

Australian Land Management Group (ALMG) submission on IPART Draft Report on a Funding Framework for the Local Land Service (LLS) Agencies

Introduction

The IPART draft report on a funding framework for Local Land Service (LLS) agencies places considerable emphasis on providing an equitable and efficient framework for the collection of fees for services. We are concerned however that there seems to have been insufficient emphasis on the impact of the proposed framework on the efficacy of the LLS.

In addition to delivering administrative and operational savings the LLS arrangement has the potential to effectively address important interdependencies between biosecurity, farm productivity/profitability and protecting the natural resource base. However to realize these advantages it will be important that:

- The funding framework does not create barriers between achieving these outcomes in a positive and integrated manner
- The LLS agencies have access to tools that enable integration of the cultures, activities and outcomes of their component parts and functions.

Integration

From the outset the report (page 1) recognizes the interdependency of the animal and plant health, productivity and environmental outcomes. The LLS arrangement has the potential to substantially improve how these considerations are addressed in an integrated manner. However realizing this potential could be severely constrained by a funding framework that artificially separates outcomes and how they are addressed.

We support an approach based, in the first instance, on the application of the concept of market failure defined as occurring when the operation of the market by itself does not result in socially optimal outcomes. However, as acknowledged in the draft report, the application of this concept needs to explicitly account for the fact that many outcomes, particularly those of an environmental nature, are neither pure public nor private goods. For example, biodiversity conservation is often thought of as a public good but in most instances it is a mixed private-public good. Not only does the funding framework need to account for the mix of public and private within a particular outcome it needs to account for the need for integrated delivery for multiple outcomes.

Even a flexible application of the concept of market failure, but particularly one based only on a limited and strict determination of the public good nature of outcomes and of the presence of externalities, will quite often lead to reduced effectiveness and lower efficiency due to:

- Failure to account for the interdependencies of outcomes. For instance there is a substantial body of work that recognizes the importance of embedding the goal of better environmental outcomes with the goal of improved productivity and profitability. This feature has particular potency in relation to the IPART's principle of additionality which recognizes the role of public funding to prompt private investment.
- Failure to account for economies of association, particularly the economies of association of delivering activities having positive impacts across a range of outcomes.

- Failure to account for economies of scale, particularly where there is a minimal but legitimate need for a particular service.

Additional comments on the application of the principle of market failure follow:

- The concept of market failure is not sufficiently brought forward in the summary presentations and recommendations on the funding framework with a consequent risk of there being a premature and confusing overemphasis on the nature of the activity rather than a focus on the nature of the outcome sought.
- The problem with a charging framework based on the nature of activities rather than on the basis of the outcomes sought is most evident in:
 - The separation of consideration of the funding of regulatory and non-regulatory activities, for instance on page 29---‘The proposed draft framework recognises that LLS will undertake two distinct groups of activities – ‘regulatory’ and ‘non-regulatory’. In many instances regulatory and non-regulatory instruments are directed towards achieving the same, similar or interdependent outcomes and care will be needed to not reduce the efficacy of the application of synergistic instruments.
 - The funding decision for one-on-one training courses (page 36). This decision should be determined on the basis of the outcome sought rather than on the nature of the activity. If the outcome sought is for private gain then the funding should be private irrespective of the number of landholders participating in the course or alternative activity; and conversely if the outcome is a public good then the activity should be publically funded. Whether the activity is a one-on-one training course or a group training course or some other activity should depend on considerations of the relative efficacy and efficiency of the alternative instruments and of their complementarities rather than on the basis of who funds it.
- Recommendation 7 on page 6 appears contrary to the application of the concept of market failure which, if applied correctly, would not necessarily relegate government to be a funder of last resort.
- The preferred response to situations of market failure is to redress the causes of the failure rather than to provide a service to deliver an outcome that otherwise would not be provided. For instance creating a market by providing ecological integrity payments may be a most efficient instrument to improve environmental outcomes.

Integrating Tools

It is one thing to point to complexities, for example the varied and interdependent nature of outcomes and the need for public and private co-investment, but it is another to find tools that enable these complexities to be addressed.

We submit that tools such as our Certified Land Management (CLM) system [described in detail at <http://www.almg.org.au/resources/current-documents>] can:

- Address the need for integrated delivery of improved biosecurity, productivity and natural resource management
- Increase cohesion within and between LLS agencies
- Strengthen private and public co-funding hence helping to achieve the aim of additionality

- Add benefits that are not available except through the provision of external verification of continuous improvement
 - Provide a very low transaction cost option for supporting improved biosecurity and natural resource management
 - Simplify application of the funding framework finally recommended by IPART
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