



ED16/195

Independent Pricing and Regulatory Tribunal local government ratings system review

Thank you for the opportunity to make a submission to the Independent Pricing and Regulatory Tribunal review of the local government ratings system in NSW.

The National Parks and Wildlife Service (NPWS), which is part of the Office of Environment and Heritage (OEH), manages the state's network of national parks. This system is the cornerstone of conservation across the landscape and protects vital ecosystem services, natural and cultural values, and provides opportunities for improved health and wellbeing. National parks also generate social and economic benefits for communities. Recent research shows that on average national parks provide a net economic benefit to the surrounding local community.

Rate exemptions

I note that the terms of reference for the review includes the appropriateness and impact of current rating categories and exemptions. NPWS is exempt from paying local council rates for the land it manages. This is consistent with other land tenures that provide public benefits, including Crown land, and private lands that provide community services such as religious bodies and non-government schools.

I appreciate that rates are an important source of revenue for local councils. I understand that rates have been declining as a total proportion of local government revenue over many years and that rural and remote councils are increasingly reliant on grants and other sources of income.

I appreciate the loss of even a small amount of rates can impact upon council budgets and the ability to deliver services to local communities, particularly in rural and remote areas, which tend to have higher costs, compared with more densely populated areas. This is a significant issue, appropriately addressed as part of a wider review on sustaining local government revenue in the long term.

Public land managers make in-kind contributions to communities, including waste disposal, provision of public services, and providing opportunities for outdoor recreation, education and appreciation of nature.

OEH social and economic research

Over the past four years, OEH has undertaken a major program of research to isolate and identify the impact of NSW national parks on surrounding local communities. Among other things, this research is helping OEH to understand how the acquisition of land for national parks, and its subsequent management, affects surrounding local communities, including impacts on local council revenue. The findings indicate that, on average, national parks provide a net economic benefit to the surrounding local community by increasing investment in local housing and businesses, and by improving a number of council revenue streams. The results of this research are presented in more detail below.

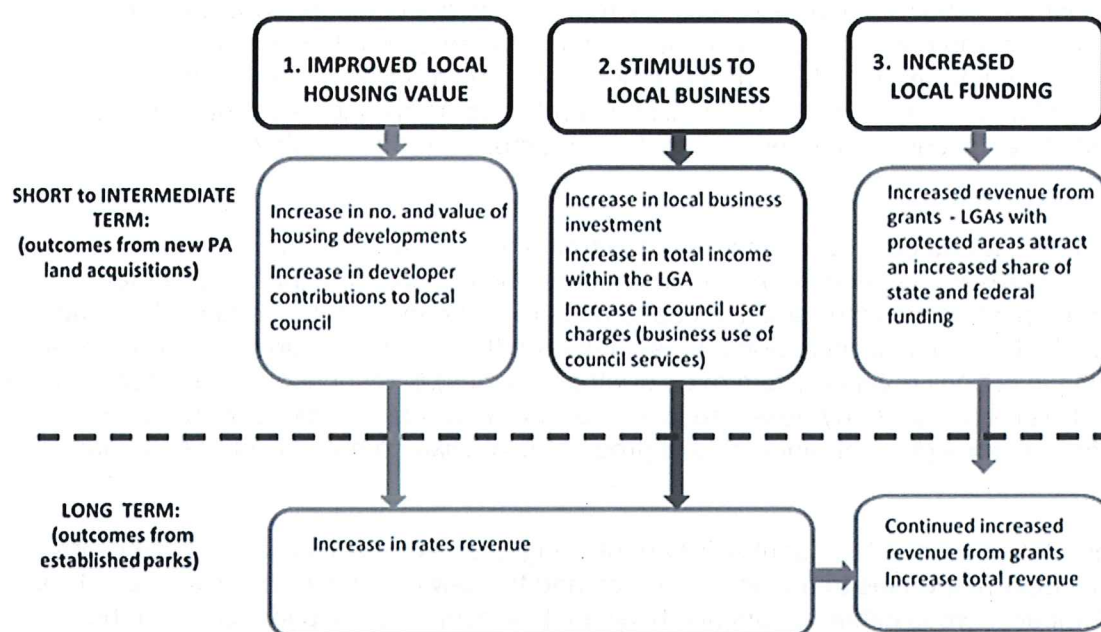
OEH research into the effects of national parks on local economies

Local government revenue, especially rates revenue, has been subject to numerous public inquiries and research. In general, evidence suggests that rates have been declining as a total proportion of local government revenue over many years. However, the pattern is not the same across all councils. For example, rural and remote councils are increasingly reliant on grants and other sources of income rather than rates. They are often faced with higher expenditure costs per person, compared with more densely populated areas, due to the inability to achieve economies of scale, higher input costs, extensive road networks, and services (Productivity Commission 2008). Given the range of pressures on local council revenues, identifying the influence of a specific policy or land-use change, like the introduction of a new protected area, can be difficult to isolate.

OEH has used longitudinal analysis techniques to assess the effect of both new and established national parks on ten social and economic performance indicators relating to local housing investment, local business investment, and local council revenues. The analysis compared economic trends across 112 regional and rural local government areas from 2000 to 2010. This allowed a comparative trend analysis across areas that experienced different levels of new national park growth over the relevant period. This study is the second-largest longitudinal analysis of the impact of protected areas undertaken anywhere in the world to date. It included an econometric analysis to establish a direct causal link between protected areas and the reported socio-economic outcomes. It has been peer-reviewed and published in the academic journal *Conservation Biology* (Appendix 1).

The longitudinal analysis found that acquisition of land for national parks does not result in negative socio-economic effects on either local communities or local councils. The analysis identified significant effects of protected area land acquisitions on eight out of the ten socio-economic performance indicators analysed. In each case, protected areas were associated with positive outcomes for the surrounding local community. Impacts included an increase in local council revenue from rates and other sources (developer contributions, grants) and an increase in total council revenue. The impacts of protected areas have been summarised along three 'pathways' as shown in Figure 1, and described below. Impacts relating to local council revenue from rates and other sources have been underlined. The experiences of 'regional' and 'rural' local government areas (LGAs) across NSW (as defined by the Office of Local Government) in response to national parks were assessed separately.

Figure 1: Protected area benefits pathways describing statistically significant impacts on indicator variables selected in this study:



Pathway 1. Improved local housing value pathway: Protected area land acquisitions in regional LGAs were associated with an increase in the value of new residential building approvals. This increase in local housing construction delivered benefits to local councils on both intermediate (three to seven years) and longer-term time frames. Intermediate term benefits arose from increased developer contributions. In the longer term, increased building improved local land values and increased the local council rates base, which translated into higher rates revenue. Increased rates revenue was the largest contributor to increased council budgets, contributing roughly two-thirds of the long-term increase in total council revenue observed in association with national parks.

Pathway 2. Stimulus to local business: New protected areas provided a stimulus for business building and investment in both regional and rural areas. In regional LGAs, local business building investment led to higher total income levels within the LGA; it also led to an intermediate term increase in local council revenue from user charges. In the longer term, local business investment also increased the business rates base and contributed to increased total council revenue.

Pathway 3. Increase local council grants revenue: New protected area land acquisitions were associated with increased levels of local council revenue from grants. Increased grants funding contributed roughly one-third of the long-term increase in total council revenue observed in association with national parks.

In addition to these benefit pathways, longitudinal analysis found that there was no net impact of land acquisitions on income or employment levels in either rural or regional economies. This suggests that any direct or indirect job losses associated with loss of productive land uses or council restructuring are offset by new jobs associated with the establishment and management of new parks. It follows that the establishment of new national parks is correlated with structural changes in the economies of rural and regional communities, whereby the economic base of these communities is broadening beyond agricultural production. This broadening improves the social and economic resilience of communities, and associated local councils, to external shocks, such as adverse weather conditions or fluctuations in exchange rates.

Effect of national parks on local council revenue

In the context of protected area acquisition, a short-term loss of council revenue is to be expected, when rates are no longer payable upon reservation of formerly private lands for conservation purposes and public use and enjoyment, this is not applicable when Crown land is recategorised. However, analysis of the intermediate term (three to seven years), impacts of newly acquired protected areas, and longer-term impacts of established protected areas, indicates that any losses are short-lived and offset by subsequent benefits delivered across the three pathways presented in Figure 1.

The effects of protected areas on local council revenue from the benefit pathways described above, including significant increases in revenue from user charges and grants in the intermediate term (three to seven years post-acquisition), and increased rates revenue and total revenue in the longer term, were only evident for councils in regional LGAs. Importantly, rural LGAs did not experience any significant reduction in council revenue (from rates or other sources) in response to the establishment of national parks. This means that any observed loss of council revenue in regional or rural councils is likely to attribute to a more general range of background factors like commodity prices, drought and flood.

OEH has also undertaken research to identify how underlying economic and social characteristics influence individual LGA responses to the acquisition of land for new national parks. Results indicate variable levels of impact across different community types. However, they also indicate that the acquisition of land for new national parks can deliver benefits in any LGA, provided that consideration is given to the timing of acquisition with respect to background macro-economic factors. The results of this more nuanced study will enable NPWS to identify vulnerable rural and regional communities, as well as those most likely to experience the greatest levels of the socio-economic benefits identified.

Yours sincerely



TERRY BAILEY
Chief Executive

26 May 2016.