

INDEPENDENT PRICING AND REGULATORY TRIBUNAL

REVIEW OF A RATING FRAMEWORK FOR LOCAL LAND SERVICES

PUBLIC FORUM

Tribunal Member and Forum Chairman

Mr James Cox, CEO

Members of the Secretariat

Mr Colin Reid, Mr Peter Leventis,
Mr Thomas Clay and Mr Alex Kelty

At the Quality Hotel Powerhouse Tamworth
Guy Kable Room
240a Armidale Road, New England Highway
Tamworth NSW 2340

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1 OPENING REMARKS

2
3 THE CHAIRMAN: Good morning, ladies and gentlemen.
4 Could you take your seats and we will get underway. Thank
5 you, everyone, for coming. I realise some of you have travelled
6 quite some distance to be here and we appreciate that.

7
8 I would like to welcome you to this public forum,
9 which is part of our review of the development of a funding
10 framework for local land services in New South Wales.

11
12 My name is Jim Cox and I am the chief executive
13 officer and full time member of Independent Pricing and
14 Regulatory Tribunal of New South Wales (IPART). Assisting
15 me today are members of the IPART secretariat - Colin Reid,
16 who is on my right, Peter Leventis, who is on my left, and
17 Thomas Clay and Alex Kelty.

18
19 We released an issues paper on 21 May which asked
20 stakeholders for their views in response to the terms of
21 reference issued by the Minister for Primary Industries.

22 These terms of reference asked us to:
23 Develop a framework that local land services boards
24 can use to set service fees;

25 Recommend the rating base - for example, stock
26 carrying capacity, land area or land value - and an
27 associated fee connections mechanism; and

28 Develop an approach to ensure that local land services
29 boards comply with what is recommended in the setting of
30 service fees.

31
32 We will not determine actual service fees. The
33 intention is that such fees may vary between regions to
34 reflect local needs. However, it is proposed that they be
35 calculated using a common approach which will be developed
36 as part of this inquiry. Some services, as now, will be
37 funded by government. Other services will be priced to
38 recover part or all of their costs from landholders.

39
40 Our timetable for the review is as follows:

41 There was a public forum in Wagga on 14 June, one here
42 in Tamworth today on 18 June, and there will be another one
43 in Penrith on 8 July. We are asking for submissions by
44 2 July. We will submit our draft report to the government
45 by the end of August. There will then be a roundtable in
46 Sydney in September to discuss what is in the draft report,
47 and we will provide a final report to the government by the

1 end of November.

2
3 It will then be up to the government to decide whether it
4 will adopt our recommendations.

5
6 Today's forum provides stakeholders with the
7 opportunity to present their views on the matters raised by
8 the terms of reference. We have attempted to capture these
9 issues in our issues paper.

10
11 We have divided today's forum into three sessions.
12 The first session will introduce the matters on which we
13 are asked to make recommendations. This session will also
14 provide an opportunity for stakeholders
15 to comment more generally on the services they
16 currently receive from livestock health and pest
17 authorities, DPI extension services and catchment
18 management authorities and what they pay for their
19 services.

20
21 The second session will be on the costs of LLS that
22 should be recovered from individual landholders and the
23 costs that should be borne by the broader community.

24
25 The third session will be on the rating base which
26 should be adopted for the recovery of the costs, for
27 example, notional stock carrying capacity, land value or
28 land area.

29
30 For each of these sessions, a member of the IPART
31 secretariat will provide a brief presentation that outlines
32 the key issues that we see as important for making our
33 recommendations. Then I will ask for comment from people
34 in the audience. May I ask that each stakeholder restrict
35 their comments to the relevant topic and we have a roving
36 microphone available so that everyone to hear.

37
38 This forum is being transcribed, as you can see, so
39 that IPART can have a record of what was said and to help
40 us in our work and, of course, the record will be available
41 to any member of the public through our website. To assist
42 with the recording of the proceedings, please identify
43 yourself and the organisation you represent, where
44 relevant, before you start to speak.

45
46 In terms of housekeeping, we plan to break for lunch
47 at 12.30 and we will have some light lunch available. We

1 hope that you will be able to join us for that.
2
3 We look forward to your contribution today. We are
4 here very much to listen to your points of view in this
5 inquiry and would be interested in having a discussion with
6 you.
7
8 First of all, for the introductory session, I will
9 hand over to Colin Reid, who will introduce this topic.
10
11 SESSION 1 - INTRODUCTION
12
13 MR REID: Thanks very much, Jim.
14
15 As Jim has indicated, we have broken today down to three
16 separate sessions. I will introduce the first session.
17 Then Peter, sitting on Jim's left, will introduce session 2,
18 "Deciding who pays", and that's looking at that break-up
19 of who should pay between the government representing the
20 broader community and the individual, and Thomas Clay will
21 introduce session 3, which is essentially deciding on the
22 rate base; that is the basis of paying, as Jim mentioned,
23 the notional stock carrying capacity the livestock health
24 and pest authorities currently use, the land area concept
25 that was pushed by Richard Bull in his 2007 report, or land
26 value, which is used currently for the Hunter CMA.
27
28 Obviously we have had the benefit of the outcomes of
29 the earlier consultation by the stakeholder reference panel
30 and, in particular, the outcomes of the workshop session
31 that was run by Mick Keogh when he surveyed people's
32 views on who benefited from the various
33 services that will be combined under local land services.
34
35 The purpose of today's forum, as Jim has indicated, is
36 first of all, to convey our interpretation of the terms of
37 reference that we have been given, but, more importantly,
38 to provide you with the opportunity to voice your views on
39 what happens at the moment, what you believe should
40 happen and how it can be ensured what is adopted will be
41 complied with by the local land service boards in setting their
42 service fees.
43
44 I suppose in that regard, an important matter for
45 consideration is how tight this framework that we develop
46 should be and how much discretion should be allowed to
47 local land service boards in setting service fees. We will

1 certainly be keen to get your views on that matter.
2
3 To set the context for this review, in late May, the
4 government, as you are aware, introduced a bill into
5 parliament for the formation of local land services and, at
6 the same time, it released a number of fact sheets. What
7 I have done here is extract some key points that were
8 raised in those fact sheets to provide a context for our
9 review.
10
11 First of all, the government indicated that local land
12 services will be funded, as now, by a combination of
13 sources, and they are, obviously, the Australian
14 government, the New South Wales state government and local
15 ratepayers. What they have indicated is that local
16 ratepayers currently fund around one-third of the services
17 that will be combined under local land services and they
18 anticipate that that proportion will broadly continue.
19 Obviously the final outcome of that will be dependent upon
20 the funding framework that we recommend as well as
21 decisions made by the local land service boards.
22
23 The government also indicated that it supported, in
24 principle, the recommendation of the stakeholder reference
25 panel - that is the panel that was chaired by John Keniry -
26 to amend the current rating system to collect a flat
27 fee from small properties ranging from 2 hectares to
28 10 hectares in size - as you know, there is a limitation,
29 at the moment, of 10 hectares that applies - and, secondly,
30 from those same properties to collect a biosecurity levy
31 in recognition of the biosecurity risk they create.
32
33 The issue that has been raised as an example in that
34 regard is when the horse flu hit, issues arose with people
35 on small properties having horses and they were not
36 contributing or were not paying anything towards the cost
37 of that high security risk and controlling that risk.
38
39 The government has also indicated that local boards
40 and ratepayers can decide to pay for additional new
41 services. Obviously, in setting the charges for those
42 services, they will need to comply with the framework that
43 is adopted for setting fees more broadly.
44
45 At the same time as the government released these fact
46 sheets, it also released an indicative funding source of
47 funds sheet and what this indicated or what it showed was

1 aggregate figures for the four years commencing 1 July 2014
2 and the various sources of funds that are anticipated will
3 pay for the services to be offered by local land services.
4
5 The things I would emphasise about this table are,
6 firstly, that the figures are aggregate for the four
7 years - they are not annual figures - and that the
8 government hopes to save around \$5 million in
9 administrative efficiencies in combining the various
10 services that are provided by these different organisations
11 at the moment, like the livestock health and pest
12 authorities, the catchment management authorities and
13 part of DPI. As I understand it, it is intended that those
14 savings will be used to provide advisory and extension
15 services.
16
17 Turning then to the terms of reference, given that
18 context that has been set by the government - that is the
19 terms of reference that we are to respond to - the first
20 term of reference relates to developing an efficient and
21 transparent cost recovery framework to be applied by local
22 land service boards in setting service fees. In doing so,
23 we are to assess the strengths and weaknesses of cost
24 recovery frameworks used in other jurisdictions.
25
26 When we were down in Wagga, an issue was raised with
27 us by someone who was close to the Victorian boarder, about
28 the different schemes and regimes that apply between the
29 states and an uneven playing field that may already be
30 there or could arise in the future.
31
32 The second term of reference asks us to advise on an
33 efficient rating base and an efficient fee collection
34 mechanism, and the third term of reference is to develop an
35 audit methodology for assessing the extent efficient cost
36 recovery pricing is introduced. I emphasise that IPART is
37 not setting the actual price of services but establishing
38 the framework for which fees will be set.
39
40 Our review timetable is on the screen. We released
41 the issues paper on 21 May. We will be receiving public
42 submissions up to 2 July. We are holding regional
43 workshops in June and July. We will release a draft report
44 at the end of August. There will then be a public
45 roundtable, in our offices in Sydney, around mid September.
46 We will receive submissions on the draft report up to mid
47 October before presenting a final report to government at

1 the end of November and the government will then make a
2 decision whether they accept our recommendations.
3
4 Turning to the specific terms of reference and looking
5 at them in more detail, first of all, setting up a cost
6 recovery framework, obviously, in doing that, firstly, you
7 have to nominate the services that will be delivered. The
8 way I presented it here is akin to the silos of what
9 is currently provided by the three organisations -
10 biosecurity, advisory/extension services, natural resource
11 management, emergency services - recognising that the
12 intention is to get rid of those silos with a new
13 organisation and also recognising that, even at the moment,
14 some of the services provided by one or more of the
15 organisations cut across these various functions.
16
17 Having defined and nominated the services that are
18 going to be delivered, the second thing to do then is
19 determine the level of service with decisions obviously in
20 part to be decided by the local land service boards. There
21 are other aspects; for example, biosecurity one would think
22 would be imposed centrally. Having decided the services
23 and having decided the level of service to be provided, it
24 is an issue, of course, of calculating the efficient cost
25 of service delivery. Then there is the question
26 determining which parties pay and how much, which is the
27 main focus of Peter's session, the second session today.
28 That would have to all be reassessed, of course, in the
29 light of available government funding and the outcomes of
30 the financial positions of the local land services board.
31
32 One of the issues that some of the catchment
33 management people have raised with us is the issue of duty
34 of care that goes with being a landholder. There are
35 certain responsibilities that go with being a landholder
36 that would be expected to be provided over and above
37 anything that local land services will be providing and the
38 interaction between the two, of course, is quite an
39 interesting issue.
40
41 The second part of our terms of reference is advising
42 on an efficient charging base. The ones that have been
43 nominated to us are: a fee for service, where there is a
44 charge for an individual where the service that is being
45 provided is captured entirely by that individual and,
46 secondly, an industry levy. When we talk about an industry
47 levy, and this caused a little bit of confusion in Wagga,

1 we are talking about a group of landholders that are
2 somehow linked by some common feature, in other words, a
3 charge that is administratively inefficient to put to an
4 individual but may be recovered from a broader group of
5 landholders.

6
7 The third possible basis is a more broadly based rate
8 such as the notional stock carrying capacity currently
9 imposed by livestock health and pest authorities; the land
10 area, which Richard Bull suggested; and the other one, of
11 course, is land value. These rates would be charged more
12 broadly across the general rate base.

13
14 In looking at a rate base and making decisions there,
15 the rate base would need to be linked to particular services.
16 So there needs to be that relationship between the service
17 being provided and the rate base.

18
19 The decision obviously when choosing your rate base is
20 that it has to be simple to understand, it has to be
21 transparent, verifiable. You have to look at the
22 volatility and the associated implications. If you have a
23 volatile rate base, you have to look at the implications for
24 managing the local land services, and the administrative
25 cost of maintaining the rate base and the charging
26 mechanism.

27
28 Finally, there is the issue of legal constraints.
29 People have raised with us the constitutional issues.
30 There are certain charges that state bodies cannot impose.
31 Obviously, we have to think through the legal/
32 constitutional issues that may be relevant to the
33 recommendations that we make.

34
35 The next part of the terms of reference is advising on
36 an efficient fee collection mechanism. Once again, there is
37 that relationship between the rate base and the fee
38 collection mechanism. Some of the possible fee collection
39 mechanisms that have been suggested so far are: to bill
40 for individual service; a payment based on the annual
41 return sent out by the local land services, similar to what
42 the LHPAs do at the moment; and another alternative would
43 be local government rates. The example that is always
44 given there is, of course, the Hunter CMA.

45
46 The last part of our terms of reference is to develop
47 an audit methodology to assess the extent to which

1 efficient cost recovery pricing is introduced; in other
2 words, what checks and balances are required to ensure
3 local land services comply with the efficient and
4 transparent cost recovery framework that is recommended,
5 that they adopt an efficient rating base and they implement
6 an efficient fee collection mechanism.

7
8 Having in mind that we have separate sessions for how
9 we should move forward, on who should pay, and what basis
10 should service fees be set, I would now like to open up
11 this session to general discussion. I have put up some
12 discussion starters but you may have other matters you wish
13 to raise.

14
15 I must say that, at the moment, the area we have least
16 information on is the DPI's advisory and extension services
17 and how they are funded at the moment, if there is any
18 private funding of those and the extent of the private
19 funding.

20
21 In addition, I would like to raise the example that
22 was reported in the Hunter-Central Rivers CMA 2011-2012
23 annual report. It would appear to me from that example,
24 which deals with eradicating feral dogs, that, in some
25 ways, you have already gone through the process and that
26 the framework has already been established to establish the
27 funding for a particular project or activity.

28
29 In this particular case, the eradication of feral
30 dogs, the CMA put in money from the Australian government
31 Caring for the Country program of \$70,000. The
32 Livestock Health and Pest Authority put in \$74,000, \$25,000
33 was put in by National Parks, and \$51,000 was collected
34 from local landholders. Obviously, in coming up with those
35 figures, you have gone through a process of establishing
36 what the costs of the project will be. You have come up
37 with, presumably, and developed the efficient costs of
38 providing that service. You have then, somehow or other,
39 apportioned the costs of the functions between various risk
40 creators or beneficiaries, if you like, and the services
41 provided there. So, in some ways, that program or that
42 project captures what we have been asked to do on a much
43 broader basis and it would be interesting to explore and
44 see if people here can help us go through the process that
45 you went through and the framework that was used in
46 developing the funding for that particular activity.

47

1 Without further ado, I will hand back to Jim for
2 general discussion, thank you.
3
4 THE CHAIRMAN: Thank you very much, Colin. There is now
5 the opportunity for contributions by members sitting in the
6 audience. If you would like to ask a question or make a
7 statement, just indicate by raising your hand and we will
8 get a mike to you, and please introduce yourself for the
9 benefit of the transcript. So who would like to go first?
10
11 MR BRIAN TOMALIN: Brian Tomalin, I am a director of
12 Namoi CMA and also New England LHPA. Just looking at
13 the list of services to be delivered, it doesn't cover a lot of what
14 either organisation currently does. I am thinking
15 particularly with my LHPA hat on at the moment of the
16 regulatory function and I'll talk about the old act rather
17 than the new Bill because there are some changes. Under
18 the Rural Lands Protection Act, the only function that
19 livestock health and pest authorities have under that act
20 is regulatory. The service functions that they provide are
21 not backed by the legislation.
22
23 So what we have at the moment for the LHPA is a
24 regulatory function or a regulatory system which is
25 entirely paid for by landholders. Now, that does not fit
26 into the service delivery areas that you are currently
27 talking about and we need to really know or really consider
28 how that regulatory function will be financed into the
29 future. Will it still come out of the ratepayers? Will it
30 come out of government? So that is one issue that is
31 missing.
32
33 Other issues are natural resource management and
34 biosecurity, and also our agricultural extension services.
35 The public benefit of all those covers the whole community,
36 not just the rural community or farmers. If we are not
37 picking up the whole community, farmers will end up paying
38 for a public benefit for the whole community. Unless we
39 spread that rating base much wider, I could see farmers
40 picking up a bigger cost than they are currently picking
41 up. Part of what we should be trying to aim for in this is
42 to try to reduce that rates burden on a small group of
43 landholders who are paying for a wide public benefit
44
45 THE CHAIRMAN: Thank you, Brian. Just for my benefit,
46 can you tell us a bit more about the distinction between
47 regulatory and service functions. My colleagues may

1 be aware of this, but I am not sure I am.
2
3 MR TOMALIN: Sure. Currently, with pest animals - and
4 there are only three of them, which are rabbits, pigs and
5 wild dogs, and some insects like plague locusts - the
6 landholders have a statutory obligation to control the pest
7 on their property. What is currently done at the moment is
8 that the LPHAs, and as you just mentioned through CMAs
9 now, are contributing a lot of funding to landholders to control
10 those pests.
11
12 What is not recognised in the legislation is that pest
13 control, weed control, biosecurity, to some extent, is
14 simply beyond the capability of any individual landholder.
15 Pests, weeds, et cetera, are so mobile that if you put the
16 statutory responsibility entirely on an individual
17 landholder, he can't control that pest because it is much
18 more widespread. That is where LHPA, the old RLPBs, have
19 picked up that as something that really should be done,
20 but, at the moment, until the new bill is introduced, there
21 is no legislative backing for that service that we are
22 currently providing
23
24 THE CHAIRMAN: Thank you. Who would like to speak next?
25
26 MR CAMPBELL: Ron Campbell, I am a director of the Central
27 North Livestock and Health Pest Authority. Also I am a
28 landholder and a ratepayer. I have a query regarding the
29 continuation of the wild dog funding. It has just been
30 said by Brian that they are very mobile. We have had
31 an attack down there where we lost 12 pregnant ewes and 25
32 were badly mauled some 300 metres from a residence.
33
34 The point I am making is that as they are mobile
35 there needs to be a continuation of funding not only from
36 the landowners but also from government and the wider
37 community because, as this problem continues, it is not
38 just localised to one area. It is a state-wide problem.
39
40 Some time ago, I, along with other members of the
41 LHPA, instituted a campaign to try and get awareness of the
42 dog problem and I got phone calls and signatures from
43 almost all over the state. My concern is that we have an
44 awareness of this problem, but we need to have it funded
45 not only by the landowners. I accept that it is the
46 responsibility of the landowner to control these pests on
47 his property, but there is a wider problem because there is

1 such a lot of country now locked up in national parks and
2 there is very much a move to make corridors that extend from
3 one point of the state to the other.

4
5 I had a call from a person at Scone - he is involved
6 in the CMA - where the feral pigs have just caused so much
7 damage, it has cost thousands of dollars. He said, "This
8 corridor that we made for natural habitat is just becoming
9 a place where these feral animals are propagating." I think
10 we need to address that issue and I would like to suggest
11 that in our submissions we continue on that vein. It is a
12 very serious problem.

13
14 THE CHAIRMAN: Thank you.

15
16 MS FIONA MARSHALL: Fiona Marshall, from the
17 Hunter-Central Rivers CMA. I am the general manager there,
18 plus I am a ratepayer in the upper Hunter.

19
20 You asked for some clarification, Jim, on the example you
21 gave - the framework we use. It was a combination of funding.
22 The CMA was putting Australian government funding
23 into it for the biodiversity and adjacent to the World
24 Heritage area of control. The landholders were putting
25 funding into it from the duty of care and productivity
26 gains. Livestock health and pest authorities were putting
27 money from the productivity gains, but we were getting a
28 biodiversity outcome from that as well in terms of improved
29 habitat.

30
31 I might also add that because it was in the area of
32 the Upper Hunter, it would have had Hunter catchment
33 contributions, which is our rate-paying base from
34 landholders. I would be happy to answer questions in the
35 break if you need more detail.

36
37 MR REID: Thanks for that, Fiona. What I would like to
38 explore a bit further with you is how you decided on the
39 proportions to be paid by the different people and how you
40 ensured that the total amount spent was the right amount.
41 In other words, how you captured that, whether it was a
42 negotiated output, or what was the process you were
43 following.

44
45 MS MARSHALL: We use a market-based process. We go
46 out to the market explaining, I guess, and targeting specific
47 actions. So we were looking for biodiversity benefits

1 around the World Heritage area. It is up to the market
2 then to put bids into us. They do that through a process
3 of negotiation. What we generally do is we identify all
4 the benefits. We use a scoring system to identify all
5 those different benefits, and that helps determine the
6 tender or the bid amount that they put in. We don't advise
7 them what bid amount to put in. They do that themselves,
8 but, in this case, all the parties sat around the table
9 before they put that bid in to work out what services each
10 would benefit from.

11
12 I might add that some of the money that we put in -
13 back to Ron's comment - was actually used for a camera to
14 study the habits of the dogs so that we had a better
15 outcome at the end of the day.

16
17 MR REID: Thank you.

18
19 MS JESS BROWN: Jess Brown, from the CMA. To follow on
20 from Fiona Marshall, in the conversation we have been
21 having about some of these key questions, it is very clear
22 that all of the organisations coming into local land
23 services are already managing the public/private benefit
24 dilemma in their own way to try and get the maximum from
25 their investment.

26
27 DPI, as I understand it, with the agricultural
28 services, through some short conversations I have had, do
29 that right up-front. They do their assessment early and
30 then they don't offer services that are purely a private
31 benefit or they would look to work more with the industry
32 groups and have the industry groups share much more of the
33 cost burden of something that was substantially private
34 benefit. Then they would go forward with programs that
35 they have internally assessed through robust mechanisms
36 they have in house that are more in the public vein.

37
38 CMAs, for example, probably pull in about \$2.50 for every
39 dollar of New South Wales government money that we invest,
40 and that is through a range of mechanisms, but mostly either
41 market-based instrument methods or methods where you
42 would look at an individual project basis as to the
43 public/private benefit split through a transparent methodology.
44 LHPAs have similar investment processes, I guess
45 they assess what they should invest on behalf of their
46 ratepayers and what they can also collect from CMAs or
47 directly from government funding programs for their work.

1
2 The point I am trying to make is that, through local
3 land services, there is obviously the opportunity, if you
4 look at it as an investor preference model, that you look
5 at a total project and then, from your internal budget and
6 your internal investor preferences, you look at which
7 streams of funding pay what for an integrated project
8 outcome.
9
10 For example, in the Hunter-Central Rivers model, you
11 have a private benefit and if you have a ratepayer stream
12 in an organisation, then there is obviously some money that
13 can come from that stream. If there are biodiversity
14 outcomes, Australian government outcomes, that can be
15 delivered by a project, then you can draw on that
16 investment stream into an integrated project.
17
18 So there are obviously big opportunities from a
19 project investment perspective and there are already a lot
20 of good examples in all three organisations about how that
21 can be managed in an investor preference model in one
22 organisation.
23
24 MR REID: To the extent that that is documented or there
25 are examples that you could give us, I think that would
26 greatly assist what we come up with.
27
28 MS BROWN: For example, one that I have a bit of
29 experience in is with Caring for our Country funding in the
30 Macquarie Marshes. This project was funded by Caring for
31 our Country in the initial phase for a lot of pest animal
32 management, but also then contributed to by the Livestock
33 Health and Pest Authority, both from their own money and
34 also being contracted through the project. There was
35 Catchment Action NSW funding for wetland management
36 and weed management and ground cover management and
37 other catchment action.
38
39 That is a specific example of a million dollar project
40 over a number of years with three funding streams already
41 embedded in that project, so that is there
42
43 THE CHAIRMAN: Thank you. Who is next?
44
45 MR DAVID GOWING: David Gowing, I am chair of the
46 Wallamore Road Landcare and a director of the Central North
47 LHPA. The chair of this meeting did ask a question about

1 regulatory powers of LHPAs and I wondered if it was fully
2 explained. I would like to add a couple of comments about
3 that
4
5 THE CHAIRMAN: Thank you.
6
7 MR GOWING: The regulatory powers are used, say, in the
8 case of footrot, when a landholder has footrot in his
9 sheep, then every assistance is given to him to enable him
10 to clean up the disease, but the regulatory powers come in
11 when either the producer signs a voluntary quarantine or,
12 failing that, is put into public quarantine, or in the case
13 of pest animals when a ranger finds there are pest animals
14 on a producer's property, then the ranger will advise the
15 producer on how to deal with the problem.
16
17 If, after time, the problem is not dealt with,
18 then the regulatory powers will come in and form 17s and
19 such like things will be introduced and in the final upshot
20 could be caught, but that is pretty rare. I hope that's
21 added to the considerations.
22
23 THE CHAIRMAN: So it is sort of help before the big sting?
24
25 MR GOWING: Yes. The idea of the LHPA system is you
26 help the landholder to overcome the problem. If that fails to
27 happen, then the thing is dealt with under regulation. And
28 there are other regulatory powers that operate in saleyards
29 and such things, but that just gives you a quick rundown.
30
31 THE CHAIRMAN: Yes, thank you very much.
32
33 MR IAN FREESTONE: My name is Ian Freestone. I am a
34 ratepayer and a landowner. What I will say may be a little
35 bit disjointed but I have made a few notes.
36
37 I am concerned, first of all, about the representation
38 here today to give the feedback to you people. I think
39 there is most probably a lot of local government people and
40 that here and it doesn't seem to me that there is a hell of
41 a lot of genuine primary producers.
42
43 With the LHPA, it was only two or three years ago that
44 there was a name change and all the rates were increased
45 for people on the land anyway to do with stock carrying,
46 et cetera.
47

1 A comment was made by Mr Tomalin to do with it being
2 generalised and that it hit everyone across the community
3 with helping to pay the cost for the control of feral animals,
4 et cetera. I don't agree with that. I think that people
5 who are ratepayers in cities have enough burdens now with
6 their councils and with increased rating and so on. For
7 instance, with the last rate increase with the Tamworth
8 Regional Council - and I put in a submission to IPART -
9 where the proposed rate was reduced 6 per cent, it still
10 ended up close to 15 per cent, which is equivalent to five
11 years CPI.
12
13 With regard to these organisations, you can merge
14 them, you can do whatever you like with them, and it is
15 most probably a good idea, but in the 27 years that I have
16 actually owned property, I have never ever seen a weeds
17 inspector or anything like that.
18
19 I would also like to say that a lot of people out
20 there who are on the land are not particularly impressed
21 with the word "authority" - for instance, "catchment
22 management authority".
23
24 The other thing is that it would be nice when we get a
25 notice from these organisations - for instance, the LHPA -
26 to receive a P&L and a balance sheet to give landowners
27 some idea of how we are travelling, who is doing the
28 funding and which organisations are getting the cream off
29 the top.
30
31 With this new merger, I really sort of see that
32 with most people out there, because it's their prime
33 investment - the land is their prime investment - they are
34 not going to, on purpose, let it go downhill. I would more
35 like to see a situation where there is minimal cost to the
36 people on the land - because they are paying enough now in
37 taxes with every other thing that is going on - a user pays
38 situation where, if they want the services or the advice
39 from a particular section of this organisation, there is a
40 rate established, rather than sort of expecting everyone to
41 carry the costs of someone that gets very involved. That's
42 about all.
43
44 THE CHAIRMAN: Thank you, Ian, very much for those
45 comments. We are very aware of the burden that local
46 government rates impose on people. We are the rate-setting
47 authority. We are very much aware of that.

1
2 Obviously these services have to be provided and paid
3 for by someone. No-one likes paying, but I think what we
4 are trying to do is find some reasonable, equitable and
5 realistic basis for the charge for the services that will be
6 sustainable going forward. That is what we are trying to
7 do here. Thank you.
8
9 MR MALCOLM ROTH: Malcolm Roth, from Mudgee, chairman
10 of the Central North Livestock Health and Pest Authority, and
11 I am involved in other primary industry organisations.
12
13 I am very concerned how any overlapping of different
14 services will be administered. I have been involved with
15 the system since 1982 going back to the PP board. Every
16 time you bring in another service, generally, you have to
17 put another girl in the office and the administration of
18 these services should be a concern to everyone in this
19 room.
20
21 UNIDENTIFIED SPEAKER FROM THE FLOOR: Hear, hear.
22
23 MR ROTH: I feel there is scope for the LLS at the end of
24 the day, but let's get it right from the start because
25 there has to be a lot of work to be done and we know that.
26 I know the amount of the meetings that I have attended and
27 I have only been attending a few because of other
28 commitments.
29
30 Believe you me, the question is: who will pay at
31 the end of the day for the administration of all these
32 services - that is what you people are here for obviously -
33 and how it will be gazetted and what will be in the final
34 bill that will be passed by parliament.
35
36 The emergency services, I would like to speak on that,
37 and we can go back to when we got the horse flu outbreak.
38 On our books in the Mudgee-Merriwa area, there were
39 something like 10,000 horses, but it was discovered that we
40 had over double that number. We put every bit of financial
41 applications towards getting rid of that flu outbreak. A
42 lot of people did suffer because of it, but we won it then.
43 When you get an emergency like that, you suddenly realise
44 how extensive it is and how big it is to the community.
45 Not only does the man on the land or the small farmer
46 suffer, but people in the town suffer too.
47

1 I think I support the IPART inquiry. Yes, it is an
2 inquiry, really because, at the end of the day you will put
3 a submission in to the minister, and I think we just have
4 to get it right. Thank you

5
6 THE CHAIRMAN: Thank you very much. Who would like to
7 go next?

8
9 MR STEVE EASTWOOD: Hi, my name is Steve Eastwood. I
10 am the senior district vet with the New England LHPA. I am
11 interested in the second statement there where you talk
12 about the gaps - "Are there any gaps in what we propose?"

13
14 With the current funding arrangements with respect to
15 biosecurity, when we talk about biosecurity with LLS, we
16 are looking at animal biosecurity, plant biosecurity and
17 pest animal control. The LHPA currently delivers animal
18 biosecurity and pest animal control.

19
20 I am not sure of your back-grounding, but currently
21 none of the organisations deliver plant biosecurity. As it
22 stands, that is unfunded. So until we actually have a
23 clearer direction of what is expected of us with plant
24 biosecurity, it will be difficult to understand who the
25 beneficiaries or the risk creators are and how big the job
26 will actually be.

27
28 THE CHAIRMAN: Steve, can you give us an example of
29 what plant biosecurity would involve and what happens at
30 the moment?

31
32 MR EASTWOOD: I can't tell you what happens at the moment
33 because we don't actually deliver it. My understanding is
34 that it will not involve weeds. What it will involve is
35 potentially diseases in crops. I don't know whether that
36 will include regulation, but there will obviously be
37 surveillance tracing and similar stuff to what is delivered
38 with our animal biosecurity. We have the staff, we have
39 the knowledge to deliver the animal stuff; however, as it
40 stands we don't have it for the plant biosecurity side. It
41 really depends on what the expectations are and we have not
42 been told. Maybe higher up they have a better
43 understanding of what is expected and you would need to
44 talk to them.

45
46 MR REID: Thanks, Steve. This is an issue that was also
47 raised in Wagga. There seemed to be lack of clarity there

1 as well. An indication was given that those services are
2 currently delivered by DPI, but I am unsure of that. We
3 are meeting with DPI at the end of this week. Obviously,
4 we will explore that with them, but, if anyone here can
5 elaborate or give us some more information on that, we
6 would be most interested.

7
8 MS CAROLYN RAINE: I am Carolyn Raine, from DPI. Yes,
9 those services are delivered by both Biosecurity NSW and
10 Agriculture NSW for the DPI. Some of those services were
11 delivered by the agriculture advisory and extension staff
12 in partnership with the DPI staff, so at this stage, that
13 will be the extent of the role of LLS until that is further
14 developed with LLS itself.

15
16 MR ARCHIE CAMERON: Archie Cameron, member of the
17 NSW Farmers Association, executive councillor for Region 2,
18 which covers the Northern Tablelands. We are concerned
19 that the balance of costs be shared as it should be. At
20 the moment, the suggestion is one-third to landholders in
21 the very broad scheme of things. Taking the LHPAs, which
22 at this stage will be the last group merged into the LLS,
23 it is unclear in some ways, but there are basic charges and
24 also extra charges specified, like insect levies and animal
25 health levies, and also there is talk of charges for
26 intensive industries in special cases.

27
28 Working on that as well, when it comes to biosecurity
29 you have the question of the national good, which involves
30 endemic diseases and also exotic diseases. That comes
31 under the Department of Agriculture in part and AHA, which
32 is Animal Health Australia. If we get an exotic disease
33 outbreak, there are certain protocols that are then
34 enforced and it is almost martial law as far as lockdown is
35 concerned.

36
37 Where we are concerned is that we are paying a certain
38 amount now. The state and federal governments contribute
39 to the CMAs and the state government to the Department of
40 Agriculture extension services. The situation is unclear.
41 The federal budget has just been handed down and
42 the state government budget will come today, so we will
43 find out what money will be made available this coming
44 year. However, our concern is very much that, in the
45 future, we don't want to see governments and
46 instrumentalities walking away from the costs and then
47 expecting us to pick up the tab. If, in their wisdom, they

1 decide not to fund things, then, from our point of view,
2 much as these are desirable effects, we don't consider that
3 we should pick up the entire tab for that.

4
5 There was talk about weeds. At the moment, the DPI
6 has oversight but local government associations actually
7 have weeds inspectors. Unlike the gentleman here, I have
8 had weeds inspectors and I know in my area, which is Glen
9 Innes area, they do come round and conduct inspections,
10 either by aerial means or visiting, to discuss things to do
11 with weeds. We have quite a number. African lovegrass,
12 nodding thistle and Chilean needle grass are three very
13 prominent weeds which really started in Victoria and spread
14 at least into the Northern Tablelands. Unfortunately we
15 didn't learn - they started down in the south very early
16 and then they found out further north, "Yes, they have got
17 some", but they didn't pass on information and we have lost
18 a lot of time in trying to get to grips with the situation.

19
20 Talking about wild dogs, there are wild dog
21 associations. There has been quite a bit of money provided
22 from a variety of sources including Meat and Livestock
23 Australia, Australian Wool Innovation, governments and
24 others. It is an ongoing thing.

25
26 In this northern region, things did start to be done
27 better in the mid-1960s where they got groups together to
28 look at the problem. Throughout Australia in the eastern
29 parts, wild dogs have grown almost exponentially, but
30 I would venture to say that, in the Northern Tablelands,
31 because of our reasonably regular climate and happenings,
32 our numbers have not varied a lot. There is a Pest Animal
33 CRC that has done a lot of work in this and we need to keep
34 work ongoing.

35
36 In some cases, as has been mentioned, there are
37 special charges at times. One case in point where a local
38 LHPA operates - it should be in the LLS, but our boundaries
39 for the north will be the same as presently - OJD does not
40 manifest itself here and by due diligence we have kept it
41 out, but there can be a specialist charge against us
42 landholders to help ameliorate the problem.

43
44 THE CHAIRMAN: Thank you.

45
46 MR RON CAMPBELL: Ron Campbell, director of the Central
47 North Livestock Health and Pest Authority. I reside at

1 Merriwa. I would like to ask a question. At the present
2 time in the Hunter Valley, the Upper Hunter shire, the
3 Singleton and Muswellbrook shires form a county council.
4 They have three weeds officers who come around and inspect
5 farms. Will that continue? I understood it was going to
6 be absorbed into the new LLS. If so, once again, who will
7 fund those inspections and controls?

8
9 MR REID: I can't answer that specific question. I don't
10 know whether Carolyn or someone else can.

11
12 UNIDENTIFIED SPEAKER FROM THE FLOOR: Weeds
13 remain with local government, for the moment.

14
15 MR REID: I think the answer is that weeds will remain
16 with local government at the moment.

17
18 MR PETER SCOTT: My name is Peter Scott. I am just a
19 citizen. I don't officially represent anyone, but I have
20 lived in the area all my life, and my family before me,
21 just south of here.

22
23 The question I have about the weeds relates to the
24 distinction between declared noxious weeds and the rest of
25 the weeds that are recognised as very invasive but not
26 actually declared. The problem arises in funding the work
27 that needs to be done in education through the Department
28 of Agriculture or Primary Industries, whichever it is
29 called, with the distinction between a regulated declared
30 noxious weed and the rest of the weeds. Who will pick up
31 the funding?

32
33 Increasingly, over the last number of years, the CMAs
34 have picked up and offered money for projects on many of
35 these other weeds in specific areas. That is not to say
36 that that should not be done, but quite often the work that
37 is expected of the local government is at the expense of
38 the noxious weeds that are out there and endemic in a lot
39 of the areas. What is happening is, increasingly, the call
40 is to take some of these other weeds off the noxious weeds
41 list, forget about them and take on some of these other
42 projects. The problem is that a lot of the work is not
43 funded sufficiently and the regulation work of explaining
44 to landowners is slipping by the bye.

45
46 My point is: please ensure that there are sufficient
47 funds there to take care of and inquire into the damage

1 that weeds are well recognised as doing.
2
3 I have another point, while I am on my feet, if
4 I might. I am very supportive of broadening the base of
5 the collection of the funding. There are two reasons that
6 I can think of. Noxious weeds as such are all recognised -
7 I think it is 98 per cent, 99 per cent - are garden
8 escapees, so any one of our forebears is or was responsible
9 for the garden escapees - whether it was just a small
10 household or a property that allowed things to go. It
11 could be someone who owned a horse or someone who
12 owned a fruit tree in their backyard. In that case the flying
13 foxes can come in there and spread it further to a bigger
14 property or a smaller property.
15
16 I ask that all properties be recognised as a potential
17 source of a problem and obviously as a potential benefactor
18 from any work that is done. Thank you
19
20 THE CHAIRMAN: Thank you, Peter.
21
22 MS JANE COADY: Hello, I am Jane Coady, and I am the
23 president of the Tamworth Regional Landcare Association.
24 I concur with what you are saying. It does worry me
25 greatly that education is not in that list. I can see that
26 possibly it will come in with advisory and extension, but
27 you need to educate the whole community. You don't just go
28 out and talk to one landholder. There needs to be a lot
29 more community involvement in this. I don't think it is
30 fair on individual landholders to be paying one-third of
31 what should be a whole community project or educational
32 venture. Thank you
33
34 THE CHAIRMAN: Thank you.
35
36 MR JIM SWALES: Thank you, Mr Chairman. I am Jim Swales.
37 I am a director of the Northern Tablelands LHPA, the New
38 England LHPA - I am not too sure what we will be called
39 now.
40
41 To go back to your original discussion points and how
42 the current funding arrangements relate to the services,
43 with the advisory and extension services, the officers who
44 were formally part of DPI now will come over to the LLS.
45 Currently, and for the next four years, there is a budget
46 to pay for those from state revenue, but there are
47 additional advisory and extension services delivered by

1 LHPAs on a number of matters at the moment where our staff
2 have the capacity to do that, and the same applies to CMAs
3 particularly with respect to natural resource management.
4
5 With respect to biosecurity, and I might be telling
6 you what you already know, but I thought it would be better
7 it go through it --
8
9 THE CHAIRMAN: Tell us anyway.
10
11 MR SWALES: The DPI has the overall regulatory role and
12 there are a considerable number of staff members within
13 DPI, although they have been drastically reduced since the
14 cuts to that organisation, with respect to biosecurity.
15 They control, to a large extent, the Australian ability to
16 produce safe food, to access markets and that sort of
17 thing, but the surveillance for that is carried out
18 essentially by staff of LHPAs so that they can report back
19 to the DPI to know what is happening. They have also a
20 major role in the regulation of some pest control, as has
21 been already discussed.
22
23 With regard to natural resource management,
24 essentially the funding that comes from the CMAs at the
25 moment is public funding, although they have a number of,
26 as I understand it, programs where individual landholders
27 who benefit also contribute towards the cost of that
28 benefit. There would be a number of examples. The obvious
29 one, I guess, would be the water course management with
30 respect to pigs in the western areas and also the
31 elimination of harmful trees, willows and the like, along
32 water courses where the landholder has to make a
33 contribution towards the cost of that remediation.
34
35 The landholders themselves contribute, in almost all
36 instances, to a large part of natural resource management
37 just as part of their natural activity of running livestock
38 or growing crops or whatever it might be.
39
40 With respect to emergencies, the major ones are
41 already funded by the DPI, but the DPI always use the staff
42 of the LHPAs, because they don't have enough frontline
43 staff to manage any of those. LHPA staff go out and
44 eliminate poultry where there may be an outbreak of avian
45 influenza, or something like that. In a number of issues,
46 sometimes there is a contribution by DPI towards the cost
47 of those staff members; sometimes there isn't.

1
2 I have covered those things briefly, but the other
3 thing that I think is important is that the government has
4 flagged its intention to include those 2 to 10 hectare
5 landholders who currently don't pay rates, but certainly
6 create risks with respect to feral animals and with respect
7 to weeds and that sort of thing.

8
9 During the last couple of years, the Policy Council of
10 the LHPA developed a rating mechanism, which I think you
11 have, which will be effective in providing some funding as
12 a contribution towards the cost of managing those problems.
13 I believe that this is something that should be seriously
14 looked at. It might be a bit tricky getting down to
15 2 hectares, but certainly down to 4 hectares would be
16 fairly reasonable. I think, because they are risk
17 creators, they should have a direct cost.

18
19 Of course, the other thing that I would agree with,
20 and it has already been spoken about, is that there is a
21 very considerable element of public benefit in all of the
22 activities of the organisations that will go into LLS and
23 the government must continue to contribute to that in a
24 very considerable way to recognise that public benefit.
25 Thank you

26
27 THE CHAIRMAN: Thank you very much, Jim. Are there
28 any further comments?

29
30 MR LAWRIE DONOGHUE: My name is Lawrie Donaghue. I
31 come from Dubbo. I chair the State Policy Council for the LHPA.
32 Much has been made by the government announcement on the
33 LLS that they will be contributing two-thirds of the
34 governance - state and federal contribute two-thirds of the
35 funding. I am yet to find a politician or a bureaucrat who
36 will guarantee me that. We have heard lovely glossy
37 statements, but the cynic in me tells me, with budgetary
38 restrictions both federal and state, that money will
39 diminish, so it will become more and more a user pays
40 organisation. Therefore, I would consider it essential
41 that we spread the rating base as widely as we can;
42 otherwise those ratepayers who are left carrying the can
43 will find it prohibitive and the services will diminish
44 because there will be no funds to fund them. Thank you

45
46 THE CHAIRMAN: Thank you, Lawrie. Yes, Brian.

47

1 MR TOMALIN: Referring back to the question whether there
2 any gaps in what you propose, I think some of the gaps stem
3 from the restrictions that you have been given in your
4 terms of reference. For instance, the scope you have for
5 considering natural resource management funding into the
6 future does not seem to be in the terms of reference and it
7 will be a major part of what will be done in the future and
8 the ability to integrate agricultural production and
9 natural resource management is crucial to the success of
10 the organisation.

11
12 There are a number of things like core funding for
13 administration, and I am not sure whether that they have
14 been covered adequately. As I said earlier, regulatory
15 functions come under core functions, but they are currently
16 paid by ratepayers. Agricultural extension services and
17 who benefits from them is something that we are going to
18 look at. In spreading the rating over a wider area, we
19 have to look at who benefits. I believe that we will come
20 to that in the next session, but I think the terms of
21 reference are basically a bit restrictive on designing a
22 system for the future rather than what it appears to be to
23 me, on reading the terms of reference, which is that you
24 have been given the job of designing a system which will
25 fill the gap until the next restructure

26
27 THE CHAIRMAN: We will have one more point from a
28 speaker at the back.

29
30 MS BROWN: An issue that we would like to flag now, and it
31 might be more relevant to the next session, is balancing
32 the needs of the regional organisations versus the state
33 organisation as a whole and managing the issues around risk
34 creators and beneficiaries being potentially not within the
35 area of the local land service. So from a biosecurity
36 perspective and an NRM perspective, people in a local land
37 service both create risk elsewhere and benefit from the
38 management elsewhere.

39
40 Moving from two organisations out of the three that
41 are currently their own regional statutory authorities into
42 a state entity model does have some risks but also opens up
43 opportunities for looking at funding the organisation,
44 raising the rates and funding at a state level, and how you
45 then talk to ratepayers about the fact that you are
46 spending a rate collected in X location in Y location.

47

1 I guess we need to explore that further when we talk
2 about who should pay and how it is collected
3
4 THE CHAIRMAN: Thank you, Jess.
5
6 MR BILL O'HALLORAN: Bill O'Halloran, New England
7 Livestock Health and Pest Authority director. You had a
8 question up there on the screen about the current funding
9 arrangements for services delivered through DPI advisory
10 and extension. That was my history up to a few years ago.
11 At that point, the great majority of that came from
12 consolidated revenue recurrent funding for the extension
13 group, but there were some charges to users for things like
14 field days, workshops and so on. There was a certain
15 amount of industry funding - I can't say how much - that
16 was attracted by those advisory staff as well because some
17 of them were not just doing advisory work, they were doing
18 on-farm research as well. Therefore, there was a
19 considerable amount of that sort of funding as well.
20
21 THE CHAIRMAN: Can you comment on whether these are
22 services which, by their nature, have to be funded by
23 government or is there scope for individuals to pay more
24 than they are at the moment?
25
26 MR O'HALLORAN: I think, in general, there are a lot of
27 things that advisory staff have done in the past that are a
28 benefit not just to that individual but to the industries
29 as a whole and, to a certain extent, to communities as a
30 whole. The other aspect of that is that one of the things
31 that extension staff - advisory staff or whatever you want
32 to call them - do is that they will go to very efficient
33 producers, look at the sorts of things that they do and
34 then basically extend that information to others. So it is
35 a give and take thing. I don't think that it would be
36 advisable ever to simply have a charge on all of that
37 service, otherwise, I think it would probably disappear and
38 the benefits that come to the community and to industries
39 would go with it.
40
41 It is a very small part when you think of the total
42 cost of the new organisation - \$5 million, or whatever it
43 is - and it will be a very important component to actually
44 get right. To be frank, I think it has been handled very
45 badly. In moving that group across to LLS, we have lost a
46 lot of very experienced older staff who have had to go
47 elsewhere because of pay structures and one thing and

1 another. That is an unfortunate start. I think charging
2 for that group as a particular group would make that a lot
3 worse, in the short term at least, anyway
4
5 THE CHAIRMAN: Thank you. I want to move on soon to
6 who should pay, but are there any final comments on this
7 session before we go. We will take two more speakers and
8 then we will move on to the next session. So John?
9
10 MR JOHN MADDEN: John Madden from Arche Consulting.
11 I am working with the LHPA
12
13 THE CHAIRMAN: Yes, and not for us, you mean.
14
15 MR MADDEN: I have a couple of comments - they
16 maybe be discussed later in some more detail - and they
17 relate to one of the key issues with the terms of reference
18 that has been discussed. I wish to say a little bit about
19 what the application of the cost recovery framework would
20 actually mean without a strategic context - we have the
21 example of advisory staff, and the cost recovery framework
22 is, I guess set in stone. That will have ramifications
23 five or ten years down the track in where that will end up.
24 You can see a trajectory. It will be said, "People are not
25 using that", so it will slowly erode away and then suddenly
26 it is lost.
27
28 Without strategic planning and the articulation of
29 goals, it is a bit hard to be very prescriptive with the
30 cost allocation framework. So that is a note to be
31 thinking about integrating the two. I think that is
32 missing a little bit at the moment - just the staging of
33 this process.
34
35 The other thing is more of a question, and maybe this
36 will come up later, about the checks and balances for
37 efficient cost pricing. Again we are looking at cost
38 allocation on a budget, which is an example, and the budget
39 is set. It is a bit unsure, and I have not seen too much
40 in there, about where the efficient assessment comes.
41 There is a driver in a private organisation, pretty much
42 with the LHPA, where you have a low overhead. You have to
43 test this, but the anecdotal evidence is that you have a
44 low overhead, and so on, and you have ratepayers and you
45 have a direct stake in that, and maybe a more vocal stake
46 in that, in driving that efficiency over time.
47

1 I wonder with this organisation, and it is a bit
2 unclear with the state of planning, what are the drivers of
3 efficiency over time. You talk about an audit in the
4 process, but I wonder, in the planning phase as well, who
5 has a role in assessing what is an efficient cost structure
6 for this entity as it starts out as opposed to an audit
7 just of the actual cost allocation framework? Maybe that
8 will be dealt with later on in the day, but I am just
9 wondering if you have any thoughts on that.

10
11 MR REID: Thanks, John. In relation to the efficient cost
12 question, it is not explicit, as you know, in the terms of
13 reference. Obviously the local land service board will
14 have some role in driving efficiency. We have already
15 talked about people relying upon or going to the market for
16 services, and that is one source of efficiency for that-
17 competition in the marketplace.

18
19 I don't have an explicit response that I could give to
20 you at this stage as to how, in our framework, the issue of
21 efficient costs will be resolved and any thoughts or views
22 on that would be most appreciated. Obviously, at this
23 point in time, we are collecting information rather than
24 providing a solution or providing a framework and asking
25 for comment, but any input you can give us on that and how
26 that may work, we would certainly appreciate that.

27
28 MR FREESTONE: The input by general ratepayers is really
29 lacking here as the terms of reference did not mention
30 inviting their participation to do with the broader base of
31 funding for this new body. Perhaps this can be remedied by
32 having public meetings if it is decided to implement that
33 broader based rating suggestion.

34
35 THE CHAIRMAN: Thank you. I would like now to move on
36 to the second session which is on deciding who should pay
37 and I'll ask Peter Leventis to make the presentation.

38
39 SESSION 2 - WHO SHOULD PAY?

40
41 MR LEVENTIS: Thank you, Jim.

42
43 The terms of reference asked IPART to develop a cost
44 recovery framework. In our issues paper, we provided some
45 preliminary thoughts on issues to consider when developing
46 a funding framework. Our aim is to be informed by
47 stakeholders on an efficient and transparent framework and,

1 if impediments might exist in applying the framework.

2
3 We should note that work has already been undertaken
4 by the stakeholder reference panel with its own research
5 through Michael Keogh which asked stakeholders on their
6 views on who benefited from proposed LLS services. This
7 consultation effort and stakeholders views we receive in
8 our workshops and from our reports will assist us to
9 develop an efficient and transparent funding framework.
10 The words "efficient and transparent" will be repeated a
11 few times because it is the key element of this; it is the
12 key term of reference for this part of the review.

13
14 We are seeking stakeholder thoughts on what principles
15 are appropriate to consider when developing a funding
16 framework. The principles will help to us assess whether
17 any particular funding framework works better than another.
18 The framework in general seeks to link the provision of the
19 service to the appropriate funding options.

20
21 Given our research so far, it appears that funding
22 frameworks use key questions to elicit required information
23 to allow for a consistent approach to funding government
24 functions. Broadly we have identified three questions as
25 being important. These are:

26
27 The reason for government intervention - what is the
28 market failure that these services are trying to address;
29 Which particular driver of the service is important,
30 either to reduce risk or provide a service; and
31 Whether particular individuals or groups exist that
32 should be charged - therefore, the cost-sharing
33 arrangements.

34
35 IPART's proposed principles were developed based on
36 preliminary research which included the Commonwealth
37 Department of Finance guidelines, which followed on from a
38 Productivity Commission review, and guidelines developed by
39 the OECD. This session considers issues relating to the
40 first principle - who should be charged for
41 government-provided services?

42
43 The principles we have identified may conflict, in
44 particular the first three principles, where what is
45 economically efficient may not be efficient to administer
46 and a charging approach that is efficient would need to be
47 within the powers of the state government to legislate.

1 The need for transparency ensures that all relevant parties
2 have a say in how a service is delivered and should it be
3 provided. Further it is also important to create a
4 framework that is usable which may conflict with strict
5 adherence to theory.
6
7 We developed a four-stage process to link demand for a
8 service to an appropriate funding option. This session is
9 aimed at stages 1 and 2, which uses the key questions
10 approach to identify who should pay. It is important to
11 understand that local land services boards must be able to
12 consistently apply the funding framework; therefore, we
13 have split the task into stages and, in particular, four
14 stages as shown on this slide and the next slide.
15
16 It would be helpful to know if this approach is useful
17 because it will assist us to develop an efficient and
18 transparent framework that is also usable by each local
19 land services board.
20
21 Following on from the previous stages, the funding
22 framework would seek to identify funding options available
23 and how they link to the service provided. IPART's second
24 principle, administrative efficiency, is important here as
25 an administratively inefficient funding option could
26 potentially outweigh the benefit from charging for the
27 service. The next session will discuss issues surrounding
28 charging for services.
29
30 In general, our issues paper attempts to highlight the
31 key relationship between the provision of a service and
32 what drives that. Economic efficiency requires that all
33 possible costs be internalised by those parties
34 involved in an activity. Where these costs cannot be
35 internalised, the market finds it difficult to adequately
36 provide a service at a level that benefits society. Here
37 we are interested in understanding which cost recovery
38 strategies should be applied in the funding framework so
39 that the parties who create the need for the service or will
40 benefit from its provision are on efficiency grounds and equity
41 charged for its provision where possible.
42
43 We found that the literature identified certain cost
44 recovery strategies that would allow for specific parties
45 to be identified as the drivers of the service. These
46 include; risk creators, those who create the need for the
47 service, for example, a polluter; beneficiaries, either

1 from the prevention or elimination of risk or from the
2 provision of information services; and the taxpayer,
3 represented here by the government.
4
5 Our research so far has shown that a key questions
6 approach is useful to elicit the information that will help
7 to determine the reason for a service and hence who and to
8 what extent should the identified party contribute towards
9 its provision. What our key questions approach is seeking
10 to do is assist the user of the framework to understand why
11 the service is being provided; that is, which failure of
12 the market may warrant government intervention. Also, and
13 importantly, it is seeking to understand which cost
14 recovery strategy is appropriate considering the market
15 failure the service is trying to address. We identified a
16 risk creator/beneficiary/taxpayer hierarchy which appears
17 to be used in many jurisdictions in Australia to
18 efficiently allocate costs.
19
20 This hierarchy raises some interesting issues, for
21 example, the sufficiency principle, which influences how
22 costs are allocated. That is, where it is possible that an
23 identifiable party or group should be charged and the
24 benefits to private individuals or industry outweigh the
25 costs of the service, then any additional benefits derived
26 by third parties are irrelevant - so it is a concept that exists
27 out there.
28
29 Further, is it possible to charge risk creators or
30 beneficiaries efficiently at all and hence the role of the
31 government as a funder of last resort should it wish to
32 proceed? Once the reason for the service has been
33 investigated thoroughly and the appropriate cost recovery
34 approach identified, then the question remains as to which
35 parties should be classified as risk creators or
36 beneficiaries. It should be noted it that it may be
37 possible to be both a risk creator and a beneficiary.
38
39 To ensure all the potential parties in an LLS area are
40 considered appropriately we have split parties for charging
41 into three broad categories:
42 Landholders, which include individuals on contiguous
43 landholdings for any purpose;
44 Industry, to account for commercial users of
45 landholdings, that is a group or a collection of
46 landholders producing the same commodity, for example
47 cattle, sheep, grapes or wheat;

1 The community, which would either be the community
2 within the LLS area or more broadly refer to all people in
3 New South Wales.
4
5 Each of those categories can be desegregated further
6 to specifically identify, if possible, who creates the need
7 for the service or is deriving a benefit from its
8 provision.
9
10 We also developed a set of mechanical approaches to
11 apportion cost shares. Where it is considered appropriate,
12 the one party should not bear the entire cost of the
13 service, it would be useful to have an approach that
14 transparently allows for shares to be allocated.
15
16 Presently two general agreements exist between
17 government and non-government stakeholders for emergency
18 biosecurity. We augmented the sliding scale approach used
19 for the so-called plants and animal deeds to allow for
20 landholders to be included. However, what we are
21 attempting to show is a possible approach should such a
22 circumstance arise, not that in all circumstances should
23 this or any other cost sharing approach be applied.
24
25 Our issues paper also discussed other approaches of
26 various degrees of complexity to share costs. There may be
27 other approaches to sharing costs and we would be
28 interested to know what they may be.
29
30 This slide shows how the approach in the previous slide
31 will finally distribute costs across multiple parties.
32 Again I stress that it does not mean that this approach
33 should be used; rather if it is considered appropriate that
34 more than one party should contribute to the cost of a
35 service, that some arrangement is necessary to
36 transparently share costs.
37
38 In this session we are seeking stakeholder thoughts on
39 what is an appropriate funding framework to decide who
40 pays. Before a framework can be developed, it is important
41 that we apply the correct principles to assess
42 alternatives. The framework is a tool that should allow
43 for consistent application across the various services
44 provided by each LHPA. However, the outcomes may vary
45 given the circumstances in each area.
46
47 It may or may not be obvious which services exist

1 because of risk creators or beneficiaries or whether
2 component parts of the service may be due to a risk creator
3 or beneficiary. Here stakeholder views will assist us to
4 understand what issues a funding framework must take into
5 account. Therefore, we are seeking stakeholder views on
6 what the appropriate contribution is for a service or a
7 group of services by the parties we have identified -
8 landholders, industry and the community. Your thoughts on
9 these issues and any other framework-related issue will
10 assist IPART to develop an efficient and transparent
11 funding framework as per our requirement within the terms
12 of reference. Thank you.
13
14 THE CHAIRMAN: Thank you very much, Peter.
15
16 We will now take questions, contributions, comments
17 statements from people of the audience. Who would like to
18 go first?
19
20 MR ROTH: I have a question related to when you get to the
21 second party - it won't be the second party where we have
22 the DPI involved. I am just going back to the horse flu
23 outbreak. When you got another party - I know you set up
24 the framework to get the moneys in and obviously we are
25 using government agencies - who will determine who pays
26 what? Will there be a committee? I should probably not be
27 asking this question at the moment. It probably would go
28 back to the board of the particular division, but, to me,
29 it will make it very difficult to ascertain who will pay
30 what when you have different agencies within that framework
31
32 THE CHAIRMAN: As I understand it, it will be the job of
33 the boards of the local land services agencies to determine
34 ultimately who pays for what, using the framework and the
35 methodology that we are developing in this review.
36
37 MR LEVENTIS: Yes, that's correct.
38
39 MR ROTH: I thought it would be.
40
41 MR FREESTONE: I wish to make a very quick comment, as a
42 community member in Tamworth for over 40 years, I have
43 seen a lot of mergers, ultimatums and takeovers. All I have
44 seen as a result of a lot of them is further costs to the
45 end user. That is the reason why I suggested that you
46 should be looking more at user pays on a lot of these
47 issues. That is just something to take into consideration.

1 As you get older, you get very cynical, I think, and the
2 proof is out there that this is an actuality. It is what
3 happens; there are just more and more costs and less
4 benefit in a lot of instances. Thank you.

5
6 MR LEVENTIS: To somewhat respond to that, the next
7 session will discuss various charging approaches that can
8 be used. If you can conceive a service that is a direct
9 provision to an individual landholder, then it would seem
10 reasonable that a fee for service would apply. This
11 framework does not exclude individuals being charged for
12 services that they seek. If there is a collection of
13 users, they would also be receiving services. I guess the
14 idea of the framework is to provide a signal to them of
15 what the value of that service is and whether they wish to
16 proceed. I think that signal should be for all
17 identifiable parties.

18
19 THE CHAIRMAN: To add to that, there was some discussion
20 in the previous session about efficient costs. Obviously
21 we are concerned that costs should not be more than needed
22 to provide the services that the community wants to see
23 provided.

24
25 MR LEVENTIS: I can extend on that discussion for John.
26 Biosecurity NSW released its strategy recently. One of the
27 appendices was its framework on how to work through the
28 impactors, beneficiaries - so a cost recovery framework. A
29 part of that framework was how you decide costs. There are
30 certain strategies that the Productivity Commission came up
31 with years ago which have been adopted by general
32 government, commonwealth and state. Depending on
33 whether the service has a regulatory function or non-
34 regulatory function, you use either fully distributed costs,
35 marginal costs, avoidable costs. That is made up of - right
36 now, I can't remember all of it - capital, overheads, labour.
37 Depending on which cost you are looking at, whether it is
38 marginal costs or fully distributed costs, it tells you
39 what should be included in there. However, systems would
40 need to be in place to determine what you are actually
41 spending and where the cost lines are.

42
43 MR DONOGHUE: I see a risk here. Under the present
44 regime, the DPI - or the Department of Agriculture,
45 whichever name you are using at the time - provides
46 agronomy advice to landholders at government expense.
47 Those agronomists are considered to be impartial and

1 independent, whereas a lot of agronomy advice is provided
2 by agribusiness, where you have sales agronomists running
3 around. No doubt some of them are very good and are widely
4 used, but they cannot be considered to be truly independent
5 in their advice because they have sales to make.

6
7 If it becomes user pays in the LLS for this agronomy
8 advice, obviously ratepayers will not see the need for that
9 advice because they will be receiving it from their
10 agribusiness adviser. Now, that is a free of charge
11 service, but they buy the products from them. The risk is
12 we will lose our independence and we will not have truly
13 independent agronomy advice, which hitherto has been
14 provided by the government. Thank you.

15
16 MR LEVENTIS: I will make a quick response. That issue
17 has been raised in stakeholder visits that we undertook
18 with landholders around Bathurst. The LHPA people in the
19 area took us to visit some farmers. They did raise the
20 issue that they do value the independence of agronomists,
21 but they do also understand that other people have shifted
22 across and used the private agronomists.

23
24 I guess the idea that has to be tested then is what
25 value do these publicly provided agronomists - not
26 necessarily publicly funded but publicly provided
27 agronomists - provide and then who is the appropriate group
28 or individuals for whom that is their service? That is a
29 question that has to be answered.

30
31 MR DONOGHUE: Therefore, it is a straight-out cost shift
32 from the government to the rate-paying community

33
34 THE CHAIRMAN: I would say not necessarily. I think we
35 did have some prior discussion that some of the benefits of
36 the service may be enjoyed by the farming community as a
37 whole, in which case I would have thought some introduction
38 of user pays is appropriate perhaps with some sort of cost
39 sharing among the beneficiary community.

40
41 MR O'HALLORAN: In your slide 22, "Sharing costs - sliding
42 scale", I think you based that on the emergency response
43 for plant and animals, the advertised scheme. That is a
44 probably a fairly simplistic way to look at this because it
45 is an industry to government rather than an individual to
46 agency-type response. While that works there quite well,
47 I am not sure that it is a great example, to be quite

1 honest. As I said before, if you are looking at extension,
2 and Lawrie referred to it a moment ago, one of the key
3 things that the advisory group will have coming out of LLS
4 is that independent, unbiased approach. They will be the
5 conduit back to research from DPI, and other organisations
6 as well. They have always shared that information with
7 private providers and others. Sometimes they run
8 workshops, for which they charge, to transfer their info.
9
10 It seems to me that maybe we need to not be thinking
11 so much about an all or nothing approach. As I said,
12 advisory staff already charge for field days, workshops and
13 thing like that, where there are groups of people, to cover
14 the costs of running it and to cover their costs of being
15 there. Perhaps that is the way to leave it so that there
16 are costs for certain activities which involve groups and
17 individuals rather than having a charge every time somebody
18 goes out to a farm.
19
20 The transfer of information is both ways, as I have
21 said. Quite often you go to see good operators to see what
22 they are doing, then you use them a month or so later to
23 run a field day and get other people to come along and
24 discuss various things. It is not just a simple transfer
25 of info from the adviser to the individual.
26
27 I would be cautioning, I suppose, to not be charging
28 every time somebody goes out to a farm. One of the other
29 things that I alluded to before is that with the staff
30 coming into LLS - about 49 of them, or whatever it is -
31 some of them are fairly young, fairly inexperienced and,
32 from my experience in the past, in that sort of role, it
33 takes about seven years to really get accepted by the
34 community and the individuals that you are working with.
35 In effect, if we are imposing pretty serious charges from
36 day one, whether they actually get a chance to develop that
37 credibility and go on to be one of the key public faces
38 I think within the new organisation will be the serious
39 questions to my mind. I think we could really stymie them
40 from day one if we are not fairly careful. Thank you.
41
42 MR LEVENTIS: This sliding scale and the other approaches
43 we discussed in the issues paper is a way for IPART to
44 consider how do you distribute costs between multiple
45 parties? Is there a cost allocation method that you know
46 of that will then do it transparently because if you say,
47 "There is 40 per cent here and 60 per cent there", then you

1 need to be able to back that up. You need to back up those
2 numbers with some evidence. So we have used this sliding
3 scale approach to say, "If there are public benefits that
4 override the private benefits, then the cost sharing
5 arrangement might be 80:20." But you would go through the
6 framework to determine what the service is providing, who
7 are the risk creators or who are the beneficiaries. If
8 there are multiple beneficiaries and you wish to spread the
9 cost across multiple beneficiaries, then what approach do
10 you use?
11
12 MR O'HALLORAN: Good question - don't know the answer.
13 However, I do know that in DPI, probably 10 or 15 years
14 ago, we tried the approach of doing something which
15 involved using a system of cost centres. We used to say,
16 "Okay, in the morning if you're going to see Joe Blow about
17 sheep and then in the afternoon about something else, you
18 split your costs for your vehicle and for your time." Over
19 time it got so complex that we had to get rid of it. You
20 have so much administrative costs doing that sort of
21 approach that you end up having to have a corporate
22 services group, which I think the government is aiming to
23 reduce severely in this new set-up rather than increase.
24 I think that is the risk. If you go down that track, you
25 will end up with so much paperwork that it gets so
26 unwieldy.
27
28 It is probably simpler to charge for certain
29 activities rather than on that sort of industry-based
30 public-good type of sharing approach. Charge for the
31 activities where it is fine to charge for them and that
32 will recover a reasonable amount of costs of that service
33 anyway.
34
35 THE CHAIRMAN: Thank you. We will hear from Brian next.
36
37 MR TOMALIN: Thank you, Mr Chairman. We are talking
38 about who should pay. I am sort of coming to the
39 conclusion that a risk matrix might be a more appropriate
40 method than a sliding scale. I know I have been scratching
41 my head over the last few days to work out how to draw one
42 up. It is not easy, but I think if we can do it, it would
43 probably give us a better basis than a straight-out sliding
44 scale.
45
46 On the subject of who creates the risk, I can see
47 myself having a lot of trouble convincing a lot of

1 landholders, who have a weed, a pest, an NRM issue or a
2 native vegetation issue, that the risk creator is not the
3 government because they enacted the legislation which
4 required them to take certain actions.
5

6 Also, while I am on my feet, with regard to our
7 natural resource management and PVPs, I noticed in the
8 discussion paper there is a bit of discussion about
9 charging landholders for a PVP, or a portion of it. If we
10 go back to the second reading speech of the minister when
11 that act was introduced, it was quite clear that that was
12 going to be a free service to the landholder. Until there
13 is another act implemented and there is another second
14 reading speech, the courts will rule that way.
15

16 So, yes, with natural resource management programs,
17 currently, as we have already discussed, there is a
18 landholder contribution required. With our experience in
19 pest animal control over the years - I think I have been
20 fiddling around in that area for around 30 years - unless
21 you require the landholders to make a reasonable
22 contribution, the program simply becomes financially
23 unsustainable because the more you do, the more they
24 demand and the more it costs the service provider and the less
25 they do for themselves. Therefore, it is vital that
26 landholders do make some sort of a contribution and take
27 some ownership of these programs and the cost recovery
28 framework is essential. As I said, how we develop it, I am
29 inclined to go with, at this stage, a risk matrix as
30 probably being the most effective way to go.
31

32 MS MARSHALL: Having had 50 years of a catchment levy,
33 we have tried a number of options. I think it is quite
34 challenging to come up with a framework that will be one
35 size fits all across the state. You had the example Jess
36 raised before. On the coast, for those in the room who
37 don't know, we levy every ratepayer in the Hunter. It is a
38 very minimal charge of \$20 to \$30. It is not a serious
39 amount, but it does raise about \$3.3 million for us and
40 that goes into catchment activities and flood mitigation
41 activities.
42

43 The challenge is with your idea of cost benefit and
44 who creates the issues, with things like natural resource
45 management action, and as another speaker said, extension
46 services, it gets a bit difficult trying to say who
47 benefits. Then you have an equity issue of how you spread

1 the rates that you raise. For instance, we have gone from
2 a regime where we, I guess, paid incentives or rebates to
3 landholders that were putting in gully control structures,
4 et cetera, because that had a benefit down in the ports
5 area, it had a benefit to flood mitigation and riverbank
6 stabilisation, and so on.
7

8 We now, as you mentioned earlier, target areas.
9 Instead of that scattergun approach, we will pick a
10 sub-catchment with a major soil salinity and sediment
11 source problem. The problem is deciding who the
12 beneficiaries are. In the estuary, the Ports Corp
13 benefits, the environment benefits in terms of migratory
14 bird species, et cetera, and wetland maintenance, and the
15 private landholder benefits because they are getting rid of
16 the gully that is dissecting their property.
17

18 It is quite challenging to come up with one framework.
19 I think with your idea of a sliding scale, the problem is
20 someone has to make a subjective decision. We will have
21 the issue where you will have boundary local land services
22 where one has one sliding scale and the other has another
23 and the difference is a line on the map.
24

25 Then there is the matter of distributing the levy.
26 Certainly with things like biosecurity, that is quite black
27 and white and a lot more straightforward, but with natural
28 resource management and extension and education, it is a
29 lot more difficult to identify the beneficiaries and
30 therefore use that sliding scale.
31

32 MR LEVENTIS: The framework is meant to be quite general
33 because if you can make it flexible, you can ask each LLS
34 board to understand the circumstances in their area. Where
35 the beneficiaries in one area may be identified, it could
36 be different if you ask that same question somewhere else.
37 The point of the framework and these key questions is to
38 ask if there is a risk creator, what is the risk they
39 create and what is the market failure? Is there is some kind
40 of cost that they are imposing on others through pollution
41 or they are not taking care of their own land and that is
42 affecting their neighbour? I guess these are the questions
43 that you have ask to begin with when you are trying to
44 understand what the service is trying to provide.
45

46 Again with the extension services, I should respond to
47 that. It is not a cost shift. What we are trying to

1 understand is what is the service trying to provide. If
2 you can show that it has general community benefits, then
3 there is a case to be made for general community funding.
4 But the idea is that you have to make that case to begin
5 with. Do all extension services have a community benefit?
6 Do some extension services have purely private benefits,
7 but may have a public good issue? In that case, what
8 you're trying to do is say, "There is this problem that the
9 government is trying to step in to fix. It is a public
10 good issue, but there are identifiable beneficiaries who
11 are private sector." That may not be for every extension
12 service, but you need to ask that question to begin with
13 before you say either it's all landholders or all
14 government.
15
16 That is the process that we are getting at. It is not
17 a cost shift, but you have to ask the question what is the
18 service providing and to whom? Do they value it and for
19 what reason? If there are general community benefits, then
20 they should be taken into account, but you have to ask
21 these questions to begin with.
22
23 MR DONOGHUE: May I make a quick comment, Mr Chairman?
24
25 THE CHAIRMAN: Yes.
26
27 MR DONOGHUE: I would suggest that if a community is
28 interested in safe food, they have an interest in all of
29 our activities.
30
31 THE CHAIRMAN: I guess that's right, they do. I would,
32 however, counsel against taking this line of argument too
33 far to the view that, "Well, landholders and the local
34 community should not pay for anything." At the end of the
35 day, I think we have to get some realistic cost sharing
36 exercise.
37
38 MR DONOGHUE: I agree, but I just make the point that if
39 people want safe food, they surely benefit from our
40 activities.
41
42 THE CHAIRMAN: They do, and they are the ultimate
43 beneficiary, but those benefits are reflected through the
44 market mechanism to the prices earned by primary producers.
45
46 MR CAMPBELL: Listening here to the discussion this
47 morning, it has been very interesting, but I would like to

1 say one thing: let's keep it simple. The more we put
2 restrictions and things on how it is going to happen and
3 sliding scales, and so on, we must be very careful we do
4 not end up with an administration cost that will really not
5 benefit anyone to any degree.
6
7 I would like to suggest also that we don't appreciate
8 the public benefit that these organisation do and are
9 trying to do and trying to achieve. It is very hard to
10 isolate the benefits to an individual user and then
11 say, "You should pay for that." Yes, I accept that there
12 should be some cost benefits recognised, but I believe that
13 we should have the broadest base that we can of fair
14 taxation which is really what it is - or a benefit, you can
15 call it whatever you like, or a levy - that can be of
16 benefit not only the landholder but also to the public.
17
18 I go back to the example of the wild dogs and invasive
19 pests. Wild dogs and pigs are getting closer to towns and
20 villages - this is happening. We need to realise that it
21 is a public benefit to have those pests controlled.
22 I would again reiterate what I said earlier. Let's try and
23 keep it as simple as possible and recognise that there is a
24 greater public benefit than what I think we appreciate now.
25 Thank you.
26
27 THE CHAIRMAN: Thank you for that. I would agree that
28 there needs to be a degree of commonsense and practicality
29 about all of this, at the end of the day. Yes, I don't
30 think we are looking at something that would be so complex
31 that no-one would understand it or understand why they pay
32 what they are paying. However, we need some reasonable
33 basis for sharing the costs which are inevitably incurred
34 amongst those who benefit as an organisation.
35
36 MR BRUCE BROWN: I want to make some comments about
37 extension services. There are some different models around
38 Australia. The cotton industry is an absolute classic
39 example of where it has privatised its extension services.
40 There is a linkage between Cotton Australia, the cotton
41 research entity, Cotton Seed Distributors, which is a
42 private entity. They now employ six or seven extension
43 officers across the cotton-growing areas in Australia.
44
45 It is interesting when you look at the GRDC work
46 they have recently completed a survey in terms of
47 benchmarking. From sourced agricultural economic advice,

1 68 per cent of broad-acre primary producers dry land now
2 use private agricultural agronomists.
3
4 It is interesting also when one looks at the
5 differential between the cropping industries and the
6 livestock industries. Where the cropping industries see
7 agricultural advice as very much actually a private
8 benefit, we still in the livestock industries look at it as
9 being a public benefit. So there are huge differences.
10
11 One could, therefore, make a great case that, in
12 essence, unless there is some regulatory public benefit,
13 all of the agricultural extension services should be
14 privatised and should not be actually run by an LLS or a
15 Department of Agriculture of any other government entity
16 for that matter also.
17
18 MR ROTH: Just going on a little bit further there, that
19 is definitely right. I am a member of the Registered Seeds
20 Association of New South Wales. When they started
21 privatising different parts of the DPI, registered seeds
22 did come into that and it affected them very badly. Down
23 in Temora, when the huge coolroom broke down, the
24 government didn't renew the terminal for the cooling system
25 and we lost a large amount of our registered seeds, some of
26 the regional foundation seeds. Of course it was all
27 privatised and that was an escape pad. The private
28 industry today has become very huge and large. The
29 corporate world is helping our cause and we must
30 acknowledge this because they are part of our future.
31
32 THE CHAIRMAN: Thank you. Jess would you like to make
33 a comment?
34
35 MS BROWN: I am looking at the first point up there, "What
36 principles we should adopt in developing the funding
37 framework?" I think it would also be useful for IPART to
38 make some commentary about at what scale the framework
39 should be applied. A lot of discussions we have had so far
40 are easier at a project or a program or a specific line of
41 service delivery level, but they become much more complex
42 when you are looking at the total service area at a board
43 level to be making these kinds of decisions. It would be
44 useful to consider at what scale these things can be
45 applicable when making the framework recommendations.
46
47 MR LEVENTIS: I can respond to that. At this stage, we

1 have not explicitly considered that, but it is an issue
2 where you have cross-border, and cross-border is not just
3 between New South Wales and Victoria; it could be
4 cross-border between certain LLSs.
5
6 MS BROWN: And internally.
7
8 MR LEVENTIS: And internally, between parts.
9
10 MS BROWN: Yes, between parts of service offerings or -
11 yes.
12
13 MR LEVENTIS: It could be an issue. You could have,
14 I guess, an idea for a special purpose levy in a certain
15 LLS to deal with a local issue. What happens if that issue
16 is the three at the top rather than the three at the
17 bottom? How do they work together? That is something that
18 we will consider because it could practically affect the
19 way the framework is applied. That is something to take on
20 notice. Thank you.
21
22 MR GOWING: There is just one thing that we should think
23 about. These decisions need to be made on a local basis.
24 There are issues that are contrary in different parts of
25 the state. I will give you one quick example mentioned by
26 Archie Cameron of NSW Farmers and that is the OJD
27 biosecurity that has been set up in New England and over a
28 large part of the state. If they could not set their own
29 matrix or whatever system you decide to use, there would be
30 a real problem because people at the other end of the state
31 have a totally contrary view. They would be fighting
32 against any public interest, whereas people up here setting
33 up biosecurity areas do realise that there are public
34 interests. In fact the latest research from Japan
35 indicates that Chron's disease, which is on the increase in
36 New South Wales and all of Australia, is actually triggered
37 by OJD and JD - they are all members of the same family.
38 People up here would appreciate those things; whereas
39 people down in the south of the state would be fighting
40 against that, and the same goes with the biosecurity
41 matters. So it is essential that local areas can set their
42 own agenda.
43
44 MR LEVENTIS: The framework, in the first instance, is
45 meant to be decided on by the LLS board in the area. So it
46 provides flexibility for them to understand what the issues
47 are. It provides them the flexibility to determine the

1 issues in their area and their priorities. At the first
2 instance, that is what the framework is meant to do. The
3 issue that has been raised, where you may not understand
4 what the caution about what someone else is doing up here
5 compared with, say, down south, is something that we will
6 need to consider. But each LLS board does have the ability
7 to set its own agenda using the framework.

8
9 MR GOWING: I am glad to hear that

10
11 THE CHAIRMAN: But I understand there is an audit process
12 as well, so they will be required to adopt the framework
13 and demonstrate they have done so.

14
15 MR GOWING: I don't have problems with that.

16
17 MR LEVENTIS: Just to clarify, there would be an
18 overarching board of chairs or a policy council that exists
19 for the new areas. I would have thought that these
20 cross-border issues may best be determined at that level so
21 that those discussions would be occurring then. If there
22 is to be any cross funding to protect yourself for
23 insurance, I would have thought that would be where those
24 issues would be discussed rather than at the local board.

25
26 The local board would understand what it has to do,
27 run the framework through its services, so it can then
28 say, "This is how we believe we should be funded" - public,
29 private or however they may be. I would have thought that
30 is the best place to decide what happens across multiple
31 boards. I need that confirmed by someone in terms of
32 whether this overarching body exists.

33
34 MR GOWING: If you have a biosecurity area, you must be
35 able to maintain that and you must be able to make that
36 decision and use funding that will come locally.

37
38 THE CHAIRMAN: Thank you. Yes, Archie.

39
40 MR CAMERON: Talking about the public good, in the first
41 instance, all of us who might pay taxes are contributing to
42 the pot that goes into commonwealth and the states;
43 therefore that comes to the public good.

44
45 Talking about agriculture on the whole, that is a
46 benefit, both at the local level and export level, to all
47 Australians or what we do in New South Wales is a benefit

1 to New South Wales. In terms of independent advice, in the
2 agriculture extension service, we have seen over many years
3 it has been reduced in this state and in some of the others
4 states it is almost non-existent - so I sound a note of
5 warning about independence. We won't go into GMs and so
6 on, but that has created a lot of controversy and "fors"
7 and "against" and so on. That is a whole area where it
8 would be far better if we could have independent
9 assessments rather than groups pushing their own situation.

10
11 In the case of landcare and CMAs, they administer the
12 Native Vegetation Act. Queensland and Victoria have just
13 moved to change their acts quite drastically. New South
14 Wales has just brought down a discussion on the regulations
15 and there is talk of changing the Native Vegetation Act.
16 This would make a very big difference in administering and
17 in what can be done for innovative weeds and native species
18 and so on, as well as PVPs, which were mentioned.

19
20 At the moment, the way the PVP is constructed, unless
21 you have an alternative lifestyle block and can afford a
22 bit of time, virtually no practical person in agriculture
23 would use a PVP because they have been set up virtually not
24 to be operational or worthwhile.

25
26 With regard to the pest animals, insects, and so on,
27 you have a base situation where there is advice at the
28 local level, but when you go to action like using 1080,
29 whether it be rabbits, foxes, wild dogs and the
30 administration of those goings with baits, there is then a
31 charge for that operation, whether you combine as a wild
32 dog association and hire an aircraft, whether you hire the
33 rabbit carrot spreader, and so on.

34
35 THE CHAIRMAN: Thank you. John?

36
37 MR MADDEN: In a discussion on flexibility, I think it is
38 necessary to define what you mean by "flexibility". It is
39 one thing to say as a principle, yes, boards have
40 flexibility and they can set their own agenda. However, if
41 you then have a framework which basically has a single
42 point - they don't really have any - but if it is then a
43 band where a particular service could fall within this
44 band, that is a degree of flexibility. Then there is
45 another degree of flexibility if you make a case to go
46 outside that band and that then gets approved in a process.

47

1 If you think of Jess's point about sitting down and
2 doing a corporate budget for the year on a set of services
3 that you think is agreed should be done, your funding could
4 potentially, within bands, upper or lower, go from 30 per
5 cent private to 70 per cent private depending on where you
6 land on those things if you just take a kind of matrix
7 line-by-line budget item.
8
9 I think you will very soon get into a situation where
10 you are not providing much guidance at all, or you flip
11 back to the other side where you are being so prescriptive
12 that then the boards do not have any flexibility
13 whatsoever.
14
15 You need to be very careful about how far you can go
16 with this framework as opposed to setting those principles.
17 Every project I know over the last 20 years in natural
18 resources basically had those principles and it ended up in
19 negotiation. They are broad here and there; none of them
20 have said, "This is the correct setting for this type of
21 project." Every project is different. To actually get
22 local people involved, basically they will only contribute
23 20 per cent and that is a social issue because that is what
24 they did last time. So be very wary of setting a kind of
25 correct figure and, bluntly, whatever you do, and maybe
26 this should not be written down, but when the numbers --
27
28 THE CHAIRMAN: If you say it, it will be.
29
30 MR MADDEN: I know. When you have two boards sitting
31 next to each other and they go through their process and one
32 is sitting at a negotiation starting point of 50 per cent
33 private funding and one is at 70 per cent private funding,
34 you can kind of guess what will happen. They will get
35 tweaked down through the negotiating phase to probably the
36 one-third funding. I am just wondering how much effort you
37 put in on all the small detail line-by-line items as
38 opposed to considering the wider planning process and
39 contributions at that overarching level.
40
41 MR LEVENTIS: So, John, the framework is based on, I guess
42 what the Productivity Commission did a few years ago
43
44 MR MADDEN: It comes back to Jess's point about the scale.
45 If you do this line item by line item across the proposed
46 strategic plan, you will get a certain figure, but if you
47 do it project by project, you will get a certain figure.

1 There is the question of how you aggregate that up and look
2 at a strategic plan and appropriate funding sharing, and
3 they don't necessarily just dovetail in under each other.
4
5 THE CHAIRMAN: I think it comes back to the scale
6 question, which is something we do need to think about.
7
8 MR SCOTT: With the biosecurity and the natural resource
9 management side of things and boundaries, all of these
10 boundaries are lines on the map. I ask you to consider in
11 your deliberations the situation where you have one board
12 that has a standard that is not equal to the other in the
13 way of security. You were talking about OJD. There are
14 boundaries where one situation applies and in another one
15 it doesn't. There is a zone in the middle.
16
17 THE CHAIRMAN: Could you give an example of that?
18
19 MR SCOTT: Okay, take noxious weeds. In one area, a weed
20 may be present very predominantly in a national park or
21 private property. Then you have the fellow who is in the
22 neighbouring property and he has the weed literally
23 flapping through the fence at him. The fellow who has it
24 coming through the fence has been doing the right thing for
25 years and he says, "The government body is not doing
26 anything about it", or, "That private landowner is not
27 doing anything about it and they say it belongs in another
28 area." Someone will not win out of that. I just ask you
29 to keep in consideration the ability to have a buffer zone
30 for the fellow who is trying to do the right thing.
31
32 THE CHAIRMAN: Thank you. Brian?
33
34 MR TOMALIN: To take up that point a bit further,
35 I noticed in the discussion paper you canvassed the option
36 of either a reduction for somebody who takes part in a
37 particular program or an increased charge for somebody who
38 does not. I can see an administrative nightmare there.
39 However, you could overcome that situation to some extent
40 by developing regional or local levies to cover where there
41 is a particular issue and apply that to the landholders or
42 all the property owners within that particular region for
43 that particular issue.
44
45 THE CHAIRMAN: I understand what you are saying there,
46 but the idea was that there should be some reward for people
47 who manage the risk well on their property. I think that

1 is the motivation behind it, but I do agree there could be
2 some interesting issues administratively.
3
4 MR TOMALIN: Yes, I understand the concept.
5
6 THE CHAIRMAN: The next comment?
7
8 MR CAMPBELL: Maybe it is labouring the point, but you are
9 quite correct. The reward for the person who is doing the
10 right job means that his carrying capacity has increased,
11 that his farm is managed in a better way. I guess that
12 means then that a good farmer is really a good manager and
13 if a good manager is applying what he is trying to do, then
14 he has increased benefits to his farm.
15
16 It is a big problem because, in our region, there is
17 an evasive weed that is a noxious weed in the Upper Hunter
18 Shire Council area and down that way, but to the west of
19 us, it is not a noxious weed and that is exactly what
20 happens. Being on the county council for the Weeds
21 Authority, I have said, "Hang on. We need to investigate
22 and get the CSIRO involved in this."
23
24 I would suggest that that is the answer to many of our
25 weed problems, because we need to have some biological
26 control. Trying to do it with chemicals is not the answer.
27 It runs into all sorts of problems near waterways
28 et cetera. There are other management ways in which it can
29 be done. I suggest we need to address that, if we can,
30 through this LLS. Thank you
31
32 THE CHAIRMAN: So we have another speaker?
33
34 MR SWALES: We seem to be getting a little confused as to
35 what services the new LLS will provide and therefore what
36 services we need to take into consideration when
37 determining risk or otherwise. Hopefully, the act will
38 define which services the LLSs will have to provide.
39
40 One of the things that will not be in the act, as I
41 understand it, will be individual advice from experts, such
42 as was referred to by the gentleman over here, who didn't
43 identify himself and who was talking about the cotton
44 industry. I do not expect, as a producer, to have the LHPA
45 officers come out and tell me how to manage my sheep best
46 or how to make more money out of growing wool, which is a
47 bit of a challenge. That is not part of the role of the

1 organisation, unless it is for the identification of a
2 disease amongst animals which could affect the whole of the
3 area or the state.
4
5 If we do not understand what the organisation is
6 supposed to be doing, perhaps that is something that needs
7 to be clarified, and also it needs to be clarified in
8 determining what charges are to be made for that sort of
9 activity. Thank you.
10
11 MR REID: Obviously we take on board, in developing our
12 framework, the decision of government as to what functions
13 would come under local land services. We are not the
14 determining body for that. There has been a process that
15 has been gone through with the stakeholder reference panel,
16 making recommendations to government and obviously
17 decisions by the minister.
18
19 I acknowledge and accept what you are saying is that
20 we need to be clear up-front as to what services will be
21 provided and then build the funding framework around those
22 particular services, but the actual decision on what
23 services will and will not be provided is obviously outside
24 our scope.
25
26 MR SWALES: There are additional services which are
27 currently not under either of them. One of the ones which
28 we have not considered is animal welfare, which will now be
29 part of the responsibility as well as plant health. We
30 don't know how that will impinge on the sort of funding or
31 who will provide that funding. The act, unfortunately, is
32 not clear and, to some extent, we are working in the dark.
33
34 THE CHAIRMAN: Thank you.
35
36 MR FREESTONE: It looks as though I have to be the
37 crusader, it seems, for people who live in the city,
38 because, as I say, there does not seem to be very many
39 people here representing them.
40
41 To give you an idea of what has been happening in the
42 last few years with council amalgamations, we have these
43 greater councils now that have taken over a lot of smaller,
44 small town councils. In Tamworth, as I pointed out to you
45 earlier this morning, the recent rate increase on the UCV
46 for Tamworth was 14.6 per cent. Some of the reasons for
47 imposing that additional rate on generally the city

1 ratepayers was to replace country bridges and that, timber
2 bridges, to the point of about \$5 million. I get a little
3 bit concerned about the suggestion, "Let's put more cost
4 onto the ratepayers who live in the town", so that you're
5 looking at a broader base. I just cannot agree to that.

6 You are talking about marketing mechanisms and everything.

7
8 People that are on the land, I know that they are not
9 getting a good spin out of this because they are virtually
10 controlled by the market or the vagaries of the market.
11 I feel that people on the land should be getting a lot more
12 for their products and the middleman should be getting
13 less, but until someone comes up with a formula to change
14 the status quo, well, we will have to put up with it,
15 I suppose. Thank you.

16
17 THE CHAIRMAN: You have raised a fair point in that there
18 are lots of other competing claims on the ratepayer dollar
19 other than local land services. That is a fair point.
20 Nonetheless, these services need to be provided and someone
21 has to pay for them and we need to find a reasonable way of
22 dividing the costs up between the various people that can
23 pay for that.

24
25 MR FREESTONE: Maybe they should not have become
26 greater councils and --

27
28 THE CHAIRMAN: I am not sure of the history of the
29 amalgamation of Tamworth Council, but I do think there were
30 smaller rural councils which had some difficulties in
31 funding what they are required to do and that may have been
32 one of the motives or the amalgamation.

33
34 MS BROWN: Talking about principles we should adopt,
35 there is probably something more we should consider. I don't
36 mean to be frivolous, but when we are developing
37 frameworks for both costing projects and programs and also
38 then apportioning the cost of them to the different users or
39 beneficiaries, one principle across all organisations is
40 that we never have enough money to do the job properly, and
41 that is just across the board.

42
43 The framework has to be sufficiently open to
44 interpretation so that there is not a public gap always for
45 local land service boards to have to bridge between the
46 framework-delivered public expectation and what they can
47 actually manage. I appreciate that that gap is leverage

1 and political leverage and involves discussion and
2 negotiation, but at a local land service board level, there
3 will be difficulties where the cost percentages of projects
4 that are determined through the framework are not able to
5 be met by budgets and have to be shifted; for example, if
6 landholders or the community want a job done, they are
7 prepared to negotiate a greater percentage, because the
8 government or the ratepayer budget of the local land
9 service is finite for that particular year, et cetera.

10 There are all of those considerations around the framework
11 as well

12
13 THE CHAIRMAN: Those are good points. There has to be
14 some sort of accommodation between what is available and
15 what might be desirable in terms of the framework. I think
16 that is the reality. Who is next?

17
18 MS COADY: As a point on that, if it was strictly
19 one-third, one-third, one-third and the government decided
20 it couldn't afford very much, then the one-third would go
21 down in real terms. If the government became very
22 generous, for some strange reason - and I wish it would -
23 then, all of a sudden, landholders would be up for a very
24 much bigger real amount. I hope that it will be much more
25 flexible than that.

26
27 THE CHAIRMAN: Thank you. We have room for a couple
28 of more comments before we break for lunch.

29
30 MR GEOFF TURNBULL: Geoff Turnbull. I am a landholder.
31 There are some of us here and some of our rates actually
32 went to pay for the \$8,000 palm trees up the main street,
33 so I think there is a bit of give and take there.

34
35 I am on the land and I am being asked to provide
36 funds, so I guess I am as much a stakeholder as anybody.
37 In talking about trying to apportion payment for these
38 things, just as an example, the CMA, in my view, to a
39 certain extent, was created to administer the Native
40 Vegetation Act, which everybody knows was quite broken. It
41 was developed originally not because there was a disease or
42 a problem, but because a Labor government required more
43 urban and green votes to support their political
44 aspirations and we are the recipients of it. I think most
45 people at the actual coalface will agree that it has caused
46 quite a degree of hardship rather than helping landholders.
47 Speaking personally, it has helped to make my place almost

1 unviable. If my place becomes unviable, there is no-one
2 there to control St Johns wort, pigs, blackberries, rabbits
3 and all those things. If I am going to be asked to
4 contribute to some of the activities of the CMA, they are
5 actually of no benefit to me and actually cause my property
6 to become more unviable. As an example, some of the
7 forward planning of the CMA that I have read has decreed
8 that, in the interests of the whole Namoi catchment, my
9 country should retain 70 per cent of woody native
10 vegetation, which, of course, is unviable.

11
12 I am not happy to have to pay for things that actually
13 mitigate against my ability to survive. Recently we paid
14 for a private agronomist to come out and give us some
15 advice on soil tests I had and pasture advice and that is
16 fine. That is user pays and we gain benefit from it, but I
17 am not happy to pay for things that benefit the whole
18 community or, in actual fact, support some of the strange
19 way-out ideas of the government.

20

21 That is what I would like to comment on. I think that
22 needs to be looked at. The broader picture needs to be
23 taken into account when you are deciding who pays for what
24 and for what reason the money is being asked for to pay for
25 them.

26

27 THE CHAIRMAN: Thank you very much.

28

29 MR FREESTONE: There are 30,000 people on the land who
30 are in that situation to do with native vegetation. That was
31 something that Peter Spencer was on about in his crusade.
32 It is all to do with Kyoto credits and the fact we have
33 locked up through native vegetation acts 109 million
34 hectares of land and 30,000 farmers are affected.

35

36 THE CHAIRMAN: Thank you.

37

38 MR TURNBULL: May I make one further comment?

39

40 THE CHAIRMAN: Yes.

41

42 MR TURNBULL: In your funding arrangements and talking
43 about money too, you need to have a situation where, for
44 people who are adversely affected by decisions made by the
45 LLS, there is some form of compensation that they are able
46 to claim. If any bureaucratic decision is made that
47 impinges on someone's livelihood or on their land, or

1 whatever, they are paid just compensation.

2

3 MR FREESTONE: As one last thing, what this gentleman was
4 saying is that all these people, including this man behind
5 me here, most probably never, ever got any decrease in
6 their rates. You are still paying the same rates for all
7 of the property; yet you can't use a lot of it because of
8 the native vegetation problem.

9

10 THE CHAIRMAN: We understand that. Before we break for
11 lunch, could we have a couple of final comments, if there
12 are any. Your last chance on who should pay. All right,
13 we will break for lunch. You are welcome to join us and we
14 will resume at 1.15.

15

16 LUNCHEON ADJOURNMENT

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1 UPON RESUMPTION:
2
3 THE CHAIRMAN: Welcome back, everyone, after lunch to the
4 third and final session. This session is on the rating
5 base and we will start off with a presentation from Thomas
6 Clay.
7
8 SESSION 3 - DECIDING THE BASIS OF SERVICE FEES
9
10 MR THOMAS CLAY: Thank you, Jim.
11
12 This will cover some areas that have already been
13 discussed, but we will just go over them for clarity's
14 sake.
15
16 The purpose of this session is to outline the rating
17 issues IPART has been asked to advise on. This will
18 include an overview of the terms of reference, desirable
19 attributes of fees and service fees, an overview of fees
20 that are currently charged, and issues IPART has identified
21 so far.
22
23 The terms of reference asked IPART to advise on an
24 efficient rating base for compulsory fee collections and a
25 fee collection mechanism giving specific consideration to:
26
27 How well each rating base aligns with specific risk
28 creators and service beneficiaries; and
29 The appropriateness of specific purpose levies and how
30 they are determined.
31
32 IPART has identified the following desirable
33 attributes for LLS service fees. They should:
34 Reflect the efficient cost of providing a service;
35 Be simple and cost effective to administer;
36 Comply with statutory and legal constraints; and
37 Be clear and easily understood by ratepayers.
38
39 Current LHPA funding: Currently LHPAs are funded
40 through fee for service items sold to commercial operations
41 and through rates. The current minimum rating land area
42 for LHPAs is 10 hectares. All rates are comprised of a
43 base charge and a variable charge. The variable charge is
44 multiplied by the notional stock carrying capacity and then
45 added to the base charge to calculate the total charge for
46 each rate. Total rates payable are calculated by adding
47 the general rate, the animal health rate and any special

1 purpose rates together.
2
3 Currently CMAs are almost exclusively funded by grants
4 from the New South Wales and Commonwealth governments.
5 CMAs leverage participation from the community in the form
6 of co-payments, labour and materials. Under their
7 legislation, CMAs do have the ability to charge rates;
8 however, the Hunter CMA is the only one to have done this
9 through their flood mitigation levy. The Hunter levy is
10 collected by local governments within the Hunter CMA for a
11 small percentage of the total money collected.
12
13 The issues that IPART has identified so far include
14 matching service fees with beneficiaries and risk creators,
15 different rate options, problems with efficiency of special
16 purpose rates, and efficient fee collection options.
17
18 Firstly, we considered how different service fees
19 might align with different risk creators and beneficiaries.
20 We came up with this table to summarise our preliminary
21 thinking. Fee for services should only be used where
22 benefit from the service or product can be restricted to
23 those who pay for it. Government funding should only be
24 used where the wider community is identified as the
25 beneficiary or risk creator or when it is administratively
26 inefficient to collect from risk creators or beneficiaries.
27 Rates can be as broad or targeted as each LLS boards
28 desires, depending on the service provided, where it may be
29 possible to use different rate bases to target different
30 individuals or industries.
31
32 With regard to an efficient rate base, we have
33 identified the following options:
34 Notional carrying capacity, which is the current LHPA
35 rating base;
36 Land area per hectare, which was identified in the
37 Bull report of 2007; and
38 Unimproved capital value of land, which is currently
39 used by local governments.
40
41 With regard to minimum rateable land area, the LLS
42 could either leave the minimum rateable land area the same
43 at 10 hectares for most LHPAs or it could reduce the
44 minimal rateable land area below 10 hectares to try and
45 capture risk creators or beneficiaries on smaller
46 properties.
47

1 IPART has been asked to assess the appropriateness and
2 efficiency of special purpose rates. The issue with
3 determining the efficiency of special purpose rates, as
4 this table illustrates, is that it depends largely on how
5 specifically they target beneficiaries and risk creators.
6 The broader and more uniform rates are, the more efficient
7 they will be to administer; however, this will mean that
8 the rate will be less targeted at actual beneficiaries and
9 risk creators. Conversely, the more specific or targeted
10 rates are, the less efficient they will be to administer.

11
12 IPART has also been asked to advise on efficient fee
13 collection mechanisms. Based on our preliminary analysis,
14 we have identified two options. It could either enlist the
15 help of local government to collect rates on its behalf;
16 however unless the LLS used the same rating as local
17 government (unimproved capital land value) efficiency gains
18 may be limited; or they could create a state-wide
19 collection mechanism. We believe that an individual
20 mechanism for each board would be inefficient.

21
22 Therefore the key issues IPART would like comments on
23 with regard to service charges are as follows:

24
25 Are current service fees reflective of the efficient
26 costs of providing services, targeted at actual
27 beneficiaries and impactors, simple to administer and cost
28 effective, compliant with statutory and legal constraints,
29 and clear and easily understood?

30 Given the range of services the LLS will provide, what
31 service fees should be used, what ratings base should be
32 used, how should special purpose rates be determined, and
33 should exemptions be allowed?

34
35 THE CHAIRMAN: Thank you, Thomas, very much.

36
37 We will now have questions and comments on those
38 issues, the rating issues in particular, and we are
39 interested to learn your thoughts on those. Who would
40 like to start first?

41
42 MR TOMALIN: I want to clear up one point. I will
43 probably make some other points later, but the CMA's rating
44 ability under the current act is limited to the ability to
45 raise a levy to pay for a shortfall in the annual
46 implementation program. This is a little bit different
47 from the Hunter. Because they already had a levy in place,

1 they were treated slightly differently in the act. It is
2 proposed that that will be slightly changed in the new
3 bill, but at the moment, the CMA's rating ability is
4 limited to that shortfall in the annual program

5
6 THE CHAIRMAN: Thank you.

7
8 MR FREESTONE: I think I would be staying well clear of
9 rating people on a UCV of their property value. That is
10 getting into pretty dangerous territory

11
12 THE CHAIRMAN: Thank you. Who would like to speak next?

13
14 MR GOWING: I am going to argue very, very strongly that
15 we maintain the current rating system as used by LHPAs,
16 which is a base rate which should, I believe, cover all
17 landholders. I don't mean city/town blocks. They all own
18 land. If we drive a car, we have to have a licence.
19 I think something similar should apply.

20
21 I am going to use my farm as an example of why we
22 should not use one of the other systems that you have
23 suggested. My farm is here very close to Tamworth. It has
24 a high valuation from the valuer general. If that rating
25 base was used, I would be paying a very high rate with no
26 relationship to the farm's earning capacity. On the other
27 hand, should it be done on an area basis, then I would be
28 paying a relatively small rate, because my farm is
29 relatively productive, and the fellow who is well out of
30 town and who does not have a very productive property
31 would be paying a very high rate. In my opinion, that is
32 grossly unfair.

33
34 I also would argue, even though people have suggested
35 that you can do alterations to this, that that is a
36 subjective thing. The only real criticism that I have ever
37 seen of what I would call the assessed carrying capacity
38 that is used by the LHPAs is that it is subjective. But in
39 the past they have always been sufficiently professional
40 people, who are quite able to assess the capacity of the
41 stock carrying capacity of land. I would imagine that that
42 is not a huge problem. I am pointing out to you, by using
43 the example of my property, that both those other rates are
44 very inequitable and I would strongly argue that the rates
45 should be somehow related to the earning capacity of the
46 property.

47

1 MS BROWN: To follow on from the last speaker, one of the
2 things that has come to CMA's attention in the last little
3 while is the lack of mechanism for involvement of the
4 fishing and aquaculture industries and their relationship
5 with local land services. Fishing and aquaculture
6 industries, such as oysters - those kinds of estuary
7 industries - are both beneficiaries of upper catchment NRM
8 action. They are risk creators and beneficiaries in the
9 main park management sphere and CMAs will take those
10 functions with us into local land services. I guess they
11 are farmers of some sort. They are both risk creators and
12 beneficiaries in the purview of local land services. They
13 will require services. They will potentially require some
14 regulatory function.
15
16 None of these bases pick up an ability to rate them
17 apart from a potential base rate. I guess you would need
18 to define farming or agriculture or bring aquaculture and
19 fishing into the definition of those who would pay a rate.
20 That is a point I wished to make there. Thank you.
21
22 MR GEOFF WEBSTER: My name is Geoff Webster. I would like
23 to follow up the point made by my friend over the way here
24 about rating options relating to notional carrying capacity
25 of properties. Obviously a property which is of greater
26 fertility, is closer to a market and has natural attributes
27 of serviced water, and that sort of thing, will naturally
28 be a more productive property than one like mine, which is
29 hilly property. If my notional capacity is calculated on
30 the actual number of stock I have on there, does that
31 really look at the way in which I am bringing in and paying
32 out a lot more for, say, feed, water even, or something
33 like that? Will that be considered? Otherwise, if it is
34 not, the notional carrying capacity is unrelated, really,
35 to the property because if I turn it into an entire
36 feedlot, it may raise more money but, in fact, it is not a
37 true indicator of its capacity to earn. Thank you.
38
39 MR GOWING: Could I explain something about nominal
40 carrying capacity. While you do submit a return saying
41 what is the number of stock on your property, the carrying
42 capacity is actually assessed. It is the number of stock
43 that, under normal circumstances - for the type of stock, a
44 140-kilogram wether, for instance, equals one - is
45 assessed. It is not actually what you carry within your
46 property that you are rated on; it is what your property is
47 capable of carrying in a normal season.

1
2 Of course, if you are a feedlot or something like
3 that, different rules apply, but a normal farming or
4 grazing venture is assessed on the number of animals that
5 are assessed as being capable of being carried on your
6 property in a normal season.
7
8 MR FREESTONE: So drought would have to be taken into the
9 mix as well?
10
11 THE CHAIRMAN: As I understand it, it is the carrying
12 capacity in a normal year which is not a drought year.
13
14 MR FREESTONE: Yes, but what happens in a drought
15 situation when you are still getting the notices, your rate
16 notices, and that?
17
18 THE CHAIRMAN: You will still be able to --
19
20 MR FREESTONE: You are still on the same rate, so that is
21 no benefit to someone on the land.
22
23 THE CHAIRMAN: As an observation, both in the Wagga
24 meeting and this one, most people supported notional
25 carrying capacity. So if someone is against it, I would be
26 really interested in hearing from them.
27
28 Yes, please, Brian. Perhaps Archie can go first and
29 then we will come down to you.
30
31 MR CAMERON: Basically, where we are coming from, we
32 are in favour of a 2 to 10 hectare base rate.
33
34 With notional carrying capacity, part of the
35 explanation of notional carrying capacity is that it hopes
36 to iron out the seasonal fluctuations. As far as we can
37 see, while it may not be perfect, it seems to be the best
38 way to get an overall coverage which is as fair one
39 for most people.
40
41 Public land managers also should contribute and they
42 should be tied to the CPI as far as increases are
43 concerned. As far as special rates, animal health is only
44 for livestock, pest animals, and if weeds happen to come
45 across, there may be a special rate struck for that.
46 Intensive industries have a special rate for them.
47 Feedlots and maybe chook farms and that sort of thing have

1 been mentioned.
2
3 When it comes to the insect levy, at the moment there
4 is one that is charged for all and that is for plague
5 locusts. In the far north-west of the state and in the
6 Tablelands, it is a slightly different set up. I am not
7 sure about the far north-west, but they suffer from the
8 spur-throated locust and I don't know about whether the
9 plague gets out there.
10
11 When it comes to most of the Tablelands, plague
12 locusts have not invaded this area. In my area, it was
13 said that, in 1920, they came to the foot of range, they
14 laid and they never hatched. In the Tablelands again,
15 there is what is called a mountain hopper. It doesn't
16 actually fly, but it can be quite devastating. If there
17 was consideration to varying the plague locust levy across
18 all, I would suggest that that be given consideration.
19
20 As I said, government landholders and all landholders
21 should be pegged to the CPI. Also, if possible, the
22 government should give a five-year commitment to the
23 expenditure they are prepared to provide to the LLS so they
24 would have into the future some idea of what parameters
25 that they might have. Overall, we want transparency,
26 whether it be reporting to the landholders and the auditing
27 and everything else, so one can understand as fully as we
28 can fix what is going on and the expenditures.
29
30 MR TOMALIN: Looking at the three options, land area is
31 totally inequitable. That has been explained. If you are
32 highly productive on a small area, you pay a low rate. If
33 you have an extensive area which is unproductive, you pay a
34 high rate. You could overcome that with a differential
35 rate, but you would have more differential rates than you
36 would have standard rates.
37
38 Notional carrying capacity works for livestock
39 enterprises. It does not work if we want to expand the
40 rating base. It is a limiting factor to expanding the
41 rating base. It does not work for broad-acre croppers, if
42 we look at our region to the west and the properties
43 turning off \$10 to \$15 million a year off what was once
44 plains grass country which had a carrying capacity of one
45 sheep to the acre.
46
47 Particularly if we are starting to bring in plant

1 biosecurity, those issues will need to be considered as to
2 how do you raise the rate for those higher value property.
3 I think while notional carrying capacity for the livestock
4 industries measures the capacity to pay, it does not do
5 anything for the services that they are going to be asking
6 for or the services that they require to be delivered.
7 Instead of basing a rate on capacity to pay it really
8 should be based, basically, on the services that are
9 required for that area.
10
11 THE CHAIRMAN: Thank you. Fiona?
12
13 MS MARSHALL: You asked in one of the questions, should
14 exemptions be allowed? I would like to point out I know
15 certainly some of the local government areas in the Hunter
16 provide reduced rates - that is local government rates -
17 for people who have conservation agreements or property
18 vegetation plans where they were managing areas with
19 obviously reduced stocking rate.
20
21 THE CHAIRMAN: Thank you.
22
23 MS RAINE: Speaking as an LHPA ratepayer now, I agree
24 with Brian Tomalin's point. There are currently
25 horticulturalists, orchardists and viticulturalists paying
26 rates. That has nothing to do with carrying capacity.
27 That is how they are assessed, and they are not feeling
28 they are getting a service from the LHPA for those rates
29 because they are not dealing in livestock which a lot of
30 the services are based around. Also the irrigation
31 industry is exempt from rates at the moment. That may or
32 may not be a fair thing.
33
34 There was a comment from a gentleman over here that
35 the properties are assessed, that they are assessed on the
36 size and location; they are actually assessed on the land
37 type. I speak personally, owning a large property in the
38 Central West, which allegedly can carry 351 dry sheep
39 equivalents - it is a bush block. If it had more than four
40 sheep on it, they would die of starvation. It is a little
41 bit irresponsible to say it is assessed when it is not
42 actually fully assessed and I have two personal examples of
43 where that has occurred. If you are going to use this
44 system, that's fine, but make sure it is assessed properly.
45
46 THE CHAIRMAN: Thank you. Jim?
47

1 MR SWALES: If we start at the top question, "Are the
2 current service fees reflective of the efficient cost of
3 providing services?" Yes, I believe they are. I believe
4 they are adequately targeted as well as you can get it
5 without getting too defined. I think their reasonably
6 simple to administer and they are cost effective. I think
7 they are compliant with the statutory and legal constraints
8 as far as I know. Although there are a few people
9 challenging the legality of them, as far as I know they
10 have not been able to succeed and probably won't.
11
12 They are not necessarily clear and easily understood.
13 I would like to see, as others have mentioned already, the
14 concept of notional carrying capacity perhaps extended to
15 something called land capability, which would do much the
16 same thing but would reflect more readily the activity that
17 is being taken on there, whether it be cropping or
18 livestock management or, in the case of the smaller areas,
19 I guess horticulture or viticulture or whatever it might
20 be.
21
22 The other thing that I would like to see is that the
23 size of the area that comes under that sort of general
24 thing perhaps could be increased to 40 hectares. That
25 would cover most of the smaller non-animal producing type
26 activities except for, say, intensive industries which
27 obviously need to be treated differently - feedlots and
28 chooks, and that sort of thing.
29
30 There was something else that someone else raised that
31 I was going to refer to. It might come to me as we go
32 through the rest of them.
33
34 As to the fees and, things like the animal health levy
35 and the pest insect levy, the animal health levy was
36 originally raised to provide inspection services for the
37 saleyards and that sort of things. Now, I think it mostly
38 covers the cost of inspectors seeing that fresh food gets
39 into the shops for consumers. I don't believe that the
40 animal health levy is a fair levy any longer. It only hits
41 people who have livestock and the funding is not used
42 exclusively for that purpose. If there is to be a levy, it
43 should also be contributed to by retailers and everyone
44 else.
45
46 I have commented on the ratings base. As to another
47 special purpose rate, the pest insect levy, I thought

1 Archie would have known, but with the mountain hoppers,
2 you can obtain poison to spray them yourself at no charge
3 should you need to. The problem is New South Wales has
4 most of the plague locusts so we have to pay the biggest
5 amount of levy. The interesting thing is that, in
6 Queensland and Victoria, whenever there is a problem with
7 plague locusts, the government picks up the tab. That only
8 has happened very rarely in New South Wales. Perhaps that
9 needs to be addressed more closely. Also, as someone
10 mentioned earlier, if plague locusts are controlled at the
11 source, then the people further east will not have them and
12 if they are not controlled, they will have them. So it is
13 that levy should extend across. At the moment that is
14 addressed by people on the eastern side of the Great
15 Dividing Range only paying half the rate that everybody
16 else pays anyway.
17

18 That is probably enough for the moment.

19
20 THE CHAIRMAN: Thank you.

21
22 MR ROTH: Thank you, Jim. You have covered some really
23 good points.
24

25 There is one point I would like to bring to your notice
26 with regard to the orchards and the vineyards. Those
27 people who have orchards and vineyards in the Mudgee
28 area - I do know this for a fact - run sheep in their
29 vineyards during winter months for weed control. So there
30 is a point there that has to be considered. They find weed
31 control in the winter months is very, very important. By
32 doing that, they use much less spray than they normally
33 would. They find running stock is a very good way of
34 controlling weeds.
35

36 I agree with Jim Swales about the base rate, I think
37 it probably should go to 40 hectares, which is 100 acres.
38 When you look at the 25-acre block - especially if they are
39 in the Mid Western County Council, and I am referring to
40 the subdivisions of blocks there, which is 100 hectares,
41 but there are a lot of blocks of 40 hectares - it is very
42 hard to get a 25-acre/10-hectare block to be re-subdivided
43 unless you are close to a town; that is, under 630A, or
44 something like that, I forget what the number is. Someone
45 in the room probably would know. It is very, very hard to
46 get a small subdivision now.
47

1 How would a special purpose rate be determined? As
2 I mentioned, there are some people who do not have stock on
3 their, say, 100-acre block. Some of the ground around
4 Mudgee in the southern points of the district is pretty
5 close to wilderness, but you cannot take that away from
6 them. They are quite entitled to live there and I have no
7 problem with that whatsoever because I think they are a
8 part and parcel of the people who live in the town and must
9 go on - carry on like that.

10
11 "Clear and easily understood" - yes, I wish that was
12 the top heading. Thank you

13
14 THE CHAIRMAN: Thank you very much. Who would like
15 to go next?

16
17 MR FREESTONE: Just a thought to do with the rating issue.
18 With the existing rates that are charged, when this gets
19 going, I would not like to see those rates being increased
20 any more, like the idea about the CPI and something like
21 that. You could possibly use the existing charge base that
22 is there. You have to remember, as I say, a year ago or
23 so, whenever there was the changeover to the LHPA, when it
24 actually changed over to the LHPA, the rates were increased
25 quite a lot from the set-up before that. So don't say that
26 this gives this new organisation any excuse to bump them up
27 again and then sort of start charging CPI.

28
29 MR GOWING: Someone here mentioned that it was said that
30 they could run - if I remember the figures correctly - 300
31 head of stock and they reckoned they could only run four.
32 I would like to point out that, under the current
33 provisions, and I assume the future provisions, they have
34 the right to have their property reassessed at any time.
35 I think this is a very important part of the thing and
36 I definitely would not like to see that done away with.

37
38 The other point I would like to reiterate is that a
39 base rate must be part of the equation. That is for those
40 people who have small areas and everyone who owns land
41 should pay it. We realise that these people are a risk to
42 the rest of the community as well as everyone else and
43 those properties are quite capable of harbouring pest
44 animals, weeds and all these other types of things.

45
46 MS BROWN: When CMAs were discussing rating, rating bases
47 and the framework around rating, we looked at all of the

1 current rating systems around including our own - the
2 Hunter-Central Rivers CMA and the LHPA's. We considered
3 the differences and the risks and opportunities with a
4 constant base rate, a base rate plus a series of subjective
5 variables, a base rate with the opportunity to have a
6 special interest or a special issue levy for a period of
7 time and then go back to a base rate.

8
9 In our discussions, we talked about whether all of
10 those different styles are proactive or reactive styles of
11 responses to problems or issues that might come up. For
12 example, a special purpose or interest or issue levy, that
13 assumes that you have the issue already, that you have now
14 got to quickly scramble to convince the community that you
15 will give them a 15 per cent bump for this particular
16 issue. We watch that play out in the local government
17 arena every year with your good selves where we have an
18 organisation having to convince people that a 15, 27, 50 -
19 whatever it is - rate hike for a period of time for a
20 particular issue is a good idea.

21
22 Given all of the discussion we had around that, we
23 came to the view that a constant base rate that is year in,
24 year out, that might be able to give you a store of funding
25 to invest in special issues as they come up in a proactive
26 sense, was a solid footing for the organisation

27
28 THE CHAIRMAN: A constant base rate on what, though?

29
30 MS BROWN: Good question. We had it as broad a base as
31 possible - so, yes

32
33 THE CHAIRMAN: Thanks.

34
35 MS RAINE: I have a bit of an idea for that - based on the
36 Hunter model, a constant base rate for unimproved land
37 value. I know people have said that that has issues, but
38 the whole issue of unimproved land value set by the valuer
39 general is - and I am reading this off the website - for
40 the provision of fair, accurate, consistent land values for
41 rating and taxing purposes. That's what it is for - so use
42 it

43
44 THE CHAIRMAN: I think Ron would like to speak next.

45
46 MR CAMPBELL: Thank you. With all of the discussion,
47 I think we really need to understand, and I would like to

1 stress this, that it is biosecurity. No matter how it is
2 funded or anything like that, if we are not going to be
3 able to fund our biosecurity and protect our markets and
4 protect our livestock industries, we are not going
5 anywhere. The most important thing that I believe the LLS
6 can deliver is secure biosecurity.

7
8 As to whether we go down to 2 hectares, the risk, just
9 as David Gowing has said, is very great. If you have
10 someone, including myself, who travels overseas, comes home
11 with some disease, not knowingly, and who has a few animals
12 in the backyard, that disease can then spread. That is why
13 we have to be very careful with biosecurity. I can't
14 stress that any more. Thank you.

15
16 MR CAMERON: In the case of animal health, and the LHPAs
17 will correct me if I don't have it quite right, there are a
18 number of segments, partly biosecurity. If we deal with
19 biosecurity at the exotic disease level, we then have the
20 AHA and the Department of Agriculture. What has not been
21 said, and I think we need to flag it at least, is where the
22 LLS vets - and we are not sure how many will continue in
23 this situation, but we will say some at least - are there,
24 we need a complete understanding of the costing. We need
25 to know, whether it is a state or national issues, that the
26 LLSs will be reimbursed for any efforts they make on behalf
27 of the state or the commonwealth. I think this needs to be
28 clearly laid down, so there is no mistake.

29
30 Also on the animal health levies, the saleyard NLIS
31 saleyard checking and general checking of stock, some of
32 that may come direct, it may be separate or it may be part
33 of stock in the animal health. The vets are there,
34 available to advise and checking on a number of things.
35 There are a number of sheep and cattle diseases. It
36 partly needs education and it partly needs checking out.
37 It gives an early warning and checking on biosecurity. The
38 advice for people is, if they are unsure of something, they
39 check with their LLS vet or the LHPA vet, as it is at the
40 moment, so that they can be sure that, for some unseen
41 reason, they have not picked up something nasty that could
42 cause a lot of problems.

43
44 When we talk about risk creators, this is a very grey
45 area because we deal with biosecurity. We look at what the
46 commonwealth and AQIS do. Equine influenza and various
47 other things are questionable, or can be, as to whether

1 someone was asleep at the wheel. That is how EI got from
2 Japan into Australia and it got out in Sydney, where the
3 horses were held. There may be compensation and so on, but
4 that's not point I'm making.

5
6 The other thing is that, from time to time,
7 governments, in their wisdom or lack of wisdom, are
8 inclined to downgrade biosecurity risks. So instead of
9 being 100 per cent, they become a lesser per cent.

10
11 A case in point, although we have had a win so far, is
12 fire blight in apples coming in from New Zealand. We were
13 challenged. It went to the WHO. I don't know how New
14 Zealand did that, but in the end, we were able to put
15 protocols in place and so far, as I understand, no New
16 Zealand apples have come in. Also, at this stage, it is
17 not economic for them do it.

18
19 A comment was made earlier that when we moved from RLP
20 boards to LHPAs, there was a question of variation in rates
21 increases or staying the same. I would suggest, as far as
22 I know our Northern Tablelands, or whatever area it was
23 before, remained pretty well static whereas some others did
24 jump quite markedly, for whatever reason

25
26 THE CHAIRMAN: Thank you. It occurs to me that LSS
27 boards may want to access different rate bases to fund their
28 various services, so that is a possibility.

29
30 MR SWALES: With respect to the changeover from RLPBs to
31 the LHPAs and rating, the only time when rates went up was
32 where a number of old boards were amalgamated and they
33 had a different rate base so that there were some increases.
34 Mind you, most of these increases were quoted in percentage
35 terms. A 50 per cent increase, when you go from \$10 to
36 \$20, is not very great really, and a lot of the smaller
37 holdings who were faced with that sort of increase made
38 that sort of dollar change. In the main, the overall
39 amount that an LHPA could raise was no greater than the
40 previous RLPB, based on incremental information.

41
42 MR DONOGHUE: I wish to make a couple of comments.
43 There was a marked increase in rates on the authorities on the
44 eastern seaboard. This came about because Minister
45 Macdonald, in his wisdom or otherwise, raised the minimum
46 rating rateable area to 10 hectares for what some of us
47 would cynically see as political purposes. That meant that

1 those authorities lost hundreds of thousands of dollars in
2 rate revenue so they had to raise the rates of everybody
3 else to cover the bills. When they did that, he hung them
4 out in the press, but that is history.
5

6 The LHPA rates working group, as you would know from
7 the report that was furnished to you, considered land
8 value. In our considerations and our deliberations about a
9 rating system that would work, we had to try and establish
10 a system that we could collect the rates from. There are
11 some high-value land holdings along the coast that are
12 there because of their scenic values but they have no
13 relation at all to the productive value of that land. As
14 earlier has been suggested, there are large tracts of
15 unproductive land which would pay inequitable rates as
16 opposed to smaller more productive country.
17

18 We really tried to base our deliberation on capacity
19 to pay and capacity to collect the rates. That is why we
20 do not pretend that notional carrying capacity is a perfect
21 concept, but at least it is based on the capacity of a
22 landholder to pay.
23

24 THE CHAIRMAN: So you think that is the best available
25 basis? It's not perfect, but it's the best available.
26

27 MR DONOGHUE: It's not perfect, but it's the best we could
28 arrive at, because, in the end, we have to go and collect
29 those rates
30

31 THE CHAIRMAN: Thanks, Lawrie. Yes, John?
32

33 MR MADDEN: Just a quick comment on that. Capacity to
34 repay is one thing, but it is actually alignment with
35 benefits as well. Otherwise with capacity to pay, you
36 would argue that the people who own the scenic property on
37 the coast can pay; therefore let's charge them. I think we
38 should get the notion that there is actually alignment to
39 who benefits most at the moment, with obviously some
40 capacity to pay elements mixed in. All these things it is
41 a bit of a trade-off.
42

43 An important point is that a lot of the discussion
44 people are having is on the existing bundle of services
45 that they have experience with, which is all the stuff
46 relating to animal health and biosecurity, et cetera. Once
47 you have considered the CMA prospective, you would get a

1 totally different discussion. Mixing the two at this stage
2 is a bit risky. Separating the CMA-type activities and
3 their potential bases should actually be teased apart at
4 this stage for consideration because communities --
5

6 THE CHAIRMAN: So you can imagine local land services
7 boards charging biosecurity at one rating base and cash
8 management at another?
9

10 MR MADDEN: I think it should be two line items and a
11 bunch of activities. An irrigator could be the key
12 beneficiary, if they are all about water quality up at
13 Wagga, up in the upper catchment - but who benefits? It is
14 actually the people who get better water quality using it
15 down bottom of the catchment. There are a whole lot of
16 different considerations once you take those kinds of
17 environmental activities into account.
18

19 MR FREESTONE: Does this mean that once this whole thing
20 gets going to do with remuneration for the Catchment
21 Management Authority where in the past it has been funded
22 by the state government 100 per cent - is that right? Does
23 it mean that there is an expectation that the state
24 government will stand aside from their funding and that
25 funding will be passed on to the landholders?
26

27 THE CHAIRMAN: Maybe someone could answer better on
28 the funding of catchment management authorities than we can.
29

30 MR CAMERON: I am not in disagreement --
31

32 THE CHAIRMAN: I am sorry, Archie. I would like to get
33 someone from the catchment management authorities to talk
34 about their funding, we will deal with that first.
35

36 MR CAMERON: I was on the same subject.
37

38 THE CHAIRMAN: We will come to you next
39

40 MR TOM GAVEL: Tom Gavel, I am the chair of the Catchment
41 Management Authorities Chairs Council. As far as the
42 funding is concerned, the funding at the present time from
43 the commonwealth has been guaranteed for one year, with a
44 review taking place, and that could be then extended for
45 another three to four years. The state government funding
46 has been guaranteed for four years and that has been put in
47 place at the present time and I think it should be in the

1 budget today.

2

3 Other than that, that is probably all I need to say

4 unless you have a question for me. Private landholders do
5 put funds in, as I think has been mentioned earlier. Thank
6 you

7

8 THE CHAIRMAN: Thank you. Archie?

9

10 MR CAMERON: I am not in disagreement with that, but the
11 point NSW Farmers is making is that they have a guarantee
12 now, but until the budget in New South Wales comes out we
13 don't know whether that is as a status quo or allowing for
14 increments of CPI or anything else. It is good that the
15 commonwealth has given a short-term guarantee, but where
16 we are coming from is if, for whatever reason, they - either
17 state or federal - back out of funding requirements, we,
18 from our point of view, do not think we should step into
19 the breach and pay extra rates to cover what has been
20 dropped away.

21

22 Of course, in CMAs with tree planting and various
23 other things in kind, farmer participators, landholder
24 participators do pay either in actual money or in actual
25 works as part and parcel of the thing now, which is
26 separate from what we are talking about here as far as
27 levying rates are concerned.

28

29 THE CHAIRMAN: Yes, we understand that. Thank you,
30 Archie.

31

32 MR FREESTONE: I would like to make one final statement.
33 Once all this is established and it gets going - and
34 I mentioned earlier about getting a profit and loss and
35 balance sheets and all the rest of it - I would like to see
36 a very comprehensive breakdown of all of the costs and
37 everything involved to run this organisation, possibly even
38 a comparison with the organisations when they were split.
39 I suppose in time we will soon find out what sort of income
40 they are able to gather year by year.

41

42 MS BROWN: I have one point to make to clarify and to wrap
43 up the funding or the NRM functions discussion. CMAs are,
44 I guess, going into local land services talking about the
45 investor preference models as we have been today. If the
46 investors no longer wish to invest in the functions that we
47 deliver, those functions or services are no longer

1 delivered. That is the kind of basis on which we have been
2 working

3

4 THE CHAIRMAN: Brian next perhaps.

5

6 MR TOMALIN: On the financial statements, et cetera,
7 annual reports are available for both LHPAs and CMAs. All
8 of have to do is go and find them. They will give you the
9 breakdown that you are looking for. I wanted to address
10 the commercial activities a little bit, and particular the
11 supply of 1080 baits. The Ryan report dealt with it fairly
12 extensively. He considered that the supply of baits was a
13 commercial operation, which was not open to competition.
14 It is not the supply of baits which is restricted; it is
15 the supply of the 1080. 1080 is a security sensitive
16 chemical that is highly regulated. It can only be obtained
17 through a certain channel, which is currently the LHPA. If
18 you want commercially prepared baits, the only way you can
19 get them with the 1080 included is through the regulatory
20 authority. If you want to supply your own bait material,
21 you just take to the LHPA and then they inject the bait.
22 So it is not the 1080 which is the commercial issue; it is
23 the supply of the bait material.

24

25 MR SCOTT: I have come here to support a broad-based
26 approach on the basis of the potential capacities. I think
27 it has been acknowledged and said that it is not perfect.
28 There will be a "they" out there who agree that this is the
29 best one, and there will be a "they" who don't. What
30 I think has been identified with these new services that we
31 are looking for is an increase and a diversity of
32 biosecurity issues that have been identified as needing
33 support.

34

35 One of the other speakers said if we permit things to
36 come into the country, we need to be able to stop them at
37 the ports through the activities of AQIS and things like
38 that.

39

40 The other thing that has been identified, and through
41 the CMAs, is natural resource management. It is not hard
42 to find argument and discussion about the fact that there
43 can be more done. Whether we can afford to do it or not,
44 that is another thing. They can become prioritised at a
45 local level and that is where I would support the local
46 land services boards making those sorts of determinations -
47 but broaden it out. I mentioned earlier today that the

1 smaller blocks too have the potential to start the problem.
2 As another speaker said, he could come in from overseas and
3 inadvertently bring in a problem. It can start off in a
4 fruit tree. It can then get out of the small-town
5 situation into a broad-acre commercial operation and the
6 devastation will be the same. This is not looking at
7 charging them exorbitant fees, but by involving them with a
8 fee-paying obligation, they will be aware, or the potential
9 is there for them to be aware, of the problems that they
10 could have or could start. Thank you

11
12 THE CHAIRMAN: Thank you. When we had the meeting
13 last week in Wagga, the general view was that we should not
14 lower the threshold from 10 hectares to 2 hectares because
15 it was too much trouble to collect the money basically.
16 That does not seem to be the view of this group here.
17 I would be interested in teasing out whether we should
18 lower the threshold to the smaller block, to the 2 hectare
19 blocks.

20
21 MR SCOTT: Mr Chairman, could I comment?

22
23 THE CHAIRMAN: Yes.

24
25 MR SCOTT: As I said, I support the broad base and I have
26 explained the reasons. The avenue to do it, I believe is
27 right in front of us through the local government ability
28 to levy the rates. The local boards are the ones who can
29 determine the extra rates outside the rates that the local
30 government already determined. Literally two extra columns
31 or lines on a rating notice for each local government area
32 to be notified what that would be would be the simplest way
33 to levy the rates. Creating other structures to deliver
34 rate notices and things like that is, I don't think, in
35 anyone's best interests. The ability is there to service
36 the rates that are needed, or notify people of the rates
37 that they need to pay. The ability is there - let's not
38 look outside that - at a cost obviously and not just an
39 unfunded mandate to collect the rates, but some sort of fee
40 could be established by recommendation from yourselves,
41 I would suggest.

42
43 MR CAMERON: I have a question for the LHPA people here.
44 Also before I ask that, I would suggest that if there
45 seemed to be a problem with the 2 to 10 hectare areas,
46 obviously once agreed, the LLS would strike the rate, it
47 might be simpler in that case for that particular charge to

1 go out of the rates. Apart from that, when we have a
2 diversity of possible charges, I think it would probably be
3 better coming from the LLS rather than anything else.

4
5 My question is to the LHPA people. When they changed
6 from RLP boards to LHPAs, the collection was then
7 centralised in Orange. I am just wondering whether this
8 has worked out all right or whether they consider that they
9 have had problems with it.

10
11 THE CHAIRMAN: Would someone like to answer that? I
12 think Jim has volunteered.

13
14 MR SWALES: The situation with respect to collection of
15 rates in Orange is that there is a unit set up to do that
16 on behalf of LHPAs. However, in the LLS system, I
17 understand that the oversighting government department,
18 which is over the head of DPI - it is Industry and
19 Investment or something like that - has a rate collection
20 agency and also one that looks after IT. They have
21 informed us that they will be taking over that function.

22
23 MR CAMERON: How worthwhile has it been now for what
24 your rates have been collected?

25
26 MR SWALES: You will have to ask the minister.

27
28 MR CAMERON: When you have had centralised rate
29 collecting, have you had a problem with costs or anything
30 else from the local LHPA board perspective?

31
32 MR SWALES: I cannot speak for all LHPA boards, but I do
33 believe that the system as it evolved has been quite
34 effective and economic.

35
36 MR CAMERON: Thank you.

37
38 MS MARSHALL: I have a quick comment on your 2 hectare
39 question. As probably one of few representatives from the
40 coastal CMAs here, I guess we play a lot in this space in
41 small landholdings. Cumulatively they cover quite a large
42 land area up and down the coast. Certainly in terms of
43 natural resource management, biosecurity, better land
44 management, we do a lot of work in that space and
45 particularly the education side of things as well, so I do
46 think they should be included.

47

1 MR ROTH: I mentioned earlier about the horse flu. We
2 had, on our books at Mudgee-Merriwa - that was when there
3 was a board - something like 10,000 horses for 10 hectares
4 and above and we found another 10,000 horses under the
5 10 hectares. My response would be that, yes, we do include
6 them. I know there it might be a ministerial nightmare,
7 however, they are getting services now. Someone with a
8 horse problem, only on an advisory capacity, can ring up
9 the board. It would be said that for all the person who
10 are paying rates, it would not be equal, but how can you
11 refuse a service? You must give a service. Thank you.

12
13 THE CHAIRMAN: Anyone else?

14
15 MR GOWING: Just a quick word of caution: I understand
16 that DITRIS levy the CMAs about twice what it costs the
17 LHPAs to do their total overall accounting and bookwork,
18 which includes obviously the sending out of the rates
19

20 THE CHAIRMAN: There are a couple of speakers at the
back,

21 I think.

22
23 MR DARYL PAULL: Daryl Paull. I am the general manager
24 of Central North LHPA. To clarify a few points for those
25 present, if the current rate base is expanded down to
26 2 hectares, that will add an additional 113,000 ratepayers
27 to our books and the total will be 240,000.

28
29 THE CHAIRMAN: Just remind me of the area again, the area
30 you are representing.

31
32 MR PAULL: Central north LHPA.

33
34 MR MADDEN: Are those figures for New South Wales?

35
36 MR PAULL: They are for New South Wales, so there will be
37 an additional 113,000 ratepayers across the state. The
38 total number would be roughly 240,000 across the state.
39 66 per cent of those ratepayers fall into a category under
40 40 hectares. This comes back to the question up there
41 about "clear and easily understood", and it is not by that
42 group of people.

43
44 There was some mention earlier about the notional
45 carrying capacity being subjective. You could say that
46 about a number of other alternatives as well. Carolyn has
47 made the point that she cannot run animals yet she still

1 pays a rate based on animals. Biosecurity now is not
2 solely about animals; even though it will be a large
3 proportion of the biosecurity burden, it is about a whole
4 gambit of things. The sooner we forget about solely
5 livestock, and so on, and look at a broad-based rate that
6 covers everybody, the better.

7
8 As far as the difficulty in getting the rates from
9 individuals, that is real issue, but it should not be a
10 reason not to charge them. If they create a risk or if
11 they benefit from a service, they should pay. It is as
12 simple as that. Where I sit now, I could make my life a
13 whole lot easier by exempting a whole lot of ratepayers
14 that give me hell on a week in week out basis, but the
15 balance left would have to pay a lot more, and I don't see
16 that as being equitable. There are a lot of inefficiencies
17 in our current systems - cropping countries paying on
18 livestock and so forth; the list is endless - but this
19 whole process is about finding something that will work for
20 the organisation. We have to forget about the past and we
21 need to consider all the alternatives, as you no doubt
22 will. Thank you.

23
24 MS ROBYN JACKSON: I am Robyn Jackson and I am the
chair
25 of the New England LHPA. I have been listening with great
26 interest today, and never let it be said that a woman would
27 interrupt a man, but within our own authority, we have
28 actually talked about this quite a lot. I would like to
29 say thank you today to the authority directors who are here
30 with me who have put in a lot of work and who have
31 contributed today.

32
33 Personally, I really cannot see past the notional
34 carrying capacity as being something that we can at least
35 hang our hats on. There are so many other alternatives
36 I know that really just don't work for the basic landholder
37 and that is all I am thinking of. I just wonder why at
38 Wagga, as you commented earlier, they did not want to
39 broaden the rate base. Maybe it is because they have
40 larger landholdings and they think that they would not have
41 enough to make it worth their while. Certainly up here and
42 heading towards the east, as we do, there are so many of
43 those smaller rated areas and we could actually do with
44 that rate income.

45
46 We also know that Daryl and Lawrie have done so much
47 work in working on this rating case, and I am sure that you

1 are taking great note of what they have done, as I know is
2 John Madden, because he had picked up on the material too.
3
4 I want to say thank you for today. It has certainly
5 sparked a lot of interest and thank you to all the people
6 who have contributed. I know that you will be breaking up
7 soon, so I needed to get the last say in, I think. Thank
8 you.

9
10 THE CHAIRMAN: Thank you, Robyn, very much.

11
12 MR ROTH: End of debate!

13
14 THE CHAIRMAN: Is there anyone who wants to make a
15 final comment?

16
17 MR FREESTONE: Our last speaker up the back there was just
18 referring to the 113,000 ratepayers who have landholdings
19 of 2 hectares and above for a rating situation. So, in
20 other words, you are not talking about the ratepayers in
21 the city.

22
23 THE CHAIRMAN: No.

24
25 UNIDENTIFIED SPEAKER FROM THE FLOOR: No, you can't.

26
27 MR FREESTONE: It is most probably a good idea and
28 I think most people are in favour of this extra levy on
29 people with those smaller holdings, so I couldn't put up an
30 argument about that one.

31
32 MR CAMERON: If you keep a pig in the city, you will need
33 the NLIS number.

34
35 MR WEBSTER: This raises the other side of the dichotomy
36 as to who should bear the nation's costs just because our
37 form of productivity requires large areas of land. In
38 terms of the national product, we are beneficiaries. While
39 we can pay, we will probably get away with it, but in due
40 course there will have to be some injection from the
41 commonwealth if things just get out of hand. I guess we
42 could to and fro all day on that. I raised this notional
43 capacity thing because I felt my numbers had been escalated
44 because I was doing a good job by working a bit harder and
45 longer hours, because I had a poor property to start with,
46 which was my choice in the first place because I didn't
47 come from a wealthy family. I wanted to raise that final

1 thing about who really is the beneficiary that is actually
2 divided by 23 million people?

3
4 MR FREESTONE: But what you are overlooking is the rates
5 that we pay in the city compared to what you pay on the
6 land. I know that you have a lot more upkeep and
7 everything to do, and I have a few acres myself, but there
8 are a lot more cost imposts in the city. Not only that; we
9 can't run a few head of cattle when the rates go up to
10 offset those additional costs.

11
12 THE CHAIRMAN: Ian, can I suggest that this is a private
13 discussion the two of you should have outside.

14
15 MR WEBSTER: Thanks, we pay our rates here too.

16
17 THE CHAIRMAN: Is there anyone who wants to make a
18 final comment? Yes, please, down the back.

19
20 MS RAINE: It is just a quick clarification for the
21 record. CMAs don't buy their corporate services from
22 DITRIS; they come from Service First.

23
24 THE CHAIRMAN: Thank you, Carolyn. Anyone else? In
25 that case, I think we should bring proceedings to a close.

26
27 CLOSING REMARKS

28
29 THE CHAIRMAN: I have found this a very interesting day.
30 I thank you very much for the effort you have put in to
31 help us. I think we have had a good discussion. It has
32 been in good spirit and I very much welcome the assistance
33 you have given to us today. That is just to thank you for
34 your contribution and for helping us to understand what we
35 need to do to develop funding framework for local land
36 services, so thanks for that.

37
38 The transcript of today's forum will be available on
39 our website within the next week, so you can have a look at
40 that, if you would like to.

41
42 We welcome written submissions and we would like you
43 to provide them to us either online or by post by 2 July.
44 We will then produce a draft report by the end of August.
45 After that there will be a further opportunity for
46 stakeholders to comment on our findings and there will be a
47 public roundtable in mid September. That is the plan from

1 here.
2
3 Finally, once again, I thank you very much for
4 attending and for your contribution today and with those
5 remarks, I will close the forum.
6
7 MR CAMPBELL: Thank you, James. You are a very good
8 facilitator. I think you have given us all a good
9 opportunity to put our points of view and to contribute, so
10 thank you very much. To all the other members of the
11 panel, but especially to you, James, thank you for being
12 such a great facilitator.
13
14 THE CHAIRMAN: My pleasure.
15
16 AT 2.35PM THE TRIBUNAL WAS ADJOURNED
17 ACCORDINGLY
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