

INDEPENDENT PRICING AND REGULATORY TRIBUNAL

REVIEW OF A RATING FRAMEWORK FOR LOCAL LAND SERVICES

PUBLIC FORUM

Tribunal Member

Mr James Cox, CEO

Members of the Secretariat

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

At the Wagga Wagga Commercial Club
Nathan Room
77 Gurwood Street,
Wagga Wagga NSW 2650

On Friday, 14 June 2013 at 10.12am

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1 MR COX: Good morning ladies and gentlemen and thank you
2 very much for coming to this public forum. I realise that
3 some of you have come quite a distance to be with us today
4 and we very much appreciate the effort you've put in to
5 assisting us with this public forum.

6
7 This public forum is part of our review into the
8 development of a funding framework for Local Land Services
9 NSW. My name is Jim Cox and I am the Chief Executive
10 Officer and full-time member of the Independent Pricing and
11 Regulatory Tribunal of New South Wales, or IPART, and
12 assisting me today are members of the IPART Secretariat,
13 Colin Reid on my left, Peter Leventis and Thomas Clay on my
14 right and Alex Kelty is in the audience.

15
16 There was an issues paper on 21 May asking the
17 stakeholders for their views in response to the terms of
18 reference issued by the Minister For Primary Industries and
19 these terms of reference ask us to develop a framework that
20 local land services boards can use to set service fees,
21 recommend a rating base - for example, stock carrying
22 capacity, land area or land value - an associated fee
23 collection mechanism and develop an approach to ensure that
24 local land services boards comply with what is recommended
25 in the setting of service fees.

26
27 We will not determine actual service fees. The
28 intention is that such fees may vary between regions to
29 reflect local needs. However, it is proposed that they be
30 calculated using a common approach to be developed as part
31 of this inquiry. Some services, as now, will be funded by
32 government, other services will be priced to recover part
33 or all of their costs from landholders or from industry
34 groups.

35
36 Our timetable for the review is as follows: There
37 will be public forums in Wagga on 14 June, Tamworth next
38 week, on 18 June, and in Penrith on 8 July. Submissions
39 will be due by 2 July. We will submit a draft report to
40 the government by the end of August. There will be a
41 roundtable in Sydney in September to deal with submissions
42 and we will submit a final report to the government by the
43 end of November and then the government will decide
44 whether it will adopt our recommendations.

45
46 Today's public forum provides stakeholders with an
47 opportunity to present their views on the matters raised by

1 the term of reference and we have attempted to capture
2 these matters in our issues paper. Obviously, today our
3 intention is very much to listen to your views and perhaps
4 have some discussion about some of the issues that arise
5 today.

6
7 We have divided today's forum into three sessions.

8 The first session will introduce the matters on which we
9 are asked to make recommendations. This session will also
10 provide an opportunity for stakeholders to comment more
11 generally on the services that they currently receive from
12 the livestock health and pest authorities, the DPI, the
13 Department of Primary Industry extension services and
14 catchment management authorities and what they pay for
15 these services. As the end of the first session there will
16 be a general discussion.

17
18 The second session will be on the costs of local land
19 services that should be recovered from individual
20 landholders and the costs that should be borne by the
21 broader community, so it is a cost sharing issue.

22
23 The third session will be on the rating base that
24 should be adopted to recover those costs - should it be
25 notional stock carrying capacity, land value, land area or
26 something else.

27
28 For each of these sessions a member of IPART's
29 Secretariat will provide a brief presentation that outlines
30 the key issues that we see as important in making our
31 recommendations and then we'll ask for comments from the
32 stakeholders, which is the audience. Can I ask that each
33 of you restrict your comments to the relevant topic.
34 We have a roving microphone so that you can make your
35 comments heard and help everyone to hear what you're
36 saying.

37
38 As you would have noticed, this forum is being
39 transcribed so that we have a record of what is said to
40 help us in our work. Of course, this record will also be
41 available to any member of the public through our website.
42 To assist the recording of the proceedings, please identify
43 yourself and the organisation you represent and do that
44 before you speak. In terms of housekeeping, we plan to
45 break at lunch at 12.30pm and we'll make a light lunch
46 available. We will plan to break at that time.

47

1 To start off with the introductory session, I hand
2 over to Colin Reid who will introduce this topic. Colin.
3
4 MR REID: Thanks very much, Jim. As Jim has indicated, we
5 are on a learning experience at the moment, so we hope to
6 get input from yourselves. This is meant to be an informal
7 session. It is not a formal hearing as such. It is an
8 interactive session with you. We have allowed time for us
9 to scope out each session and
10 then for you to comment and ask questions and possibly for
11 us to ask questions back to you.
12
13 As Jim indicated, we've broken the day into the three
14 sessions. My name is Colin Reid and I will give a broad
15 introduction. Subsequent to that, Peter Leventis will talk
16 on the question of the apportionment between the
17 individual landholder, industries and government - in other
18 words, deciding who pays - and the third session, the final
19 session, is intended to be on deciding the basis to pay and
20 that is looking at the rate base, whether it be fee for
21 service, as Jim indicated, whether it retains the concept of
22 notional stock carrying capacity, land value or land area.
23 They're the broad issues that we hope to get through today.
24
25 The purpose of today is, therefore, to convey our
26 understanding of the terms of reference that we've been
27 given and we'll go through those terms of reference in
28 detail in a moment, but mainly to provide you with an
29 opportunity to voice your views on current funding
30 arrangements, what the funding arrangements should be, the
31 rating basis and fee collection mechanisms and what checks
32 and balances need to be in place to ensure that the charges
33 that are set by local land service boards comply with the
34 approved and adopted framework.
35
36 In that context is the issue of how
37 tight that framework should be and what discretion should
38 be allowed to land service boards in setting
39 fees and decisions on that will obviously determine the
40 detail that goes into the framework that IPART is asked to
41 establish.
42
43 At the end of May the government, as you may well
44 know, introduced a bill into Parliament for local land
45 services and it also released a number of facts sheets.
46 What I've done here is extract some of those points
47 raised in those facts sheets which give context

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1 for the review that IPART is undertaking.
2
3 First of all, the government indicated that local land
4 services will be funded by a combination of government
5 money and private money.
6
7 The Australian Government contributes, for example,
8 at the moment for catchment management. The
9 New South Wales Government also contributes, whether it be
10 some of the costs of operation or whether it be for
11 specific grants or specific activities, and obviously local
12 ratepayers also contribute.
13
14 In the facts sheet what the government indicated is
15 that traditionally if you combine the functions that come
16 under local land services, about a third of that money is
17 raised through charges on ratepayers. They have the
18 expectation that around that same
19 proportion would continue. That is a general
20 expectation. Obviously, that will be dependent upon the
21 framework that we come up with and then what the final
22 decisions are.
23
24 The second thing that the government raised in these
25 fact sheets that came out with the legislation was that the
26 government said they support in principle the
27 recommendation from John Keniry's group, the stakeholder
28 reference panel, to amend the current rating system to
29 collect a flat fee for small properties ranging from two
30 hectares to 10 hectares. There is a limit at the moment on
31 the size of properties from which fees can be collected.
32
33 John Keniry's panel was also recommending a
34 biosecurity levy be collected from those smaller properties
35 in recognition of the biosecurity risks they create. One
36 of the major things that has been quoted is the equine
37 influenza outbreak and the issue that was raised there with
38 small properties.
39
40 The third point the government has raised that I've
41 extracted here is that local boards and ratepayers can decide
42 to fund and provide additional services. It is not expected
43 that each local or land service board would provide
44 exactly the same services: obviously different biosecurity
45 threats exist in different parts of the State. As Jim has
46 indicated, there may be different charges that apply to the
47 same service provided in different areas, depending on the

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1 economics of those different areas, but I think the
2 anticipation is that - if I read the government's
3 announcements correctly - where there are additional
4 services, to the bread and butter ones that are provided, the
5 anticipation would be that there would be agreement between
6 the ratepayers and the board to provide those services to
7 the cost of the ratepayers.

9
10 The government also provided this source of funds statement,
11 which in some ways pre-empts what we're looking at, but it
12 is their expectation, it is an indicative source of funds
13 that they have provided. This applies for the four years
14 from 1 July 2014. The figures shown here are the aggregate
15 for the four years, they're not annual figures. What
16 they're saying is that they would anticipate, in broad
17 terms, that the existing rate base that comes from the
18 Livestock Health and Pest Authority, which raised, roughly,
19 about \$140 million over four years, would broadly
20 continue.

21
22 There's government funding at the
23 moment for recurrent expenditure and there
24 is also grant funding from the New South Wales Government
25 and the Commonwealth Government.

26
27
28
29
30 The big area, the big uncertainty from the
31 information that has been put to us so far is
32 the DPI extension/ advisory services and if and to what
33 extent they're paid for by ratepayers.

34
35
36 However, what the government has indicated is that in
37 combining the three organisations - the livestock health
38 and pest authorities, the catchment management authorities
39 and parts of the Department of Primary Industries - they
40 hope to make administrative savings of about \$5 million a
41 year and the indication is that the government intends to
42 apply that to fund the extension services and advisory
43 services. This is my interpretation of what the government
44 has put out.

45
46 MR SALMON: Excuse me. On that efficiency dividend, I was
47 under the impression that that was the increased efficiency

1 of the existing organisations, so the government's actually
2 going to put extra money in because the organisations are
3 running more efficiently.

4
5 MR REID: The source of the money will be that efficiency
6 gain by cutting down the number of --

7
8 MR SALMON: That is already in the income.

9
10 MR REID: Yes, that's right.

11
12 MR SALMON: It is a budget fictitious method in play.

13
14 MR REID: The specific terms of reference that we've been
15 given is to develop an efficient and transparent cost
16 recovery framework to be applied by local land service
17 boards in setting fees. In doing so we're to have regard
18 to the strengths and weaknesses of the cost recovery
19 frameworks in other jurisdictions. We have done some
20 preliminary work on that looking at what happens in the
21 other States in Australia and, for example, in New Zealand.

22
23 The second term of reference asks us to advise on an
24 efficient rating base - and we have talked about notional
25 stock carrying capacity, et cetera - and an efficient fee
26 collection mechanism. At the moment we have the annual
27 returns for the livestock health and pest authorities and
28 in the case say for the Hunter Catchment Management
29 Authority, there is an additional charge on local
30 government rates and Thomas will talk about that in more
31 detail later on.

32
33 The third term of reference we've been given is to
34 develop an audit methodology for assessing the extent
35 efficient cost recovery pricing is introduced. My
36 interpretation of that is ensuring the previous two terms of
37 reference are implemented properly. As Jim emphasised, we
38 are not out there to set the actual fees but are to provide
39 the framework within which fees will be set, providing the
40 government adopts that framework.

41
42 Our review timetable - we released an issues paper and
43 invited submissions. We did that on 21 May. Public
44 submissions are due up until 2 July. You can either do
45 that through our website or just post us a submission. We
46 are holding these regional workshops. As Jim indicated,
47 we're holding this one in Wagga today, then Tamworth on

1 Tuesday and then Penrith in early July. We will be
2 releasing a draft report and inviting further submissions
3 at the end of August and we will hold a roundtable in
4 Sydney at our offices in mid-September. People will get a
5 further chance to put in their formal submissions to that.
6 We will present a final report to government in November
7 and then it will be up to the government what it does with
8 those recommendations.
9
10 Going into a little bit more detail about our terms of
11 reference, the first term of reference refers to developing
12 this cost recovery framework. Some of the elements that
13 you might get in the cost recovery framework - obviously,
14 nominating the services that are going to be provided. I
15 have listed the services as siloed at the
16 moment: biosecurity, advisory extension services, natural
17 resource management, emergency services.
18
19 Obviously, as some people have indicated to us, when
20 you provide, for example, advisory extension services, it
21 may also have natural resource benefits. Those silos that
22 I have here may not necessarily apply and obviously
23 in combining three organisations it is intended to get rid of
24 those silos, but for simplicity and understanding the
25 broad range of functions provided by local land services,
26 it is easy to put them into these categories.
27
28 Having nominated the services, the local land service
29 board will have to determine the level of service that's
30 going to be provided and I see that as most probably an
31 iterative process. LLS will have to calculate the costs of
32 delivery and there is an issue of how this is going to be
33 determined, what the efficient costs of providing those
34 services are and how that fits within the framework that we
35 develop.
36
37 With the boards of the local land services
38 overseeing the organisation, that will be one impetus for
39 efficiency. There will then be the decision about which
40 parties pay and how much and that's an issue that Peter
41 will talk in some detail about in the second session. That
42 is obviously a critical issue. These various things,
43 particularly the level of services and the services
44 provided, may have to be reassessed in the light of what
45 ends up being available government funding. These are my
46 interpretations of the terms of reference. You're most
47 welcome to have input on that.

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1
2 The second part of the terms of reference relates to
3 devising an efficient charging base. What we see as the
4 possible charging base are a fee for service, that
5 is a fee paid by an individual landholder, possibly an industry
6 levy, we have some of those at the moment, and the general
7 rates issue. The question is whether you can isolate each
8 individual service and have a rate for each service or
9 whether you have a common rate that extends right across.
10
11 The livestock health and pest authorities have notional
12 stock carrying capacity at this point in time,
13 Richard Bull in 2007 raised the issue of using
14 land area and others have raised the issue of land value.
15 There will be a need to link the chosen rate base
16 to particular services and then the question arises of the
17 administrative efficiency of those rate bases: that is are they
18 simple to understand, transparent, verifiable, et cetera.
19
20 A key issue will be are there any legal constraints on
21 the choice of rate bases? Obviously, of interest here is
22 the constitution. There are only certain charges that
23 States can levy, although some States seem to be able to
24 get away with more things than others, or they have
25 traditionally, but that's obviously a key issue in devising
26 the framework and suggesting the rate base.
27
28 Advise an efficient fee collection mechanism. Once
29 again, that would have to be linked to the choice of
30 rate base. Possible fee collecting mechanisms include
31 as we have said are bills for individual service or based
32 on the annual return of the local land service, similar to
33 the LHPA at the moment, in addition to the possibility of
34 using local government rates. If there is an imposition on
35 local government rates, local government will want to be
36 reimbursed for the costs of collection.
37
38 The last term of reference we have been asked to look
39 at is to develop an audit methodology to assess the extent
40 to which efficient cost recovery pricing is introduced. My
41 interpretation of that is what checks and balances are
42 required to ensure that local land services comply with the
43 efficient and transparent cost recovery framework and adopt
44 an efficient rating base and implement an efficient fee
45 collection mechanism.
46
47 I would now like to turn it over for general

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1 discussion. I have put up some discussion starters.
2 You may have other matters you wish to raise in general
3 terms at this point, having in mind Peter's and Thomas'
4 specific sessions later on. The discussion starters that
5 I've put up are:
6
7 - How do the current funding arrangements relate to the
8 services that are delivered and your satisfaction, or
9 otherwise, with those current funding arrangements?
10
11 - Are there any gaps that you see in what we're proposing,
12 in our approach?
13
14 - What checks and balances are needed to ensure efficient
15 cost recovery pricing is applied?
16
17 Having said that, I will hand back to Jim to chair the
18 discussion.
19
20 MR COX: Thank you, Colin, very much. We now have the
21 opportunity for questions, comments, statements by members
22 of the audience. If you want to make one, please put your
23 hand up and we'll get a microphone to you and when you
24 start to speak, just introduce yourself and say what
25 organisation you're representing, if any. Who would like
26 to go first?
27
28 MR D SALMON: Dan Salmon, Riverina Livestock Health
29 and Pest Authority. Plant biosecurity at the moment is not
30 covered by any of the income streams that were stated. Is
31 it part of your brief to look at how plant biosecurity is
32 going to be funded or is it just something that will have
33 to be evolved over time?
34
35 MR REID: We haven't sighted anything specific on that
36 particular issue. We can explore that one further. We'd
37 obviously like to talk to John Keniry, in particular, as to
38 what understanding they came to on some of those matters,
39 what they recommended to the government as to what to
40 include in the functions. I understand general weed
41 control is to stay with local councils, but you're asking a
42 bigger question than that obviously. We will have to take
43 that question on notice and come back to you.
44
45 MSS SCHULTE: Stephanie Schulte, New South Wales
46 Irrigators' Council. I have actually a few different
47 questions. One relates to the general objective of the

1 review and of the amalgamation of LHPA catchment
2 management authorities and DPI. If the exercise is to gain
3 efficiencies and these efficiencies are then basically
4 translated into cost savings, has IPART got a particular
5 view on whether these cost savings are then translated into
6 or attributed either to government savings and local
7 landholders or industry savings? How is funding for those
8 services from industry, communities and landholders
9 currently recovered? What does IPART see a problem with of
10 the current recovery mechanism? That was my first
11 question.
12
13 The second question relates to some of the current legislative
14 and State Government objectives in terms of the Rural Land
15 Protection Act 1998 and the Catchment Management
16 Authority Act of 2003, and how will those ones be
17 incorporated in the amalgamation when local land services
18 come about and how do the new entities then relate to those
19 previous Acts?
20
21 MR COX: Thank you. I thought that was three questions
22 and not two.
23
24 MS SCHULTE: I am sorry.
25
26 MR COX: I will answer the first two and ask Colin to
27 answer the third. The first one was efficiency gains.
28 I would have thought the general principle that we would
29 apply in our work is that we should try to establish what
30 are the efficient costs of undertaking the activities.
31 I think in principle we should be looking at scope for
32 efficiency.
33
34 There was then a question of who pays, what share is
35 paid for by farmers, individually or collectively, or
36 shares paid for by the government. I would have thought
37 that we'd look at the efficient cost base and then try to
38 find out what the fair share is to be paid by each group,
39 and the sort of process that Peter will talk about in a
40 moment does all that.
41
42 What we're talking about is sharing the efficient
43 costs of the services, not what the actual costs happen to
44 be. That is the general principle in IPART's work. Of
45 course, it may not be easy for us to establish what
46 efficient scope there is for efficiency, that's quite
47 possibly true, but I think in principle we're taking about

1 people paying their fair share of efficient costs.
2
3 In terms of what the problems may be with existing
4 methods of recovery, I think what the government has asked
5 us to do is to take a look at this on first principles; in
6 other words, to see who should pay for these services and
7 how they should do them in principle. We're looking really
8 from the ground up, just a sort of principles based
9 approach.

10
11 Where that will lead us I don't know. It may well be
12 that at the end of the day existing arrangements or
13 something similar to them may not be that bad, I just don't
14 know at this stage, but I think the government has asked us
15 to take a more in-depth first principles look at how the
16 question should be framed. I think that's the approach
17 we'll be taking. I think it is far too early for us to
18 take a view on any of that.

19
20 The third question was about legislation and I'll hand
21 over to Colin for that.

22
23 MR REID: Could you put that in the context of our inquiry
24 and the funding requirements, Stephanie? That would help
25 us.

26
27 MS SCHULTE: My general question is just how, as I said,
28 those that are currently related to all the individual
29 entities, will those then translate over to local land
30 services? Will local land services be governed by those
31 boundaries, or the same boundaries, or will new boundaries
32 be established with the establishment of local land
33 services? I'm referring here to Section 2.4 of your
34 discussion paper, if that's any help,
35

36 MR REID: As you know, the government has introduced a
37 new bill into Parliament. I'm not a lawyer but my
38 understanding is that that bill has largely just, if you
39 like, taken a lot of the existing provisions and lumped
40 them together. We haven't gone through the detail of the
41 new bill to find out what impact that may have on
42 associated funding, but my understanding was that the
43 funding or the pricing arrangements will be very much
44 caught up in the regulations, some of which are still to be
45 put into place.

46
47 Hopefully, those regulations will come out of the

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1 recommendations we make to government. I can't comment
2 specifically on a functional basis of how the functions
3 will come together - that's obviously part of the
4 John Keniry committee and the recommendations to the
5 government - but what we are about is how the organisation
6 will be funded and it was quite specific about what funding
7 arrangements we'll be looking at, pending input from
8 obviously people such as yourselves.
9

10 Potential funding arrangements are government or
11 private funding and as far as private funding is concerned,
12 would it be a fee for service, whether it be an industry
13 levy or would it be some more broadly based rating system.
14 My understanding is that the intention would be that you
15 would get away from the silos possibly, to the extent that
16 it is feasible, as far as the funding arrangements are
17 concerned, having in mind that there are particular
18 activities, which Peter will talk about, which have broader
19 community benefits where there is existing government
20 funding and one would anticipate that that would continue.
21

22 It is more getting clarity around the private versus
23 public funding and then getting clarity
24 around what is the appropriate basis for charging and that
25 would be the outcome of our inquiry.
26

27 MR D MUDFORD: Don Mudford. I am a rate payer from the
28 Central West Authority. I've been a director on the Dubbo
29 RLPB and currently the LHPA for 13 years. I am speaking
30 here today as a ratepayer. During the last 13 years the
31 DPI has continually passed on to the LHPA various jobs
32 without any funding or very little funding. We keep taking
33 on these roles for the community and it just has to stop.
34 They can't keep bleeding us any longer.
35

36 Once again, this has led me to look further into where
37 our authority could make savings on behalf of our
38 ratepayers with these added costs. With animal health and
39 biosecurity there are many professions that rely on the
40 livestock industries, including our own staff at the LHPA,
41 for their livelihoods. Biosecurity is a burden that should
42 be shared by the whole community, remembering that farmers
43 are a part of the community and we pay taxes like everyone
44 else.
45

46 Since the formation of the LHPA, the senior DVs have
47 been constantly supplying data to DPI and do not have time

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1 for any field work. Therefore, the senior DV costs should
2 be borne by the community as a whole.
3
4 This is not a new concept. DVs have always been
5 supplied by the DPI to the Western Division and still are.
6 We have approximately 7,500 ratepayers in the Central West
7 Authority. There have been approximately 800 requests for
8 veterinary services over the last 12 months. Most of these
9 cases were from ratepayers who made several requests. A
10 senior DV has suggested that about 5 per cent of total
11 ratepayers request the services of a DV. This leaves
12 95 per cent that don't request any service.
13
14 Likewise, there's a similar percentage of ratepayers
15 request services of a ranger. In many cases these are the
16 same ratepayers requesting the services of the vets. The
17 95 per cent of ratepayers not requesting a veterinary
18 service should not have to pay for something they don't
19 require or ask for. These figures are documented using the
20 newly developed LHMS activity report program that vets
21 record all diagnostic inquiries and visits in to. These
22 figures are similar across the State and this information
23 is made available to DPI.
24
25 I would like to make a couple of recommendations.
26 One, on animal health, that the senior DV be paid for by
27 government on behalf of the community, of which farmers are
28 a part, and the DVs be paid for by those who use the
29 services. This will drive efficiency within the
30 authority's animal health department.
31
32 Regarding TSRs, TSRs are publicly owned land. The
33 farmers don't own the land but the farmers pay for the
34 maintenance of the TSRs. They have done this for over 100
35 years, possibly 150 years, where ratepayers have paid for
36 publicly owned assets. The public have contributed very
37 little.
38
39 No-one can say it is the farmer who benefits from this
40 land as there is less than 5 per cent of farmers that use
41 the TSRs and when they do they pay agistment or usage of
42 that TSR; not like the farmers who use the veterinary
43 service who don't pay when the vet comes out. The
44 recommendation regarding TSRs is that the cost of the TSR
45 network be shared by the owners of that land, which is the
46 community, and those who use the land for grazing or any
47 other activity. This will drive efficiencies in the

1 LHPA/TSR department.
2
3 Pest animals. I believe that pest animals is a
4 growing concern for farmers and the community. The burden
5 of this cannot be left alone to the farmer. He puts in his
6 time at below cost and above other associated costs of
7 rates. Everyone in the community requires all the income
8 from overseas market share we can muster to be able to
9 enjoy the standard of living we currently enjoy in
10 Australia.
11
12 The community needs this market share as much as the
13 farmers need it. We should all contribute as a community
14 to pest animal suppression eradication where possible to
15 stop the spread of disease or we all risk losing market
16 share and our standard of living across the nation.
17 I don't want to lower my standard of living and I'm sure
18 no-one else does either. We should all pay.
19
20 Recommendation 3, that the farmer is required to put
21 in his time as a cost to suppress and eradicate where
22 possible pest animals over and above his community
23 obligation of contributing through the taxation system but
24 not through rates, not an added burden through rates.
25
26 Farmers pay in several ways. We do the on-ground work
27 and then in some cases we pay for the services and then we
28 pay rates and then we pay as a community. Governments
29 have got their hands in our pockets all the time and it is about
30 time they cut it out. It has been going on the whole time
31 I've been on the authority.
32
33 They are the three areas that I'm very familiar with.
34 With the environment, with the CMAs coming on board, the
35 same applies. We all need to contribute to the
36 environment. It is not just a farmer obligation. The
37 community and governments put regulations on the farming
38 community and then expect us to pay for those regulations.
39 It has to stop. This leaves us with no requirement to
40 charge any rates to farmers. Thank you.
41
42 MR COX: Thanks, Don, very much. Who would like to go
43 next?
44
45 MS D PATON-BLACKWELL: Thank you. I'm Deb Paton-
46 Blackwell. I'm the chair of the Hume LHPA. I think that Don has
47 just made some very valid comments. I think putting it into an

1 economic question, you are being asked to develop a
2 framework for a funding model where we don't actually know
3 the costs of the ultimate functions and services. We don't
4 know the costs of the redundancies to the organisation. We
5 don't know what the corporate services of the organisation
6 are going to cost and ultimately it is quite a complex
7 thing to try and work out a rate when you don't know what
8 the hell it is going to cost. That is the opposite to how
9 most people in private industry run their businesses.

10
11 To that end - and, as Don was saying, there's a big
12 concern about this cost shift - is there anything in your
13 economic modelling that looks at the ability to pay by the
14 individual - and that also goes back to what Don was saying
15 - where people cannot keep paying? Is there an economic
16 rationale or equation that you use to work out what is our
17 ability to continue to keep paying for these services?

18
19 MR COX: Thank you for that. It is worth bearing in mind
20 that ultimately charges will be determined not by ourselves
21 but by the new authorities, so what we're doing is
22 recommending a methodology that the new authorities will
23 use. In this case, we're not the charge-making body.
24 We're simply saying how the new boards should determine
25 charges. As to a lot of the issues about what is the cost
26 basis, and so on, we'll set out methodologies but won't
27 ourselves be determining what the cost basis is. As I
28 understand it, that's correct. We're at the stage of
29 principles that will be implemented by others.

30
31 In terms of capacity to pay, I think Peter will be
32 presenting models in due course as to how you might share
33 costs between various groups. Those models tend to
34 emphasise things like who has created a risk, who benefits
35 from the activity, those sorts of approaches. That is a
36 more economic approach. Where I think it leaves us is to
37 some degree of cost sharing between various groups, so it
38 is not the case that the farmers pay for everything, but
39 there is a proportion of costs that would be shared by
40 perhaps the local community or perhaps by the State
41 community or perhaps by the Australian community, so it is
42 a cost-sharing approach. Nonetheless, I think the
43 underlying principle is that those benefiting from the
44 activity should pay.

45
46 I think that will result in fees being determined on
47 an economic basis and obviously when you're thinking about

1 what individuals can pay, individual have greatly varying
2 circumstances. There will be some people that are able to
3 pay and there will be some people who have some difficulty
4 with paying. That gets us into the area of hardship
5 policies which is an issue for the new boards rather than
6 for IPART.

7
8 MR C RANDALL: I am Colin Randall, councillor and
9 landowner in the Junee Shire. My question is it is all
10 right now with the weeds which is a very touchy subject
11 everywhere. As a council, Junee spray the weeds on the
12 road but travelling stock go along the road, they use the
13 road, we get no cost back to us for that travelling stock.
14 My argument is why isn't the LHPA, as it is called - in our
15 opinion, and I saw John Keniry in Grenfell and approached
16 him, 95 per cent of the farmers in our area would like to
17 see the LHPA abolished. That's one thing that we don't
18 need. It is just a cost on us all. Admittedly, they're
19 there but where are they?

20
21 You can ask any farmer in our area why do we need
22 them. I'm prepared to pay for a service. We use our own
23 veterinarian. We don't use the LHPA one. The reason is we
24 feel that he's more easier to come by. We want to know
25 over the whole community how are you going to share the
26 cost. Someone's got to pay for this. I know where it will
27 come back. It will keep being the farmer and the farmer
28 and the farmer. A person with two acres in town rarely has
29 - they're saying it's a big biosecurity risk. That is
30 completely rubbish. Anything imported from overseas, that
31 is one of them. They are the sort of people that should
32 pay for all this sort of thing, not just the general
33 community.

34
35 Admittedly, there are little blocks. We've got to
36 have a PIC number now for two acres, or 2.5 hectares.
37 How much further down? Are they going to go to a town
38 person with an 800 square metre block? We've got to start
39 drawing a line. The finances have got to be worked out.
40 I filled in a survey form and sent it back to you -
41 I think, Peter, you sent them out - on how we would like to
42 pay the fees and everything, but I filled mine in and sent
43 it back.

44
45 You've got to get it back to an even keel. We cannot
46 expect the people without any animals to be paying - like,
47 the big farming, the cropping, we should never have to pay

1 equal with anyone with stock, I feel. It's got to be an
2 equal share for everyone. Thank you.

3
4 MR COX: Thank you for that. Yes, please.

5
6 MR J DAVEY: Name is John Davey. I am a director on the
7 Hume LHPA and a landholder at Aria Park. I just wanted to
8 say a couple of things to do with the current funding,
9 especially for biosecurity. In the audience I think a couple of
10 comments have been made. There is some confusion
11 about what the biosecurity component actually is and just
12 because a district vet doesn't attend a property doesn't
13 mean they're not benefiting the whole farming community.

14
15 A private vet can't do many aspects of a veterinary
16 service that's done at a state level, so there's a very
17 important component that is being done by the district vets
18 and the senior district vets or the animal health component
19 part of the LHPA. That is a general surveillance and it's
20 related to our domestic trade and international trade, the
21 ability to know what diseases are there and what are not
22 there, and so that's a very important function. The other
23 part is just the ability to detect and respond to emergency
24 exotic diseases. We need that service there.

25
26 In saying that, I would also like to say that over the
27 years historically, I feel, the State Government has given
28 more and more functions to the LHPA animal health service
29 to do and so consequently the landholder has had to fund
30 those activities when I don't feel there's been really any
31 economic analysis been done as to who really should pay for
32 those things.

33
34 I really welcome this examination of who should pay
35 because I'm no economist, but my gut feel is that over the
36 years more and more has been put upon the landholder to pay
37 through rates to do with biosecurity when there are many
38 many benefits that really are community benefits that the
39 landholder has had to pay.

40
41 TSRs have been mentioned too. That is another historical
42 thing, that the function of the TSRs has changed from
43 being how stock are moved around the countryside many
44 many years ago to a network which very very few landholders
45 use. I believe more and more it's become something like a
46 natural resource function rather than something for moving
47 livestock. Yet, the landholder has largely paid for that.

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1 I think it is just an historical thing that's happened and
2 even though I think many people recognise it, the funding
3 hasn't come the way of the LHPA. The landholder has had to
4 pay it through rates.

5
6 MR COX: Thanks, John, very much. Are there any other
7 comments?

8
9 MR A MCGUFFICKE: I'm Alan McGufficke from LHPA
10 Lachlan. You're bringing this forward in silos but in reality
11 there will be a fair bit of integration between those things.
12 We've got two different types of funding. One is the rate
13 base and the other one is government grants. The rate base
14 historically has been pretty steady and constant. In
15 recent times the government funding has been constant but
16 it is really open to drastic changes as political winds may
17 change.

18
19 I don't know whether it is a question or a statement
20 I'm trying to make. The complexity of actually bringing
21 those things together, which they'll have to do if the RH
22 is going to get a more efficient system, otherwise I don't
23 know what we're changing and why we're doing it, but once
24 you get those together, the complexity of the two different
25 funding sources and actually putting that in together and
26 then setting rates, I just can't see how it is going to be
27 very easy.

28
29 MR COX: Nor can I. I don't think it is a particularly
30 easy task. We are looking at a variety of activities.
31 What we will try to do I think is to establish a consistent
32 economic framework, apply it service by service and we'll
33 see where we end up.

34
35 MR MCGUFFICKE: The services will integrate.

36
37 MR COX: Yes. In reality, there are probably a limited
38 number of funding bases and mechanisms available.

39
40 MR T MURDOCH: Tom Murdoch. I am a director on the
41 Lachlan LHPA and a landholder as well. I have a couple of
42 comments. There's a lot of disparity in the current rate,
43 which has carried over from the amalgamation of the old
44 boards to the new authorities, which we haven't been able
45 to bring into line with any authorities because of only
46 being allowed CPI increases. Within that authority - and
47 I'm not aware of what other authorities have - we have

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1 three and a half old boards that have come together and
2 they all have a differing rate and we can't bring those
3 into line because we were only allowed CPI increases.
4
5 You spoke there in your overhead about an area based
6 rate which would be extremely difficult, even more complex
7 to try and administer, because of just the variance of say
8 a block of land at Wanaaring and a block of land at
9 Moss Vale. A rate is based on what the profitability or
10 the income generated from that area of land is.
11
12 I agree wholeheartedly on you putting on a base rate
13 right across the board, so whether you've got two hectares
14 at Junee or whether you've got 200,000 hectares at
15 Broken Hill, a base rate for what you're trying to achieve
16 is warranted. I think you need to formulate a rate above
17 that based on what amount of money is generated from that
18 area of land: that is my first point.
19
20 I agree wholeheartedly with some sort of funding for
21 biosecurity. As a landholder, I'm quite happy to pay for
22 the ranger or the DV to check stock in the local saleyards,
23 but, for argument's sake, if there's a Hendra outbreak or
24 an equine influenza outbreak, you people have to decide
25 what benefit it is to me as a landholder and what benefit
26 is to the public good and what that proportion is and the
27 money that's collected from a biosecurity levy, is some
28 proportion of that going to go into a fund that will fund
29 an emergency, or will emergencies just be funded from
30 government revenue if and when that happens?
31
32 For argument's sake, we already pay an insect levy and
33 I'm quite happy to pay that if they can spray grasshoppers
34 out in the west country before they get to my crop. You're
35 obviously well aware of those things.
36
37 With respect to Alan's comment about natural resource
38 management, I am sure all existing LHPAs would quite gladly
39 give up half of their TSRs because they are of no
40 commercial value. With stock mob sizes the way they have
41 to be to be economically viable, there's a lot of TSRs that
42 just aren't economic. They're overgrown and are not
43 physically wide enough to carry the amount of stock. There
44 are some TSRs that are extremely valuable resources for
45 grazing. A lot of people might say that they're used for
46 drovers, or whatever, but in times of disaster, flood,
47 fire, whatever, they have been used and to see them get

1 locked up would be a great shame.
2
3 There is also the issue of native claims on those TSRs
4 if they are given back. I don't envy the job you're doing
5 because I think if you delve into that LHPA system as it
6 is, it is a very complex system that's evolved. The Bull
7 review was pushed under the carpet. The TSR review was
8 pushed under the carpet mainly because they've all just
9 fallen into the too-hard basket.
10
11 MR COX: Thanks, Tom, for those comments.
12
13 MR SALMON: This is probably outside your remit but,
14 reading your discussion paper, almost every State has a
15 transaction levy of some description, many of which,
16 according to the New South Wales Parliamentary Council, are
17 unconstitutional. Is it time to explore the concept of a
18 national biosecurity transaction levy to fund important
19 biosecurity activities?
20
21 Just a comment on the fee for service. My
22 understanding is that once you have a service where the fee
23 charged justifies the service, it is no longer reasonable
24 for a publicly funded organisation to provide that.
25
26 MR COX: Thank you.
27
28 MR D WOLFENDEN: My name is David Wolfenden. I am a
29 landholder, an individual, not representing any
30 organisation. A question - there has been a great deal of
31 silence on the other half of the DPI and what its role is
32 going to be and where research is going to finish there.
33 No research is research without extension, so I think to
34 conduct this whole debate in the absence of what the other
35 half, what the old DPI, the remaining DPI is going to do,
36 seems to be a gap.
37
38 I must admit I didn't quite have time to read the
39 whole Act, the new Act, but in a quick skim through it, it
40 looked like it was going to be very limited. I suppose my
41 question is what scope will there be for individual LLSs to
42 cut out services or to increase services? Could one LLS
43 agree to totally abandon its travelling stock reserves
44 because that didn't suit that area, or would that decision
45 have to be made at a state level? Just exactly what type
46 of actual management role will an LLS have?
47

1 We all know that the closer these decisions are made
2 to the consumer then normally they're more efficient and do
3 drive efficiencies and do drive cost savings or better
4 expenditure.

5
6 MR REID: Thanks very much for your question, David. My
7 understanding is that there is a review taking place at the
8 moment by the government on the Crown lands which is
9 specifically looking as part of that at travelling stock
10 routes. I'm not privy to where that's got to or what may
11 come out of that. We have certainly heard a lot of
12 comments on the reasonableness or otherwise of continuing
13 the travelling stock routes. Obviously, some of them are
14 on major roads and I understand the issues there.

15
16 MR WOLFENDEN: No, that was just an example. I'm not
17 interested in travelling stock routes at all. The question
18 is what scope for individuality is there going to be?

19
20 MR REID: My understanding is there will be scope for
21 individuality. However, in some cases, such as,
22 for example, some of the biosecurity issues, there is a
23 statewide policy on biosecurity and that may have
24 implications for what has to be provided by local land
25 service boards. There will be some key functions which
26 would have to be performed and obviously there would either
27 be government funding or private funding for those, but
28 there would be other functions where the local land service
29 boards will have discretion. My understanding would be
30 that they would be more ancillary services rather than
31 basic services.

32
33 MR COX: Thank you. Any there other comments or
34 questions?

35
36 MS PATON-BLACKWELL: Just for the record, before we
37 move on to what I think will be the most important part for
38 this room, the risk creator/risk bearer discussion, the LHPA
39 broadly agrees with IPART's principles with respect to your
40 framing model. Possibly some clear articulation of
41 explicit rationale is required. In addition to the public
42 funding for public benefit, consideration should be given
43 to government funding to maintain a base level of
44 capabilities to enable a response at the outbreak of
45 emergencies, et cetera, in the future.

46
47 The LHPAs also encourage a flexible approach and to

1 that end that goes to the question of being locally
2 autonomous with respect to that decision making. That is
3 just with respect to the early part of your principles.

4
5 MR COX: Thank you.

6
7 MS PATON-BLACKWELL: Later, after this meeting, we will
8 present to you a short paper. We didn't want to hold up
9 the rest of this meeting today. We will go into more
10 detail in that later.

11
12 MR COX: Thank you.

13
14 MR REID: Could I say something too? My understanding -
15 and people can correct me if I'm wrong - is that there are
16 obviously some emergencies that are recognised at the
17 national level and there are already deeds in place between
18 the Commonwealth Government, state governments and
19 industry. There are pre-designated proportions that are
20 paid by the Commonwealth, state and industry, dependent
21 upon the seriousness of those threats. So that if there's
22 a serious threat to human health, my understanding is
23 that the Commonwealth would pay 100 per cent. We'd have
24 to go back to those individual deeds. There are deeds in
25 place. None of what we're doing here would obviously
26 override or overrule those existing agreements.

27
28 MR MUDFORD: In the case of emergencies, if you get two
29 inches of rain on the coast then the State and the Federal
30 Governments are out there the next morning throwing money
31 at them left, right and centre. Out here we've got to pay
32 for our emergency services. We've got to pay to be
33 prepared for our emergency services. All we're asking is
34 equality throughout the community in Australia.

35
36 MR REID: Not specifically on that subject but more
37 broadly, there is an issue that some of the CMAs have
38 raised with us and that's the issue of duty of care of the
39 landholder and where that stops and starts. Obviously,
40 that has been specifically raised in some
41 cases of non-productive land or small acreage, but, more
42 broadly, across the whole of the community.

43
44 I don't know whether that has some impact on people's
45 thinking or whether people want to express a view on that;
46 that is, what as an individual landholder you have
47 responsibility for and what's a more broader community

1 responsibility in that regard.
2
3 MR P CAMPBELL: My name is Peter Campbell. I am a
4 landholder at Henty. I wanted to put a brief question. Is
5 it in your brief to look at what the other States are doing
6 and perhaps to coordinate rates between States? It would
7 probably affect us in the border areas. I totally agree
8 with what John has said regarding the LHPAs and the notes
9 he has made in his address.
10
11 MR REID: Certainly, in the letter that the Minister sent
12 us with the terms of reference, we have been asked to look
13 at other States, with particular regards to border issues.
14 My understanding is that Victoria has a levy on sales of
15 stock, for example, and people have raised the question of
16 New South Wales, where there was a court case and that was
17 found to be unconstitutional, but yet Victoria still
18 obviously persists with that charge.
19
20 Having in mind those potential constitutional issues,
21 certainly as part of our terms of reference we have been
22 asked to look at the cross-border issues and any
23 information you can give us to help inform us on that
24 would be most beneficial.
25
26 MR COX: Is there anyone else?
27
28 MR J DAVEY: John Davey, Hume LHPA. Just in relation to
29 the other States and how they raise their money for
30 biosecurity, I might be wrong but my understanding is that
31 only in recent years that that has been instituted and
32 I believe that it is because the state animal health
33 function has been within the LHPA all these years that,
34 in effect, the State Government hasn't had the ability to
35 strip out that organisation when they're doing all these
36 efficiency drives. It has been happening for years and
37 years.
38
39 I believe that happened in the other States and
40 I think there's a recognition that the state animal health
41 capability in New South Wales is far superior to any other
42 State and I believe it's because it has been within the
43 LHPA organisation that's been able to, in effect, protect
44 that ability. Probably these other States are now
45 realising that they do need a bigger component of animal
46 health ability, state animal health ability, so that they
47 are attempting to raise funds to bolster that ability.

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1
2 I suppose I get back to the original point that I made
3 earlier too, that I wonder if the average landholder has
4 been the one kicking the tin all the time when really the
5 State Government should have been doing more.
6
7 MR COX: From what you're saying, the fact is that animal
8 health as a funding source has been of benefit.
9
10 MR DAVEY: Yes. It has been within the LHPA and it has
11 been funded, effectively, because it has been within that
12 organisation and so state governments, in effect, haven't
13 had the ability, when they've had all these efficiency
14 drives that have been going on for years, to remove all
15 these positions.
16
17 MR COX: Thank you.
18
19 MR A McNEIL: My name is Angus McNeil. I am a board
20 member of the Murray Catchment Management Authority.
21 I have some question as to the ability of the new authority
22 to raise revenue in a rating base like a local government.
23 Are there legislative restrictions on their ability given
24 it is regarded as a tax? Can they have an unimproved
25 capital value base for a rate or an improved capital value,
26 all those sorts of things? Is that possible?
27
28 MR REID: The example that has been quoted to us relates
29 to the Hunter Catchment Management Authority, dating back
30 to the 1955 Maitland floods where it was decided to raise a
31 levy, which was then raised across the whole of the rate
32 base, including households, and an amount was added to
33 local government rates in that Hunter area. The local
34 government, as I understand it - and Thomas will go into
35 more detail - keep about 5 per cent of that as a collection
36 fee.
37
38 Whilst we'll certainly have to explore the full legal
39 aspects in the matters that you have raised, certainly at
40 the moment there is the example of the Hunter Catchment
41 Management Authority where there has been an additional
42 impost imposed on local government rates.
43
44 MR COX: We'll take a couple more questions or statements,
45 if there are any, before we move on to who should pay. Who
46 would like to go next?
47

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1 MR G CORBOY: Geoff Corboy, Riverine LHPA. I think I
2 know the answer, but when you're looking at a new rating
3 system, do you take into account the changes that will impact
4 on individual landholders? In the work that we've done, any
5 change towards unimproved capital value or land area will
6 have a significant effect on the individual landholders and
7 quite a few of them.

8
9 MR COX: Colin may want to add to this, but I think the
10 answer to that is yes, we do need to understand what the
11 implications of any new system we might recommend are on
12 the range of landholders and that we understand what the
13 consequences will be.

14
15 MR CORBOY: I might give Colin some of the work we did
16 with the Bull review.

17
18 MR COX: That would be enormously appreciated. I think
19 that's the best data source I'm aware of that can address
20 that question; otherwise, we won't understand it. It might
21 all seem very good to us, but we won't understand what it
22 means practically. I think that will be part of our
23 advice.

24
25 MR REID: We have been, as you know, trying to chase down
26 the Bull disk and appreciate the information
27 that you have been able to provide us to date. We may have
28 to explore further with you exactly what is and isn't
29 available, particularly if, for example, there was to be
30 this move from 10 hectares down to two hectares, just what
31 the implications of that are. I appreciate the comment
32 that has been made over here, that from past amalgamations
33 there are still wide differentials in rates because of the
34 limitations that practically exist on how quickly you can
35 move rates to get that same rate across a whole area.

36
37 That is obviously a particular issue we will have to
38 look at and work out how that should be taken into account.
39 As you know, often in the past there has been a cap placed
40 on the annual increase. In some cases that means you never
41 get to equality and so there is the issue of the
42 reasonableness of the rate of change and it comes back a
43 little bit to people's willingness or ability to pay to
44 some extent, but it is also the question of equity between
45 the people who are already paying the higher amount and
46 people who may not have paid in the past.

47

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1 MR CORBOY: I have a follow-up question. Are you also
2 aware that when in the past the animal health rate was
3 meant to fund the animal health activities of the
4 authority, once the rate capping came into place, if what
5 you're funding from your livestock health rate didn't match
6 what you were spending, there was no room to adjust because
7 you were capped?

8
9 In reality, if it wasn't capped, your general rate may
10 actually have to have gone up to fund your other activities
11 and livestock health may have had to be cut because you're
12 actually collecting more than what you needed, but there
13 was no way we could do that. That's something that's a
14 political thing but it is probably something you should be
15 aware of. Once the rates were initially set, we had no
16 room to actually adjust them to the activities that we were
17 doing.

18
19 MR COX: Part of the advice that we give the government
20 should be around that issue. We're very grateful for any
21 help you can offer us.

22
23 MR CORBOY: Yes.

24
25 MR REID: Particularly on that issue, the Commonwealth
26 Government has put out some broad guidelines
27 on cost recovery and one of the things they emphasise is
28 that, to the extent it is administratively efficient, you
29 should be collecting charges that specifically relate to
30 particular activities. We all recognise that because of the
31 broad nature of a lot of these activities and because,
32 for example, a lot of these biosecurity measures may well
33 be like an insurance policy, that's not necessarily an easy
34 thing to do and there could well be an argument to maintain
35 a general rate base going forward.

36
37 MR CORBOY: It was one of the criticisms of the
38 Ryan review that came out and there was basically nothing
39 we could do about it.

40
41 MR REID: Yes. I think what these Commonwealth
42 guidelines are saying is that you shouldn't look at the
43 break-evenness - if you like - of the total organisation
44 but the more limited activities, to the extent that that's
45 administratively efficient. Could I go back to one point
46 that was raised at the beginning I think by Dan, the
47 question of plant biosecurity. To the extent that that's

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1 not covered, obviously, at the moment by LHPAs, presumably
2 that's a function that gets caught up with the catchment
3 management authorities. It does or it doesn't?

4
5 MR SALMON: It is a DPI function. It is not an extension
6 DPI.

7
8 MR REID: Thanks for clarifying that, just so I know who
9 to go to explore that route.

10
11 MR SALMON: It is the poor relation, which is why every
12 plant disease that has been introduced into Australia over
13 the last 100 years is still there, whereas only half or a
14 quarter of the animal diseases are.

15
16 MR REID: We're meeting with DPI next Friday. That is an
17 issue I will raise with them. Thank you.

18
19 MR P BROWN: My name is Peter Brown and I am from the
20 Lachlan LHPA. Coming back to the differential rate, the
21 differential rate and the impact within our authority, the
22 modelling that I did it went out 10 years and we weren't
23 even going to get the equity after 10 years between the
24 three former RLPBs, because of the capping predominantly.

25
26 Even without the capping, being conscious of the
27 significant variation that existed, that one group of
28 people would have to cop an increase of say 10 or
29 15 per cent, the ones in the middle might be 5 per cent,
30 the ones already at the maximum or at the highest levels,
31 they would stay the same.

32
33 It was a significant challenge and we were just never
34 going to get there. It does need to come back to the
35 government having the fortitude, for want of a better word,
36 to decide that everybody should pay an equal amount or be
37 done the same across the State and within each authority.

38
39 MR COX: I would like, if I could, to move on to the next
40 session which is on who should pay. We will have a chance
41 to have further comments and discussion after Peter has
42 presented that. Thank you, Peter.

43
44 MR LEVENTIS: Thank you, Jim. For session 2 the terms of
45 reference asked IPART to develop a cost recovery framework.
46 In our issues paper we provide some preliminary thoughts on
47 issues to consider when developing a funding framework.

1 Our aim is to be informed by stakeholders on an efficient
2 and transparent framework and if impediments might exist in
3 applying the framework. We should note that work has
4 already been undertaken by the stakeholder reference panel,
5 with its own research through Mick Keogh, which asks
6 stakeholders their views on who pays for the proposed LLS
7 services. This consultation effort and stakeholders' views
8 that we receive in our workshops and from our reports will
9 assist us to develop an efficient and transparent funding
10 framework. I will continue to say efficient and
11 transparent funding framework because it is a crucial
12 element of the terms of reference that we must adopt.
13 I apologise for any repetition.

14
15 We are seeking stakeholder thoughts on what principles
16 are appropriate to consider when developing a funding
17 framework. The principles will help us to assess whether
18 any particular framework works better than another. The
19 framework in general seeks to link the provision of the
20 service to the appropriate funding option. Given our
21 research so far, it appears funding frameworks use key
22 questions to elicit required information to allow for a
23 consistent approach to funding government functions.

24
25 Broadly, we have identified three questions as being
26 important. These include the reason for government
27 intervention, which particular driver of the service is
28 important, either to reduce risk or to provide a service,
29 and whether particular individuals or groups exist that
30 should be charged.

31
32 IPART's proposed principles were developed based on
33 preliminary research which included the Commonwealth
34 Department of Finance's guidelines which followed on from a
35 Productivity Commission review and guidelines developed by
36 the OECD. This session considers issues related to the
37 first principle, who should be charged for government
38 provided services. The principles we have identified may
39 conflict, in particular the first three in this slide.

40
41 The first three principles. Where what is
42 economically efficient may not be efficient to administer
43 and the charging approach that's efficient would need to be
44 within the powers of the State Government to legislate.
45 Additionally, transparency ensures that all relevant parties
46 have a say in how the service is delivered should it be
47 provided. Further, it is also important to create a

1 framework that is usable which may conflict with strict
2 adherence to theory. There are practical issues as well
3 that we should consider when we're creating a framework.

4
5 We developed a four-stage process to link demand for a
6 service to an appropriate funding option. This session is
7 aimed at stages 1 and 2 which use the key questions
8 approached to identify who should pay. It is important to
9 understand the local land services board must be able to
10 consistently apply the funding framework to the services
11 that are in its area. It is consistent application of
12 the framework, not necessarily the outcomes that follow
13 from it. Consistency in outcomes is not necessarily the
14 framework's objective.

15
16 Therefore, we split the tasks into stages, in
17 particular, four stages as shown in this slide and the
18 next. It would be helpful to know if this approach is
19 useful because it will assist us to develop an efficient
20 and transparent framework that's also usable by each local
21 land services Board.

22
23 Following on from the previous stages, one and two,
24 the funding framework would seek to identify funding
25 options available and how they link to the service
26 provided. IPART's second principle, administrative
27 efficiency, is important here as an administratively
28 inefficient funding option could potentially outweigh the
29 benefits of charging for a service. In the next session
30 Thomas will discuss issues surrounding charging for
31 services.

32
33 In general, our issues paper attempts to highlight the
34 key relationship between the provision of a service and
35 what drives it. Economic efficiency requires that all
36 possible costs be internalised by those parties involved in
37 an activity. Where these costs cannot be internalised, the
38 market finds it difficult to adequately provide the service
39 at a level that benefits society. Here we're interested in
40 understanding which cost recovery strategies should be
41 applied in a funding framework so that the parties that
42 create the need for the service or benefit from its
43 provision, on efficiency grounds and equity are charged for
44 its provision where possible.

45
46 We found that the literature identified certain cost
47 recovery strategies that would allow for specific parties

1 to be identified as the drivers of the service. These are
2 the risk creators, beneficiaries 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 information that will help to
7 determine the demand for the service and, hence, who and to
8 what extent should the identifiable party contribute to its
9 provision. What our key questions approach is seeking to
10 do is assist the users 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 - to understand which cost recovery strategy is
14 appropriate considering the market failure the service is
15 trying to address.

16
17 We identified in the literature a risk
18 creator-beneficiary-taxpayer hierarchy which appears to be
19 used in many jurisdictions in Australia to efficiently
20 allocate costs. This hierarchy raises some interesting
21 issues: for example, the sufficiency principle which
22 influence how costs are allocated. That is, where it is
23 possible that an identifiable party or group should be
24 charged and the benefits to private individuals or industry
25 outweigh the cost of the service then any additional
26 benefits derived by third parties are irrelevant. This is
27 a concept that exists.

28
29 Further, is it possible to charge the risk creators or
30 beneficiaries efficiently? Hence, the role of the
31 government as the funder of last resort. Once the reason
32 for the service has been investigated thoroughly and the
33 appropriate cost recovery strategy identified, then the
34 question remains as to which party can be classified as
35 risk creator or beneficiary. It should be noted that it
36 may be possible to be both a risk creator and a
37 beneficiary.

38
39 To ensure all potential parties in an LLS area are
40 considered appropriately, we've split parties to be charged
41 into three broad categories: landholders, which includes
42 individuals on contiguous land for any purpose, industry,
43 to account for commercial users of land holdings, the
44 community, which could be either the community within the
45 LLS area boundary or more broadly refers to all people in
46 New South Wales. Each of these categories can be
47 disaggregated further to specifically identify, if

1 possible, who creates the need for the service or is
2 deriving a benefit from its provision. It is important to
3 understand that risk creators or beneficiaries could be any
4 one of these broad categories.

5
6 We also developed a set of mechanical approaches to
7 apportion cost shares. Apart from creating a framework
8 where you're asked questions to identify why you're doing
9 this, you also need to try to create a process where you
10 apportion costs appropriately. Therefore,
11 where it is considered appropriate that one party should
12 not bear the entire cost of a service, it would be useful
13 to have an approach that transparently allows for shares to
14 be allocated.

15
16 Presently, two general agreements exist between
17 government and non-government stakeholders for emergency
18 biosecurity events. We augmented the sliding scale
19 approach used for so-called plant and animal deeds to allow
20 for landholders to be included. However, what we're
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. Our
24 issues paper also discussed other approaches of various
25 degrees of complexity to share costs but here we're just
26 testing models.

27
28 This slide shows how the approach in the previous
29 slide will finally distribute costs across multiple parties
30 should that be efficient and appropriate to do so.
31 Therefore, again I stress that this does not mean that this
32 approach should be used. Rather, if it is considered
33 appropriate that more than one party should contribute to
34 the cost of a service then some arrangement is necessary to
35 transparently share costs.

36
37 In this session we're seeking stakeholders' thoughts
38 on what is an appropriate funding framework to decide who
39 should pay for services. Before a framework can be
40 developed, it is important that we apply the correct
41 principles to assess alternatives. The framework is a
42 tool that should allow for consistent application across
43 the various services provided by each local land services
44 board. However, the outcomes may vary given the
45 circumstances in each area.

46
47 Further, it may or may not be obvious - and that's why

1 we're seeking stakeholders' views - which services exist
2 because of risk creators or beneficiaries or whether
3 component parts of the service may be due to risk creators
4 or beneficiaries. Here your views will assist us to
5 understand what funding issues the framework must take
6 into account. Therefore, we are seeking stakeholders'
7 views on what the appropriate contribution is for a service
8 or a group of services by the parties we have identified:
9 landholders, industry and the community.

10
11 Your thoughts on these issues and any other related
12 issue will help us to develop an efficient and transparent
13 funding framework as per our requirements within the terms
14 of reference. Thank you.

15
16 MR COX: Thank you very much, Peter. Questions, comments,
17 statements from the audience? Who would like to go first?

18
19 MR WOLFENDEN: One of your main sections there is
20 industry. I'm unfamiliar with any mechanism where you
21 could raise money from industry. Clearly, you can tax
22 land, you can claim it as landholders, and the closest we
23 might have is the RDC model. Once again, most of those are
24 the landholder payments or primary producer payments, not
25 processors, not exporters, et cetera. Just how do you ever
26 envisage or do you have any way of envisaging that you're
27 going to collect from industry?

28
29 MR LEVENTIS: If I go back to one of my previous slides,
30 this sliding scale approach is based on the Commonwealth's
31 plant and animal deeds, which are agreements between the
32 Commonwealth Government, state governments and various
33 industry associations which basically work to split costs
34 between the governments. I assume this will be discussed
35 more in Thomas's session, a levying arrangement where
36 producers within an industry would be either compulsorily
37 required to or another arrangement could potentially exist.

38
39 I don't know the specifics but an industry levy would
40 be more likely to occur in terms of charging a broad group
41 of related businesses rather than a fee for service which
42 would, as Thomas will discuss later, more likely be used
43 for an individual landholder requiring something from an
44 LLS board. Levies are quite commonly used for industries.

45
46 MR COX: I think "industry" here means farmers
47 collectively rather than individual farmers.

1
2 MR WOLFENDEN: That distinction should be made. It is not
3 the industry; it is just the first step of the industry.
4
5 MR REID: You also have, for example, the industry levy,
6 so there can be specific levies that are raised
7 on particular types of farming activities.
8
9 MR WOLFENDEN: I would state that they're very very
10 limited.
11
12 MR REID: Yes, they're very limited.
13
14 MR COX: Thank you.
15
16 MR MUDFORD: We pay doing the work on the ground, we
17 pay a partial fee for the service, a partial cost of that
18 service, we pay as a ratepayer and we pay as an industry.
19 We're just paying. It is just a different way of getting
20 the money, isn't it. It is just bloody ridiculous.
21
22 MR LEVENTIS: Could I just answer that statement? Where a
23 service from an LLS board or a government targets a certain
24 collective industry then, if they are the beneficiaries of
25 this service, economic efficiency would back up the
26 approach that the industry would fund it separately from
27 other services where you pay a fee.
28
29 What we're trying to do is look at what services will
30 lend themselves either because of who is the risk creator
31 and whether it is a fee for that service, or if they're a
32 collection of individuals for another service, potentially
33 a levy is appropriate for them because they receive
34 benefits.
35
36 An analysis needs to be undertaken for the services
37 provided, and run through the framework. Right now we are
38 creating a framework so that each time you run through the
39 framework, you can identify who should be responsible.
40 I understand there are multiple avenues for payment but
41 they may not all be for the same service. It may be more
42 efficient in one instance to charge a fee for a particular
43 service, but in this other instance because there is a
44 collective, and we're talking about potentially a group of
45 farmers that benefit from some kind of an extension
46 activity - this is an example. I don't want to be quoted
47 on that. I'm just trying to explain the framework - then

1 it may be appropriate for them to be charged for it,
2 because they can either say, "We don't want it" or "We'll
3 go to the private sector", or, "If we do seek benefit in it
4 and we want the service provided then we will want it up to
5 a level that we think we should pay for."
6
7 In some ways being involved in it also allows for
8 efficiency being driven on the other side, up to the point
9 where we value the service.
10
11 MR MUDFORD: Yes, that's fine. There are lots of
12 different industries on farm and I can see your point, but
13 who is wanting the service? Is the government wanting to
14 supply the service? It is a bit hard for the government to
15 say, "Well, we want this to supply this service," but if
16 95 per cent, for example, don't want the service and then
17 are forced to pay for the service, is that justifiable?
18
19 MR LEVENTIS: If the service is created because of an
20 externality, so, for example, some kind of negative
21 externality where you don't understand the risk that's
22 being created to someone else, you may not want the service
23 but the society may demand it for an efficient market
24 outcome. In that sense the service should be provided, no
25 matter whether as a private individual I don't want to pay
26 for it. There are instances, especially where negative
27 externalities arise, that services should be provided and
28 the appropriate risk creator should be charged whether they
29 like it or not.
30
31 That does not extend to every service that they may
32 provide, that concept does not extend for every service, so
33 the framework would try to use the economic principles to
34 identify whether it is a negative externality, whether it
35 is a public good issue, whether it's asymmetric
36 information, so that you can run the service through the
37 framework and understand why it should be provided. In
38 instances where there are no externalities and there's no
39 clear reason why a community may not want to pay for it,
40 then you should ask yourself why it should be provided and
41 that would be the flexibility within the board.
42
43 MR MUDFORD: That's fine if the board has that
44 flexibility, but the board may be told by government,
45 "You have to supply that service," and then on-charge for
46 it. The community are saying to the farmers, "We want as
47 the risk takers, the farmers, if a disease gets out that is

1 endemic to animals," but the community is also losing
2 because they're a beneficiary of the income that comes in
3 to Australia from the products that are exported. More
4 people benefit than just the farmer from something that's
5 sold overseas.
6
7 MS PATON-BLACKWELL: Mick Keogh's surveys came out
8 and pretty well conclusively indicated that from across the
9 community one of the most important roles of the new LLS
10 would be the work done on biosecurity. I will probably
11 need to discuss with you later that there are some
12 definitions that I think really need clarifying about
13 "beneficiary". For example, in the process of paddock to
14 plate, when we did the regulatory work, the surveillance,
15 the compliance, the NLIS, and someone in Pitt Street at a
16 restaurant has the benefit of that, do you see that person
17 as being a beneficiary who should ultimately pay for part
18 of our biosecurity work?
19
20 I've had a look at some of the work that we do as an
21 organisation and I'm darned if I can see how it relates to
22 individual farmers that should be paying. With respect to
23 biosecurity work, some of the contribution we make is to
24 public and human health, food safety and supply, exotic
25 animal disease and emergency response, emergency
26 preparedness, emergency response to bushfires, drought and
27 other natural disasters, endemic disease surveillance,
28 animal welfare, environmental, and the list goes on right
29 down to cultural heritage and public benefit of use
30 through TSRs.
31
32 There is an absolute enormous proportion of work that
33 our organisation does. We welcome your framework.
34 We welcome those four questions. We think it is
35 fundamental because if those four questions are applied to
36 every function and service that our organisation currently
37 does, I think a whole lot of people are going to get a very
38 big surprise on what the New South Wales farmers have been
39 supporting or propping up for the last 150 years.
40
41 Thank you for coming to look at this because it is
42 really important to us. There have been a few comments
43 about TSRs today. We have done some work in our authority
44 on the percentage of our ratepayers who use TSRs. It is
45 1.8 per cent. We will be providing these figures to you in
46 more detail later because we understand that the only thing
47 you economists understand are figures. We've got plenty of

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1 them for you and they're coming.
2
3 When you start doing this work and looking at these
4 figures, you get a bit of a shock, so, yes, we support from
5 the LHPA perspective the four questions and yes, we support
6 the way that you're going to look at that cost sharing, so
7 thank you.
8
9 MR COX: Just a couple of comments in response to that.
10 Firstly, in defence of my fellow economists, there are
11 things that we do understand other than figures, believe
12 me, but we do love figures. Secondly, this is a difficult
13 thing to say. I don't think you should get the impression
14 that everything can be paid for by the government. I think
15 it's probably --
16
17 MS PATON-BLACKWELL: I as well as anybody understands
18 the concept of user pays.
19
20 MR COX: -- an unrealistic expectation that something
21 practical will come out of this process. There will be
22 some sort of division between I think individual farmers,
23 farmers collectively and the broader community in some
24 sense. That's the most likely outcome.
25
26 I think the third thing to say is that the benefits
27 are translated through the market system. The fact that if
28 I go out to a restaurant and I benefit from food that is
29 safe, yes, that's a benefit but it is probably a benefit
30 that's transferred back to the farmer through the market.
31
32 MS PATON-BLACKWELL: At \$1.30 a kilo at the cattle
33 market, I don't think it changes anything.
34
35 MR COX: I'm not claiming it happens perfectly but it
36 happens. You need to understand that that's the reality
37 that we have to deal with.
38
39 MS PATON-BLACKWELL: You don't see an end user as a
40 beneficiary of what we do on the ground here?
41
42 MR COX: It is a beneficiary but not in the relevant sense
43 of what we're doing.
44
45 MR J BLACKWELL: Could I have a follow-up point on that
46 then? Is that okay?
47

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1 MR COX: Yes.
2
3 MR BLACKWELL: Can we go to your last slide, Peter,
4 please? My name is John Blackwell and I am a ratepayer.
5 I would like to address these four points and go back to
6 something. I'm sorry, I came late. The gentleman on your
7 right, Mr Chairman, used a very interesting word on
8 biosecurity. He said it was an insurance policy. If you
9 look at those four I would say, as a ratepayer and farmer,
10 I'm very happy to pay for advisory extension services.
11 Biosecurity is an insurance policy. It is an insurance
12 policy for the nation, or in our case the state, and you
13 should indeed pay if you enjoy good food at your
14 restaurant, good clean food, safe food. Natural resource
15 management? I believe I could argue that point as well as
16 being an insurance policy to look after our land.
17
18 It is my responsibility, a duty of care for the piece
19 of land I own, but collectively we're all responsible for
20 that land. I think everyone accepts that in emergencies
21 people do pay for that out of the State coffers, if it is a
22 big emergency. I think go back to that insurance question
23 and you will find a responsibility there: I hope anyway.
24
25 MR COX: Yes. To be honest, I think the difficult
26 question is, is this an insurance policy that should be paid
27 for by farmers or one that should be paid for by the
28 community as a whole, or is there a mixture of those two
29 things? That's I think the crucial question.
30
31 MR BLACKWELL: Agreed. It is a mixture indeed, but you
32 must see all the beneficiaries. Farmers don't benefit much
33 from much of this stuff. We are risk takers rather than
34 risk creators in most instances. I think you can argue
35 that.
36
37 MR COX: Thank you.
38
39 MR R HOARE: My name is Roger Hoare and I'm here as an
40 individual. Just a comment on the industry levies. You
41 may be aware that there's a phylloxera levy in South
42 Australia paid on a hectare basis and I was just
43 thinking of the diversity of this area. If you start
44 having levies for meat and livestock, phylloxera, fruit fly
45 and several others, it would be an absolute administrative
46 nightmare, because invariably what happens is that the levy
47 payer wants some say in the way the money is spent. How

1 are you going to administer that if you've got an LLS board
2 trying to sit over the whole lot of it?
3
4 MR MURDOCH: To make things easy to administer when the
5 money is gathered at the board level of the new LLS, you
6 want to have some rather clear governance as to what funds
7 are drawn out for what procedure. For argument's sake,
8 with the existing CMA, if they're going to do work on a
9 catchment area or for a land management area, it is not
10 related to the current core functions of the existing LHPA.
11 The money just can't be in a jam tin. You have been to
12 spending collective ratepayer money to the definite roles
13 that that money is specific for.
14
15 In formulating an actual rate notice for someone, it
16 is inevitable - I would dearly love not to have to pay a
17 rate, the same as I would love not to pay tax, fuel tax or
18 anything else. I agree wholeheartedly that it is
19 inevitable that we will, so we've got to get our heads
20 around it. We've already lost the battle that LHPA or LLS
21 will exist. We will pay a third of it, whether it be a
22 farmer on 100 hectares or one hectare or five hectares;
23 someone will pay.
24
25 Where the money comes and goes from needs to be very
26 clear and you're talking about transparency. That
27 framework within this new organisation needs to be very
28 clearly defined as to where the funds come in and where
29 they go out, so that it makes it easier for the people
30 administering it and also makes it easier for the people
31 who are paying it, as to where that money should be. That
32 pool just can't be all put in a tin and then at the
33 discretion of the directors distributed out. I think
34 that's where you'll have a lot of problems.
35
36 MR REID: I think that's a very desirable outcome. It
37 becomes a balance, though. The administrative costs point
38 was raised of collecting individual fees for particular
39 activities or functions. They become administratively very
40 costly and very difficult. Somewhere there is a balance
41 and there's a case for arriving at that balance. One of
42 the major criticisms that has been made is obviously the
43 lack of transparency and the lack of ability to be able to
44 trace through money raised and where it is spent. I think
45 that's a key point you're raising. How that will be done
46 in an administratively efficient way is a very key
47 question.

1
2 MR A FORSYTHE: My name is Andrew Forsythe, individual.
3 These are public funds. There should be a public record
4 for public disclosure.

5
6 MR COX: Yes.

7
8 MR REID: It is a case of what level of detail that record
9 goes down to, that's the issue.

10
11 MR DAVEY: I was just wondering, on one slide it says
12 about risk creator pays or beneficiary pays. Is there an
13 economic theory that says the risk creator pays the whole
14 lot or isn't it a better economic theory to more talk of
15 beneficiaries? The risk creator is a beneficiary, I would
16 think, in most cases.

17
18 MR LEVENTIS: Yes. If the individual risk creator also
19 benefits by undoing something - we are now talking in
20 generalities - that's bad to society or bad to himself,
21 then he or she is a direct beneficiary, so they could be
22 the same person, although a lot of these externalities are
23 where I'm doing something but I'm imposing a cost on a
24 neighbour, for example, not doing enough work on my land
25 for weeds or pests, or not doing anything, and then my
26 neighbour has to do more than he normally would to put the
27 duty of care.

28
29 That is where the risk creator, you would say, would
30 be legislated against or would be charged for the service,
31 so that they have the correct price signal to react
32 appropriately and not impose any additional costs that they
33 shouldn't.

34
35 In terms of the theory, the Productivity Commission
36 did its review on cost recovery in early 2000's. Since then
37 the Commonwealth Government created its cost recovery
38 guidelines. From our preliminary research so far, what we
39 have seen is that the States have adopted these principles.
40 They were extensively consulted on and a lot of work went
41 into it.

42
43 Where there is an issue like an externality, a problem
44 you're imposing on someone else, an unrelated party, the
45 most economically efficient approach is to identify the
46 risk creator, the person causing the issue, and then if you
47 can identify them and be able to charge them, you should do

1 so because the beneficiary who is being acted upon you
2 would say it is inequitable for them to be charged.

3
4 It may be that if in the first instance you cannot go
5 to the risk creator, for whatever reason, because they're
6 diffuse and you cannot charge them appropriately or you
7 just cannot find them, say it is an historical issue, you
8 may then look at the beneficiaries and say, "Well, if we
9 want to do something about this and you're being acted upon
10 then you would pay to not be receiving this problem," then
11 you look at them.

12
13 Again, this hierarchy has been proposed in general
14 Commonwealth and State cost recovery models. It is not the
15 only model out there but it is one that has been
16 identified. The general principles we're looking at are
17 market failure and looking at then the cost recovery
18 principle, whether it be risk creator or beneficiary pays
19 and why you would use one over the other. We want to,
20 obviously, look into these and then come up with a
21 framework that explains why we would follow one or the
22 other and that's what we're seeking to do. There has been
23 extensive work done on this at the Commonwealth and State
24 level over the past 10 years.

25
26 MR REID: My understanding is that the new national
27 biosecurity policy adopts this risk creator
28 approach: that is my understanding. From a practical
29 viewpoint, we have been looking through the Victorian
30 example. We have been looking at fruit fly, for example,
31 Queensland fruit fly, and first of all we've been asking
32 the question who created this risk and
33 obviously the risk is created in part by households growing
34 fruit in their backyards, and that's obviously one source,
35 people travelling, and trucks transporting goods
36 and services in part carry the fruit fly as well.

37
38 What the Victorian example tries to do is try to
39 understand who the risk creator is and whether it is then
40 possible and how easy it is then to assign that risk to
41 those people, for example, assign a risk to a transport
42 company, or how else you would go about it. In some
43 instances it comes down to the fact that it is too hard to
44 track the risk creators down and it may be in some cases
45 up to the Government on behalf of the broader community,
46 to pay. So in some such situations would be too costly to
47 chase risk creator. If the fruit grower benefits in some ways

1 from getting rid of the fruit fly but at the same time they
2 haven't created the risk, why should they be paying to
3 eradicate the fruit fly? They are some of the practical
4 examples around.

5
6 MR DAVEY: Can you get back to the logic that the fruit
7 grower is the risk creator because he has the trees to
8 start with?

9
10 MR REID: If there's already an existing risk there's
11 obviously a responsibility for existing ratepayers in that
12 situation. We may also have additional risks being created.

13
14 MS PATON-BLACKWELL: Just on that, recently the
15 State Government pulled the fruit fly plan out at the MIA.
16 Do they become the risk creator?

17
18 MR REID: I haven't got a good answer to that one.

19
20 MS PATON-BLACKWELL: That's the complexity of this
21 argument.

22
23 MR REID: It is, yes.

24
25 MS PATON-BLACKWELL: We have offshore, we have border
26 and we have onshore. Things like Hendra, things like the
27 equine flu, they have absolutely nothing to do with any
28 cocky sitting in this room, but our staff, our rangers, our
29 vets were on the ground doing that work and they were on
30 the ground doing that work at many many levels. Those
31 industries aren't rate paying industries, they have nothing
32 to do with us, but that's the sort of thing where it has to
33 be looked at. You have to go right back to the border.
34 You have to go to our importers or to the people who are
35 tourists coming be on board, because I can guarantee if we
36 get foot and mouth in this country it won't be anyone
37 sitting here that's caused it.

38
39 That is going another step forward where we haven't
40 even started the discussion on national parks, state
41 forests, and when that disease does get here with respect
42 to wild pigs, goats, dogs, et cetera, who is going to be
43 paying then? Good luck, guys, because you have a hell of a
44 job on your hands, but this one is quite complex and
45 I think I would worry. We were criticising the Ryan review
46 for cost shifting and not being transparent, but you have a
47 vet that comes on to your property and it may well be for

1 an individual on-farm issue, that vet is also doing
2 surveillance, that vet is also considering compliance.
3 That farmer is happy to pay for those services, but are you
4 going to look at apportioning that fee when he comes
5 on-farm, because part of that work is also to do with the
6 greater biosecurity good, the state animal health plans and
7 all that other legislation that comes into play.

8
9 Is that something you'll look at, the apportionment of
10 that cost, if that individual farmer pays but might only be
11 getting 80 per cent of the benefit when 20 per cent is that
12 surveillance compliance benefit, or haven't you thought
13 about that yet?

14
15 MR REID: Yes, we have thought about it. It was an issue
16 that was raised when we went out to Bathurst when we did
17 talk to the LHPA vet there. He was basically saying that
18 he has this broader surveillance function, that if he's driving
19 past going to see someone and can see another problem
20 then he's obviously got a responsibility to act.

21
22 The private vets were using him as a sounding board
23 for where there was a common disease, if you like, or a
24 common pest, and so he was providing a much broader
25 community function than just assisting an individual farmer
26 he might have gone out and seen. It is an issue that
27 certainly we're looking at.

28
29 MS PATON-BLACKWELL: Good.

30
31 MR CAMPBELL: I am just having a bit of trouble getting my
32 head around some of this. Can I give you another example?
33 An extension agronomist is coming out to give advice to
34 farmers. If the beneficiaries were 100 per cent farmers in
35 that category, would that mean that there would be a
36 compulsory levy or rate for those extension agronomists in
37 the modelling you're putting up, if there's a 100 per cent
38 benefit, if beneficiaries are the actual farmers?

39
40 MR LEVENTIS: If the extension service was purely for
41 production, so making you a better farmer?

42
43 MR CAMPBELL: If the extension was purely for production.
44 Probably another question too we're talking about coming
45 up, but a lot of the GRDC research actually has an
46 extension component in it as well as compulsory, but the
47 first question needs to be answered first, I'd say.

1
2 MR LEVENTIS: Without knowing the specifics on the
3 services, this is the difficult part right now, we're
4 trying to create a framework and we provided some
5 illustrative examples, so the examples themselves in the
6 issues paper were not our thoughts on what should occur,
7 but rather, if you were to provide an example and run it
8 through, how you would identify how you would try to work
9 through the steps without understanding the specifics.

10
11 If the extension service was not there for a
12 regulatory reason, so it wasn't being provided from some
13 externality, it is just a pure function, and the
14 beneficiaries are clearly identified, so it is this farming
15 community, this specific farming community or this cropping
16 community, they would have to ask themselves the question,
17 "Does the benefit of the service justify its cost?"

18
19 If so then would you pay for it anyway? Therefore,
20 you've identified these beneficiaries and now if there are
21 problems with charging everybody, you may potentially say
22 the government will provide on a cost recovery basis and we
23 will charge you, industry, for doing so, because they're
24 the direct beneficiary. If the cost of that service then
25 gets incorporated in their costs of production - I do
26 understand there are issues on the production-line but this
27 review can't deal with those issues - but if it is an input
28 to production and you're becoming more productive and
29 you're an identifiable group and you can be efficiently
30 charged, if it is not efficient to do so then you have the
31 question of whether you ought to. If it is, then a case can
32 be made why you should be charged, but that's the case
33 being made, not necessarily that you will.

34
35 MR C SWEENEY: My name is Chris Sweeney, Lachlan
36 Livestock, and I'm also a lamb producer. Just on the risk
37 creators of the world, if you use the analogy of when we
38 register a car, we can register the same car but we all drive
39 very many different kilometres, so who becomes the risk
40 creator in that scenario? Whether you've got one sheep or
41 1,000, one cow or a million, the disease still turns up there.
42 This is targeting more than two hectare blockies and I know
43 there were a couple of questions earlier about where the
44 biosecurity risk is.

45
46 The biosecurity risk comes from the smaller producers.
47 It is well documented that when foot and mouth enters this

1 country it won't be entering from the west to the east, it
2 will come out of the Sydney Basin which is the largest risk
3 creator in New South Wales. Looking at the creator of and
4 who benefits, foot and mouth, as I just mentioned, once it
5 enters this country, there will be no \$9.99 steaks. Our
6 export markets will be hugely affected. We need to be able
7 to look at that in a very broad sense.

8
9 There's also mention of pests, locusts and wild dogs,
10 et cetera. Who is the actual coverer of those? National
11 parks and state recreation areas produce a lot of these
12 risks. Where is the public benefit there?

13
14 The next question that I have - that was more of a
15 statement - is that the LLS will inherit a lot of the
16 services that were lumped on us by previous governments,
17 for example, the regulation of NLIS, which at the moment
18 LHPAs receive no money for, so I would like you to look at
19 that from that point of view of every day is a ranger or a
20 vet at a sale somewhere administering NLIS for a private
21 company to make sure that we're all completely covered in
22 surveillance, so we can go paddock to plate.

23
24 That's probably my issue, these services were already
25 provided that were given to us by previous governments so
26 we could provide this service. Will they be looked at as
27 some benefit to come back from the government in that way?

28
29 MR LEVENTIS: I will deal with the risk creators with
30 respect to biosecurity. Without knowing the science behind
31 it, I wouldn't be able to comment on the actual
32 transmission, but I understand the point especially with
33 respect to horses, so that's how I understand with respect
34 to Hendra, where if you have a small number of horses
35 compared to a large number, it doesn't necessarily matter
36 what the number of horses is, it is how close you are to
37 the other person. In that instance, if you're not
38 exercising your duty of care with respect to your horse, or
39 with respect to one sheep or cow, then you could be
40 identified as a risk creator because it is your
41 responsibility to ensure that given there are rules out
42 there for diseases and monitoring and you must --

43
44 MS PATON-BLACKWELL: A duty of care can't stop a bat
45 biting your horse on the backside. You don't have that ability
46 to control that disease entering --

47

1 MR LEVENTIS: You may not have the ability to control the
2 disease entering into the country, but you have --
3
4 MS PATON-BLACKWELL: You can't keep it off your property.
5
6 MR LEVENTIS: You have a responsibility on your property
7 to make sure it doesn't continue.
8
9 MS PATON-BLACKWELL: You could put up big nets to keep
10 the rascally bats out. That's where it gets too hard to
11 determine and that's where it goes back to government as
12 being the party that has to be responsible.
13
14 MR LEVENTIS: You have to work through a framework.
15 You asked the question can the risk creator be identified and
16 is it efficient to charge them? If they can't really be
17 identified then you do have to work through, but you should
18 work through that in the first instance and not presume
19 that they should or should not be.
20
21 In my second to last slide I think I did say that we
22 have to understand what the framework will come up against,
23 because it might be unrealistic to assume that a framework
24 can account for all possible options, but it can allow the
25 LLS boards to look at activity based rather than the whole
26 operation, so, like you were talking about before,
27 monitoring, surveillance, research, these are individual
28 activities and what the Commonwealth and the
29 Productivity Commission and all these cost recovery
30 frameworks around the States are saying is that to be
31 efficient you should be looking at the activities. They
32 may be grouped potentially but initially you should be
33 looking at each activity to identify risk creators,
34 beneficiaries or the government and then you see who is
35 more likely to be responsible or whether there's a sharing
36 arrangement.
37
38 You do have to run through the framework. I don't
39 want to comment in terms of a bat biting a horse because
40 I don't know the specifics of that. It would be hard for
41 me to understand other than without knowing the service,
42 the problem that it is trying to identify.
43
44 MS PATON-BLACKWELL: It is just an example of
45 something we have paid for as an organisation. It is just one
46 of the many concerns we have as ratepayers who are paying
47 for things we shouldn't.

1
2 MR LEVENTIS: I will just continue. It comes to the same
3 issue on biosecurity. Some of the stakeholder feedback
4 we've already received, as Colin said, when we went out to
5 Bathurst to speak to some in the farming community and the
6 LHPA people, we do understand that when you have smaller
7 blocks you can have transmission. You may have a vacant
8 block or people not quite attending. That's where I was
9 coming with the duty of care. If you have an animal and
10 you're not quite there or you're not quite looking after
11 the weeds on your land then you become a risk creator on to
12 the person next to you who is potentially looking after
13 their sheep or the animals. The bat may have bitten this
14 horse but this person here who is around may suffer the
15 consequences if you allow your horse to run around because
16 you're not present.
17
18 It is just a stylised example to say that there may be
19 an externality imposed on someone else who is trying to
20 maintain biosecurity in looking after their herd and
21 looking after the weeds so they don't spread. That's where
22 you have this issue where if you have one or if you have
23 1,000, from some of our understanding from discussions with
24 Biosecurity New South Wales, with transmission the quantum
25 doesn't matter, it is the actual vector, and so without
26 getting more information from them to understand that -
27 they did put out their biosecurity strategy only two weeks
28 ago and they do say biosecurity is a shared responsibility.
29 It is a clear statement on their front page, I believe.
30
31 With the NLIS, I'm sorry, I would probably need to
32 think more about that. It is something to discuss and
33 obviously you have my contact details. It is something to
34 discuss. Examples like these help us to understand what the
35 framework will encounter and they're appreciated.
36
37 MS SCHULTE: Coming back, Peter, to your previous two
38 slides on the actual cost sharing framework itself, when
39 you look at the table here it seems quite static for
40 services that might be currently provided. My question
41 goes towards how adaptable is this framework if there are
42 either differing services provided or current services that
43 might change their focus. For example, the CMAs were
44 charged with designing and implementing basin plan
45 water-sharing arrangements.
46
47 In this kind of sense, how can this particular

1 framework account for those changes in services that LLS
2 might have to undertake in the future and also who will
3 then decide on what those future sharing arrangements will
4 be and how practical will it be to implement then any
5 changes in rates that will be paid by either landholders or
6 communities or industries if, as we've heard before, there
7 are certain restrictions in terms of caps and adjustments
8 to CPI that can only be undertaken?
9

10 MR LEVENTIS: With respect to caps and CPI adjustments,
11 I can't answer that because it is outside of the framework.
12 We could potentially - I think Jim said before - discuss
13 that issue in terms of how it would impact on sharing
14 arrangements. I will leave it at that in terms of the
15 capping arrangement.
16

17 On the other point, the adaptability that would occur
18 - and this is a part of the third terms of reference point -
19 you're meant to be looking at these services or your
20 framework over time. It is not a static approach. Every
21 time you come up with a new service or a change in a rate,
22 for whatever reason, you should be running the exercise
23 again.
24

25 The LLS board would have the responsibility of running
26 through the exercise to understand if circumstances have
27 changed such that the sharing arrangement - and a sharing
28 arrangement could be a 100 per cent sharing arrangement for
29 one party, it could be something else. Whatever the
30 current cost sharing arrangement is, is it appropriate
31 given the changing circumstances? You would be running the
32 framework continually as the services adapted. I think
33 that would answer that.
34

35 That is why we're also trying to create a framework
36 that is usable. One of the practical problems we're
37 considering now is we need the theory and the explanation
38 there, as was asked, why risk creator or beneficiary pays
39 is the appropriate approach. We also have to create
40 something that's usable for LLS boards to be able to do
41 this analysis. We will not be doing the analysis for them
42 over 30 to 40 services in 11 regions: that's not our task.
43 Also then coming up with a methodology so that you can
44 trace back what was done and how and whether it was
45 consistent, would also allow us to understand how it is
46 adapted. I think that's how it works.
47

1 MR REID: Can I just say there, Peter, one of the original
2 questions I asked was how tight the framework should be and
3 what flexibility should there be for discretion to be
4 exercised by local land service boards. I think that's a
5 key critical question which we asked up front. Obviously,
6 there are going to be different circumstances that are
7 going to exist in the areas of each local land service
8 board and those different circumstances will dictate
9 different answers.
10

11 The issue is though that they should be going through
12 a particular approach which we hope to specify - the
13 specificity of which is at issue - how they go about
14 deciding what would be the activities they will perform, the
15 standard of activities they'll provide and, if necessary, come
16 back to government and explain the situation and ask for
17 supplementary budget funding or whatever else, or come up
18 with a different charging arrangement. These are some of
19 the mechanics that obviously we have to work through.
20

21 The more examples people can give us of particular
22 physical examples that local land service boards are going
23 to come up against, that would help us draft the
24 framework and also dictate the level of detail in that
25 approach.
26

27 MR WOLFENDEN: I thought you gave a different answer half
28 an hour ago in terms of my question of how much flexibility
29 an LLS would have. Maybe I got your answer wrong but my
30 impression of your answer was that largely it would be a
31 bulk of services that would be relatively flexible and that
32 it would only be ancillary services that would have
33 flexibility. I thought you just gave the answer then that
34 an individual LLS board would be looking continually at the
35 flexibility of all its services. Could you once again
36 clarify that?
37

38 MR REID: Yes, certainly. There will be certain services,
39 certain basic services, that will be required, as I would
40 understand it, to be performed by every local land service
41 board and, as I said, there will be ancillary services.
42 However, it is a case of what flexibility there is as to
43 the level of service and how costs are to be apportioned
44 between different potential funding sources and obviously
45 the government will have views on how much it will
46 contribute for different functions. They won't be looking
47 at things every day.

1
2 Presumably charges will be set on an annual basis and
3 they will apply to the coming 12 months, for example.
4 Obviously, where you have situations where there are
5 different rates applying within an area where areas have
6 been combined, there will be a transition path and that
7 will be presumably determined over a longer term.
8
9 There will be a need for an audit function setting out
10 terms of reference for someone independent, for example,
11 the Natural Resources Commission or some other similar
12 body, to go through to ascertain whether in setting the
13 charges and the level of service, that the proper
14 consultation process has been gone through, that the fees
15 have been set and the basis of fees has been set in
16 accordance with the framework.
17
18 There will be some flexibility but limited
19 flexibility, but what I'm saying is that, for example, not
20 every board will face the same issues. Some will face
21 fruit fly, some will face some other type of disease, and
22 they'll be raising money or getting money from somewhere to
23 fund the fruit fly levy, whereas others will have a
24 different purpose. There will be that flexibility required
25 obviously. There won't be total flexibility.
26
27 MR McGUFFICKE: In any society that we live in there is a
28 market demand by the people who want the service, but
29 there's also a market demand by the government that wants
30 to either move something on or change something like that.
31 This to me doesn't sound like it actually addresses it. We
32 have a rigid framework that's not flexible to incorporate
33 that. Where does market fit in with this system? It is a
34 reality. The government likes to think it doesn't and it
35 sets it flat, that it doesn't. That's why 5 per cent use
36 the service and 95 per cent don't, or whatever.
37
38 MR REID: The thought is that the government would only
39 interfere if there has been some sort of market failure.
40 If there hasn't been a market failure, the general
41 principle would be there's no argument for government to be
42 involved.
43
44 MR McGUFFICKE: There might be a need to move an
45 industry in one direction and the government might have to
46 buy that to move it.
47

1 MR REID: Yes, it might.
2
3 MR McGUFFICKE: And vice versa, landholders or clients
4 might like a certain service that actually starts impinging
5 on other things that maybe needs to be priced differently,
6 or whatever, to manage it.
7
8 MR COX: It is worth bearing in mind now that there is a
9 service and there are costs and the costs are going to have
10 to be paid for by someone and that might be individual
11 landowners or landowners as a group or the community.
12 Those are probably the only people who can pay in some
13 senses and it is a matter of trying to work through each
14 individual case to see which one of those things makes the
15 most sense, bearing in mind there probably isn't the time,
16 the energy and the resources to do it perfectly in fine
17 detail in every case, but you'd probably get it broadly
18 right.
19
20 MS PATON-BLACKWELL: With respect to your sliding scale,
21 with the local flexibility, is having bandings to allow
22 regional flexibility something that you would consider so
23 you don't have too large a differentiation, say, between
24 adjoining boards?
25
26 MR REID: Yes.
27
28 MR LEVENTIS: Yes. The sliding scale is an approach to
29 undertake. It may not be the final sharing methodology but
30 what we're trying to show is the actual percentages. We
31 took these percentages from the deeds.
32
33 MR REID: These are the Commonwealth Government deeds.
34
35 MR LEVENTIS: Yes. Would it be efficient and transparent
36 to have different scales for different elements? I think
37 that that's something that I'd need to consider further.
38 It is not something I had thought of previously. We were
39 just trying to create a mechanism where you could share the
40 costs. Whether the bands would change between regions, I'm
41 not quite sure why, say, if you had a split between public
42 and private, that one region would have 60-40, 50-50, 40-60
43 rather than 80-20, whereas another one would have 80-20.
44 Is that what you mean?
45
46 MS PATON-BLACKWELL: No. I think you need to have
47 consistency in your bandings between the regions, because

1 there are going to be properties that are sitting in two
2 LLS areas. There is going to be difficulty in
3 administering them. There's going to be difficulty in
4 Mr Sheldrake and his friends keeping their eye on us if
5 there's all these different systems. Banding I think is
6 important because there must be some local flexibility in
7 that, not a differentiation between the different LLS
8 boards.

9
10 MR COX: The point of banding means that shouldn't happen
11 very often. You fit most people within the same band.

12
13 MS PATON-BLACKWELL: Yes. I don't know; I'm not sure.

14
15 MR LEVENTIS: It is something we can probably discuss
16 later on.

17
18 MS PATON-BLACKWELL: I think this whole system is going
19 to have to evolve over some time. I think that's a difficulty
20 generally in this. Let's not forget that the LHPA went
21 from 47 down to 14 boards. We were getting into final
22 stages where we thought we'd bedded it down and we're then
23 thrown into another review. This is a far more complex
24 review and it is going to take a whole lot longer than come
25 January 1 2014. I think we have to be very flexible.

26
27 MR COX: Are there any further comments?

28
29 MR WOLFENDEN: Hopefully, it is a statement that's pretty
30 obvious I'm going to make now. I go back to fee for
31 service and I have no trouble about having fee for service
32 where there's productive agriculture and someone is getting
33 the benefit. My comment is that while it does vary across
34 the State to a degree, the degree of service by the
35 provision of vets, the provision of agricultural agronomy
36 expertise is now widely available commercially outside of
37 the system, that the fee for service that an LLS can
38 service will be capped basically by the commercial rate and
39 that with the fee for service the LLS is thinking our cost
40 of providing that service to the landholder is 50 per cent
41 above the commercial rate. Clearly, there's going to be
42 very minimal uptake of that because of the availability of
43 commercial services elsewhere.

44
45 Basically, there's going to be very very little
46 provision for charging fee for service, apart from matching
47 a commercial rate. Then you have to start to build in, as

1 has been raised here before, what other services might that
2 person be performing when they're carrying out that
3 commercial service as well.

4
5 The second comment I would make in terms of going back
6 to the old Department of Agriculture and pointing out that
7 a definition of where the ongoing DPI is going to sit - and
8 they're going to largely be researchers and that research
9 will be done on grants raised from RDCs or funding bodies -
10 one of the big roles of what was the district agronomist or
11 the frontline agronomist was actually providing feedback to
12 those researchers on what the issues were, of putting those
13 researchers in touch with the industry.

14
15 That seems to have been lost. That is a service that
16 may be notionally the LLS agronomists could serve or it's
17 going to go back and they'll say no, that's not going to be
18 there. That was part of the rationale of my question
19 before, that you also need to define where the DPI is going
20 to occupy space.

21
22 MR COX: I think those points are well taken.

23
24 MR MURDOCH: When LLS is finally up and running, as a
25 ratepayer I would like to receive a notice, a rate notice,
26 that basically had a base rate, a pest insect levy which I
27 think all should probably pay, an animal health levy, if I
28 have animals, a biosecurity rate and probably as part of
29 that could be associated an additional if I have animals as
30 opposed to someone who only has land but is say a cropper.
31 The core rate should be calculated on - I know there are a
32 lot of people have a lot of difficulty getting their heads
33 around a notional carrying capacity but, as I said earlier,
34 that notional carrying capacity is purely related to the
35 profitability of that block of land, not on whether it has
36 stock on it or not.

37
38 Where I live, three of my neighbours are
39 non-stockholders. Their land should on average generate
40 the same amount of income that my block may if I had run
41 all livestock. Purely and simply on how to formulate that
42 base rate is fair if it is on a profit, not on an ability
43 to generate income from that area of land, not purely and
44 simply on what the livestock could be run off that block of
45 land. That's basically as it is formulated.

46
47 You people need to formulate that rate, that

1 calculation, on something similar to that but also bearing
2 in mind what the improved or unimproved capital value is,
3 because you could have a block of land that's of extremely
4 high value, because of residential area or view or
5 whatever, and as our chairman noted over at Bathurst when
6 he was taking people around, that it could be an extremely
7 hilly block that has no notional capacity but had an
8 extremely high land value. That is a very complex issue in
9 itself.

10
11 MR COX: We will have some discussion on that after lunch.

12
13 MR MURDOCH: Yes. At the end of the day where I receive
14 my notice, and no doubt all these other people who are
15 landholders will receive a notice, it is inevitable that
16 you'll receive some sort of rate notice when LLS is up and
17 running, it has to be itemised so that you have a user pay
18 type system that we all pay for an insect levy and we all
19 pay for some biosecurity levy.

20
21 If the current CMA constitution which allows for
22 rating is formulated down the track to include a rate so
23 that we have an environmental rate, it will all be
24 proportionately balanced to either your land area or to
25 your ability to generate income off the business.

26
27 I commend the three of you that have spoken that you
28 seem to have a huge awareness of the complexities that you
29 have to deal with, far more than the people in the Ryan
30 review were aware of and far greater awareness of when the
31 old rural land boards were amalgamated into the LHPAs.
32 I think you're well aware of the enormous task you have to
33 deal with and I certainly hope that you get the formulation
34 right.

35
36 MR COX: Thank you very much for your good wishes. Any
37 there any further comments before we take the break?

38
39 MR MUDFORD: Just on the constitutional question, I think
40 it was the Bull review or the Ryan review, I'm not sure,
41 but the legal advice at the time did suggest that it wasn't
42 constitutional to change rates on notional carrying
43 capacity. The reason given was that the directors
44 determined the carrying capacity of an individual's
45 property and therefore effectively determined how much rate
46 or tax that individual would pay. That is unconstitutional
47 in Australia. It is just that it hasn't been contested and

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1 that's one of the reasons why the area base model has been
2 put up to overcome that. I may or may not be right on that
3 but that was the advice at the time. Thank you.

4
5 MR McNEIL: Tom just spoke a moment ago about perhaps
6 creating a number of silos and that funding streams be
7 directed directly to where the source came from. I think
8 that can be a problem. Provided that transparency in the
9 reporting procedures is in place, I think there should be
10 basically a pool of funding. Certainly the government
11 funding bodies will want to know that their money has been
12 spent where it is directed to and certainly we've seen some
13 reluctance from the Federal Government already to use LLSs
14 as their delivery of care for our country funding, because
15 they're concerned they might not go where their priorities
16 lie, but by and large I think if there were too many
17 restrictions placed on every cent being spent in a certain
18 area, it would create huge administrative problems.

19
20 Given that the boards have autonomy and if they're
21 transparent and there are to be advisory committees set up
22 in the regions as well to monitor what they're doing and
23 where the money is going, I think that is sufficient
24 protection, from my point of view, that one day there might
25 be more money spent in one area and it will be
26 cross-subsidised by another, and presumably as time goes on
27 it might come back the other way, but I think if you're too
28 strict and the money must be spent on the particular
29 subject or topic or issue where it is raised, it will
30 create a big problem.

31
32 MR COX: There is a complex trade-off between providing
33 transparency, accountability and simplicity. That is a
34 difficult issue we're going to have to wrestle with. Is
35 there anyone else?

36
37 MS PATON-BLACKWELL: That also becomes an issue when
38 you have a potential cost shift in government back to
39 ratepayers and that pool of money that Mr McNeil is
40 mentioning ends up being the pool, which I don't
41 necessarily disagree with, but what happens when you're
42 then stuck with a whole lot of requirements maybe for NRC
43 or projects and you've got more services than you've got
44 money to do? Who wins the argument on where that little
45 pool of money is spent when the other money runs out?
46 There becomes an issue there.

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1 Maybe that's a matter for individual boards and
2 localised autonomy to deal with or maybe key functions,
3 like biosecurity, are then lost because the money has been
4 spent by a wave of the board on a folly. I don't know the
5 answer.

6
7 MR COX: Thank you very much. Any there any final
8 comments before we break for lunch? I suggest we do break
9 for lunch now. We will resume in 45 minutes at 1.30.

10 Lunch has been served here. You are most welcome to join
11 us for lunch. We will resume at 1.30.

12
13 LUNCHEON ADJOURNMENT

14
15 UPON RESUMPTION

16
17 MR COX: Good afternoon everyone and welcome back. We
18 are going on to our third session now which is on the basis of
19 the service fee. Thomas will make a brief presentation and
20 then there will be some questions and comments for the
21 concluding session. Thomas, thank you very much.

22
23 MR CLAY: Thank you, Jim. From the discussion from the
24 last session you might notice some overlap but I'll just go
25 through the key concepts just to clarify what we've been
26 thinking and some of the issues we've identified.

27
28 The purpose of this session is to outline the rating
29 issues that IPART has been asked to advise on. This will
30 include an overview of the terms of reference for rates,
31 desirable attributes for service fees and an overview of
32 fees that are currently charged and issues IPART has
33 identified so far.

34
35 The terms of reference ask for IPART to advise on an
36 efficient rating base for compulsory fee collection and an
37 efficient fee collection mechanism. Giving specific
38 consideration to how well each rating base aligns with
39 specific risk creators and service beneficiaries and the
40 appropriateness of specific purpose levies and how they are
41 determined.

42
43 IPART has identified the following desirable
44 attributes for LLS service fees. They should reflect the
45 efficient cost of providing a service, be simple and cost
46 effective to administer, comply with statutory and legal
47 constraints, and be clear and easily understood by

1 ratepayers.

2
3 Currently, LHPAs are funded through fee for service
4 items sold to commercial operations and through rates. The
5 current minimum rateable land area for most LHPAs is
6 10 hectares. All rates are comprised of a base charge and
7 a variable charge. The variable charge is multiplied by
8 the notional stock carrying capacity and then added to the
9 base charge to calculate the total charge for each rate.
10 Total rates payable are calculated by adding together the
11 general rate, the animal health rate and any special
12 purpose rates.

13
14 Currently, CMAs are almost exclusively funded by grants
15 from the New South Wales Government and the
16 Commonwealth Government. CMAs leverage participation
17 from the community in the form of co-payments, labour and
18 materials. Under their legislation, CMAs do have the
19 ability to charge rates. However, only the Hunter CMA has
20 done this to date through its flood mitigation levy. The
21 Hunter levy is collected by local governments within the
22 Hunter CMA for a small percentage of the total money
23 collected.

24
25 The issues IPART has identified include matching
26 service fees with beneficiaries and risk creators,
27 different rate options, problems with efficiency of special
28 purpose rates and efficient fee collection mechanisms.
29 Firstly, we considered how different service fees might
30 align with different risk creators and beneficiaries.
31 We came up with this table to summarise our preliminary
32 thinking.

33
34 Fee for service should only be used where benefit from
35 service, either service or product, can be restricted to
36 those who pay for it. Government funding should only be
37 used where the wider community is identified as the
38 beneficiary or risk creator or when it is administratively
39 inefficient to collect from risk creators or for
40 beneficiaries. Rates can be as broad or targeted as each
41 LLS board desires depending on the services provided, where
42 it may be possible to use different rate bases to target
43 different individuals or industries if decided.

44
45 We have identified the following options with regard
46 to an efficient rating base: notional carrying capacity,
47 which is the current LHPA rating base, land area, which was

1 recommended by the Bull report, and unimproved capital
2 value of land, which is currently used by local
3 governments. With regard to minimum rateable land area, we
4 perceive the LLS could either leave the minimum rateable
5 land area the same at 10 hectares for most LHPAs, or it
6 could reduce minimal rateable land area below 10 hectares
7 to try to capture risk creators or beneficiaries on smaller
8 properties.

10 As has already been discussed in the last session,
11 there is a trade-off between administrative efficiency and
12 targeted rates. IPART has been asked to assess the
13 appropriateness and efficiency of special purpose rates.
14 The issue with determining the efficiency of special
15 purpose rates, as this table illustrates, is that it
16 depends largely on how specifically they target
17 beneficiaries and risk creators. The broader and more
18 uniform rates are, the more efficient they will be to
19 administer.

21 However, this will mean that the rate will be less
22 targeted at actual beneficiaries and risk creators
23 depending on the service. Conversely, the more specific or
24 targeted rates are, the less efficient they would be.

26 Finally, an efficient fee collection mechanism. IPART
27 has been asked to advise on efficient fee collection
28 mechanisms for the new LLS. Based on our preliminary
29 analysis, we have identified two options. The LLS could
30 enlist the help of local government to collect rates on its
31 behalf. However, unless the LLS used the same rating base
32 as local government, unimproved capital land value,
33 efficiency gains may be limited. They could create a
34 statewide collection mechanism. We believe that an
35 individual collection mechanism for each board would be
36 inefficient.

38 Therefore, the key issues IPART would like comment on
39 with regard to service charges are as follows. Are current
40 service fees reflective of the efficient cost of providing
41 services? Are they targeted at actual beneficiaries and
42 impactors? Are they simple to administer and cost
43 effective? Are they compliant with statutory and legal
44 constraints and clear and easily understood? Secondly,
45 given the range of services the LLS will provide, what
46 service fees should be used? What rating base should be
47 used? How should special purpose rates be determined? and

1 should exemptions be allowed? Thank you.

3 MR COX: Thank you very much, Thomas. We now have
4 questions and discussion from the audience. Who would like
5 to go first?

7 MS PATON-BLACKWELL: Thank you. Just to kick it off, the
8 LHPA position is very supportive of NCC as the preferred
9 rating option. There are a whole lot of issues that you
10 will see. This has been looked at by many reviews over
11 many many years and it always seems to end up being too
12 hard and we end up issuing the rates, collecting the rates
13 and it has stayed the same for 150 years pretty well. If
14 you come up with another option, do get back to us.
15 Something like a pest insect levy has been a great bugbear
16 to us as an organisation. We are effectively the unpaid
17 tax collector on behalf of the State Government of a levy
18 that we cop the flak for imposing that has absolutely
19 nothing to do with the service we provide.

21 As an organisation we were criticised for not being
22 transparent in our finances. When the government comes and
23 takes from you money that you haven't even collected in
24 payment of a levy that you're not even paid a service to
25 collect, I have a problem with it. That has got to change.

27 We either have to be paid if we're going to be forced
28 to collect rates or we don't want anything to do with them
29 because, quite frankly, it gives us a pretty bad reputation
30 when we're collecting a rate which most people don't
31 understand has nothing to do with our service. Any of
32 those extra levies I would support that we be paid a
33 service for collection. Thank you.

35 MR COX: Just for my benefit, can you explain to me what
36 you see as the advantages of net carrying capacity? It
37 would be interesting for me to hear what the case for it is
38 because we've heard a number of people who have argued
39 against it. I would be interested to hear about that.

41 MS PATON-BLACKWELL: I think the others on your list
42 were hectares and unimproved capital value. They have been
43 looked at over the years and considered to be too great an
44 inequality across the board. Therefore, the only comment
45 I will make with respect to NCC - and it has actually been
46 raised by the director on our board sitting next to me - is
47 possibly changing the name of it. Keep the concept because

1 it is a measurement of productivity. The minute you talk
2 about carrying capacity, people that don't have livestock
3 don't understand and get very annoyed and it causes us a
4 lot of extra work at the board level in taking on those
5 disputes. I think it needs a name change, but the concept
6 of working out the productivity of the land, after all the
7 years of discussion as an organisation, seems to be the
8 most equitable.

9
10 MR COX: Thank you.

11
12 MR DAVEY: I think the problem with nominal carrying
13 capacity is purely just the total and absolute lack of
14 understanding of what it means and that applies to just the
15 ratepayers themselves. There are a couple of things that
16 I thought of and one of them Deb has just mentioned,
17 calling it "productivity capacity" and that's what you're
18 trying to do, is work out how productive a particular farm
19 is compared to another farm and so the bloke who has got
20 very poor soils and can hardly run very much at all is not
21 rated as much as the property that's on the
22 Murrumbidgee River and is a highly productive farm.

23
24 "Carrying capacity" causes just absolute confusion
25 because all it is is a measure. You could use bags to the
26 acre, you know, the potential that if you grew a wheat crop
27 on that land and grew another wheat crop on another bit of
28 land, which would grow the best wheat crop. People don't
29 understand the word "nominal". You could use
30 "hypothetical". I think people understand that word better
31 than "nominal". To me it is purely an exercise in
32 educating people as to what it actually means, this nominal
33 carrying capacity, and you can't blame people for not
34 understanding. In many ways it is the fairest way to levy
35 a farm and it's based on how productive that particular
36 farm is.

37
38 MR B LANE: My name is Butch Lane and I am Chairman of
39 the Riverina LHPA. On your rating base options, the land
40 area one falls down, in my opinion, because I can have 50
41 units on a property out here and someone might say that
42 that's worth \$200 a hectare, full stop. I could have a property
43 at Byron Bay carrying the same amount of stock and the land
44 there per hectare is going to be worth a lot more. Using
45 the same description, the unimproved capital value, my land
46 here might be worth \$1,000 a hectare and at Byron Bay it
47 might be worth \$100,000 a hectare. Once again, there's

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1 inequity in the system in either of those two rating base
2 things.

3
4 The other thing I wish to make a comment on is your
5 second-last slide, the efficient fee collection mechanism.
6 Why would LLS's collection mechanism be any less efficient
7 than the local governments? I would have thought it would
8 be more efficient. The LLS would know what they were
9 talking about. You hand the rate collection over to the
10 local government people and they wouldn't have a clue what
11 they were.

12
13 A lot of the time, in areas as big as the LLS areas
14 are, they would have no idea about anything of the country
15 they were collecting the rates for, so therefore if there
16 was any minor discrepancies they just would not know that
17 they were there, whereas if the LLSs were collecting rates
18 on behalf of their own organisations, they would know if
19 there was a problem. They could get back to the ratepayer
20 immediately and settle anything straight away instead of
21 something taking weeks or a month for the problem that it
22 may cause if the local government were collecting to pick
23 it up.

24
25 MR COX: Thank you.

26
27 MR REID: Could I just respond to that one, Jim?

28
29 MR COX: Yes.

30
31 MR REID: The issue there is whether each local land
32 services board should have its own separate billing
33 system - this isn't a case where it is local government
34 who are collecting the money - whether each
35 board should have its own billing system or whether it
36 would be more economical to have a centralised state
37 billing system: in other words, the bills come out from
38 some central state area. That was the comparison there.

39
40 MR COX: Yes.

41
42 MR R BILLING: I am Ralph Billing and I am a farmer from
43 about 50 kilometres north of here near Marrah. I haven't
44 had the experience of being associated closely with LHPAs
45 all, so I just wanted a basic question answered. Who sets
46 the notional carrying capacity and is it set the same way
47 all over the State?

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1
2 MR CORBOY: The notional carrying capacity is set by the
3 individual board of directors. I can tell you that when we
4 amalgamated from four RLPBs to one LHPA, there were two
5 authorities that did it in a fairly scientific manner and
6 there were two that did it in a way that wouldn't stand up
7 to the rigours of testing, I would think. That's one of
8 the things we still haven't been able to address because of
9 the rating cap.

10
11 The other thing is any landholder has the ability to
12 appeal their carrying capacity. If the local authority
13 doesn't settle it to the person's liking, they can then go
14 to the local land board, which is going to confuse people
15 even more when local land services come along, and the
16 local land board is an independent body that can adjust the
17 notional carrying capacity.

18
19 We probably had eight people appeal their carrying
20 capacity this year and that's probably an average that
21 would stand up year on year. That is eight out of 8,000
22 people who can't be bothered to appeal. In most cases
23 we've standardised it so that when they ring up we can say,
24 "It is standard in your area," and so they either can't be
25 bothered appealing or they're happy with the result -
26 they're not happy with the result but they're content that
27 it is consistent.

28
29 MR BILLING: Could I just follow that up? Does it change
30 every year or do you keep it constant year in year out?

31
32 MR CORBOY: We are required to review the carrying
33 capacity every five years. We actually reviewed ours when
34 we were formed and we changed the way we did ours in line,
35 because over the five-year period we did it it was
36 two-thirds of the way through the drought, so we actually
37 lowered the way that we did it, especially the irrigation
38 holdings with the way water allocations were going. You
39 don't change it year on year unless you have a specific
40 reason for a holding that you're aware of; you do it every
41 five years or on appeal.

42
43 MR BILLING: Mr Chairman, can I just follow it up? The
44 interesting difference between the net annual valuation of
45 the land and the carrying capacity one is the right of
46 individual regions to make their own decisions about the
47 basis of raising the money, because if it is done on the

1 value of the land, I guess that's just a standard value
2 that's set by the Valuer General's Department every year,
3 so it takes away the flexibility of the local regions to
4 change the basis of their rating.

5
6 MR CORBOY: That's right. I spoke to Colin about this
7 earlier. In our area irrigation poses a specific threat to
8 any change, because when you do the notional carrying
9 capacity, the irrigation actually affects the notional
10 carrying capacity that the board assigns. If you use
11 unimproved capital value, any irrigation is not taken as
12 part of the unimproved capital value. If you go to an
13 unimproved capital valuation method, all those irrigated
14 blocks would drop considerably and the dry blocks would
15 increase markedly.

16
17 MR COX: Thank you. I think that has been a useful
18 discussion.

19
20 MR BROWN: I have just a few comments. The fundamental
21 difference between local government and the current LHPA
22 and the current LLS is that their rating is on the owner
23 whereas we rate the occupier of the property, so that that
24 couldn't be overcome. In the future I think we will, but
25 there is a very significant difference there at the moment.
26 The greatest number of complaints that you get about
27 carrying capacity are from people who don't have any stock.
28 "Why am I paying this?", when you try to explain what
29 carrying capacity is all about and it is meant to be an
30 assessment of the amount of stock that your property can
31 carry in a normal year, which again leads to the question,
32 "Having come through 10 years of drought, what's a normal
33 year?", that they say straight off, "I don't have any
34 stock," and then you have to go through the spiel and say,
35 "Well, in a normal year it is an estimate of what your
36 property could carry, the same as if they were an
37 orchardist." You get the same argument. "I don't have any
38 stock."

39
40 If we're going to continue with carrying capacity,
41 we need to have some better levels of exemption or other
42 options, particularly for non-stock carrying properties,
43 and allow them to, as long as they put in a return or a
44 declaration that says they don't have any stock, that they
45 don't have to pay the animal health component of the rates.

46
47 The other problem that I see, having been in the

1 system for quite a while, is we're talking about dropping
2 from 10 hectares down to two hectares. There are a lot of
3 lifestyle blocks now up to probably 40 hectares.
4 I'm wondering whether we shouldn't be expanding from two
5 out to say 40 and hit them with a flat fee, rather than
6 between two and 10, and that carrying capacity kicks in on
7 properties greater than 40 or 50 hectares where they are
8 likely to carry some stock. Here again, when you get on
9 the fringes, 40 or 50 hectare lifestyle blocks are becoming
10 quite normal rather than two to five hectares.

11
12 MR COX: Could I ask you, when you work out notional
13 carrying capacity is there a methodology you use or is it a
14 more judgmental process, or is it a mixture of both?

15
16 MR BROWN: I think it is a mixture. Again, that would
17 vary authority to authority. There are certain parameters
18 that the board would look at in terms of the land type.
19 You're relying on the expertise of the board of directors
20 and their knowledge of the local area to say that, "Yes,
21 that assessment that we've come up with collectively is
22 reasonable for the district."
23

24 Like Geoff said before, the amount of challenges you
25 get to carrying capacity are minimal in a normal year. In
26 the last two years, when we had plenty of rain, you could
27 count them on one hand, but in the middle of the drought
28 every second person was complaining about their carrying
29 capacity: "We can't carry that many stock." As soon as
30 you turn around and say, "Yes, that's because of the
31 drought and we're obliged to look at it on a nominal
32 basis," that's when you create plenty of angst.
33

34 You give them a right of appeal to the local land
35 board and as soon as they discover from them that they have
36 to pay a fee, and they've had to have also initially paid
37 their rates before they even get a guernsey, in a lot of
38 cases it gets dropped. It is quite a complex process.
39

40 MR McGUFFICKE: I don't know whether I'm advocating this
41 but there's mapping by the old Soil Conservation Service of
42 a land class system 1 to 8 which puts the land capability
43 in that area. The Department of Agriculture also did a
44 land suitability map which was based on a similar thing.
45 That was consistent across the State, or relatively
46 consistent across the State, so it is a base one, but if
47 you're looking at it from a productive point of view,

1 you've still got climatic factors that aren't fully
2 recognised in it, so there would have to be some
3 modification, and also you would need a GIS wizard to
4 cadastre back over it to link it through. It is a
5 consistent thing right across the State. I wouldn't put my
6 hand up to do it, though.
7

8 MR FORSYTHE: Regarding rating options, I believe that we
9 should stay with the nominal carrying capacity, which is
10 DSE, dry sheep equivalent, and that should be the way of
11 rating because that's how productive the land is.
12 We should only be paying taxes on our production capacity.
13 The irony of going on unimproved capital, I've seen a farm
14 traded nearby in 10 years and it has quadrupled in value.
15 However, its wealthier owners have improved its capital
16 value but they have only raised production by 10 per cent.
17 They haven't quadrupled their production like the land
18 value has in that 10 years. We have to retain our value
19 according to production and not on land value. Thank you.
20

21 MR WOLFENDEN: It seems to me that this whole argument
22 is premised a little bit on how much the government is going
23 to contribute. I am sure we wouldn't have this support for
24 nominal carrying capacity if the government suddenly said,
25 "Oh look, we've run out of money and you have to raise
26 95 per cent of all your funds." Similarly, we probably
27 have general agreement on this, if the government comes in
28 and says, "We're feeling rich. We're going to contribute
29 66 per cent of all your funds." Without those guidelines,
30 without that input of the government contribution, it
31 probably sways people's view on how much it is going to hit
32 their pocket.
33

34 I think you have ticked your box "matching service fees".
35 We've acknowledged somewhere during the debate that
36 it would be almost impossible to collectively equally raise
37 money from industry. The fees you'll put on the table
38 there don't have any of that provision. We can nearly
39 cross out that column. It is going to be either
40 landholders or government.
41

42 Therefore, I suppose there's some question then about
43 what was nominally in that industry area, how much of that
44 was a national good. If the industry contributes to
45 something that does keep a disease or a weed or whatever
46 out, there is some national good there, some community
47 good. I think this is really a nonsensical debate without

1 having the government money on the table.
2
3 MR COX: Thank you. Are there further comments or
4 questions? There's one at the back.
5
6 MR BLACKWELL: Mine is a simple question of clarification.
7 In the Hunter CMA where you do collect a levy, in the
8 presentation we've just seen it is charged to all
9 landholders. I may have written it down wrongly but
10 I think you said this morning, sir, all households. Which
11 is it?
12
13 MR REID: I meant to say it included households. It is
14 all landholders including households.
15
16 MR BLACKWELL: I might be ignorant, but to me a "house" is
17 a specific unit entity. A piece of land - a house must sit
18 on it. Is it every household in the Hunter pays that levy?
19
20 MR REID: It is based on the normal way that council rates
21 are charged on unimproved capital value.
22
23 MR BLACKWELL: So every ratepayer in the Hunter pays that
24 levy?
25
26 MR REID: Yes.
27
28 MR BLACKWELL: That's good.
29
30 MR MAYBURY: I just have a point of clarification.
31 I believe that you need to ask the question of the Hunter,
32 that it might be all affected ratepayers, not all
33 ratepayers.
34
35 MR REID: Yes, say within the flood zone.
36
37 MS PATON-BLACKWELL: That's different. I suggest that
38 anyone who wants to challenge their LSS in the first half
39 of next year do it, because at that point the board will be
40 made up of government appointed directors who won't have a
41 clue about notional carrying capacity. Get any challenges
42 in early, I suggest. I am sorry, Mr Chairman. With
43 respect to the down to two hectares, we have looked at the
44 figures on that and we're looking like when we expand and
45 broaden that rate base, we're only going to come up with
46 about another \$4 million, \$3.5 million to \$4.5 million,
47 somewhere in that range.

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1
2 Therefore, we have to look at again your question, the
3 efficiencies of collecting it. We can guarantee that that
4 extra \$4 million will hardly be worth the effort of the
5 trouble that those tens of thousands of small ratepayers
6 will cause us and the extra work involved in their
7 telephone calls, their inquiries, their expectations, their
8 demands on our resources, their demands on our rangers,
9 because all of a sudden they're paying, so they're owed a
10 huge service. Is that something you're looking at?
11
12 MR COX: Yes, I think that's a highly relevant point.
13
14 MR CORBOY: Just on that, when the Riverina LHPA was
15 formed, the old Murray RLPB had a 20 hectare minimum.
16 We looked at where our complaints came from, who we
17 serviced. In the amalgamation we lost 1,000 ratepayers,
18 which is probably \$40,000. We actually put all our rates
19 to 20 hectares. Because we weren't doing anything for
20 them, more as individuals than any other ratepayers, the
21 board made the judgment that it wouldn't cost us that much
22 to look after them administratively, other than without
23 even taking into account whether we had to go out with
24 field staff to do it.
25
26 We actually went the other way. Rather than going
27 smaller we went out, because the further west you go you
28 have less of the smaller landholders, so you collect less
29 money by going smaller, but that's much different than on
30 the coast, but that's the decision our board made at the
31 time because we didn't think it was efficient to rate those
32 people.
33
34 MR COX: Yes. I suppose the attraction with bringing the
35 threshold down is there are more people who should be
36 bearing the cost. As you said, there may be areas in the
37 state where that's quite important.
38
39 MR MURDOCH: If you were going to rate all across the
40 board down to that lower figure, you would have to be very
41 careful about how you worded what the rate was for. People
42 would probably wear a biosecurity rate or an environmental
43 rate. If it was an animal health or an insect pest levy,
44 they would shy away from those. You'd get a lot of
45 complaints, I should imagine.
46
47 MR W McDONALD: My name is Bill McDonald from Lockhart, a

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1 humble farmer. I'm very concerned about the funding of the
2 Caring For Country and of the \$128 million that we have,
3 because you know that when government changes programs
4 and things like that and it doesn't sit the criteria, whether
5 that \$128 million then would come into the coffers of the
6 proposed budget you had on the front page. I am very
7 concerned about that.

8
9 The second point is that you spoke a little bit about
10 local government and collecting the levies and everything
11 like that. There is a review into local government at
12 present, so if they change the boundaries a little bit and
13 then local governments go into different areas, even though
14 at the moment LLS boundaries are situated within the local
15 government areas, that could cause possible problems in the
16 future.

17
18 This morning you talked a lot about the cost shifting.
19 I am really concerned about the cost shifting exercises.
20 I feel at great pains to say that I think at the end all
21 the farmers will have to pay extra for the services that
22 they don't receive.

23
24 MR COX: Thank you.

25
26 MS PATON-BLACKWELL: Under the possible amalgamations
27 of the local government - and within our new LLS of Riverina,
28 for example, I think there are about 17 local government
29 areas - how would it work? Would it be an individual one
30 or would every one of those 17 be collecting the rates
31 within our part of the board? Do you follow my question?
32

33 MR COX: Yes. The first thing to say about that is it is
34 not clear what's going to happen to the amalgamations
35 anyway. As you know, there's an independent local
36 government panel that recommended it. How many of those
37 have happened to the councils themselves? Amalgamation is
38 perhaps encouraged by the State Government. It very much
39 remains to see what happens there.

40
41 MS PATON-BLACKWELL: There could also be conflicts of
42 interest between directors who sit on LLS boards and who
43 are on local government boards and who are imposing rates
44 and collecting rates. I can see all sorts of problems.

45
46 MR COX: Yes. I think the attraction of that as a
47 mechanism is where there is some sort of local

1 environmental problem that affects all the residents of a
2 particular area and it is reasonable they should all
3 contribute. I think what you then have is an addition to
4 the rates in all the relevant local government areas,
5 whatever happen to be paid to the local land service.
6 I think that's the constant. I would see it as more on the
7 environmental cash and maintenance side myself.

8
9 MR BLACKWELL: If you take any one biosecurity risk, which
10 I commend you to do, do you then list beneficiaries and
11 risk creators? Who are these people? For which risk?
12 Have you thought about that? I go back to your statement.

13
14 MR LEVENTIS: You'll have a service that addresses some
15 kind of biosecurity risk potentially from research to
16 actual post-incursion or - not "incursion", excuse me --

17
18 MR BLACKWELL: Why don't you name one that you've
19 thought about?

20
21 MR LEVENTIS: Right now I haven't gone through this
22 exercise.

23
24 MR BLACKWELL: What about Deb's bat? Take Hendra and
25 work that through. I actually don't understand really the
26 beneficiary or the risk creator right through the whole
27 system in any of these. I think you have to do that
28 because all of this is predicated on whether I pay because
29 I benefit or I pay because I'm a risk creator. If you
30 don't know who they are and how far down the chain or up
31 the chain you go, I don't see how you can progress. Maybe
32 I'm being dumb.

33
34 MR LEVENTIS: No. No, you'll have a risk and you'll have
35 some kind of biosecurity risk. I can't say whether it is
36 Hendra or lyssavirus, or whatever it is.

37
38 MR BLACKWELL: But it doesn't matter.

39
40 MR REID: Peter, it may be easier to talk in terms of,
41 getting away from biosecurity for the moment, a similar
42 situation where you have a polluter. An industry puts out
43 chemicals - say it is ICI or whatever - at Botany.
44 Obviously in that situation they're identified as the risk
45 creator. There are people who benefit from clearing up
46 that mess but in reality you would go after the risk
47 creator.

1
2 MR BLACKWELL: Yes, because that's a clearly identified
3 one, I think. You've got to understand also that ICI are
4 benefiting everyone in this room because we use their
5 chemicals. It becomes very complex again.
6
7 MR LEVENTIS: No, that's part of the market. They can
8 sell their goods.
9
10 MR BLACKWELL: They can pass that on. We can't very
11 easily. If you took foot and mouth, I'm told that as a
12 cattle producer I'm a risk creator, but there is no foot
13 and mouth in this country. If it comes in who is going to
14 cause that risk and who is going to benefit by this
15 organisation trying to keep it out?
16
17 MR LEVENTIS: That's where you start asking questions
18 about whether it is an exotic that's come in from somewhere
19 else or is it endemic. The more information you get about
20 the risks helps you to classify whether the risk creator -
21 if we identify it as a cattle person - was the one actually
22 bringing it in. If it is an exotic pest and it is a
23 national problem, potentially that's a national issue. You
24 would not necessarily - now I'm just --
25
26 MR BLACKWELL: You're starting to think about it which is
27 good.
28
29 MR LEVENTIS: No, that's unfair. There are risk creators
30 and there are beneficiaries and depending on what the
31 circumstances are for each biosecurity issue, it could be
32 that you, in particular, are the risk creator, or if it has
33 come from somewhere else then you may not be identified as
34 the risk creator, but you have to go through the exercise
35 in a transparent and logical way before you can either
36 classify yourself or anyone else as one or the other.
37
38 The distinction is that the risk creator could be
39 separate from a beneficiary, as in the ICI example because
40 they put the chemicals in, or they for some reason don't do
41 something for the vector. The beneficiary may be a
42 completely unrelated party. In the first instance, if you
43 can't go for the risk creator, you ask them, "Are you
44 willing to pay to solve this issue?", and you work through
45 the steps.
46
47 Biosecurity is a complex issue because there are many

1 steps, from research, monitoring, surveillance, to
2 preparation. There are many steps in there and each
3 activity may not necessarily have the same risk creator or
4 beneficiary. In some instances one of the activities,
5 potentially surveillance, could be a community benefit and
6 therefore there would be a community public good that
7 should be considered and therefore the government would be
8 in that stage.
9
10 However, if your industry benefits and you can sell
11 cattle then you would be in another stage - maybe in the
12 management stage - more likely to pay in that respect. You
13 look through the stages and you try to identify in which
14 group is the risk creator closer than others or likely to
15 benefit from dealing with the issue. It is activity based.
16 You do have to work through these issues and it is more
17 likely to be a Biosecurity New South Wales issue because
18 they have the information.
19
20 The framework would still be robust enough to be able
21 to ask the question what's the objective? What's the
22 market failure? Who is causing an issue or who is
23 benefiting? I think you still have to ask and answer those
24 questions, with a considered opinion and with evidence,
25 before you then start saying, "No, the government should
26 pay for everything" or "I should pay for everything."
27 I think you do have to follow that step.
28
29 MR BLACKWELL: I agree. I look forward to the robust
30 framework.
31
32 MR COX: In a way I understand what you're saying, John.
33 I think this thing has got to be brought down to the
34 realism of particular examples. In our position, we have
35 just started off this inquiry. We do have to think through
36 how this is working at least in a few instances. We're
37 obviously not going to be doing it for everything, given
38 the time frame. I think it is for the local land services
39 boards to do it ultimately. The point you make is yes, you
40 have to think about how this works, at least in a few
41 instances, and make sure it does work and that's something
42 that we have to deal with.
43
44 MR BLACKWELL: Thank you.
45
46 MR SALMON: I am just going to comment on that. Most of
47 the emergency and exotic diseases, those risk

1 creators/beneficiaries have been worked through. The risk
2 creators are subject to our surveillance programs. The
3 beneficiaries are those that have been agreed in the cost
4 sharing deeds of arrangements. You spoke about that
5 earlier on in the day.

6
7 For the exotic animal diseases, it has been worked
8 through and there's quite a body of information on that
9 which could be quite useful for you to look at as a
10 framework for your further consideration.

11 MR COX: Thank you.

12 MR J FRANCIS: John Francis from Hume. When you were
13 talking about local government collecting rates, if that
14 was an option, there's probably well over 100 local
15 government areas and only 11 LLS areas. Which one would
16 be the most efficient to collect rates, 11 or 100, or the LLS
17 could be just one for the State?

18 MR CLAY: In that slide I did state that if the LLS didn't
19 use the same rating base as the local governments, the
20 efficiency gains would be fairly limited. If LLS did use
21 the unimproved capital land value, you could essentially
22 piggyback on what the local governments already do, but if
23 you don't then you're not likely to see any efficiency
24 gains.

25 MR BROWN: A question regarding the local government
26 rating. You're saying that it needs to be on the same
27 premise of unimproved capital value. I have been told by
28 somebody who works in local government that they could
29 simply create another line in their rate notice and call it
30 "X". It doesn't have to be calculated on the same basis.
31 I don't know whether you guys are looking into that or not.

32 MR CLAY: It is a possibility. We haven't done the
33 in-depth analysis and asked local governments how they have
34 to alter their ratings system, but it was just noting that
35 if the LLS did use the same rating base then it would be
36 fairly simple and straightforward.

37 MR BROWN: One other comment, if I may, reflecting on
38 wanting to come back down to two hectares, prior to the
39 Bull report in the formation of LHPAs, the RLPBs could set
40 their own minimal rateable area. On the coast it was down
41 as low as four hectares to pick up all those additional

1 hobby farmers, for want of a better word, and get them
2 under the rating umbrella. The reason it was moved to a
3 blanket 10 by the MacDonal government at the time was to
4 minimise the number of complaints and we're going to go
5 full circle. Not that that's a bad thing, I think
6 everybody should pay, but we need to be aware of the flak
7 and it needs to be sold very well and for a very good
8 reason by the government as to why those people are going
9 to have to pay in the future.

10 MR COX: Thank you for telling us the history.

11 MR RANDALL: I was just wondering, if you send a bill out
12 to a two hectare farmer, a hobby farmer, and he doesn't pay
13 his bill when the LLS sends it out, who is going around to
14 collect it and at what cost?

15 MR CLAY: That is definitely an administrative efficiency
16 issue, yes.

17 MS PATON-BLACKWELL: You raised exemptions. I think
18 exemptions sound fantastic. I would like to be exempt
19 because I have native grasses on my property and I don't do
20 a whole lot of things. I would also like to be exempt
21 because I have blackberries on another farm because of the
22 national park's lack of caring for their country. However,
23 exemptions are going to be a really difficult thing.
24 I think it is going to be confusing. It is going to be
25 arbitrary. It is going to open up possibly a floodgate.
26 I think we're trying to get more people in to pay, we're
27 not trying to let them out. I would suggest that exemption
28 has to be looked at very carefully before we make a
29 decision on it.

30 MR COX: Are there circumstances in which you would
31 support it?

32 MS PATON-BLACKWELL: I would need a specific example.
33 I think the only one that comes to mind is somebody said
34 pensioners. I would say no. I think the other example was
35 for good behaviour on your resource management. Who is
36 going to go and audit that? On our rangers at present, we
37 can't do the rabbit inspections on the properties that
38 we're obliged to. The easiest way it will be for all of us
39 to not pay our rates if we're not happy with the new system
40 is to put on an exemption and say, "Oh look, come and look
41 at my farm. I've got native pastures. I've got no

1 rabbits. I've got perfect biodiversity." If 140,000
2 ratepayers around this country want to screw up this
3 system, that's what I would be recommending they do and go
4 and put on an exemption. I would be avoiding it.

5
6 MR CORBOY: In relation to what Peter said, speaking to
7 the local government in our area, they don't actually
8 record the area of their holding. If you went to area,
9 that's where they would have to change their rating system
10 because they don't care what the area is, as long as
11 they've got the UCV on it.

12
13 In respect to the collection of rates now, the LHPA is
14 done centrally and the money all goes into one account. It
15 is just split out through the accounting system. I think
16 someone thought it would be more efficient to do it
17 centrally than each individual authority do it themselves.

18
19 MR CAMPBELL: Another problem is local government rates.
20 Many of us have multiple rate notices. If you intend
21 putting a base rate on those, it would be multiple base
22 rates for each of us. I know in Lockhart Shire there are
23 many people who have rate notices in the teens, so that's a
24 problem in addressing it that way.

25
26 MR McNEIL: Just two things. One is that certainly in our
27 shire there are areas on our rate notices. I don't know
28 what happens over there in the western part of the world,
29 but we've certainly got the hectares on the rate notices,
30 so they're aware of the area of our holdings.

31
32 Secondly, just a word of caution about a centralised
33 collection system. I know collecting the rate would be
34 simpler but in CMAs all accounting is done through
35 ServiceFirst, it is a government servicing organisation,
36 and it does in theory appear to be a cost saving, but the
37 amount of complication and the lack of communication and so
38 on, we think it actually is a cost.

39
40 MR COX: We don't offer that service.

41
42 MR McNEIL: You probably sympathise with what I'm
43 saying. Thank you.

44
45 MS PATON-BLACKWELL: Angus, I think you're very brave
46 raising the cost of administration between the CMA and the
47 LHPA. I think you won by about four million on 11, as

1 opposed to our 14 authorities. I think it was about
2 1.3 million to administer. That is a real and genuine
3 concern for us in this. It might not be something you're
4 looking at but we are having a centralised corporate
5 service imposed on us. It is not how we do business. We
6 would normally have a tender system.

7
8 You would normally have it costed and you would have
9 an opportunity to discuss and look at the service that you
10 want for your ratepayers. Our ratepayers are essentially
11 giving a blank cheque to the government on the cost of
12 service provision for the corporate services. That is a
13 real concern to us. Having said that, there's nothing we
14 can do about it.

15
16 On the audit methodology, yes, I think it is relevant
17 if somebody like the NRC do the audit. I haven't really
18 thought it through, but what I'm really concerned about is
19 currently the government pays for the audit, so for the
20 audit of the CMA through the NRC, I would be expecting the
21 government to pay for the audit of the LLS, not the
22 ratepayers of New South Wales.

23
24 MR BROWN: On that issue of people with multiple holdings,
25 or multiple properties, under the LHPA legislation they can
26 elect to associate those holdings and therefore only pay
27 one base rate and not a base rate on every property.

28
29 MR COX: Are there any final comments before we wrap up?

30
31 MR LANE: Going back a step to your risk creator, the
32 Minister created LLS. She's the risk creator. Therefore,
33 she should pay.

34
35 MR COX: Somehow, I don't think that logic will prevail.

36
37 MR LANE: Unfortunately not.

38
39 MR MURDOCH: I am going home knowing now that I'm a
40 risk creator and a risk taker. I'm also a beneficiary. I'm
41 also a producer. I'm also part of an industry. I'm also a
42 ratepayer and I'm also a taxpayer. At the end of the day
43 I think some people have come here thinking that we
44 wouldn't pay any rates. I think you're slightly wayward;
45 that card has already been drawn.

46
47 MR COX: I think that's right. I think the reality is

1 that landholders will be paying something.
2
3 MR MURDOCH: Yes. The government aren't going to give up
4 a \$40 million contribution to this formulated organisation.
5 How that goes about being collected is really not going to
6 matter at the end of the day. How it is formulated is the
7 critical part. That is the thing that needs to be done
8 correctly, so that the wording of it is the key in
9 appeasing everybody, selling the message to the people that
10 are going to pay it as to why they're paying it.
11
12 There are still a lot of people and I was one of them
13 until I joined the LHPA - I had no idea that the
14 organisation existed other than I paid my rates every year
15 and because it hasn't been an organisation that had
16 deliverable results, measurable results I suppose you could
17 say, it has never got the reward for what it actually did.
18
19 Probably everyone around here who has livestock, or
20 carrying sheep anyway, would be quite well aware that the
21 chances of picking up footrot within New South Wales is
22 probably minimal and that's attributable largely to what
23 the old Rural Lands Board did. It didn't have a lot of
24 measurable results on it, only than it achieved the result
25 of having below minor percentage of footrot within the
26 region.
27
28 I am quite happy to pay a rate for someone to fight
29 the battle down the road on my behalf. They may not
30 actually come to my farm, whether it be a DV or a weed
31 inspector or whatever, but if I know that I'm paying for an
32 organisation that's fighting the battle to keep the
33 biosecurity problem or the weed problem at bay from me,
34 they don't actually have to be on my property, and I'm
35 hoping they're not, but it's very reassuring. Someone
36 before spoke about an insurance policy. To my mind I am
37 paying that insurance policy through that rate and no doubt
38 government do to some degree.
39
40 MR COX: Thank you. I think we might wrap up, if there
41 are no further comments. I would like to say that I think
42 we've had a really good discussion today and I'm grateful
43 to you for coming to this meeting and for the spirit in
44 which we've had our discussions. It has been a good
45 conversation back and forth between us and you and I'm very
46 appreciative of that.
47

1 Obviously, this is new territory for us and it is a
2 really good thing that we can benefit from your experience,
3 knowledge and wisdom. We are very grateful to you for the
4 effort you have made today.
5
6 Just some mechanical things. We have taken a
7 transcript and the transcript will be available on IPART's
8 website within the next week. Look out for that. I just
9 want to remind you that we welcome written submissions.
10 These can be submitted to us online or by post by 2 July
11 2013. Remember that day, 2 July. We plan to release a
12 draft report by the end of August to give a further
13 opportunity to stakeholders to comment on our findings.
14
15 I would see myself as being a realist. Our view is
16 that landholders would be paying a share of the costs and
17 I think it is important that we work out the fairest, most
18 equitable, most justified basis of doing that. I think it
19 is up to us.
20
21 I want to end by thanking you once again. I close
22 today's forum and thank you very much for your
23 contribution.
24
25 AT 2.45PM THE TRIBUNAL CONCLUDED ACCORDINGLY
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