

Introduction

The Central West Livestock Health and Pest Authority (CWLHPA) Head Office is in Dubbo with regional offices in Coonamble and Nyngan.

The CWLHPA employs a total of 27 staff, has approximately 7200 ratepayers based in an area of around 4.8 million hectares. The budgeted income in 2012/13 was \$3,595,172.

The CWLHPA will become part of the Central West LLS.

This submission is the consensus opinion of the eight Central West LHPA Directors.

Section 3.5; IPART's Proposed Principles

IPART ISSUE (Page 23)

1. Do you agree with IPART's proposed cost recovery principles? Are there other factors IPART should consider in developing its cost recovery principles?

The CWLHPA Directors support the concepts detailed in Sections 3.1, 3.2, 3.3, 3.4 and 3.5

Section 4; Introduction to the Cost Recovery Framework

The CWLHPA Directors support the concepts detailed in Sections 4.1, 4.2,

The five stage process is a sound platform for IPART's commission and the Productivity Commission's principles make good economic sense.

Figure 4.1 seems to be a distillation of the best of the approaches to cost recovery approaches used in other jurisdictions. The CWLHPA Directors support the approach in Figure 4.1 provided wide consultation is undertaken in determining the cost shares of the three parties identified by IPART.

Similarly the process outlined in Figures 4.2 and 4.3 is supported by the CWLHPA Directors.

IPART ISSUES (Page 32)

2. Should we use the cost recovery frameworks that we have identified from other jurisdictions? Are there other examples of cost recovery frameworks that we should consider?

3. Do you agree with IPART’s approach which includes a series of stages and ‘key questions’? Can our suggested approach be improved?

The CWLHPA Directors agree the determination of efficient cost shares should follow the processes of Figures 4.2 and 4.3. We cannot nominate other more relevant cost recovery frameworks.

The series of staged questions is similar to IPART’s successful approach on pricing other commodities and services. It is appropriate to use this model in making recommendations to the Minister.

Section 4; Introduction to the Cost Recovery Framework

Question 1 on Page 34 of the Issues Paper is very pertinent. Organisations often perform activities simply because *“we have always done this”*.

There is a need to justify the services that are provided before the costing is carried out. This is part of IPART’s brief but will also be part of a regular review of services provided by the LLS Boards working with senior management.

IPART’s experience will be invaluable in determining the cost shares. It is a task that will be too complex for the LLS Boards which lack IPART’s experience and personnel.

Question 2; Page 37 of the Issues Paper:

With respect to the creators or the beneficiaries of costs relating to the Travelling Stock Reserves, we make the following comments:

The Travelling Stock Reserves (TSR) are the publicly owned land that farmers have maintained for 150 years for the public good.

One LHPA Chair has quoted figures of only 1.8% of their rate payers using the TSR for moving stock or drought feeding stock. ALL ratepayers contribute to the maintenance of these public assets while the community contributes nothing.

The days have long gone where TSRs were used for moving stock to and from markets. As far as stock is concerned, only a small percentage of ratepayers and stock owners now use the TSRs.

Additionally, the TSRs provide a considerable amenity to the broader community as native flora and fauna reserves, heritage purposes and access ways to rivers for recreation.

Perhaps the LLS will utilise the TSR by 1) planting trees to provide continuous pathways for native animal movement, 2) providing robust native animal habit and to 3) to sequester carbon and minimise the threat of animal health with only members of the local farming community occasionally using the TSRs for stock movement.

Currently TSRs provide significantly greater amenity to the broader community than the farming community as stock movement is minimal compared to the community's recreational use and the native flora and fauna sanctuaries enjoyed by the community as a whole.

RECOMMENDATION ONE:

That funding of the Travelling Stock Reserves becomes principally a Community Service Obligation. The split should be 10% landholders and 90% Government.

IPART ISSUE (Page39)

4. How should we identify the demand for the services provided? How should we identify the main party or parties that benefit from or contribute to the need for the services?

The demand for the services provided by the LHPAs and the CMAs can be determined by a questionnaire seeking responses from the respective general managers.

Section 6; Cost Recovery Framework (Stage2)

IPART ISSUE (page 43)

5. Should a sliding scale arrangement be used to apportion costs between parties using LLS services? If so, are the percentages used for the State/Commonwealth Plant and Animal deeds appropriate for use?

The CWLHPA agrees a sliding scale should be used to apportion fees as IPART has used in other industries. The information for making the cost share decision can be obtained through questionnaires completed by the CMA and LHPA general managers.

Risk Matrices

The use of risk matrices is more complex but the result is perhaps less reliable when the cost shares of three parties (landholders, community and industry) are considered. This reduced reliability results from the sequential “value judgements” that are inherent in the process.

IPART ISSUE (page 45)

6. Should a risk matrix approach be used to apportion costs between parties using LLS services? If so, what percentages would be appropriate to apply to the relative risks imposed by different stakeholders?

The CWLHPA Directors consider the sliding scale of cost allocation to be more reliable when considering cost shares of three parties. The additional complexity without additional accuracy of the risk matrix approach makes it less desirable.

IPART ISSUE (page 46)

7. Can we assign weights (high, medium and low) to reflect the impact each party has in requiring the service be provided?

The assigning of weights to the various factors in cost share calculations involves several steps which are arbitrary judgements. The result is a compound “calculation” and any errors will be magnified or reduced in the process.

The CWLHPA Directors prefer the use of the simple sliding scale to assign cost shares rather than the matrix approach.

IPART ISSUE (page 48)

8. Should IPART use the Stakeholder Reference Panel’s consultation outcomes to apportion costs shares for LLS services? Are there issues with this approach?

The Reference Panel data was collected from a self selecting sample being the people who were sufficiently interested and able to attend the workshops on the particular day.

The CWLHPA Directors prefer the sliding scale of cost allocation compared to the Reference Panel results.

IPART ISSUES (page 49)

9. Should LLS boards be able to exercise discretion under the draft Cost Recovery Framework when determining cost shares between parties?

10. Do you agree with the approaches discussed by IPART to apportion cost shares? If not, why not? Can you suggest another way to determine efficient cost sharing that is transparent and practical?

11. What information is publicly available on an appropriate split between parties that would use LLS services?

Issue 9:

The LLS Boards should be able to exercise discretion under the Draft Cost Recovery Framework due the diversity of terrain, farming enterprises, stocking rates and the natural resource management and pest issues faced by each board.

This discretion must be exercised so the cost share differences are transparent, practical and are able to be justified to the general community.

Issue 10:

The sliding scale method of cost allocation is the method preferred by the CWLHPA Directors due to its simplicity and transparency. There is no “correct” result so a robust, transparent simple process is favoured.

Issue 11:

The publically available information is limited. Some information about services supplied by the CMA and LHPA and the percentages of different cohorts using these is available from the respective general managers.

Apart from the general manager supplied information, the submissions to this Issues Paper will probably be the best guide for IPART.

IPART ISSUES (page 72)

12. Which rating base(s) should be adopted by LLS and why would this rating base be the best option?

13. Which fee collection system(s) should be adopted by LLS and why should this fee collection system be adopted?

14. Should exemptions or reductions in charges be used as part of the cost recovery mechanism to provide incentives to reduce risks?

15. Are there lessons to be learned from the rating bases and fee collection mechanisms that are adopted in other jurisdictions?

Issue 12:

12.1 Carrying capacity, which is considered an objective benchmark of capacity to pay.

12.2 Incorporating a base flat rate.

Issue 13:

31.1 Centralised LLS collection system.

13.2 Alternatively Local Government.

Issue 14:

No

Issue 15:

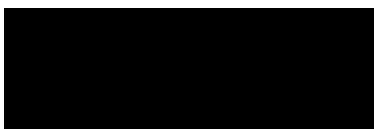
Yes, this enables a comparison of other rating bases and collection mechanisms and their respective cost efficiencies.

IPART ISSUES (page 82)

16. Do you agree with IPART's proposed approach to assessing the extent to which LLS boards have applied efficient cost recovery pricing? Are there other factors IPART should consider?

The CWLHPA Directors do not have the expertise to comment on the completeness or adequateness of the issues raised in this paper. Our response covers our considered opinion and we rely on the considerable experience and expertise of IPART to tease out any other issues from the public hearing process and the submissions received.

Thank you for the opportunity to comment.



Christopher Noonan
Chairman