

15 October 2013

M13/354

Mr Colin Reid
Land Services Review
IPART
Level 8, 1 Market Street
Sydney NSW 2000

Via email: colin.reid@ipart.nsw.gov.au

Dear Mr Reid,

Please find attached the NSW Food Authority's submission to IPART's Review of funding framework for Local Land Services NSW- draft report.

For further information about the submission please contact Samantha Torres, Director, Policy and Programs on samantha.torres@foodauthority.nsw.gov.au or (02) 9741 4866.

Yours sincerely



Polly Bennett

Chief Executive Officer

NSW Food Authority submission to IPART's

Review of funding framework for Local Land Services NSW

Draft Report September 2013

Introduction

The NSW Food Authority (the Authority) is a NSW government agency that helps to ensure food for sale in NSW is safe for human consumption and correctly labelled.

The *Meat Industry Act 1978* provides for the collection of a meat industry levy.

The Livestock Health and Pest Authority (LHPA) currently collect a Meat Industry Levy (MIL) from primary red meat producers in NSW on behalf of the Authority (an average of \$14.00 per year is collected from each rateable property). LHPA charges the Authority a commission of 7.6% (excluding GST) for this collection service.

The MIL funds a broad range of the Authority's programs designed to maintain and enhance food safety in the NSW meat industry. The Authority considers the existing levy efficient and effective.

The MIL is currently paid by land holders that are classified to have 'rateable land' and liable to pay the 'animal health rate'.

IPART's Review of funding framework for Local Land Services NSW- draft report recommends specific changes to the classification of rateable land, minimum threshold for stock units, and fee collection mechanism that directly impact the future of the MIL.

The Authority has addressed the following recommendations made in IPART's draft report that have a direct impact the collection of the MIL:

1. The most appropriate rating base
2. The most appropriate fee collection mechanism

Executive summary

The NSW Food Authority (the Authority) currently administers the *Meat Industry Act 1978*, requiring certain primary red meat producers in NSW to pay a meat industry levy (MIL).

The Authority has an interest in the Review of funding framework for Local Land Services NSW- draft report as it makes recommendations that directly impact the future of the MIL.

The Authority supports recommendations made about:

1. The most appropriate rating base, and agrees that:
 - Local Land Services (LLS) should retain the ability to charge a general rate and specific purpose rates,
 - notional carrying capacity should be used as the rating base for specific purpose rates including the meat industry levy,
 - the minimum rateable land area should be reduced from the current 10 hectares to 2 hectares, and that adequate time be given for consultation with these stakeholders, and
 - the group liable to pay the animal health rate should be widened to include all landholders with rateable land area and more than 30 or more stock units.
2. The most appropriate fee collection method, and agrees that:
 - LLS should continue to collect the MIL from rate payers liable to pay the animal health rate on behalf of the Authority.

Although agreeing with the above recommendations, LLS will need to consult with the Authority on the further details of the how the detailed changes will impact the MIL.

Comments

1. The most appropriate rating base

a) *LLS charging rates*

The NSW Food Authority (the Authority) agrees with IPART's recommendation 9 that "*LLS boards should retain the ability to charge a general rate, and specific purpose rates (including the current animal health rate)*".

The Meat Industry Levy (MIL) is a specific purpose rate that Livestock Health and Pest Authority (LHPA) currently collect on behalf of the Authority. The Authority considers the existing levy efficient and effective as this levy is used to maintain and enhance food safety in the NSW meat industry.

b) *Notional carrying capacity*

The Authority acknowledges and agrees with IPART's recommendation 19 "*Notional Carrying Capacity (NCC) should be used as the rating base for specific purpose rates that target the livestock industry as the risk creator or the beneficiary (such as the animal health rate and the meat industry levy)*."

As stated in the Authority's submission to IPART's Issues Paper, the Authority believes that the number of stock units is the closest available approximation of the land's primary production capacity, which most closely aligns with the MIL's purpose of improving the industries meat food safety management system.

The Authority also believes that NCC best aligns with and supports IPART's Recommendation 3 of a hierarchy approach to identify who should pay the cost of a regulatory or non-regulatory activity. This recommendation suggests if an impactor or risk creator can be identified that they should be selected first as the funder (before choosing beneficiaries or taxpayers), then the cost that each impactor/risk creator would pay should be allocated proportionally.

The Authority believes that NCC provides the most appropriate measure to identify who the impactor/risk creators are, as well as providing an easy to measure criteria for determining fee allocation.

c) *Minimum rateable land area*

The Draft Report recommendation 17 proposes a change to the current definition of rateable land "*the minimum rateable land area should be reduced from the current 10 hectares to 2 hectares. The reduction should occur no later than 1 July 2017, to give LLS boards time to educate and inform small landholders. Individual LLS boards should retain the ability to set a minimum above the proposed 2 hectare minimum.*"

The Authority agrees that smaller landholders can potentially pose an equivalent risk to primary industry and human health as larger landholders. The Authority also acknowledges IPART's comment that most stakeholders were in favour of lowering the minimum rateable area¹. The Authority has been involved in a number of incidents involving smaller landholders

¹ IPART's Review of funding framework for LLS NSW, September 2013 p 74

where the issues encountered had the potential to create a food safety risk and or non-compliance with food standards requirements. Examples of this have been lead contamination in bobby calves, and residue and zoonotic disease incidents on other properties. An occurrence such as the 2007 equine influenza outbreak (referenced in the draft report) is another example that also supports this recommendation.

While the Authority agrees that coverage of smaller landholders addresses risks, there will be an increase in the number of properties impacted (within the 2 to 10 hectare category). As stated in the draft report, IPARTs analysis reported that more than 100,000 landholders would become liable to pay a general LLS rate². While this figure does not indicate the number of landholders liable to pay the animal health rate and MIL, the Authority supports the requirement for sufficient time to be given for consultation and communication with those businesses.

The Authority also agrees that individual LLS boards should retain the ability to set a minimum land value above the proposed 2 hectare minimum where justified (e.g. minimum rateable land defined as 40 hectares in the Western LLS area).

d) Minimum number of stock units

The Authority agrees with IPART's recommendation 11 that *"LLS boards should continue charging the animal health rate, and should widen the group liable to pay this rate to include all landholders with rateable land area and more than 30 or more stock units. This includes continuing to attribute notional stock carrying capacity to intensive livestock operations"* for the same reasons given above for reducing the minimum rateable land area.

The Authority believes it is important to target all risk creators in paying the animal health rate and as a result the MIL.

The Authority operates on a partial cost-recovery funding model; consequently for the Authority to maintain efficient and effective food safety activities in the meat industry, it is imperative that the MIL continues to provide sufficient funds, without placing an unnecessary burden on industry. The Authority would not support changes to the funding framework that would reduce the funding available to meat food safety management system.

² IPARTs Review of funding framework for LLS NSW, September 2013 p 83

2. The most appropriate fee collection mechanism

The Authority agrees with IPART's recommendation 12 *"LLS should continue to collect the meat industry levy from rate payers liable to pay the animal health rate on behalf of the NSW Food Authority. Once it has established its rate collection mechanism, LLS should charge the Food Authority a fee that reflects the marginal cost of collecting the meat industry levy"*.

The Authority notes that IPART considers that the current MIL is both targeted and efficient because the fees collected cost recover part of the Authority's costs to manage the meat food safety management system.

The Authority agrees that LLS should continue to collect the MIL from rate payers and charge the Authority a fee for collecting this levy that reflects marginal costs (eg salaries, on-costs, operating expenses and a portion of the overheads should be included).

IPART also recommended *that "LLS should develop an efficient centralised billing system"* (recommendation 8) which the Authority also supports.

Although agreeing with this recommendation, the Authority would need to be consulted with the details of how the marginal costing arrangement will be determined.

Conclusion

The Authority supports the recommendations made by IPART in the Review of funding framework for Local Land Services NSW- draft report, that relate to the framework and principles for the continued collection of the meat industry levy, and that in the future Local Land Services should act as the agent on behalf of the Authority to collect the levy.