



2013-64380

Dr Peter Boxall
Chairman
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB Post Office NSW 1230

2 APR 2013

Dear Dr Boxall *Peter,*

I write in reference to the recent letter you would have received from the Minister for Primary Industries, the Hon Katrina Hodgkinson MP, seeking the advice of the Independent Pricing and Regulatory Tribunal (IPART) in relation to the development of a rating framework and complementary pricing system for Local Land Services NSW (LLS). A copy of the letter is enclosed.

I note that section 9 of the *IPART Act 1992* specifies that IPART may enter into an arrangement with any government agency for the provision of services, provided that I have approved of the arrangement.

Accordingly, I would like to formally approve IPART entering into the arrangement.

I would also like to vary the project timeframe specified by the Minister, with a draft report now due to the Director General of the Department of Primary Industries by August 2013, and a final report to be completed by November 2013.

Yours sincerely

Barry O'Farrell MP
Premier



The Hon Katrina Hodgkinson MP

Minister for Primary Industries
Minister for Small Business

IPART	
Doc No	213/0716.
File No	12/626.

MOC13/543



22 FEB 2013

Dr Peter Boxall AO
Chairman
Independent Pricing and Regulatory Tribunal
PO Box Q290
QVB POST OFFICE NSW 1230

Dear Dr Boxall

The decision on Cabinet Minute 12-43 *Consolidated regional delivery of services to landholders* authorised advice being sought from the Independent Pricing and Regulatory Tribunal (IPART) in relation to the development of a rating framework and complementary service pricing system for Local Land Services NSW (LLS).

Local Land Services NSW will provide a range of services to landholders to help drive productivity and growth in regional NSW. To ensure efficient service delivery, services are to be funded either by individuals, by certain landholder and industry groups, or jointly funded with government, in accordance with 'risk creator' and private, industry and public benefit principles.

It is intended that service categories will be matched to the most efficient funding option, such as direct fees-for-service or compulsory levies, recognising that some services will provide a predominantly private benefit, whereas others may have industry specific benefit or even a broad public good. LLS boards will also be able to access funds from Commonwealth and NSW Government grant programs and NSW Government consolidated revenue contributions.

Substantial progress has been made towards the establishment of LLS, and in accordance with the Cabinet decision, and I am now asking IPART to:

- 1) Develop an efficient and transparent Cost Recovery Framework that LLS boards can use to set service fees for the different categories of services they provide to the different groups of beneficiaries. In undertaking this task, IPART will assess the strengths and weaknesses of cost recovery frameworks used by other similar service providers.
- 2) Advise on an efficient rating base for compulsory fee collection and an efficient fee collection mechanism.
- 3) Develop an appropriate audit methodology for assessing the extent to which efficient cost recovery pricing has been applied to the services offered by LLS boards.

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In relation to compulsory service fees, important issues will be the determination of the most appropriate rating base and fee collection mechanism. In terms of the rating base, options to be assessed include rateable land above a certain area or value, the stock carrying capacity or productive capacity of land and the unimproved land value. How well each of these align with risk creators and service beneficiaries should also be taken into account.

Consideration should also be given to the appropriateness of specific purpose levies and how they are determined, such as the Hunter Catchment Levy, Animal Health Levy, Pest Insect Levy and Meat Industry Levy and any other broader and more efficient approach to establishing levies, such as for biosecurity and natural resource management. For example, in relation to the development of an NRM levy a specific task would be an assessment of the appropriate use of the current levying powers in the *Catchment Management Authorities Act 2003*. Transaction costs will be an additional issue relevant in determining the most efficient fee collection mechanism.

Attached are several documents which may be of assistance to IPART in conducting this inquiry. They include:

- an LLS paper on governance of the organisation; and
- a draft map of the proposed LLS regions (these regions are likely to change).

A draft report on Terms of Reference should be made to the Director General, Department of Primary Industries by 31 May 2013.

It is anticipated that IPART will conduct a stakeholder consultation process and in this regard it is requested that IPART give consideration to outcomes from the public forums conducted by Mr Mick Keogh in late 2012 and the Local Land Services Stakeholder Reference Panel in early 2013.

I have instructed the Department of Primary Industries to be ready to assist the Tribunal in the conduct of this inquiry. I would also appreciate you meeting with Mr Scott Davenport, Executive Director, Strategic Policy and Chief Economist, and Deputy Director General, Agriculture NSW, Michael Bullen to discuss how the Department can assist you in relation to identifying an efficient cost recovery framework. Mr Davenport can be contacted on (02) 6391 3618 or by email scott.davenport@industry.nsw.gov.au.

Yours sincerely



Katrina Hodgkinson MP
Minister for Primary Industries

Encl.