

The Panel

IPART

P.O.Box Q290

QVB Post Office

NSW 1230

Fax 02 92902061

CROOKWELL 2583

Re Review of funding framework for Local Land Services NSW

Dear Members,

I have reviewed your Issues Paper, dated May 2013, and wish to make a submission.

As background, I advise I am a Chartered Accountant and have been a member since 1975 and am a Registered Company Auditor. I operated a rural accounting practice at Crookwell and Goulburn from 1980 to 2007 and have been consulting since then. I am an appointed director of Tablelands LHPA and was involved with the mergers of the 4 RLPBs into the Authority. I therefore consider I have considerable experience in the rural services industry from consulting with ratepayers and from acting as a director of a service provider.

The Issues Paper is an extensive approach to combining three different NSW entities, being Livestock Health and Pest Authorities (LHPAs), Catchment Management Authorities (CMAs) and the extension activities of Department of Primary Industries (DPI). Due to the diverse nature of the three entities the general principle of making the user pay is very complex. You are attempting to combine three different entities with changing boundaries, with three different funding providers, providing different services to different consumers.

My concern is a workable model will not be in place by the commencement date; being 1 January 2014 (1/1/14) and any rushed cost/benefit user pay formula will have greater cost of collection and audit compliance costs. Your paper confirms my comments and fears.

I make a general recommendation that the administration, staffing and set up procedures be in place by 1/1/14 and all existing funding and fee structures be decided once the operations are up and running smoothly, say after 30 June 2014. If you try to do all in the next six months I believe it will be incorrectly implemented. There will be services and costs not known until the new regime is working. This will be a greater problem if the individual Boards have some autonomy.

In support of my submission I comment as follows:-

- The premise that landholders pay a levy for services received is very important. The governments, both State and Federal, should fund benefits for the beneficiaries or consumers. The problem is that the rural industry is not price setters but price takers and therefore it is impossible to pass on the costs. The end consumer should bear the cost of improvement in the product or productivity. The end consumer is the beneficiary of

controlling biosecurity and biodiversity. The problem is how to get that cost to the consumer or the community?

- With cost recovery there are difficulties in identifying the demand for services. Some landholders, especially small land areas, might not acknowledge the need for some services as they are risk creators (pest and weeds) but have no income to offset the costs. There will be a significant administration cost to identify the service cost and the collection from the risk creators and beneficiaries.
- The additional problem in trying to allocate cost will differ between each LLS and the old LHPAs, CMAs, and DPI. I see great difficulty with LLS Board members avoiding old allegiances and some conflict of interest. For example, The LHPAs have buildings which have been purchased with ratepayers' funds and the allocation of these for providing other services, or the possible sale and funds put into general revenue or the future fund. These funds should be used to assist with future services those stakeholders receive.
- In regards to the Approach No 1 (paragraph 6.2.1) the sliding scale is subjective and different Boards will correctly put different weighting on each beneficiary. The risk matrices (6.2.3) will also be subjective and create different emphasis between LLSs. The Stakeholder Reference Panel (Approach No 3) has no weighting to those who were surveyed. I attended two meetings and felt there was an abundance of Landcare representatives and directors and staff of LHPAs and CMAs at both and lack of graziers at one. It would be hard to weight the responses between the risk creators and the beneficiaries. I think this approach, if recommended, needs more investigation and consultation and some form of weighting.
- There was a problem for LHPAs for landholder under 10 hectares, as they were both beneficiaries and risk creators of biosecurity matters. I notice in the amended legislation that there is provision for rebates, exemption and offsets. This should not only be for small Landcare groups but for all parties who carryout work to reduce risk, no matter how large their holding is. You can't discriminate against the major land users.
- While I appreciate the Minister has not put weeds on the agenda, it is not possible to achieve the aims of LLS without the inclusion of weeds. Their eradication is vital to pest control and improvement to natural resources.

My detailed recommendations are:-

1. You continue with the administrative mergers of LHPAs, CMAs and DPI Extension Services on 1/1/14.
2. Existing funding is continued, together with existing funds available, as at 31/12/13, to run the combined services for up to one year and organise cost structures and administration, staffing, facilities and sharing of those services. A basic levy of \$100 is charged on all landholding not in the town boundaries, no matter what size. This to be collected by the local council with their rates to avoid an excessive collection cost. A percentage of the collected levies could be paid to the council to assist them with their collection costs. At the end of twelve months everyone will have a much better idea to review the approaches and implement a fair and equitable fee structure on required services and staff required to provide those services. Any redundancies will be known and provided for. Only then can IPART recommend their systems, funding, collection of user pays and set up an audit system to ensure compliance for all LLSs both State wide and individually, where

appropriate. By waiting to know exactly what services need to be charged I believe the cost of compliance and collection will be significantly reduced.

3. I consider this will be a complex and diverse funding program and the initial Boards will need to spend considerable time setting up the system. It is very important for the long term success of LLSs that the funding mode not be rushed into operation on 1/1/14. The systems need to be up and running before implementing the costing, collection and audit procedures. Any introduction on 1/1/14 will certainly need adjustment at some future time once all the variables and intricate policies and procedures are known. Any major change will not help the confidence of the users, especially after all the changes in the last few years. It is important to get their confidence from " day 1" for this to work efficiently and cooperatively.
4. The inclusion of weeds control is essential to the overall aims of LLS.

In Summary, the basic aim is to provide services for biosecurity, biodiversity, natural resources management, advice, research and training for productivity of the best system to provide these services to the users, consumers and risk creators in the food chain and natural resources. I believe my comments and recommendations will assist in achieving those aims.

I am available to discuss this submission further if required. My contact details are:-

[Redacted contact details]

Yours faithfully



John Mendl FCA, BCom.