

October 15, 2013

Review of funding framework for Local Land Services NSW
Independent Pricing and Regulatory Tribunal
PO Box Q290
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www.ipart.nsw.gov.au/Home/Consumer_Information/Lodge_a_submission

Thank you for the opportunity to comment on the Draft Report "Review of the funding framework for Local land Services NSW".

A major short-coming of the Draft Report lies in the limitations of the Terms of Reference which prevent the consideration of a funding model incorporating biosecurity, natural resource management and extension services from the rating base. In order for Local Land Services to operate effectively and deliver integrated services and perform its regulatory functions integrated management systems are essential. Establishing funding streams in silos as dictated by the Terms of Reference risks the development poor management practices and compartmentalizing LLS management and operations which is contrary to the stated intention of establishing integrated services.

To enable LLS to effectively deliver integrated services and perform its regulatory functions and gain the confidence of ratepayers a simple system that provides base level funding for all administrative and regulatory funding together with a level of public benefit funding. On top of this a beneficiary pays system should operate. The proposed model is overly complicated and could prove confusing for ratepayers. A single base for calculating the base level rates would be preferable to a mixture of land area/land value and notational carrying capacity will be confusing for ratepayers and undermine confidence in the system.

The concept of combining beneficiary or risk creator pays in the one system will also prove confusing for ratepayers and present significant administrative difficulties for Boards and management.

The concept of public authorities contributing to the rate base to cover the regulatory functions of LLS which also apply to public authorities is inhibited by the current legislative provisions exempting public authorities from paying rates. However this is a reform which should be pursued.

The LLS rating and funding can be delivered through a structure providing a base level of recurrent funding with a component for beneficiary pays and a fee for service.

- Core administration/operation/infrastructure
- General public benefit
- Local public benefit
- Regulatory component
- Private benefit
- Each of the above need to be broken down into the functions LLS will cover
 - Animal and plant biosecurity
 - Pest animal and pest insects
 - Natural resource management

Each component of recurrent and beneficiary pays funding should be based on a formula of cents per dollar of land value. A fee for service based on the cost of the service should be applied. The principle of paying for the services required should be favoured over capacity to pay.

The most equitable rating system would be one based on land value. Land value as determined by the Valuer General is the basis of Local Government rates and is reasonable well understood by ratepayers. While it is difficult to compare rates based on land value without access to the data base used by Local Government I have developed a hypothetical example comparing notational carrying capacity and land area.

A hypothetical rate situation for area base

Assume three properties; 500ha, 1000ha, 5000ha each with an assessed carrying capacity of 1000 stock units

2009 rate (hypothetical)

500ha	General	Base Rate \$50 + cc 1000 @ \$0.09	\$ 140.00
	Animal Health	Base Rate \$25 + cc 1000 @ \$0.07	\$ 95.00
	MIA levy	Base Rate \$ 5 + cc 1000 @ \$0.06	<u>\$ 65.00</u>
			\$ 300.00
1000ha	General	Base Rate \$50 + cc 1000 @ \$0.09	\$ 140.00
	Animal Health	Base Rate \$25 + cc 1000 @ \$0.07	\$ 95.00
	MIA levy	Base Rate \$ 5 + cc 1000 @ \$0.06	<u>\$ 65.00</u>
			\$ 300.00
5000ha	General	Base Rate \$50 + cc 1000 @ \$0.09	\$ 140.00
	Animal Health	Base Rate \$25 + cc 1000 @ \$0.07	\$ 95.00
	MIA levy	Base Rate \$ 5 + cc 1000 @ \$0.06	<u>\$ 65.00</u>
			\$ 300.00

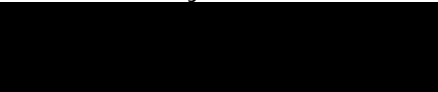
Area rate (hypothetical)

500ha	General rate	Base Rate \$75 + ha 500 @ \$0.16	\$ 155.00
	MIA levy	Base Rate \$ 5 + ha 500 @ \$0.06	<u>\$ 35.00</u>
			\$ 190.00
1000ha	General rate	Base Rate \$75 + ha 1000 @ \$0.16	\$ 235.00
	MIA levy	Base Rate \$ 5 + ha 1000 @ \$0.06	<u>\$ 65.00</u>
			\$ 300.00
5000ha	General rate	Base Rate \$75 + ha 5000 @ \$0.16	\$ 875.00
	MIA levy	Base Rate \$ 5 + ha 5000 @ \$0.06	<u>\$ 305.00</u>
			\$ 1180.00

(This example is entirely hypothetical and is used only to demonstrate the possible impact of moving to an area based charge. The Base Rate will have to be at least \$60 and the \$0.00 per ha will depend on level of income the Authority determine is required to meet its commitments.)

The concept of public authorities contributing to the rate base to cover the regulatory functions of LLS which also apply to public authorities is inhibited by the current legislative provisions exempting public authorities from paying rates. However this is a reform which should be pursued.

Yours faithfully



Brian Tomalin