this is going to be determined, what the efficient costs of providing those services are and how that fits within the framework that we develop.

With the boards of the local land services overseeing the organisation, that will be one impetus for efficiency. There will then be the decision about which parties pay and how much and that's an issue that Peter will talk in some detail about in the second session. That is obviously a critical issue. These various things, particularly the level of services and the services provided, may have to be reassessed in the light of what ends up being available government funding. These are my interpretations of the terms of reference. You're most welcome to have input on that.

The livestock health and pest authorities have notional stock carrying capacity at this point in time, Richard Bull in 2007 raised the issue of using land area and others have raised the issue of land value. There will be a need to link the chosen rate base to particular services and then the question arises of the administrative efficiency of those rate bases: that is are they simple to understand, transparent, verifiable, et cetera.

A key issue will be are there any legal constraints on the choice of rate bases? Obviously, of interest here is the constitution. There are only certain charges that States can levy, although some States seem to be able to get away with more things than others, or they have traditionally, but that's obviously a key issue in devising the framework and suggesting the rate base.

Advise an efficient fee collection mechanism. Once again, that would have to be linked to the choice of rate base. Possible fee collecting mechanisms include as we have said are bills for individual service or based on the annual return of the local land service, similar to the LHPA at the moment, in addition to the possibility of using local government rates. If there is an imposition on local government rates, local government will want to be reimbursed for the costs of collection.

The last term of reference we have been asked to look at is to develop an audit methodology to assess the extent to which efficient cost recovery pricing is introduced. My interpretation of that is what checks and balances are required to ensure that local land services comply with the efficient and transparent cost recovery framework and adopt an efficient rating base and implement an efficient fee collection mechanism.

I would now like to turn it over for general
discussion. I have put up some discussion starters.
You may have other matters you wish to raise in general terms at this point, having in mind Peter's and Thomas' specific sessions later on. The discussion starters that I've put up are:

- How do the current funding arrangements relate to the services that are delivered and your satisfaction, or otherwise, with those current funding arrangements?

- Are there any gaps that you see in what we're proposing, in our approach?

- What checks and balances are needed to ensure efficient cost recovery pricing is applied?

Having said that, I will hand back to Jim to chair the discussion.

MR COX: Thank you, Colin, very much. We now have the opportunity for questions, comments, statements by members of the audience. If you want to make one, please put your hand up and we'll get a microphone to you and when you start to speak, just introduce yourself and say what organisation you're representing, if any. Who would like to go first?

MR D SALMON: Dan Salmon, Riverina Livestock Health and Pest Authority. Plant biosecurity at the moment is not covered by any of the income streams that were stated. Is it part of your brief to look at how plant biosecurity is going to be funded or is it just something that will have to be evolved over time?

MR REID: We haven't sighted anything specific on that particular issue. We can explore that one further. We'd obviously like to talk to John Keniry, in particular, as to what understanding they came to on some of those matters, what they recommended to the government as to what to include in the functions. I understand general weed control is to stay with local councils, but you're asking a bigger question than that obviously. We will have to take that question on notice and come back to you.

MS S SCHULTE: Stephanie Schulte, New South Wales Irrigators' Council. I have actually a few different questions. One relates to the general objective of the review and of the amalgamation of LHPA catchment management authorities and DPI. If the exercise is to gain efficiencies and these efficiencies are then basically translated into cost savings, has IPART got a particular view on whether these cost savings are then translated into or attributed either to government savings and local landholders or industry savings? How is funding for those services from industry, communities and landholders currently recovered? What does IPART see a problem with of the current recovery mechanism? That was my first question.

The second question relates to some of the current legislative and State Government objectives in terms of the Rural Land Protection Act 1998 and the Catchment Management Authority Act of 2003, and how will those ones be incorporated in the amalgamation when local land services come about and how do the new entities then relate to those previous Acts?

MR COX: Thank you. I thought that was three questions and not two.

MS SCHULTE: I am sorry.

MR COX: I will answer the first two and ask Colin to answer the third. The first one was efficiency gains. I would have thought the general principle that we would apply in our work is that we should try to establish what are the efficient costs of undertaking the activities. I think in principle we should be looking at scope for efficiency.

There was then a question of who pays, what share is paid for by farmers, individually or collectively, or shares paid for by the government. I would have thought that we'd look at the efficient cost base and then try to find out what the fair share is to be paid by each group, and the sort of process that Peter will talk about in a moment does all that.

What we're talking about is sharing the efficient costs of the services, not what the actual costs happen to be. That is the general principle in IPART's work. Of course, it may not be easy for us to establish what efficient scope there is for efficiency, that's quite possibly true, but I think in principle we're taking about
people paying their fair share of efficient costs.

In terms of what the problems may be with existing methods of recovery, I think what the government has asked us to do is to take a look at this on first principles; in other words, to see who should pay for these services and how they should do them in principle. We're looking really from the ground up, just a sort of principles based approach.

Where that will lead us I don't know. It may well be that at the end of the day existing arrangements or something similar to them may not be that bad, I just don't know at this stage, but I think the government has asked us to take a more in-depth first principles look at how the question should be framed. I think that's the approach we'll be taking. I think it is far too early for us to take a view on any of that.

The third question was about legislation and I'll hand over to Colin for that.

MR REID: Could you put that in the context of our inquiry and the funding requirements, Stephanie? That would help us.

MS SCHULTE: My general question is just how, as I said, those that are currently related to all the individual entities, will those then translate over to local land services? Will local land services be governed by those boundaries, or the same boundaries, or will new boundaries be established with the establishment of local land services? I'm referring here to Section 2.4 of your discussion paper, if that's any help.

MR REID: As you know, the government has introduced a new bill into Parliament. I'm not a lawyer but my understanding is that that bill has largely just, if you like, taken a lot of the existing provisions and lumped them together. We haven't gone through the detail of the new bill to find out what impact that may have on associated funding, but my understanding was that the funding or the pricing arrangements will be very much caught up in the regulations, some of which are still to be put into place.

Hopefully, those regulations will come out of the recommendations we make to government. I can't comment specifically on a functional basis of how the functions will come together - that's obviously part of the John Keniry committee and the recommendations to the government - but what we are about is how the organisation will be funded and it was quite specific about what funding arrangements we'll be looking at, pending input from obviously people such as yourselves.

Potential funding arrangements are government or private funding and as far as private funding is concerned, would it be a fee for service, whether it be an industry levy or would it be some more broadly based rating system. My understanding is that the intention would be that you would get away from the silos possibly, to the extent that it is feasible, as far as the funding arrangements are concerned, having in mind that there are particular activities, which Peter will talk about, which have broader community benefits where there is existing government funding and one would anticipate that that would continue.

It is more getting clarity around the private versus public funding and then getting clarity around what is the appropriate basis for charging and that would be the outcome of our inquiry.

MR D MUDFORD: Don Mudford. I am a rate payer from the Central West Authority. I've been a director on the Dubbo RLPB and currently the LHPA for 13 years. I am speaking here today as a ratepayer. During the last 13 years the DPI has continually passed on to the LHPA various jobs without any funding or very little funding. We keep taking on these roles for the community and it just has to stop. They can't keep bleeding us any longer.

Once again, this has led me to look further into where our authority could make savings on behalf of our ratepayers with these added costs. With animal health and biosecurity there are many professions that rely on the livestock industries, including our own staff at the LHPA, for their livelihoods. Biosecurity is a burden that should be shared by the whole community, remembering that farmers are a part of the community and we pay taxes like everyone else.

Since the formation of the LHPA, the senior DVs have been constantly supplying data to DPI and do not have time...
for any field work. Therefore, the senior DV costs should be borne by the community as a whole.

This is not a new concept. DVs have always been supplied by the DPI to the Western Division and still are. We have approximately 7,500 ratepayers in the Central West Authority. There have been approximately 800 requests for veterinary services over the last 12 months. Most of these cases were from ratepayers who made several requests. A senior DV has suggested that about 5 per cent of total ratepayers request the services of a DV. This leaves 95 per cent that don't request any service.

Likewise, there's a similar percentage of ratepayers requesting services of a ranger. In many cases these are the same ratepayers requesting the services of the vets. The 95 per cent of ratepayers not requesting a veterinary service should not have to pay for something they don't require or ask for. These figures are documented using the newly developed LHMS activity report program that vets record all diagnostic inquiries and visits to. These figures are similar across the State and this information is made available to DPI.

I would like to make a couple of recommendations. One, on animal health, that the senior DV be paid for by government on behalf of the community, of which farmers are a part, and the DVs be paid for by those who use the services. This will drive efficiency within the authority's animal health department.

Regarding TSRs, TSRs are publicly owned land. The farmers don't own the land but the farmers pay for the maintenance of the TSRs. They have done this for over 100 years, possibly 150 years, where ratepayers have paid for publicly owned assets. The public have contributed very little.

No-one can say it is the farmer who benefits from this land as there is less than 5 per cent of farmers that use the TSRs and when they do they pay agistment or usage of that TSR, not like the farmers who use the veterinary services who don't pay when the vet comes out. The recommendation regarding TSRs is that the cost of the TSR network be shared by the owners of that land, which is the community, and those who use the land for grazing or any other activity. This will drive efficiencies in the

Pest animals. I believe that pest animals is a growing concern for farmers and the community. The burden of this cannot be left alone to the farmer. He puts in his time at below cost and above other associated costs of rates. Everyone in the community requires all the income from overseas market share we can muster to be able to enjoy the standard of living we currently enjoy in Australia.

The community needs this market share as much as the farmers need it. We should all contribute as a community to pest animal suppression eradication where possible to stop the spread of disease or we all risk losing market share and our standard of living across the nation. I don't want to lower my standard of living and I'm sure no-one else does either. We should all pay.

Recommendation 3, that the farmer is required to put in his time as a cost to suppress and eradicate where possible pest animals over and above his community obligation of contributing through the taxation system but not through rates, not an added burden through rates. Farmers pay in several ways. We do the on-ground work and then in some cases we pay for the services and then we pay rates and then we pay as a community. Governments have got their hands in our pockets all the time and it is about time they cut it out. It has been going on the whole time I've been on the authority.

They are the three areas that I'm very familiar with. With the environment, with the CMAs coming on board, the same applies. We all need to contribute to the environment. It is not just a farmer obligation. The community and governments put regulations on the farming community and then expect us to pay for those regulations. It has to stop. This leaves us with no requirement to charge any rates to farmers. Thank you.

MR COX: Thanks, Don, very much. Who would like to go next?

MS D PATON-BLACKWELL: Thank you. I'm Deb Paton-Blackwell. I'm the chair of the Hume LHPA. I think that Don has just made some very valid comments. I think putting it into an
economic question, you are being asked to develop a
framework for a funding model where we don't actually know
the costs of the ultimate functions and services. We don't
know the costs of the redundancies to the organisation. We
don't know what the corporate services of the organisation
are going to cost and ultimately it is quite a complex
thing to try and work out a rate when you don't know what
the hell it is going to cost. That is the opposite to how
most people in private industry run their businesses.

11 To that end - and, as Don was saying, there's a big
concern about this cost shift - is there anything in your
economic modelling that looks at the ability to pay by the
individual - and that also goes back to what Don was saying
- where people cannot keep paying? Is there an economic
rational or equation that you use to work out what is our
ability to continue to keep paying for these services?

19 MR COX: Thank you for that. It is worth bearing in mind
that ultimately charges will be determined not by ourselves
but by the new authorities, so what we're doing is
recommending a methodology that the new authorities will
use. In this case, we're not the charge-making body.
We're simply saying how the new boards should determine
charges. As to a lot of the issues about what is the cost
basis, and so on, we'll set out methodologies but won't
ourselves be determining what the cost basis is. As I
understand it, that's correct. We're at the stage of
principles that will be implemented by others.

31 In terms of capacity to pay, I think Peter will be
presenting models in due course as to how you might share
costs between various groups. Those models tend to
emphasise things like who has created a risk, who benefits
from the activity, those sorts of approaches. That is a
more economic approach. Where I think it leaves us is to
some degree of cost sharing between various groups, so it
is not the case that the farmers pay for everything, but
there is a proportion of costs that would be shared by
perhaps the local community or perhaps by the State
community or perhaps by the Australian community, so it is
a cost-sharing approach. Nonetheless, I think the
underlying principle is that those benefiting from the
activity should pay.

46 I think that will result in fees being determined on
an economic basis and obviously when you're thinking about
what individuals can pay, individual have greatly varying
circumstances. There will be some people that are able to
pay and there will be some people who have some difficulty
with paying. That gets us into the area of hardship
policies which is an issue for the new boards rather than
for IPART.

8 MR C RANDALL: I am Colin Randall, councillor and
landowner in the Junee Shire. My question is it is all
right now with the weeds which is a very touchy subject
everywhere. As a council, Junee spray the weeds on the
road but travelling stock go along the road, they use the
road, we get no cost back to us for that travelling stock.
My argument is why isn't the LHPA, as it is called - in our
opinion, and I saw John Keniry in Grenfell and approached
him, 95 per cent of the farmers in our area would like to
see the LHPA abolished. That's one thing that we don't
need. It is just a cost on us all. Admittedly, they're
there but where are they?

21 You can ask any farmer in our area why do we need
them. I'm prepared to pay for a service. We use our own
veterinarian. We don't use the LHPA one. The reason is we
feel that he's more easier to come by. We want to know
over the whole community how are you going to share the
cost. Someone's got to pay for this. I know where it will
come back. It will keep being the farmer and the farmer
and the farmer. A person with two acres in town rarely has
- they're saying it's a big biosecurity risk. That is
completely rubbish. Anything imported from overseas, that
is one of them. They are the sort of people that should
pay for all this sort of thing, not just the general
community.

35 Admittedly, there are little blocks. We've got to
have a PIC number now for two acres, or 2.5 hectares.
How much further down? Are they going to go to a town
person with an 800 square metre block? We've got to start
drawing a line. The finances have got to be worked out.
I filled in a survey form and sent it back to you -
I think, Peter, you sent them out - on how we would like to
to pay the fees and everything, but I filled mine in and sent
it back.

45 You've got to get it back to an even keel. We cannot
expect the people without any animals to be paying - like,
the big farming, the cropping, we should never have to pay
economic analysis been done as to who really should pay for those activities when I don't feel there's been really any to do and so consequently the landholder has had to fund more and more functions to the LHPA animal health service years historically, I feel, the State Government has given exotic diseases. We need that service there.

A private vet can't do many aspects of a veterinary service that's done at a state level, so there's a very important component that is being done by the district vets and the senior district vets or the animal health component part of the LHPA. That is a general surveillance and it's related to our domestic trade and international trade, the ability to know what diseases are there and what are not there, and so that's a very important function. The other part is just the ability to detect and respond to emergency exotic diseases. We need that service there.

In saying that, I would also like to say that over the years historically, I feel, the State Government has given more and more functions to the LHPA animal health service to do and so consequently the landholder has had to fund those activities when I don't feel there's been really any economic analysis been done as to who really should pay for those things.

I really welcome this examination of who should pay because I'm no economist, but my gut feel is that over the years more and more has been put upon the landholder to pay through rates to do with biosecurity when there are many many benefits that really are community benefits that the landholder has had to pay.

TSRs have been mentioned too. That is another historical thing, that the function of the TSRs has changed from being how stock are moved around the countryside many years ago to a network which very very few landholders use. I believe more and more it's becoming something like a natural resource function rather than something for moving livestock. Yet, the landholder has largely paid for that.

I think it is just an historical thing that's happened and even though I think many people recognise it, the funding hasn't come the way of the LHPA. The landholder has had to pay it through rates.

MR COX: Thanks, John, very much. Are there any other comments?

MR A MCGUFFICKE: I'm Alan McGufficke from LHPA Lachlan. You're bringing this forward in silos but in reality there will be a fair bit of integration between those things. We've got two different types of funding. One is the rate base and the other one is government grants. The rate base historically has been pretty steady and constant. In recent times the government funding has been constant but it is really open to drastic changes as political winds may change.

I don't know whether it is a question or a statement I'm trying to make. The complexity of actually bringing those things together, which they'll have to do if the RH is going to get a more efficient system, otherwise I don't know what we're changing and why we're doing it, but once you get those together, the complexity of the two different funding sources and actually putting that in together and then setting rates, I just can't see how it is going to be very easy.

MR COX: Nor can I. I don't think it is a particularly easy task. We are looking at a variety of activities. What we will try to do I think is to establish a consistent economic framework, apply it service by service and we'll see where we end up.

MR McGUFFICKE: The services will integrate.

MR COX: Yes. In reality, there are probably a limited number of funding bases and mechanisms available.

MR T MURDOCH: Tom Murdoch. I am a director on the Lachlan LHPA and a landholder as well. I have a couple of comments. There's a lot of disparity in the current rate, which has carried over from the amalgamation of the old boards to the new authorities, which we haven't been able to bring into line with any authorities because of only being allowed CPI increases. Within that authority - and I'm not aware of what other authorities have - we have
three and a half old boards that have come together and  
you all have a differing rate and we can't bring those  
into line because we were only allowed CPI increases.

You spoke there in your overhead about an area based  
rate which would be extremely difficult, even more complex  
to try and administer, because of just the variance of say  
a block of land at Wanaaring and a block of land at  
Moss Vale. A rate is based on what the profitability or  
the income generated from that area of land is.

I agree wholeheartedly on you putting on a base rate  
right across the board, so whether you've got two hectares  
at Junee or whether you've got 200,000 hectares at  
Broken Hill, a base rate for what you're trying to achieve  
is warranted. I think you need to formulate a rate above  
that based on what amount of money is generated from that  
area of land: that is my first point.

For argument's sake, we already pay an insect levy and  
I'm quite happy to pay that if they can spray grasshoppers  
out in the west country before they get to my crop. You're  
obviously well aware of those things.

With respect to Alan's comment about natural resource  
management, I am sure all existing LHPAs would quite gladly  
give up half of their TSRs because they are of no  
commercial value. With stock mob sizes the way they have  
been used and to see them get 

locked up would be a great shame.

There is also the issue of native claims on those TSRs  
if they are given back. I don't envy the job you're doing  
because I think if you delve into that LHPA system as it  
is, it is a very complex system that's evolved. The Bull  
review was pushed under the carpet. The TSR review was  
pushed under the carpet mainly because they've all just  
fallen into the too-hard basket.

MR COX: Thanks, Tom, for those comments.

MR SALMON: This is probably outside your remit but,  
reading your discussion paper, almost every State has a  
transaction levy of some description, many of which,  
according to the New South Wales Parliamentary Council, are  
unconstitutional. Is it time to explore the concept of a  
national biosecurity transaction levy to fund important  
biosecurity activities?

Just a comment on the fee for service. My  
understanding is that once you have a service where the fee  
charged justifies the service, it is no longer reasonable  
for a publicly funded organisation to provide that.

MR COX: Thank you.

MR D WOLFENDEN: My name is David Wolfenden. I am a  
landholder, an individual, not representing any  
organisation. A question - there has been a great deal of  
silence on the other half of the DPI and what its role is  
going to be and where research is going to finish there.

No research is research without extension, so I think to  
conduct this whole debate in the absence of what the other  
half, what the old DPI, the remaining DPI is going to do,  
seems to be a gap.

I must admit I didn't quite have time to read the  
whole Act, the new Act, but in a quick skim through it, it  
looked like it was going to be very limited. I suppose my  
question is what scope will there be for individual LLSs to  
cut out services or to increase services? Could one LLS  
agree to totally abandon its travelling stock reserves  
because that didn't suit that area, or would that decision  
have to be made at a state level? Just exactly what type  
of actual management role will an LLS have?
We all know that the closer these decisions are made to the consumer then normally they're more efficient and do drive efficiencies and do drive cost savings or better expenditure.

MR REID: Thanks very much for your question, David. My understanding is that there is a review taking place at the moment by the government on the Crown lands which is specifically looking as part of that at travelling stock routes. I'm not privy to where that's got to or what may come out of that. We have certainly heard a lot of comments on the reasonableness or otherwise of continuing the travelling stock routes. Obviously, some of them are on major roads and I understand the issues there.

MR WOLFENDEN: No, that was just an example. I'm not interested in travelling stock routes at all. The question is what scope for individuality is there going to be?

MR REID: My understanding is there will be scope for individuality. However, in some cases, such as, for example, some of the biosecurity issues, there is a statewide policy on biosecurity and that may have implications for what has to be provided by local land service boards. There will be some key functions which would have to be performed and obviously there would either be government funding or private funding for those, but there would be other functions where the local land service boards will have discretion. My understanding would be that they would be more ancillary services rather than basic services.

MR COX: Thank you. Any there other comments or questions?

MS PATON-BLACKWELL: Just for the record, before we move on to what I think will be the most important part for this room, the risk creator/risk bearer discussion, the LHPA broadly agrees with IPART's principles with respect to your framing model. Possibly some clear articulation of explicit rationale is required. In addition to the public funding for public benefit, consideration should be given to government funding to maintain a base level of capabilities to enable a response at the outbreak of emergencies, et cetera, in the future.

The LHPAs also encourage a flexible approach and to that end that goes to the question of being locally autonomous with respect to that decision making. That is just with respect to the early part of your principles.

MR COX: Thank you.

MS PATON-BLACKWELL: Later, after this meeting, we will present to you a short paper. We didn't want to hold up the rest of this meeting today. We will go into more detail in that later.

MR COX: Thank you.

MR REID: Could I say something too? My understanding - and people can correct me if I'm wrong - is that there are obviously some emergencies that are recognised at the national level and there are already deeds in place between the Commonwealth Government, state governments and industry. There are pre-designated proportions that are paid by the Commonwealth, state and industry, dependent upon the seriousness of those threats. So that if there's a serious threat to human health, my understanding is that the Commonwealth would pay 100 per cent. We'd have to go back to those individual deeds. There are deeds in place. None of what we're doing here would obviously override or overrule those existing agreements.

MR MUDFORD: In the case of emergencies, if you get two inches of rain on the coast then the State and the Federal Governments are out there the next morning throwing money at them left, right and centre. Out here we've got to pay for our emergency services. All we're asking is equality throughout the community in Australia.

MR REID: Not specifically on that subject but more broadly, there is an issue that some of the CMAs have raised with us and that's the issue of duty of care of the landholder and where that stops and starts. Obviously, that has been specifically raised in some cases of non-productive land or small acreage, but, more broadly, across the whole of the community.

I don't know whether that has some impact on people's thinking or whether people want to express a view on that; that is, what as an individual landholder you have responsibility for and what's a more broader community...
MR P CAMPBELL: My name is Peter Campbell. I am a landholder at Henty. I wanted to put a brief question. Is it in your brief to look at what the other States are doing and perhaps to coordinate rates between States? It would probably affect us in the border areas. I totally agree with what John has said regarding the LHPAs and the notes he has made in his address.

MR REID: Certainly, in the letter that the Minister sent us with the terms of reference, we have been asked to look at other States, with particular regards to border issues. My understanding is that Victoria has a levy on sales of stock, for example, and people have raised the question of New South Wales, where there was a court case and that was found to be unconstitutional, but yet Victoria still obviously persists with that charge.

Having in mind those potential constitutional issues, certainly as part of our terms of reference we have been asked to look at the cross-border issues and any information you can give us to help inform us on that would be most beneficial.

MR COX: Is there anyone else?

MR J DAVEY: John Davey, Hume LHPA. Just in relation to the other States and how they raise their money for biosecurity, I might be wrong but my understanding is that only in recent years that that has been instituted and I believe that it is because the state animal health function has been within the LHPA all these years that, in effect, the State Government hasn't had the ability to strip out that organisation when they're doing all these efficiency drives. It has been happening for years and years.

I believe that happened in the other States and I think there's a recognition that the state animal health capability in New South Wales is far superior to any other State and I believe it's because it has been within the LHPA organisation that's been able to, in effect, protect that ability. Probably these other States are now realising that they do need a bigger component of animal health ability, state animal health ability, so that they are attempting to raise funds to bolster that ability.

MR A McNEIL: My name is Angus McNeil. I am a board member of the Murray Catchment Management Authority. I have some question as to the ability of the new authority to raise revenue in a rating base like a local government. Are there legislative restrictions on their ability given it is regarded as a tax? Can they have an unimproved capital value base for a rate or an improved capital value, all those sorts of things? Is that possible?

MR REID: The example that has been quoted to us relates to the Hunter Catchment Management Authority, dating back to the 1955 Maitland floods where it was decided to raise a levy, which was then raised across the whole of the rate base, including households, and an amount was added to local government rates in that Hunter area. The local government, as I understand it - and Thomas will go into more detail - keep about 5 per cent of that as a collection fee.

Whilst we'll certainly have to explore the full legal aspects in the matters that you have raised, certainly at the moment there is the example of the Hunter Catchment Management Authority where there has been an additional impost imposed on local government rates.

MR COX: We'll take a couple more questions or statements, if there are any, before we move on to who should pay. Who would like to go next?
MR G CORBOY: Geoff Corboy, Riverine LHPA. I think I know the answer, but when you're looking at a new rating system, do you take into account the changes that will impact on individual landholders? In the work that we've done, any change towards unimproved capital value or land area will have a significant effect on the individual landholders and quite a few of them.

MR COX: Colin may want to add to this, but I think the answer to that is yes, we do need to understand what the implications of any new system we might recommend are on the range of landholders and that we understand what the consequences will be.

MR CORBOY: I might give Colin some of the work we did with the Bull review.

MR COX: That would be enormously appreciated. I think that's the best data source I'm aware of that can address that question; otherwise, we won't understand it. It might all seem very good to us, but we won't understand what it means practically. I think that will be part of our advice.

MR REID: We have been, as you know, trying to chase down the Bull disk and appreciate the information that you have been able to provide us to date. We may have to explore further with you exactly what is and isn't available, particularly if, for example, there was to be this move from 10 hectares down to two hectares, just what the implications of that are. I appreciate the comment that has been made over here, that from past amalgamations there are still wide differentials in rates because of the limitations that practically exist on how quickly you can move rates to get that same rate across a whole area.

That is obviously a particular issue we will have to look at and work out how that should be taken into account. As you know, often in the past there has been a cap placed on the annual increase. In some cases that means you never get to equality and so there is the issue of the reasonableness of the rate of change and it comes back a little bit to people's willingness or ability to pay to some extent, but it is also the question of equity between the people who are already paying the higher amount and people who may not have paid in the past.

In reality, if it wasn't capped, your general rate may actually have to have gone up to fund your other activities and livestock health may have had to be cut because you're actually collecting more than what you needed, but there was no way we could do that. That's something that's a political thing but it is probably something you should be aware of. Once the rates were initially set, we had no room to actually adjust them to the activities that we were doing.

MR COX: Part of the advice that we give the government should be around that issue. We're very grateful for any help you can offer us.

MR CORBOY: Yes.

MR REID: Particularly on that issue, the Commonwealth Government has put out some broad guidelines on cost recovery and one of the things they emphasise is that, to the extent it is administratively efficient, you should be collecting charges that specifically relate to particular activities. We all recognise that because of the broad nature of a lot of these activities and because, for example, a lot of these biosecurity measures may well be like an insurance policy, that's not necessarily an easy thing to do and there could well be an argument to maintain a general rate base going forward.

MR CORBOY: It was one of the criticisms of the Ryan review that came out and there was basically nothing we could do about it.

MR REID: Yes. I think what these Commonwealth guidelines are saying is that you shouldn't look at the break-evenness - if you like - of the total organisation but the more limited activities, to the extent that that's administratively efficient. Could I go back to one point that was raised at the beginning I think by Dan, the question of plant biosecurity. To the extent that that's
not covered, obviously, at the moment by LHPAs, presumably
that's a function that gets caught up with the catchment
management authorities. It does or it doesn't?

MR SALMON: It is a DPI function. It is not an extension
DPI.

MR REID: Thanks for clarifying that, just so I know who
go to explore that route.

MR SALMON: It is the poor relation, which is why every
plant disease that has been introduced into Australia over
the last 100 years is still there, whereas only half or a
quarter of the animal diseases are.

MR REID: We're meeting with DPI next Friday. That is an
issue I will raise with them. Thank you.

MR P BROWN: My name is Peter Brown and I am from the
Lachlan LHPA. Coming back to the differential rate, the
differential rate and the impact within our authority, the
modelling that I did it went out 10 years and we weren't
even going to get the equity after 10 years between the
three former RLPBs, because of the capping predominantly.

Even without the capping, being conscious of the
significant variation that existed, that one group of
people would have to cop an increase of say 10 or
15 per cent, the ones in the middle might be 5 per cent,
the ones already at the maximum or at the highest levels,
they would stay the same.

It was a significant challenge and we were just never
going to get there. It does need to come back to the
government having the fortitude, for want of a better word,
to decide that everybody should pay an equal amount or be
done the same across the State and within each authority.

MR COX: I would like, if I could, to move on to the next
session which is on who should pay. We will have a chance
to have further comments and discussion after Peter has
presented that. Thank you, Peter.

MR LEVENTIS: Thank you, Jim. For session 2 the terms of
reference asked IPART to develop a cost recovery framework.
In our issues paper we provide some preliminary thoughts on
issues to consider when developing a funding framework.

Our aim is to be informed by stakeholders on an efficient
and transparent framework and if impediments might exist in
applying the framework. We should note that work has
already been undertaken by the stakeholder reference panel,
with its own research through Mick Keogh, which asks
stakeholders their views on who pays for the proposed LLS
services. This consultation effort and stakeholders' views
that we receive in our workshops and from our reports will
assist us to develop an efficient and transparent funding
framework. I will continue to say efficient and
transparent funding framework because it is a crucial
element of the terms of reference that we must adopt.
I apologise for any repetition.

We are seeking stakeholder thoughts on what principles
are appropriate to consider when developing a funding
framework. The principles will help us to assess whether
any particular framework works better than another. The
framework in general seeks to link the provision of the
service to the appropriate funding option. Given our
research so far, it appears funding frameworks use key
questions to elicit required information to allow for a
consistent approach to funding government functions.

Broadly, we have identified three questions as being
important. These include the reason for government
intervention, which particular driver of the service is
important, either to reduce risk or to provide a service,
and whether particular individuals or groups exist that
should be charged.

IPART's proposed principles were developed based on
preliminary research which included the Commonwealth
Department of Finance's guidelines which followed on from a
Productivity Commission review and guidelines developed by
the OECD. This session considers issues related to the
first principle, who should be charged for government
provided services. The principles we have identified may
conflict, in particular the first three in this slide.

The first three principles. Where what is
economically efficient may not be efficient to administer
and the charging approach that's efficient would need to be
within the powers of the State Government to legislate.
Additionally, transparency ensures that all relevant parties
have a say in how the service is delivered should it be
provided. Further, it is also important to create a
We developed a four-stage process to link demand for a service to an appropriate funding option. This session is aimed at stages 1 and 2 which use the key questions approached to identify who should pay. It is important to understand the local land services board must be able to consistently apply the funding framework to the services that are in its area. It is consistent application of the framework, not necessarily the outcomes that follow from it. Consistency in outcomes is not necessarily the framework’s objective.

Therefore, we split the tasks into stages, in particular, four stages as shown in this slide and the next. It would be helpful to know if this approach is useful because it will assist us to develop an efficient and transparent framework that’s also usable by each local land services Board.

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

In general, our issues paper attempts to highlight the key relationship between the provision of a service and what drives it. Economic efficiency requires that all possible costs be internalised by those parties involved in an activity. Where these costs cannot be internalised, the market finds it difficult to allocate costs. This hierarchy raises some interesting issues: for example, the sufficiency principle which influence how costs are allocated. That is, where it is possible that an identifiable party or group should be charged and the benefits to private individuals or industry outweigh the cost of the service then any additional benefits derived by third parties are irrelevant. This is a concept that exists.

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

To ensure all potential parties in an LLS area are considered appropriately, we’ve split parties to be charged into three broad categories: landholders, which includes individuals on contiguous land for any purpose, industry, to account for commercial users of land holdings, the community, which could be either the community within the LLS area boundary or more broadly refers to all people in New South Wales. Each of these categories can be disaggregated further to specifically identify, if
Further, it may or may not be obvious - and that's why we're seeking stakeholders' views - which services exist because of risk creators or beneficiaries or whether component parts of the service may be due to risk creators or beneficiaries. Here your views will assist us to understand what funding issues the framework must take into account. Therefore, we are seeking stakeholders' views on what the appropriate contribution is for a service or a group of services by the parties we have identified: landholders, industry and the community.

Your thoughts on these issues and any other related issue will help us to develop an efficient and transparent funding framework as per our requirements within the terms of reference. Thank you.

MR COX: Thank you very much, Peter. Questions, comments, statements from the audience? Who would like to go first?

MR WOLFENDEN: One of your main sections there is industry. I'm unfamiliar with any mechanism where you could raise money from industry. Clearly, you can tax land, you can claim it as landholders, and the closest we might have is the RDC model. Once again, most of those are industry associations which basically work to split costs between the governments. I assume this will be discussed in Thomas’s session, a levying arrangement where processors, not exporters, et cetera. Just how do you ever envisage or do you have any way of envisaging that you're going to collect from industry?

MR LEVENTIS: If I go back to one of my previous slides, this sliding scale approach is based on the Commonwealth’s plant and animal deeds, which are agreements between the Commonwealth Government, state governments and various industry associations which basically work to split costs between the governments. I assume this will be discussed more in Thomas’s session, a levying arrangement where producers within an industry would be either compulsorily required to or another arrangement could potentially exist.

I don't know the specifics but an industry levy would be more likely to occur in terms of charging a broad group of related businesses rather than a fee for service which would, as Thomas will discuss later, more likely be used for an individual landholder requiring something from an LLS board. Levies are quite commonly used for industries.

MR COX: I think 'industry' here means farmers collectively rather than individual farmers.
MR WOLFENDEN: That distinction should be made. It is not the industry; it is just the first step of the industry.

MR REID: You also have, for example, the industry levy, so there can be specific levies that are raised on particular types of farming activities.

MR WOLFENDEN: I would state that they're very very limited.

MR REID: Yes, they're very limited.

MR COX: Thank you.

MR MUDFORD: We pay doing the work on the ground, we pay a partial fee for the service, a partial cost of that service, we pay as a ratepayer and we pay as an industry. We're just paying. It is just a different way of getting the money, isn't it. It is just bloody ridiculous.

MR LEVENTIS: Could I just answer that statement? Where a service from an LLS board or a government targets a certain collective industry then, if they are the beneficiaries of this service, economic efficiency would back up the approach that the industry would fund it separately from other services where you pay a fee.

What we're trying to do is look at what services will lend themselves either because of who is the risk creator and whether it is a fee for that service, or if they're a collection of individuals for another service, potentially a levy is appropriate for them because they receive benefits.

An analysis needs to be undertaken for the services provided, and run through the framework. Right now we are creating a framework so that each time you run through the framework, you can identify who should be responsible. I understand there are multiple avenues for payment but they may not all be for the same service. It may be more efficient in one instance to charge a fee for a particular service, but in this other instance because there is a collective, and we're talking about potentially a group of farmers that benefit from some kind of an extension activity - this is an example. I don't want to be quoted on that. I'm just trying to explain the framework - then it may be appropriate for them to be charged for it, because they can either say, "We don't want it" or "We'll go to the private sector", or "If we do seek benefit in it and we want the service provided then we will want it up to a level that we think we should pay for."

In some ways being involved in it also allows for efficiency being driven on the other side, up to the point where we value the service.

MR MUDFORD: Yes, that's fine. There are lots of different industries on farm and I can see your point, but who is wanting the service? Is the government wanting to supply the service? It is a bit hard for the government to say, "Well, we want this to supply this service," but if 95 per cent, for example, don't want the service and then are forced to pay for the service, is that justifiable?

MR LEVENTIS: If the service is created because of an externality, so, for example, some kind of negative externality where you don't understand the risk that's being created to someone else, you may not want the service but the society may demand it for an efficient market outcome. In that sense the service should be provided, no matter whether as a private individual I don't want to pay for it. There are instances, especially where negative externalities arise, that services should be provided and the appropriate risk creator should be charged whether they like it or not.

That does not extend to every service that they may provide, that concept does not extend for every service, so the framework would try to use the economic principles to identify whether it is a negative externality, whether it is a public good issue, whether it's asymmetric information, so that you can run the service through the framework and understand why it should be provided. In instances where there are no externalities and there's no clear reason why a community may not want to pay for it, then you should ask yourself why it should be provided and that would be the flexibility within the board.

MR MUDFORD: That's fine if the board has that flexibility, but the board may be told by government, "You have to supply that service," and then on-charge for it. The community are saying to the farmers, "We want as the risk takers, the farmers, if a disease gets out that is
endemic to animals," but the community is also losing
because they're a beneficiary of the income that comes in
to Australia from the products that are exported. More
people benefit than just the farmer from something that's
sold overseas.

MS PATON-BLACKWELL: Mick Keogh's surveys came out
and pretty well conclusively indicated that from across the
community one of the most important roles of the new LLS
would be the work done on biosecurity. I will probably
need to discuss with you later that there are some
definitions that I think really need clarifying about
"beneficiary". For example, in the process of paddock to
plate, when we did the regulatory work, the surveillance,
the compliance, the NLIS, and someone in Pitt Street at a
restaurant has the benefit of that, do you see that person
as being a beneficiary who should ultimately pay for part
of our biosecurity work?

I've had a look at some of the work that we do as an
organisation and I'm darned if I can see how it relates to
individual farmers that should be paying. With respect to
biosecurity work, some of the contribution we make is to
public and human health, food safety and supply, exotic
animal disease and emergency response, emergency
preparedness, emergency response to bushfires, drought and
other natural disasters, endemic disease surveillance, animal
welfare, environmental, and the list goes on right
down to cultural heritage and public benefit of use
through TSRs.

There is an absolute enormous proportion of work that
our organisation does. We welcome your framework.
We welcome those four questions. We think it is
fundamental because if those four questions are applied to
every function and service that our organisation currently
does, I think a whole lot of people are going to get a very
big surprise on what the New South Wales farmers have been
supporting or propping up for the last 150 years.

Thank you for coming to look at this because it is
really important to us. There have been a few comments
about TSRs today. We have done some work in our authority
on the percentage of our ratepayers who use TSRs. It is
1.8 per cent. We will be providing these figures to you in
more detail later because we understand that the only thing
you economists understand are figures. We've got plenty of

them for you and they're coming.

When you start doing this work and looking at these
figures, you get a bit of a shock, so, yes, we support from
the LHPA perspective the four questions and yes, we support
the way that you're going to look at that cost sharing, so
thank you.

MR COX: Just a couple of comments in response to that.
Firstly, in defence of my fellow economists, there are
things that we do understand other than figures, believe
me, but we do love figures. Secondly, this is a difficult
to say. I don't think you should get the impression
that everything can be paid for by the government. I think
it's probably --

MS PATON-BLACKWELL: As well as anybody understands
the concept of user pays.

MR COX: -- an unrealistic expectation that something
practical will come out of this process. There will be
some sort of division between I think individual farmers,
farmers collectively and the broader community in some
sense. That's the most likely outcome.

I think the third thing to say is that the benefits
are translated through the market system. The fact that if
I go out to a restaurant and I benefit from food that is
safe, yes, that's a benefit but it is probably a benefit
that's transferred back to the farmer through the market.

MS PATON-BLACKWELL: At $1.30 a kilo at the cattle
market, I don't think it changes anything.

MR COX: I'm not claiming it happens perfectly but it
happens. You need to understand that that's the reality
that we have to deal with.

MR J BLACKWELL: Could I have a follow-up point on that
then? Is that okay?
MR COX: Yes.

MR BLACKWELL: Can we go to your last slide, Peter, please? My name is John Blackwell and I am a ratepayer. I would like to address these four points and go back to something. I'm sorry, I came late. The gentleman on your right, Mr Chairman, used a very interesting word on biosecurity. He said it was an insurance policy. If you look at those four I would say, as a ratepayer and farmer, I'm very happy to pay for advisory extension services. Biosecurity is an insurance policy. It is an insurance policy for the nation, or in our case the state, and you should indeed pay if you enjoy good food at your restaurant, good clean food, safe food. Natural resource management? I believe I could argue that point as well as being an insurance policy to look after our land.

It is my responsibility, a duty of care for the piece of land I own, but collectively we're all responsible for that land. I think everyone accepts that in emergencies people do pay for that out of the State coffers, if it is a big emergency. I think go back to that insurance question and you will find a responsibility there: I hope anyway.

MR COX: Yes. To be honest, I think the difficult question is, is this an insurance policy that should be paid for by farmers or one that should be paid for by the community as a whole, or is there a mixture of those two things? That's I think the crucial question.

MR BLACKWELL: Agreed. It is a mixture indeed, but you must see all the beneficiaries. Farmers don't benefit much from much of this stuff. We are risk takers rather than risk creators in most instances. I think you can argue that.

MR COX: Thank you.

MR R HOARE: My name is Roger Hoare and I'm here as an individual. Just a comment on the industry levies. You may be aware that there's a phylloxera levy in South Australia paid on a hectare basis and I was just thinking of the diversity of this area. If you start having levies for meat and livestock, phylloxera, fruit fly and several others, it would be an absolute administrative nightmare, because invariably what happens is that the levy payer wants some say in the way the money is spent. How are you going to administer that if you've got an LLS board trying to sit over the whole lot of it?

MR MURDOCH: To make things easy to administer when the money is gathered at the board level of the new LLS, you want to have some rather clear governance as to what funds are drawn out for what procedure. For argument's sake, with the existing CMA, if they're going to do work on a catchment area or for a land management area, it is not related to the current core functions of the existing LHPA. The money just can't be in a jam tin. You have been to spending collective ratepayer money to the definite roles that that money is specific for.

In formulating an actual rate notice for someone, it is inevitable - I would dearly love not to have to pay a rate, the same as I would love not to pay tax, fuel tax or anything else. I agree wholeheartedly that it is inevitable that we will, so we've got to get our heads around it. We've already lost the battle that LHPA or LLS will exist. We will pay a third of it, whether it be a farmer on 100 hectares or one hectare or five hectares; someone will pay.

Where the money comes and goes from needs to be very clear and you're talking about transparency. That framework within this new organisation needs to be very clearly defined as to where the funds come in and where they go out, so that it makes it easier for the people administering it and also makes it easier for the people who are paying it, as to where that money should be. That pool just can't be all put in a tin and then at the discretion of the directors distributed out. I think that's where you'll have a lot of problems.

MR REID: I think that's a very desirable outcome. It becomes a balance, though. The administrative costs point was raised of collecting individual fees for particular activities or functions. They become administratively very costly and very difficult. Somewhere there is a balance and there's a case for arriving at that balance. One of the major criticisms that has been made is obviously the lack of transparency and the lack of ability to be able to trace through money raised and where it is spent. I think that's a key point you're raising. How that will be done in an administratively efficient way is a very key question.
MR A FORSYTHE: My name is Andrew Forsythe, individual. These are public funds. There should be a public record for public disclosure.

MR COX: Yes.

MR REID: It is a case of what level of detail that record goes down to, that's the issue.

MR DAVEY: I was just wondering, on one slide it says about risk creator pays or beneficiary pays. Is there an economic theory that says the risk creator pays the whole lot or isn't it a better economic theory to more talk of beneficiaries? The risk creator is a beneficiary, I would think, in most cases.

MR LEVENTIS: Yes. If the individual risk creator also benefits by undoing something - we are now talking in generalities - that's bad to society or bad to himself, then he or she is a direct beneficiary, so they could be the same person, although a lot of these externalities are where I'm doing something but I'm imposing a cost on a neighbour, for example, not doing enough work on my land for weeds or pests, or not doing anything, and then my neighbour has to do more than he normally would to put the duty of care.

That is where the risk creator, you would say, would be legislated against or would be charged for the service, so that they have the correct price signal to react appropriately and not impose any additional costs that they shouldn't.

In terms of the theory, the Productivity Commission did its review on cost recovery in early 2000's. Since then the Commonwealth Government created its cost recovery guidelines. From our preliminary research so far, what we have seen is that the States have adopted these principles. They were extensively consulted on and a lot of work went into it.

Where there is an issue like an externality, a problem you're imposing on someone else, an unrelated party, the most economically efficient approach is to identify the risk creator, the person causing the issue, and then if you can identify them and be able to charge them, you should do so because the beneficiary who is being acted upon you would say it is inequitable for them to be charged.

It may be that in the first instance you cannot go to the risk creator, for whatever reason, because they're diffuse and you cannot charge them appropriately or you just cannot find them, say it is an historical issue, you may then look at the beneficiaries and say, "Well, if we want to do something about this and you're being acted upon then you would pay to not be receiving this problem," then you look at them.

Again, this hierarchy has been proposed in general Commonwealth and State cost recovery models. It is not the only model out there but it is one that has been identified. The general principles we're looking at are market failure and looking at then the cost recovery principle, whether it be risk creator or beneficiary pays and why you would use one over the other. We want to, obviously, look into these and then come up with a framework that explains why we would follow one or the other and that's what we're seeking to do. There has been extensive work done on this at the Commonwealth and State level over the past 10 years.

MR REID: My understanding is that the new national biosecurity policy adopts this risk creator approach: that is my understanding. From a practical viewpoint, we have been looking through the Victorian example. We have been looking at fruit fly, for example, Queensland fruit fly, and first of all we've been asking the question who created this risk and obviously the risk is created in part by households growing fruit in their backyards, and that's obviously one source, people travelling, and trucks transporting goods and services in part carry the fruit fly as well.

What the Victorian example tries to do is try to understand who the risk creator is and whether it is then possible and how easy it is then to assign that risk to those people, for example, assign a risk to a transport company, or how else you would go about it. In some instances it comes down to the fact that it is too hard to track the risk creators down and it may be in some cases up to the Government on behalf of the broader community, to pay. So in some such situations would be too costly to chase risk creator. If the fruit grower benefits in some ways
from getting rid of the fruit fly but at the same time they
haven't created the risk, why should they be paying to eradicante the fruit fly? They are some of the practical examples around.

MR DAVEY: Can you get back to the logic that the fruit grower is the risk creator because he has the trees to start with?

MR REID: If there's already an existing risk there's obviously a responsibility for existing ratepayers in that situation. We may also have additional risks being created.

MS PATON-BLACKWELL: Just on that, recently the State Government pulled the fruit fly plan out at the MIA. Do they become the risk creator?

MR REID: I haven't got a good answer to that one.

MS PATON-BLACKWELL: That's the complexity of this argument.

MR REID: It is, yes.

MS PATON-BLACKWELL: We have offshore, we have border and we have onshore. Things like Hendra, things like the equine flu, they have absolutely nothing to do with any cocky sitting in this room, but our staff, our rangers, our vets were on the ground doing that work and they were on the ground doing that work at many many levels. Those industries aren't rate paying industries, they have nothing to do with us, but that's the sort of thing where it has to be looked at. You have to go right back to the border. You have to go to our importers or to the people who are tourists coming be on board, because I can guarantee if we get foot and mouth in this country it won't be anyone sitting here that's caused it.

That is going another step forward where we haven't even started the discussion on national parks, state forests, and when that disease does get here with respect to wild pigs, goats, dogs, etcetera, who is going to be paying them? Good luck, guys, because you have a hell of a job on your hands, but this one is quite complex and I think I would worry. We were criticising the Ryan review for cost shifting and not being transparent, but you have a vet that comes on to your property and it may well be for an individual on-farm issue, that vet is also doing surveillance, that vet is also considering compliance. That farmer is happy to pay for those services, but are you going to look at apportioning that fee when he comes on-farm, because part of that work is also to do with the greater biosecurity good, the state animal health plans and all that other legislation that comes into play.

Is that something you'll look at, the apportionment of that cost, if that individual farmer pays but might only be getting 80 per cent of the benefit when 20 per cent is that surveillance compliance benefit, or haven't you thought about that yet?

MR REID: Yes, we have thought about it. It was an issue that was raised when we went out to Bathurst when we did talk to the LHPA vet there. He was basically saying that he has this broader surveillance function, that if he's driving past going to see someone and can see another problem then he's obviously got a responsibility to act.

The private vets were using him as a sounding board for where there was a common disease, if you like, or a common pest, and so he was providing a much broader community function than just assisting an individual farmer he might have gone out and seen. It is an issue that certainly we're looking at.

MS PATON-BLACKWELL: Good.

MR CAMPBELL: I am just having a bit of trouble getting my head around some of this. Can I give you another example? An extension agronomist is coming out to give advice to farmers. If the beneficiaries were 100 per cent farmers in that category, would that mean that there would be a compulsory levy or rate for those extension agronomists in the modelling you're putting up, if there's a 100 per cent benefit, if beneficiaries are the actual farmers?

MR LEVENTIS: If the extension service was purely for production, so making you a better farmer?

MR CAMPBELL: If the extension was purely for production. Probably another question too we're talking about coming up, but a lot of the GRDC research actually has an extension component in it as well as compulsory, but the first question needs to be answered first, I'd say.
MR LEVENTIS: Without knowing the specifics on the services, this is the difficult part right now, we're trying to create a framework and we provided some illustrative examples, so the examples themselves in the issues paper were not our thoughts on what should occur, but rather, if you were to provide an example and run it through, how would you try to work through the steps without understanding the specifics.

If the extension service was not there for a regulatory reason, so it wasn't being provided from some externality, it is just a pure function, and the beneficiaries are clearly identified, so it is this farming community, this specific farming community or this cropping community, they would have to ask themselves the question, "Does the benefit of the service justify its cost?"

If so then would you pay for it anyway? Therefore, you've identified these beneficiaries and now if there are problems with charging everybody, you may potentially say the government will provide on a cost recovery basis and we will charge you, industry, for doing so, because they're the direct beneficiary. If the cost of that service then gets incorporated in their costs of production - I do understand there are issues on the production-line but this review can't deal with those issues - but if it is an input to production and you're becoming more productive and you're an identifiable group and you can be efficiently charged, if it is not efficient to do so then you have the question of whether you ought to. If it is, then a case can be made why you should be charged, but that's the case being made, not necessarily that you will.

MR C SWEENEY: My name is Chris Sweeney, Lachlan Livestock, and I'm also a lamb producer. Just on the risk creators of the world, if you use the analogy of when we register a car, we can register the same car but we all drive very many different kilometres, so who becomes the risk creator in that scenario? Whether you've got one sheep or 1,000, one cow or a million, the disease still turns up there. This is targeting more than two hectare blockies and I know there were a couple of questions earlier about where the biosecurity risk is.

The biosecurity risk comes from the smaller producers. It is well documented that when foot and mouth enters this country it won't be entering from the west to the east, it will come out of the Sydney Basin which is the largest risk creator in New South Wales. Looking at the creator of and who benefits, foot and mouth, as I just mentioned, once it enters this country, there will be no $9.99 steaks. Our export markets will be hugely affected. We need to be able to look at that in a very broad sense.

There's also mention of pests, locusts and wild dogs, et cetera. Who is the actual coverer of those? National parks and state recreation areas produce a lot of these risks. Where is the public benefit there?

The next question that I have - that was more of a statement - is that the LLS will inherit a lot of the services that were lumped on us by previous governments, for example, the regulation of NLIS, which at the moment LHPAs receive no money for, so I would like you to look at that from that point of view of every day is a ranger or a vet at a sale somewhere administering NLIS for a private company to make sure that we're all completely covered in surveillance, so we can go paddock to plate.

That's probably my issue, these services were already provided that were given to us by previous governments so we could provide this service. Will they be looked at as some benefit to come back from the government in that way?

MR LEVENTIS: I will deal with the risk creators with respect to biosecurity. Without knowing the science behind it, I wouldn't be able to comment on the actual transmission, but I understand the point especially with respect to horses, so that's how I understand with respect to Hendra, where if you have a small number of horses compared to a large number, it doesn't necessarily matter what the number of horses is, it is how close you are to the other person. In that instance, if you're not exercising your duty of care with respect to your horse, or with respect to one sheep or cow, then you could be identified as a risk creator because it is your responsibility to ensure that given there are rules out there for diseases and monitoring and you must --

MS PATON-BLACKWELL: A duty of care can't stop a bat biting your horse on the backside. You don't have that ability to control that disease entering --
MR LEVENTIS: You may not have the ability to control the disease entering into the country, but you have --

MS PATON-BLACKWELL: You can't keep it off your property.

MR LEVENTIS: You have a responsibility on your property to make sure it doesn't continue.

MS PATON-BLACKWELL: You could put up big nets to keep the rascally bats out. That's where it gets too hard to determine and that's where it goes back to government as being the party that has to be responsible.

MR LEVENTIS: You have to work through a framework. You asked the question can the risk creator be identified and is it efficient to charge them? If they can't really be identified then you do have to work through, but you should work through that in the first instance and not presume that they should or should not be.

In my second to last slide I think I did say that we have to understand what the framework will come up against, because it might be unrealistic to assume that a framework can account for all possible options, but it can allow the LLS boards to look at activity based rather than the whole operation, so, like you were talking about before, monitoring, surveillance, research, these are individual activities and what the Commonwealth and the Productivity Commission and all these cost recovery frameworks around the States are saying is that to be efficient you should be looking at the activities. They may be grouped potentially but initially you should be looking at each activity to identify risk creators, beneficiaries or the government and then you see who is more likely to be responsible or whether there's a sharing arrangement.

You do have to run through the framework. I don't want to comment in terms of a bat biting a horse because I don't know the specifics of that. It would be hard for me to understand other than without knowing the service, the problem that it is trying to identify.

MS PATON-BLACKWELL: It is just an example of something we have paid for as an organisation. It is just one of the many concerns we have as ratepayers who are paying for things we shouldn't.
framework account for those changes in services that LLS might have to undertake in the future and also who will then decide on what those future sharing arrangements will be and how practical will it be to implement then any changes in rates that will be paid by either landholders or communities or industries if, as we've heard before, there are certain restrictions in terms of caps and adjustments to CPI that can only be undertaken?

MR LEVENTIS: With respect to caps and CPI adjustments, I can't answer that because it is outside of the framework. We could potentially - I think Jim said before - discuss that issue in terms of how it would impact on sharing arrangements. I will leave it at that in terms of the capping arrangement.

On the other point, the adaptability that would occur - and this is a part of the third terms of reference point - you're meant to be looking at these services and your framework over time. It is not a static approach. Every time you come up with a new service or a change in a rate, for whatever reason, you should be running the exercise again.

The LLS board would have the responsibility of running through the exercise to understand if circumstances have changed such that the sharing arrangement - and a sharing arrangement could be a 100 per cent sharing arrangement for one party, it could be something else. Whatever the current cost sharing arrangement is, is it appropriate given the changing circumstances? You would be running the framework continually as the services adapted. I think that would answer that.

That is why we're also trying to create a framework that is usable. One of the practical problems we're considering now is we need the theory and the explanation there, as was asked, why risk creator or beneficiary pays is the appropriate approach. We also have to create something that's usable for LLS boards to be able to do this analysis. We will not be doing the analysis for them over 30 to 40 services in 11 regions: that's not our task. Also then coming up with a methodology so that you can trace back what was done and how and whether it was consistent, would also allow us to understand how it is adapted. I think that's how it works.

MR REID: Can I just say there, Peter, one of the original questions I asked was how tight the framework should be and what flexibility should there be for discretion to be exercised by local land service boards. I think that's a key critical question which we asked up front. Obviously, there are going to be different circumstances that are going to exist in the areas of each local land service board and those different circumstances will dictate different answers.

The issue is though that they should be going through a particular approach which we hope to specify - the specificity of which is at issue - how they go about deciding what would be the activities they will perform, the standard of activities they'll provide and, if necessary, come back to government and explain the situation and ask for supplementary budget funding or whatever else, or come up with a different charging arrangement. These are some of the mechanics that obviously we have to work through.

The more examples people can give us of particular physical examples that local land service boards are going to come up against, that would help us craft the framework and also dictate the level of detail in that approach.

MR WOLFENDEN: I thought you gave a different answer half an hour ago in terms of my question of how much flexibility an LLS would have. Maybe I got your answer wrong but my impression of your answer was that largely it would be a bulk of services that would be relatively flexible and that it would only be ancillary services that would have flexibility. I thought you just gave the answer then that an individual LLS board would be looking continually at the flexibility of all its services. Could you once again clarify that?

MR REID: Yes, certainly. There will be certain services, certain basic services, that will be required, as I would understand it, to be performed by every local land service board and, as I said, there will be ancillary services. However, it is a case of what flexibility there is as to the level of service and how costs are to be apportioned between different potential funding sources and obviously the government will have views on how much it will contribute for different functions. They won't be looking at things every day.
Presumably charges will be set on an annual basis and they will apply to the coming 12 months, for example. Obviously, where you have situations where there are different rates applying within an area where areas have been combined, there will be a transition path and that will be presumably determined over a longer term.

There will be a need for an audit function setting out terms of reference for someone independent, for example, the Natural Resources Commission or some other similar body, to go through to ascertain whether in setting the charges and the level of service, that the proper consultation process has been gone through, that the fees have been set and the basis of fees has been set in accordance with the framework.

There will be some flexibility but limited flexibility, but what I'm saying is that, for example, not every board will face the same issues. Some will face fruit fly, some will face some other type of disease, and they'll be raising money or getting money from somewhere to fund the fruit fly levy, whereas others will have a different purpose. There will be that flexibility required obviously. There won't be total flexibility.

MR McGUFFICKE: In any society that we live in there is a market demand by the people who want the service, but there's also a market demand by the government that wants to either move something on or change something like that. This to me doesn't sound like it actually addresses it. We have a rigid framework that's not flexible to incorporate that. Where does market fit in with this system? It is a reality. The government likes to think it doesn't and it sets it flat, that it doesn't. That's why 5 per cent use the service and 95 per cent don't, or whatever.

MR REID: The thought is that the government would only interfere if there has been some sort of market failure. If there hasn't been a market failure, the general principle would be there's no argument for government to be involved.

MR McGUFFICKE: There might be a need to move an industry in one direction and the government might have to buy that to move it.
there are going to be properties that are sitting in two LLS areas. There is going to be difficulty in administering them. There's going to be difficulty in Mr Sheldrake and his friends keeping their eye on us if there's all these different systems. Banding I think is important because there must be some local flexibility in that, not a differentiation between the different LLS boards.

MR COX: The point of banding means that shouldn't happen very often. You fit most people within the same band.

MS PATON-BLACKWELL: Yes. I don't know; I'm not sure.

MR LEVENTIS: It is something we can probably discuss later on.

MS PATON-BLACKWELL: I think this whole system is going to have to evolve over some time. I think that's a difficulty generally in this. Let's not forget that the LHPA went from 47 down to 14 boards. We were getting into final stages where we thought we'd bedded it down and we're then thrown into another review. This is a far more complex review and it is going to take a whole lot longer than come January 1 2014. I think we have to be very flexible.

MR COX: Are there any further comments?

MR WOLFENDEN: Hopefully, it is a statement that's pretty obvious I'm going to make now. I go back to fee for service and I have no trouble about having fee for service where there's productive agriculture and someone is getting the benefit. My comment is that while it does vary across the State to a degree, the degree of service by the provision of vets, the provision of agricultural agronomy expertise is now widely available commercially outside of the system, that the fee for service that an LLS can service will be capped basically by the commercial rate and that with the fee for service the LLS is thinking our cost of providing that service to the landholder is 50 per cent above the commercial rate. Clearly, there's going to be very minimal uptake of that because of the availability of commercial services elsewhere.

MR WOLFENDEN: That seems to have been lost. That is a service that may be notionally the LLS agronomists could serve or it's going to go back and they'll say no, that's not going to be there. That was part of the rational of my question before, that you also need to define where the DPI is going to occupy space.

MR COX: I think those points are well taken.

MR MURDOCH: When LLS is finally up and running, as a ratepayer I would like to receive a notice, a rate notice, that basically had a base rate, a pest insect levy which I think all should probably pay, an animal health levy, if I have animals, a biosecurity rate and probably as part of that could be associated an additional if I have animals as opposed to someone who only has land but is say a cropper. The core rate should be calculated on - I know there are a lot of people have a lot of difficulty getting their heads around a notional carrying capacity but, as I said earlier, that notional carrying capacity is purely related to the profitability of that block of land, not on whether it has stock on it or not.

Where I live, three of my neighbours are non-stockholders. Their land should on average generate the same amount of income that my block may if I had run all livestock. Purely and simply on how to formulate that base rate is fair if it is on a profit, not on an ability to generate income from that area of land, not purely and simply on what the livestock could be run off that block of land. That's basically as it is formulated.

You people need to formulate that rate, that
If the current CMA constitution which allows for pay for some biosecurity levy.  

But that was the advice at the time.  Thank you.

MR MURDOCH:  Yes.  At the end of the day where I receive my notice, and no doubt all these other people who are landholders will receive a notice, it is inevitable that you'll receive some sort of rate notice when LLS is up and running, it has to be itemised so that you have a user pay type system that we all pay for an insect levy and we all pay for some biosecurity levy.

Given that the boards have autonomy and if they're reluctant from the Federal Government already to use LLSs as their delivery of care for our country funding, because they're concerned they might not go where their priorities lie, but by and large I think if there were too many restrictions placed on every cent being spent in a certain area, it would create huge administrative problems.

I commend the three of you that have spoken that you seem to have a huge awareness of the complexities that you have to deal with, far more than the people in the Ryan review were aware of and far greater awareness of when the old rural land boards were amalgamated into the LHPAs.

I think you're well aware of the enormous task you have to deal with, far more than the people in the Ryan review were aware of and far greater awareness of when the old rural land boards were amalgamated into the LHPAs.  I think you're well aware of the enormous task you have to deal with, far more than the people in the Ryan review were aware of and far greater awareness of when the old rural land boards were amalgamated into the LHPAs.

If the current CMA constitution which allows for rating is formulated down the track to include a rate so that we have an environmental rate, it will all be proportionately balanced to either your land area or to your ability to generate income off the business.

I commend the three of you that have spoken that you seem to have a huge awareness of the complexities that you have to deal with, far more than the people in the Ryan review were aware of and far greater awareness of when the old rural land boards were amalgamated into the LHPAs.

I think you're well aware of the enormous task you have to deal with and I certainly hope that you get the formulation right.

MR COX:  Thank you very much for your good wishes.  Any there any further comments before we take the break?

MR MUDFORD:  Just on the constitutional question, I think it was the Bull review or the Ryan review, I'm not sure, but the legal advice at the time did suggest that it wasn't constitutional to change rates on notional carrying capacity.  The reason given was that the directors determined the carrying capacity of an individual's property and therefore effectively determined how much rate or tax that individual would pay.  That is unconstitutional in Australia.  It is just that it hasn't been contested and that's one of the reasons why the area base model has been put up to overcome that.  I may or may not be right on that but that was the advice at the time.

MR McNEIL:  Tom just spoke a moment ago about perhaps creating a number of silos and that funding streams be directed directly to where the source came from.  I think that can be a problem.  Provided that transparency in the reporting procedures is in place, I think there should be basically a pool of funding.  Certainly the government funding bodies will want to know that their money has been spent where it is directed to and certainly we've seen some reluctance from the Federal Government already to use LLSs as their delivery of care for our country funding, because they're concerned they might not go where their priorities lie, but by and large I think if there were too many restrictions placed on every cent being spent in a certain area, it would create huge administrative problems.

Given that the boards have autonomy and if they're transparent and there are to be advisory committees set up in the regions as well to monitor what they're doing and where the money is going, I think that is sufficient protection, from my point of view, that one day there might be more money spent in one area and it will be cross-subsidised by another, and presumably as time goes on it might come back the other way, but I think if you're too strict and the money must be spent on the particular subject or topic or issue where it is raised, it will create a big problem.

MR COX:  There is a complex trade-off between providing transparency, accountability and simplicity.  That is a difficult issue we're going to have to wrestle with.  Is there anyone else?

MS PATON-BLACKWELL:  That also becomes an issue when you have a potential cost shift in government back to ratepayers and that pool of money that Mr McNeil is mentioning ends up being the pool, which I don't necessarily disagree with, but what happens when you're then stuck with a whole lot of requirements maybe for NRC or projects and you've got more services than you've got money to do?  Who wins the argument on where that little pool of money is spent when the other money runs out?

There becomes an issue there.
1 Maybe that's a matter for individual boards and
2 localised autonomy to deal with or maybe key functions,
3 like biosecurity, are then lost because the money has been
4 spent by a wave of the board on a folly. I don't know the
5 answer.
6
7 MR COX: Thank you very much. Any there any final
8 comments before we break for lunch? I suggest we do break
9 for lunch now. We will resume in 45 minutes at 1.30.
10 Lunch has been served here. You are most welcome to join
11 us for lunch. We will resume at 1.30.
12
13 LUNCHEON ADJOURNMENT
14
15 UPON RESUMPTION
16
17 MR COX: Good afternoon everyone and welcome back. We
18 are going on to our third session now which is on the basis of
19 the service fee. Thomas will make a brief presentation and
20 then there will be some questions and comments for the
21 concluding session. Thomas, thank you very much.
22
23 MR CLAY: Thank you, Jim. From the discussion from the
24 last session you might notice some overlap but I'll just go
25 through the key concepts just to clarify what we've been
26 thinking and some of the issues we've identified.
27
28 The purpose of this session is to outline the rating
29 issues that IPART has been asked to advise on. This will
30 include an overview of the terms of reference for rates,
31 desirable attributes for service fees and an overview of
32 fees that are currently charged and issues IPART has
33 identified so far.
34
35 The terms of reference ask for IPART to advise on an
36 efficient rating base for compulsory fee collection and an
37 efficient fee collection mechanism. Giving specific
38 consideration to how well each rating base aligns with
39 specific risk creators and service beneficiaries and the
40 appropriateness of specific purpose levies and how they are
41 determined.
42
43 IPART has identified the following desirable
44 attributes for LLS service fees. They should reflect the
45 efficient cost of providing a service, be simple and cost
46 effective to administer, comply with statutory and legal
47 constraints, and be clear and easily understood by
48
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recommended by the Bull report, and unimproved capital value of land, which is currently used by local governments. With regard to minimum rateable land area, we perceive the LLS could either leave the minimum rateable land area the same at 10 hectares for most LHPAs, or it could reduce minimal rateable land area below 10 hectares to try to capture risk creators or beneficiaries on smaller properties.

As has already been discussed in the last session, there is a trade-off between administrative efficiency and targeted rates. IPART has been asked to assess the appropriateness and efficiency of special purpose rates. The issue with determining the efficiency of special purpose rates, as this table illustrates, is that it depends largely on how specifically they target beneficiaries and risk creators. The broader and more uniform rates are, the more efficient they will be to administer.

However, this will mean that the rate will be less targeted at actual beneficiaries and risk creators depending on the service. Conversely, the more specific or targeted rates are, the less efficient they would be.

Finally, an efficient fee collection mechanism. IPART has been asked to advise on efficient fee collection mechanisms for the new LLS. Based on our preliminary analysis, we have identified two options. The LLS could enlist the help of local government to collect rates on its behalf. However, unless the LLS used the same rating base as local government, unimproved capital land value, efficiency gains may be limited. They could create a statewide collection mechanism. We believe that an individual collection mechanism for each board would be inefficient.

Therefore, the key issues IPART would like comment on with regard to service charges are as follows. Are current service fees reflective of the efficient cost of providing services? Are they targeted at actual beneficiaries and impactors? Are they simple to administer and cost effective? Are they compliant with statutory and legal constraints and clear and easily understood? Secondly, given the range of services the LLS will provide, what service fees should be used? What rating base should be used? How should special purpose rates be determined? and should exemptions be allowed? Thank you.

MR COX: Thank you very much, Thomas. We now have questions and discussion from the audience. Who would like to go first?

MS PATON-BLACKWELL: Thank you. Just to kick it off, the LHPA position is very supportive of NCC as the preferred rating option. There are a whole lot of issues that you will see. This has been looked at by many reviews over many many years and it always seems to end up being too hard and we end up issuing the rates, collecting the rates and it has stayed the same for 150 years pretty well. If you come up with another option, do get back to us. Something like a pest insect levy has been a great bugbear to us as an organisation. We are effectively the unpaid tax collector on behalf of the State Government of a levy that we cop the flak for imposing that has absolutely nothing to do with the service we provide.

As an organisation we were criticised for not being transparent in our finances. When the government comes and takes from you money that you haven't even collected in payment of a levy that you're not even paid a service to collect, I have a problem with it. That has got to change. We either have to be paid if we're going to be forced to collect rates or we don't want anything to do with them because, quite frankly, it gives us a pretty bad reputation. We either have to be paid if we're going to be forced to collect rates or we don't want anything to do with them because, quite frankly, it gives us a pretty bad reputation when we're collecting a rate which most people don't understand has nothing to do with the service we provide. Any of those extra levies I would support that we be paid a service for collection. Thank you.

MR COX: Just for my benefit, can you explain to me what you see as the advantages of net carrying capacity? It would be interesting for me to hear what the case for it is because we've heard a number of people who have argued against it. I would be interested to hear about that.

MS PATON-BLACKWELL: I think the others on your list were hectares and unimproved capital value. They have been looked at over the years and considered to be too great an inequality across the board. Therefore, the only comment I will make with respect to NCC - and it has actually been raised by the director on our board sitting next to me - is possibly changing the name of it. Keep the concept because
it is a measurement of productivity. The minute you talk about carrying capacity, people that don't have livestock don't understand and get very annoyed and it causes us a lot of extra work at the board level in taking on those disputes. I think it needs a name change, but the concept of working out the productivity of the land, after all the years of discussion as an organisation, seems to be the most equitable.

MR COX: Thank you.

MR DAVEY: I think the problem with nominal carrying capacity is purely just the total and absolute lack of understanding of what it means and that applies to just the ratepayers themselves. There are a couple of things that I thought of and one of them Deb has just mentioned, calling it "productivity capacity" and that's what you're trying to do, is work out how productive a particular farm is compared to another farm and so the bloke who has got very poor soils and can hardly run very much at all is not rated as much as the property that's on the Murrumbidgee River and is a highly productive farm.

"Carrying capacity" causes just absolute confusion because all it is is a measure. You could use bags to the acre, you know, the potential that if you grew a wheat crop on that land and grew another wheat crop on another bit of land, which would grow the best wheat crop. People don't understand the word "nominal". You could use "hypothetical". I think people understand that word better than "nominal". To me it is purely an exercise in educating people as to what it actually means, this nominal carrying capacity, and you can't blame people for not understanding. In many ways it is the fairest way to levy a farm and it's based on how productive that particular farm is.

MR B LANE: My name is Butch Lane and I am Chairman of the Riverina LHPA. On your rating base options, the land area one falls down, in my opinion, because I can have 50 units on a property out here and someone might say that that's worth $200 a hectare, full stop. I could have a property at Byron Bay carrying the same amount of stock and the land there per hectare is going to be worth a lot more. Using the same description, the unimproved capital value, my land here might be worth $1,000 a hectare and at Byron Bay it might be worth $100,000 a hectare. Once again, there's inequity in the system in either of those two rating base things.

The other thing I wish to make a comment on is your second-last slide, the efficient fee collection mechanism. Why would LLS's collection mechanism be any less efficient than the local governments? I would have thought it would be more efficient. The LLS would know what they were talking about. You hand the rate collection over to the local government people and they wouldn't have a clue what they were.

A lot of the time, in areas as big as the LLS areas are, they would have no idea about anything of the country they were collecting the rates for, so therefore if there was any minor discrepancies they just would not know that they were there, whereas if the LLSs were collecting rates on behalf of their own organisations, they would know if there was a problem. They could get back to the ratepayer immediately and settle anything straight away instead of something taking weeks or a month for the problem that it may cause if the local government were collecting to pick it up.

MR COX: Thank you.

MR REID: Could I just respond to that one, Jim?

MR COX: Yes.

MR R BILLING: I am Ralph Billing and I am a farmer from about 50 kilometres north of here near Marrah. I haven't had the experience of being associated closely with LHPAs all, so I just wanted a basic question answered. Who sets the notional carrying capacity and is it set the same way all over the State?
MR CORBOY: The notional carrying capacity is set by the individual board of directors. I can tell you that when we amalgamated from four RLPBs to one LHPA, there were two authorities that did it in a fairly scientific manner and there were two that did it in a way that wouldn't stand up to the rigours of testing, I would think. That's one of the things we still haven't been able to address because of the rating cap.

The other thing is any landholder has the ability to appeal their carrying capacity. If the local authority doesn't settle it to the person's liking, they can then go to the local land board, which is going to confuse people even more when local land services come along, and the local land board is an independent body that can adjust the notional carrying capacity.

We probably had eight people appeal their carrying capacity this year and that's probably an average that would stand up year on year. That is eight out of 8,000 people who can't be bothered to appeal. In most cases we've standardised it so that when they ring up we can say, "It is standard in your area," and so they either can't be bothered appealing or they're happy with the result - they're not happy with the result but they're content that it is consistent.

MR BILLING: Could I just follow that up? Does it change every year or do you keep it constant year in year out?

MR CORBOY: We are required to review the carrying capacity every five years. We actually reviewed ours when we were formed and we changed the way we did ours in line, because over the five-year period we did it it was two-thirds of the way through the drought, so we actually lowered the way that we did it, especially the irrigation holdings with the way water allocations were going. You don't change it year on year unless you have a specific reason for a holding that you're aware of; you do it every five years or on appeal.

MR BILLING: Mr Chairman, can I just follow it up? The interesting difference between the net annual valuation of the land and the carrying capacity one is the right of individual regions to make their own decisions about the basis of raising the money, because if it is done on the value of the land, I guess that's just a standard value that's set by the Valuer General's Department every year, so it takes away the flexibility of the local regions to change the basis of their rating.

MR CORBOY: That's right. I spoke to Colin about this earlier. In our area irrigation poses a specific threat to any change, because when you do the notional carrying capacity, the irrigation actually affects the notional carrying capacity that the board assigns. If you use unimproved capital value, any irrigation is not taken as part of the unimproved capital value. If you go to an unimproved capital valuation method, all those irrigated blocks would drop considerably and the dry blocks would increase markedly.

MR COX: Thank you. I think that has been a useful discussion.

MR BROWN: I have just a few comments. The fundamental difference between local government and the current LHPA and the current LLS is that their rating is on the owner whereas we rate the occupier of the property, so that that couldn't be overcome. In the future I think we will, but there is a very significant difference there at the moment. The greatest number of complaints that you get about carrying capacity are from people who don't have any stock. "Why am I paying this?" when you try to explain what carrying capacity is all about and it is meant to be an assessment of the amount of stock that your property can carry in a normal year, which again leads to the question, "Having come through 10 years of drought, what's a normal year?", that they say straight off, "I don't have any stock," and then you have to go through the spiel and say, "Well, in a normal year it is an estimate of what your property could carry, the same as if they were an orchardist." You get the same argument. "I don't have any stock."

If we're going to continue with carrying capacity, we need to have some better levels of exemption or other options, particularly for non-stock carrying properties, and allow them to, as long as they put in a return or a declaration that says they don't have any stock, that they don't have to pay the animal health component of the rates.

The other problem that I see, having been in the
system for quite a while, is we're talking about dropping from 10 hectares down to two hectares. There are a lot of lifestyle blocks now up to probably 40 hectares.

I'm wondering whether we shouldn't be expanding from two out to say 40 and hit them with a flat fee, rather than between two and 10, and that carrying capacity kicks in on properties greater than 40 or 50 hectares where they are likely to carry some stock. Here again, when you get on the fringes, 40 or 50 hectare lifestyle blocks are becoming quite normal rather than two to five hectares.

MR BROWN: I think it is a mixture. Again, that would vary authority to authority. There are certain parameters that the board would look at in terms of the land type. You're relying on the expertise of the board of directors and their knowledge of the local area to say that, "Yes, that assessment that we've come up with collectively is reasonable for the district."

Like Geoff said before, the amount of challenges you get to carrying capacity are minimal in a normal year. In the last two years, when we had plenty of rain, you could count them on one hand, but in the middle of the drought every second person was complaining about their carrying capacity: "We can't carry that many stock." As soon as you turn around and say, "Yes, that's because of the drought and we're obliged to look at it on a nominal basis," that's when you create plenty of angst.

You give them a right of appeal to the local land board and as soon as they discover from them that they have to pay a fee, and they've had to have also initially paid their rates before they even get a guernsey, in a lot of cases it gets dropped. It is quite a complex process.

MR McGUFFICKE: I don't know whether I'm advocating this but there's mapping by the old Soil Conservation Service of a land class system 1 to 8 which puts the land capability in that area. The Department of Agriculture also did a land suitability map which was based on a similar thing. That was consistent across the State, or relatively consistent across the State, so it is a base one, but if you're looking at it from a productive point of view, you've still got climatic factors that aren't fully recognised in it, so there would have to be some modification, and also you would need a GIS wizard to cadastre back over it to link it through. It is a consistent thing right across the State. I wouldn't put my hand up to do it, though.

MR FORSYTHE: Regarding rating options, I believe that we should stay with the nominal carrying capacity, which is DSE, dry sheep equivalent, and that should be the way of rating because that's how productive the land is. We should only be paying taxes on our production capacity.

The irony of going on unimproved capital, I've seen a farm traded nearby in 10 years and it has quadrupled in value. However, its wealthier owners have improved its capital value but they have only raised production by 10 per cent. They haven't quadrupled their production like the land value has in that 10 years. We have to retain our value according to production and not on land value. Thank you.

MR WOLFENDEN: It seems to me that this whole argument is premised a little bit on how much the government is going to contribute. I am sure we wouldn't have this support for nominal carrying capacity if the government suddenly said, "Oh look, we've run out of money and you have to raise 95 per cent of all your funds." Similarly, we probably have general agreement on this, if the government comes in and says, "We're feeling rich. We're going to contribute 66 per cent of all your funds." Without those guidelines, without that input of the government contribution, it probably sways people's view on how much it is going to hit their pocket.

I think you have ticked your box "matching service fees". We've acknowledged somewhere during the debate that it would be almost impossible to collectively equally raise money from industry. The fees you'll put on the table there don't have any of that provision. We can nearly cross out that column. It is going to be either landholders or government.

Therefore, I suppose there's some question then about what was nominally in that industry area, how much of that was a national good. If the industry contributes to something that does keep a disease or a weed or whatever out, there is some national good there, some community good. I think this is really a nonsensical debate without ...
having the government money on the table.

MR COX: Thank you. Are there further comments or questions? There's one at the back.

MR BLACKWELL: Mine is a simple question of clarification. In the Hunter CMA where you do collect a levy, in the presentation we've just seen it is charged to all landholders. I may have written it down wrongly but I think you said this morning, sir, all households. Which is it?

MR REID: I meant to say it included households. It is all landholders including households.

MR BLACKWELL: I might be ignorant, but to me a "house" is a specific unit entity. A piece of land - a house must sit on it. Is it every household in the Hunter pays that levy?

MR REID: It is based on the normal way that council rates are charged on unimproved capital value.

MR BLACKWELL: So every ratepayer in the Hunter pays that levy?

MR REID: Yes.

MR BLACKWELL: That's good.

MR MAYBURY: I just have a point of clarification. I believe that you need to ask the question of the Hunter, that it might be all affected ratepayers, not all ratepayers.

MR BLACKWELL: So make any challenges within the flood zone.

MR REID: Yes, say within the flood zone.

MS PATON-BLACKWELL: That's different. I suggest that anyone who wants to challenge their LSS in the first half of next year do it, because at that point the board will be made up of government appointed directors who won't have a clue about notional carrying capacity. Get any challenges in early, I suggest. I am sorry, Mr Chairman. With respect to the down to two hectares, we have looked at the figures on that and we're looking like when we expand and broaden that rate base, we're only going to come up with about another $4 million, $3.5 million to $4.5 million, somewhere in that range.

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humble farmer. I'm very concerned about the funding of the Caring For Country and of the $128 million that we have, because you know that when government changes programs and things like that and it doesn't sit the criteria, whether that $128 million then would come into the coffers of the proposed budget you had on the front page. I am very concerned about that.

The second point is that you spoke a little bit about local government and collecting the levies and everything like that. There is a review into local government at present, so if they change the boundaries a little bit and then local governments go into different areas, even though at the moment LLS boundaries are situated within the local government areas, that could cause possible problems in the future.

This morning you talked a lot about the cost shifting. I am really concerned about the cost shifting exercises. I feel at great pains to say that I think at the end all the farmers will have to pay extra for the services that they don't receive.

MR COX: Thank you.

MS PATON-BLACKWELL: Under the possible amalgamations of the local government - and within our new LLS of Riverina, for example, I think there are about 17 local government areas - how would it work? Would it be an individual one or would every one of those 17 be collecting the rates within our part of the board? Do you follow my question?

MR COX: Yes. The first thing to say about that is it is not clear what's going to happen to the amalgamations anyway. As you know, there's an independent local government panel that recommended it. How many of those have happened to the councils themselves? Amalgamation is perhaps encouraged by the State Government. It very much remains to see what happens there.

MS PATON-BLACKWELL: There could also be conflicts of interest between directors who sit on LLS boards and who are on local government boards and who are imposing rates and collecting rates. I can see all sorts of problems.

MR COX: Yes. I think the attraction of that as a mechanism is where there is some sort of local environmental problem that affects all the residents of a particular area and it is reasonable they should all contribute. I think what you then have is an addition to the rates in all the relevant local government areas, whatever happen to be paid to the local land service. I think that's the constant. I would see it as more on the environmental cash and maintenance side myself.

MR BLACKWELL: If you take any one biosecurity risk, which I commend you to do, do you then list beneficiaries and risk creators? Who are these people? For which risk?

Have you thought about that? I go back to your statement.

MR LEVENTIS: You'll have a service that addresses some kind of biosecurity risk potentially from research to actual post-incursion or - not 'incursion', excuse me --

MR BLACKWELL: Why don't you name one that you've thought about?

MR LEVENTIS: Right now I haven't gone through this exercise.

MR BLACKWELL: What about Deb's bat? Take Hendra and work that through. I actually don't understand really the beneficiary or the risk creator right through the whole system in any of these. I think you have to do that because all of this is predicated on whether I pay because I benefit or I pay because I'm a risk creator. If you don't know who they are and how far down the chain or up the chain you go, I don't see how you can progress. Maybe I'm being dumb.

MR LEVENTIS: No. No, you'll have a risk and you'll have some kind of biosecurity risk. I can't say whether it is Hendra or lyssavirus, or whatever it is.

MR BLACKWELL: But it doesn't matter.

MR REID: Peter, it may be easier to talk in terms of, getting away from biosecurity for the moment, a similar situation where you have a polluter. An industry puts out chemicals - say it is ICI or whatever - at Botany. Obviously in that situation they're identified as the risk creator. There are people who benefit from clearing up that mess but in reality you would go after the risk creator.
MR BLACKWELL: Yes, because that's a clearly identified one, I think. You've got to understand also that ICI are benefiting everyone in this room because we use their chemicals. It becomes very complex again.

MR LEVENTIS: No, that's part of the market. They can sell their goods.

MR BLACKWELL: They can pass that on. We can't very easily. If you took foot and mouth, I'm told that as a cattle producer I'm a risk creator, but there is no foot and mouth in this country. If it comes in who is going to cause that risk and who is going to benefit by this organisation trying to keep it out?

MR LEVENTIS: That's where you start asking questions about whether it is an exotic that's come in from somewhere else or is it endemic. The more information you get about the risks helps you to classify whether the risk creator - if we identify it as a cattle person - was the one actually bringing it in. If it is an exotic pest and it is a national problem, potentially that's a national issue. You would not necessarily - now I'm just --

MR BLACKWELL: You're starting to think about it which is good.

MR LEVENTIS: No, that's unfair. There are risk creators and there are beneficiaries and depending on what the circumstances are for each biosecurity issue, it could be that you, in particular, are the risk creator, or if it has come from somewhere else then you may not be identified as the risk creator, but you have to go through the exercise in a transparent and logical way before you can either classify yourself or anyone else as one or the other.

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The distinction is that the risk creator could be separate from a beneficiary, as in the ICI example because they put the chemicals in, or they for some reason don't do something for the vector. The beneficiary may be a completely unrelated party. In the first instance, if you can't go for the risk creator, you ask them, "Are you willing to pay to solve this issue?", and you work through the steps.

Biosecurity is a complex issue because there are many steps, from research, monitoring, surveillance, to preparation. There are many steps in there and each activity may not necessarily have the same risk creator or beneficiary. In some instances one of the activities, potentially surveillance, could be a community benefit and therefore there would be a community public good that should be considered and therefore the government would be in that stage.

However, if your industry benefits and you can sell cattle then you would be in another stage - maybe in the management stage - more likely to pay in that respect. You look through the stages and you try to identify in which group is the risk creator closer than others or likely to benefit from dealing with the issue. It is activity based. You do have to work through these issues and it is more likely to be a Biosecurity New South Wales issue because they have the information.

The framework would still be robust enough to be able to ask the question what's the objective? What's the market failure? Who is causing an issue or who is benefiting? I think you still have to ask and answer those questions, with a considered opinion and with evidence, before you then start saying, "No, the government should pay for everything" or "I should pay for everything." I think you do have to follow that step.

MR BLACKWELL: I agree. I look forward to the robust framework.

MR COX: In a way I understand what you're saying, John. I think this thing has got to be brought down to the realism of particular examples. In our position, we have just started off this inquiry. We do have to think through how this is working in at least a few instances. We're obviously not going to be doing it for everything, given the time frame. I think it is for the local land services boards to do it ultimately. The point you make is yes, you have to think about how this works, at least in a few instances, and make sure it does work and that's something that we have to deal with.

MR BLACKWELL: Thank you.

MR SALMON: I am just going to comment on that. Most of the emergency and exotic diseases, those risk...
creators/beneficiaries have been worked through. The risk creators are subject to our surveillance programs. The beneficiaries are those that have been agreed in the cost sharing deeds of arrangements. You spoke about that earlier on in the day.

For the exotic animal diseases, it has been worked through and there's quite a body of information on that which could be quite useful for you to look at as a framework for your further consideration.

MR COX: Thank you.

MR J FRANCIS: John Francis from Hume. When you were talking about local government collecting rates, if that was an option, there's probably well over 100 local government areas and only 11 LLS areas. Which one would be the most efficient to collect rates, 11 or 100, or the LLS could be just one for the State?

MR CLAY: In that slide I did state that if the LLS didn't use the same rating base as the local governments, the efficiency gains would be fairly limited. If LLS did use the unimproved capital land value, you could essentially piggyback on what the local governments already do, but if you don't then you're not likely to see any efficiency gains.

MR BROWN: A question regarding the local government rating. You're saying that it needs to be on the same premise of unimproved capital value. I have been told by somebody who works in local government that they could simply create another line in their rate notice and call it 'X'. It doesn't have to be calculated on the same basis. I don't know whether you guys are looking into that or not.

MR CLAY: It is a possibility. We haven't done the in-depth analysis and asked local governments how they have to alter their ratings system, but it was just noting that if the LLS did use the same rating base then it would be fairly simple and straightforward.

MR BROWN: One other comment, if I may, reflecting on wanting to come back down to two hectares, prior to the Bull report in the formation of LHPAs, the RLPBs could set their own minimal rateable area. On the coast it was down as low as four hectares to pick up all those additional hobby farmers, for want of a better word, and get them under the rating umbrella. The reason it was moved to a blanket 10 by the MacDonald government at the time was to minimise the number of complaints and we're going to go full circle. Not that that's a bad thing, I think everybody should pay, but we need to be aware of the flak and it needs to be sold very well and for a very good reason by the government as to why those people are going to have to pay in the future.

MR COX: Thank you for telling us the history.

MR RANDALL: I was just wondering, if you send a bill out to a two hectare farmer, a hobby farmer, and he doesn't pay his bill when the LLS sends it out, who is going around to collect it and at what cost?

MR CLAY: That is definitely an administrative efficiency issue, yes.

MS PATON-BLACKWELL: You raised exemptions. I think exemptions sound fantastic. I would like to be exempt because I have native grasses on my property and I don't do a whole lot of things. I would also like to be exempt because I have blackberries on another farm because of the national park's lack of caring for their country. However, exemptions are going to be a really difficult thing. I think it is going to be confusing. It is going to be arbitrary. It is going to open up possibly a floodgate. I think we're trying to get more people in to pay, we're not trying to let them out. I would suggest that exemption has to be looked at very carefully before we make a decision on it.

MR COX: Are there circumstances in which you would support it?

MS PATON-BLACKWELL: I would need a specific example. I think the only one that comes to mind is somebody said pensioners. I would say no. I think the other example was for good behaviour on your resource management. Who is going to go and audit that? On our rangers at present, we can't do the rabbit inspections on the properties that we're obliged to. The easiest way it will be for all of us to not pay our rates if we're not happy with the new system is to put on an exemption and say, 'Oh look, come and look at my farm. I've got native pastures. I've got no

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rabbits. I've got perfect biodiversity. 

ratepayers around this country want to screw up this system, that's what I would be recommending they do and go and put on an exemption. I would be avoiding it.

In relation to what Peter said, speaking to the local government in our area, they don't actually record the area of their holding. If you went to area, that's where they would have to change their rating system because they don't care what the area is, as long as they've got the UCV on it.

In respect to the collection of rates now, the LHPA is done centrally and the money all goes into one account. It is just split out through the accounting system. I think someone thought it would be more efficient to do it centrally than each individual authority do it themselves.

Another problem is local government rates. Many of us have multiple rate notices. If you intend putting a base rate on those, it would be multiple base rates for each of us. I know in Lockhart Shire there are many people who have rate notices in the teens, so that's a problem in addressing it that way.

Secondly, just a word of caution about a centralised collection system. I know collecting the rate would be simpler but in CMA all accounting is done through ServiceFirst, it is a government servicing organisation, and it does in theory appear to be a cost saving, but the amount of complication and the lack of communication and so on, we think it actually is a cost.

We don't offer that service.

You probably sympathise with what I'm saying. Thank you.

Angus, I think you're very brave raising the cost of administration between the CMA and the LHPA. I think you won by about four million on 11, as opposed to our 14 authorities. I think it was about 1.3 million to administer. That is a real and genuine concern for us in this. It might not be something you're looking at but we are having a centralised corporate service imposed on us. It is not how we do business. We would normally have a tender system.

You would normally have it costed and you would have an opportunity to discuss and look at the service that you want for your ratepayers. Our ratepayers are essentially giving a blank cheque to the government on the cost of service provision for the corporate services. That is a real concern to us. Having said that, there's nothing we can do about it.

On the audit methodology, yes, I think it is relevant if somebody like the NRC do the audit. I haven't really thought it through, but what I'm really concerned about is currently the government pays for the audit, so for the audit of the CMA through the NRC, I would be expecting the government to pay for the audit of the LLS, not the ratepayers of New South Wales.

On that issue of people with multiple holdings, or multiple properties, under the LHPA legislation they can elect to associate those holdings and therefore only pay one base rate and not a base rate on every property.

Are there any final comments before we wrap up?

Going back a step to your risk creator, the Minister created LLS. She's the risk creator. Therefore, she should pay.

Somehow, I don't think that logic will prevail.

Unfortunately not.

I am going home knowing now that I'm a risk creator and a risk taker. I'm also a beneficiary. I'm also a producer. I'm also part of an industry. I'm also a ratepayer and I'm also a taxpayer. At the end of the day I think some people have come here thinking that we wouldn't pay any rates. I think you're slightly wayward; that card has already been drawn.

That's right. I think the reality is
MR MURDOCH: Yes. The government aren't going to give up a $40 million contribution to this formulated organisation. How that goes about being collected is really not going to matter at the end of the day. How it is formulated is the critical part. That is the thing that needs to be done correctly, so that the wording of it is the key in appeasing everybody, selling the message to the people that are going to pay it as to why they're paying it.

There are still a lot of people and I was one of them until I joined the LHPA - I had no idea that the organisation existed other than I paid my rates every year and because it hasn't been an organisation that had deliverable results, measurable results I suppose you could say, it has never got the reward for what it actually did.

Probably everyone around here who has livestock, or carrying sheep anyway, would be quite well aware that the chances of picking up footrot within New South Wales is probably minimal and that's attributable largely to what the old Rural Lands Board did. It didn't have a lot of measurable results on it, only than it achieved the result of having below minor percentage of footrot within the region.

I am quite happy to pay a rate for someone to fight the battle down the road on my behalf. They may not actually come to my farm, whether it be a DV or a weed inspector or whatever, but if I know that I'm paying for an organisation that's fighting the battle to keep the biosecurity problem or the weed problem at bay from me, they don't actually have to be on my property, and I'm hoping they're not, but it's very reassuring. Someone before spoke about an insurance policy. To my mind I am paying that insurance policy through that rate and no doubt government do to some degree.

MR COX: Thank you. I think we might wrap up, if there are no further comments. I would like to say that I think we've had a really good discussion today and I'm grateful to you for coming to this meeting and for the spirit in which we've had our discussions. It has been a good conversation back and forth between us and you and I'm very appreciative of that.