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Rating System Review  
Independent Pricing and Regulatory Tribunal of NSW  
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~~Peter~~  
Dear Dr Boxall

### Review of the Local Government Rating System and draft report

The Office of Environment and Heritage (OEH) made an initial submission on the Independent Pricing and Regulatory Tribunal (IPART)'s Review of the Local Government Rating System in May 2016 (attached). There are a few key areas from the draft report published in August 2016 that we would also like clarified.

#### *Principles for rate exemptions are unclear*

The report does not recommend clear principles for determining rate exemptions, particularly for land that is used both commercially and for public benefit. For example, the report states that in relation to general exemptions (page 75), "land used for commercial or residential purposes should not be exempt, regardless of who owns it." The report also states in Box 6.1 (page 76) that where "an activity provides substantial public benefits to the community, it may be equitable and efficient to exempt it from paying rates".

All lands managed by the National Parks and Wildlife Service (NPWS) should be exempt from paying rates. The primary purpose of national parks and other reserves established under the *National Parks and Wildlife Act 1974* (the NPW Act) is the conservation of nature and cultural heritage, and public enjoyment. NPWS manages more than 860 reserves, covering more than seven million hectares. NPWS provides services to most of those reserves, including road construction and maintenance, visitor facilities, water and sewage treatment, rubbish collection and disposal, and information and safety signs.

NPWS must pay for those services from its annual budget allocations and has limited opportunities to raise revenue from commercial uses of the reserves. Lands managed by NPWS provide substantial benefits to the community. Requiring OEH to pay rates may result in NPWS services being reduced to below a socially optimal level (Box 6.1).

Other specific benefits from acquiring land for establishing protected areas identified in OEH's analysis include:

- protected area land acquisitions in regional local government areas were associated with an increase in the value of new residential building approvals
- new protected areas provided a stimulus for business building and investment in both regional and rural areas
- new protected area land acquisitions were associated with increased levels of local council revenue from grants
- there was no net impact of land acquisitions on income or employment levels in either rural or regional economies. This suggests that any direct or indirect job losses associated with loss of productive land uses or council restructuring are offset by new jobs associated with the establishment and management of new parks.

If you have any questions about this submission, please contact Ms Melinda Murray, Director Park Strategy and Services, NPWS on [REDACTED] or at [REDACTED].

Yours sincerely

[REDACTED]  
**FERRY BAILEY**  
**Chief Executive**

Enclosure

18 October 2016





ED16/195

Dear Ms James

**Independent Pricing and Regulatory Tribunal local government ratings system review**

Thank you for the opportunity to make a submission to the Independent Pricing and Regulatory Tribunal review of the local government ratings system in NSW.

The National Parks and Wildlife Service (NPWS), which is part of the Office of Environment and Heritage (OEH), manages the state's network of national parks. This system is the cornerstone of conservation across the landscape and protects vital ecosystem services, natural and cultural values, and provides opportunities for improved health and wellbeing. National parks also generate social and economic benefits for communities. Recent research shows that on average national parks provide a net economic benefit to the surrounding local community.

***Rate exemptions***

I note that the terms of reference for the review includes the appropriateness and impact of current rating categories and exemptions. NPWS is exempt from paying local council rates for the land it manages. This is consistent with other land tenures that provide public benefits, including Crown land, and private lands that provide community services such as religious bodies and non-government schools.

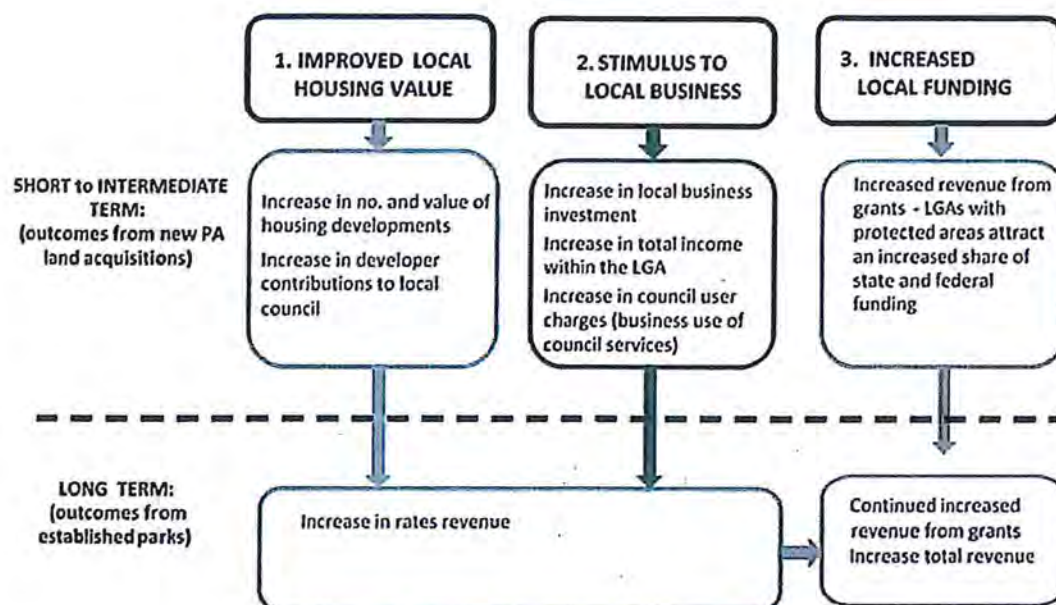
I appreciate that rates are an important source of revenue for local councils. I understand that rates have been declining as a total proportion of local government revenue over many years and that rural and remote councils are increasingly reliant on grants and other sources of income.

I appreciate the loss of even a small amount of rates can impact upon council budgets and the ability to deliver services to local communities, particularly in rural and remote areas, which tend to have higher costs, compared with more densely populated areas. This is a significant issue, appropriately addressed as part of a wider review on sustaining local government revenue in the long term.

Public land managers make in-kind contributions to communities, including waste disposal, provision of public services, and providing opportunities for outdoor recreation, education and appreciation of nature.



**Figure 1:** Protected area benefits pathways describing statistically significant impacts on indicator variables selected in this study:



**Pathway 1. Improved local housing value pathway:** Protected area land acquisitions in regional LGAs were associated with an increase in the value of new residential building approvals. This increase in local housing construction delivered benefits to local councils on both intermediate (three to seven years) and longer-term time frames. Intermediate term benefits arose from increased developer contributions. In the longer term, increased building improved local land values and increased the local council rates base, which translated into higher rates revenue. Increased rates revenue was the largest contributor to increased council budgets, contributing roughly two-thirds of the long-term increase in total council revenue observed in association with national parks.

**Pathway 2. Stimulus to local business:** New protected areas provided a stimulus for business building and investment in both regional and rural areas. In regional LGAs, local business building investment led to higher total income levels within the LGA; it also led to an intermediate term increase in local council revenue from user charges. In the longer term, local business investment also increased the business rates base and contributed to increased total council revenue.

**Pathway 3. Increase local council grants revenue:** New protected area land acquisitions were associated with increased levels of local council revenue from grants. Increased grants funding contributed roughly one-third of the long-term increase in total council revenue observed in association with national parks.

In addition to these benefit pathways, longitudinal analysis found that there was no net impact of land acquisitions on income or employment levels in either rural or regional economies. This suggests that any direct or indirect job losses associated with loss of productive land uses or council restructuring are offset by new jobs associated with the establishment and management of new parks. It follows that the establishment of new national parks is correlated with structural changes in the economies of rural and regional communities, whereby the economic base of these communities is broadening beyond agricultural production. This broadening improves the social and economic resilience of communities, and associated local councils, to external shocks, such as adverse weather conditions or fluctuations in exchange rates.