

# Options for future state wide livestock health and pest management in NSW

## Context

To assist in focusing the Review, this paper presents draft general options for discussion at the scheduled public meetings. The options draw on issues and ideas presented in submissions received, previous inquiries and meetings with various stakeholders. It is clear that there are major concerns with the existing LHPA model in terms of the activities and operations, accountability and the funding of LHPAs.

The aim in presenting options is in obtaining the best outcomes for landholder ratepayers, farmers and the general NSW community

The options are necessarily broad at this stage and will be refined in the light of the public meetings, further analysis and discussions. There are common features across the options and aspects of individual options can be applied to other options.

At the outset it should be noted that this Review, particularly given the need to consider the range of options, will have no bearing on LHPA rates for 2012. The government processes required to consider and implement any changes to the LHPA model, including industry and community consultation, are unlikely to be completed until well into 2012.

There will be certain factors that will remain constant across all options being considered.

## Hierarchy of assessment

As outlined in the Issues Paper a hierarchy for assessing of the needs for intervention on biosecurity issues was presented:

- For diseases or pests specific to the farm or landholder and that are unlikely to spread to neighbouring farms then it should be the farmers' responsibility. The costs and benefits of remedial action are solely within the farm or landholding.
- For diseases or pests that can be 'transmitted' to neighbouring farms or landholdings but do not disperse rapidly, voluntary groups of farmers and neighbours acting together should be able to coordinate their actions to deal with the issue without the need for outside intervention by government or other authorities. The costs and benefits of remedial action are confined to the group.
- For diseases or pests that can spread beyond neighbouring farms or landholdings but only cause costs for the industry or region in which it is located. If it is beyond the capability of the individual farmer or voluntary groups of farmers to take action to deal with the problem, but the benefits accruing to them

from collective action exceed the costs, there may be a role for a compulsory levy to fund remedial action.

- For diseases or pests that can spread widely, but the benefits to landholders (as a group) are less than the costs of dealing with the problem and there are benefits accruing to others, such as for environmental protection and public health, which would exceed the costs of dealing with the problem. Public health issues include animal diseases such as anthrax and Hendra virus which can infect humans. In these cases as insufficient action might be taken by the landholders there is a potential case for topping up with taxpayer funding. However, in doing so the costs of intervention on both the revenue raising side and the expenditure of funds have to be considered.

### **Criteria for assessment**

The criteria for assessment of the options for the LHPA system and the information provided on them are to achieve the most economically efficient outcome. This outcome is for the most efficient use of ratepayer and community resources. This means that any services delivered should be targeted appropriately at providing the greatest return and that they are delivered in the most cost-effective means.

Helping in this assessment is the requirement for transparency in revenues and costs. This generally requires removal of any cross subsidies and if they are required, that they be measured and explicit. Cross subsidies generally dampen the price signals in ensuring an efficient usage of resources with consequent higher costs for ratepayers.

The collection of revenues and the costs incurred upon undertaking LHPA functions should be related as much as possible. Cost reflective revenue collection is an effective means of achieving the goal of the most economically efficient usage of ratepayer resources.

The incentive structure within the organisation undertaking the functions should try and ensure that there is a continuous pressure to not just deliver but improve upon all aspects of performance.

### **Animal health strategy**

It is taken as a given requirement in this review that there will be an animal health strategy in New South Wales.

The provision of an animal health strategy is an essential biosecurity issue which provides significant benefits for the livestock industries through ensuring trade access and reduced future production costs from reduced reliance on chemicals etc. The benefits from a secure biosecurity environment have been estimated in various studies such as controlling an outbreak of foot and mouth disease where the benefits for New South Wales producers alone would be in the order of \$2-\$5 billion.

In this context a secure biosecurity/animal health strategy is an insurance policy for the industry which will hopefully be rarely, if ever called upon. However, the industry does need to have the resource capability of dealing with the potential problems if they arise.

The functions of advice, surveillance, compliance and eradication and/or control will have to be undertaken by some authority or government agency.

### **Animal and plant pests**

The control of pest animals is the other major function of the Livestock Health and Pest Authorities. An issue is whether the animal health and pest animal functions are undertaken effectively within the respective 14 authorities. Pest animals can be placed into three categories as to their impact upon landholders in New South Wales.

The first type of pest animal is the farm specific such as wingless grasshoppers and mice where the farmer bears the costs and receives the benefits of control.

The second type of pest animals are the local travelling pests such as wild dogs and feral pigs which are not farm specific and are regional and control programs have to be undertaken by groups of farmers and large public landholders such as those managing National Parks and State Forests to ensure effectiveness of control.

The third category relates to the distance travelled by pest such as locusts. They can hatch in locations very distant from where they will impose damage upon specific farmers. Also, control is easier in the hatching areas. This category of pest animal requires intervention and therefore costs in locations will be distant from where the potential beneficiaries of the intervention are. This can justify imposition of levies on landholders who will be potential beneficiaries of the intervention.

Noxious weeds and Weeds of National Significance (WONS) fit only into the first two categories of farm specific or local travelling pests with the consequent similarity in control or eradication arrangements.

Amongst the options, what is the best structural model for dealing with the different types of pest problems?

### **General functions common to all options**

In the different options considered for the structures of the LHPAs model, comments are sought in each case for these specific criteria.

#### *Compliance functions*

Compliance functions will have to be undertaken by some authority to ensure the effectiveness of animal health and pest management in New South Wales. There have been concerns raised in submissions about combining the advisory and compliance functions within the same body. The compliance functions will have to be undertaken, it is a question of which is the most effective means of achieving this role. Under each option consider which agency would be best suited to this role.

Do you believe that one agency can combine the roles of both advisory and compliance with appropriate regulatory powers?

### *Accountability*

As the funding of the LHPAs functions requires a compulsory levy on ratepayers, there is a need to ensure effective accountability to those who are compulsorily levied and to the government. The current model uses elected representatives from regions as a means of ensuring accountability. Alternative models have been proposed such as indirect elections through nominations by peak groups of interested stakeholders, committees selected by governments or selection panels comprised of peak groups of interested stakeholders. There are a variety of means proposed to achieve the accountability function, this is not an exhaustive range noted here.

For each or any option, please provide your views and the reasons for which would be the best model.

### *Revenues*

The collection of revenues to fund the assigned functions should be reflective of who benefits from the undertaking of these functions and who imposes the costs. The criteria for imposing the specific levies should be related to the risks and returns for the different types of ratepayers.

Do the revenues collected by the LHPAs reflect the costs imposed by the different ratepayers and the benefits they receive?

Views are sought as to what are the best methods or levies bases for matching the costs imposed or the benefits received by those who are levied.

Options in this regard could include targeted levies, rates or fees for livestock owners reflecting the benefits and the risks they impose. This may also be extended to stock owners with smaller than the current rateable numbers to reflect risk and return issues.

For pest animals, are there alternative rating bases such as through additional local government rates on land values and land types to cover the costs and better reflect risks and returns. Are the risks and revenue contributions imposed by small landholders adequately covered by the existing model? Is there a more direct rating or revenue methodology available to better reflect the risks?

### **The options for an LHPA model**

The options reviewed are:

- Option 1: The status quo, recognising the LHPAs strategic plan for the next few years
- Option 2: A single state wide LHPA — abolition of the 14 LHPAs as they stand
- Option 3: Transfer of all LHPA responsibilities to the DPI
- Option 4: Transfer of all LHPA activities to the most appropriate agencies which could include an new combined agency

A general outline and review of each of these options are reviewed in the following sections and questions posed which the Review seeks additional information through public meetings and further submissions. This additional input will help refine and evaluate these or other options.

*Option 1: The status quo: 14 LHPAs*

- The current 14 LHPAs structure provides ‘local area’ knowledge and responsiveness to livestock and health and pest situations.
- Continue to refine the three year strategic plan and continue to develop effective and contemporary policy.
- Future funding and financial sustainability of individual LHPAs remains a challenge
- Maintain the 60 regional offices with appropriate levels of staffing

Possible issues

- Does the LHPA structure require local directors in order to identify relevant livestock health and pest issues or can the 60 or so LHPA offices and 360 operation staff that fulfil that role?
- Has the LHPA structure based on local representation had its day? What other strategies might be employed?
- Do the functions of animal health and animal pest control still fit together in terms of revenue raising bases?
- What incentives could be employed to ensure that the 14 LHPA structure can deliver on policy objectives and accountability?
- Can the LHPAs further develop external sources of funding such as Research and Development partnerships
- Can the LHPAs coordinate with the CMAs for funded partnerships to manage TSRs
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*Option 2: A single state wide LHPA - abolition of the 14 LHPAs as they stand*

- A single state wide LHPA with elected directors and the ‘current operational structure’ (to be reviewed by the LHPA)

- Significantly lower overhead costs, through savings in director fees and director costs and possibly general management costs
- An enhanced ability to make more timely state wide decisions and implement them as less consultation across 14 authorities is required
- May achieve other cost savings and improved impact, such as co-location with other agencies, such as DPI

#### Possible issues

- Would a single authority substantially reduce overhead costs?
- How important is the loss of local level involvement by directors or, indeed, is that good thing?
- Additional risks of continued/expanded cross subsidisation between regions, ratepayer categories and activities?

#### *Option 3: Transfer of all LHPA responsibilities to the DPI*

- Claims of significant overlap in responsibilities and activities would be addressed
- Ratepayer funding continues
- An elected or nominated advisory committee to oversee policy and performance
- Potential one stop shop for primary industry related issues, both advisory and compliance
- Would achieve co-location of services

#### Possible issues

- Is there a risk of too much government (both political and departmental) influence over future policy?
- Is the combined advisory and compliance role incompatible?
- Would there be additional crowding out of commercial activities as government (DPI) activities increased?

#### *Option 4: Transfer of all LHPA activities to the most appropriate agencies*

- Splits LHPA activities between agencies best suited to deliver policy/operations, further reducing the risks of duplication. For example, the industry/ state wide animal health function could be undertaken by the biosecurity area of the Department.
- Potentially differentiates advisory and compliance activities.
- Potential to combine specialist activities, such as weed control and pest management

- May facilitate transfer of TSR responsibility to private ownership, lease, recreation use, council managed public resource and National Parks and State Forests.
- Is the most appropriate agency a new one combining component responsibilities of existing agencies such as CMAs, LHPAs and parts of the DPI

#### Possible issues

- Would ratepayer funds be spread across too many agencies with a loss of ratepayer influence?
- Can an appropriate accountability model be developed?
- Are the approaches of the CMAs and other agencies in a degree of conflict? In particular, CMA directions primarily reflect stakeholder aspirations for the catchment and reflect issues relevant to each catchment. Livestock health issues are generally industry rather than catchment specific
- CMA funding may in the future depend upon levies within catchments with a quite different levy base (such as land values) than that appropriate to addressing livestock health and pest control - can the two be brought together?