



## **Australian Wool Growers Association**

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### **Livestock Health & Pest Authority (LHPA) submission September 2011**

#### **Australian Wool Growers Association – AWGA**

The Australian Wool Growers Association was formed in 1996 to represent woolgrowers and be a strong and independent voice. AWGA is unique among farmer representative organisations as it has a “wool and sheep only” focus.

AWGA is widely regarded as being involved in the sweeping reforms in the wool industry between 1998 and 2001, which led to the creation of Australian Wool Innovation (AWI) as a grower-owned Marketing and Research company. AWGA's role is on-going as there is continued Federal Government involvement and influence within the Australian wool industry. Maintaining woolgrowers' democratic rights to vote for Board members of AWI is of critical importance.

AWGA has been set up on a national platform to give woolgrowers and industry members direct and easy representation to AWI, governments, media and through the wool industry pipeline.

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## **AWGA Recommendations – KEY POINTS**

- 1. AWGA recommends that there is a rationalisation of rural industry bureaucracies transforming them from service delivery agencies to industry regulators by amalgamating as a first step DPI, CMAs, LHPAs and Landcare (recognising Landcare is federally funded) into one structure that is organised on a catchment basis. A second and later step would be to restructure the councils to fit with the catchment approach and adopt the stricter English approach to riparian rights to enhance decentralisation and regional development.**
- 2. AWGA recommends that the policy relating to the use of TSR be changed and state that the right to use a TSR will be in accordance with the principle of highest value use. The process by which an entity may gain the right to use the TSR must be an open and transparent process subject to audit. The board of an LHPA has the right to nominate a minimum cost for the right to use the TSR to reflect the real value of the resource (commercial and natural). The process to calculate this minimum cost must be transparent and auditable. No entity can be precluded from gaining the right to use a TSR as long as the maintenance of the TSR is in accordance with the Act.**
- 3. AWGA recommends that the Act be changed to allow individuals the right to seek redress and compensation through the civil courts for losses incurred from all those entities that have contributed to a substantial economic loss because of a lack of action to address and contain a threat that has caused economic loss to others.**
- 4. AWGA recommends that within a "rural lands" classification any property that has the potential to harbour or facilitate the spread of the disease, pest or weed be rateable. A minimum rate shall apply.**
- 5. AWGA recommends the cost for controlling a disease or pest outbreak that is essentially a geographic epidemiology be paid for by the levy payers within the effect geography.**
- 6. AWGA recommends an annual random independent audit of one or a number of the amalgamated agencies (or LHPAs). The cost of such audits being a part of the levy contribution of all ratepayers.**



## **Summary of key issues with respect to this submission**

### **The efficient provision of services to rural stakeholders, tax, and levy payers**

Rural production businesses are encumbered with a plethora of bureaucracies that replicate duties and impede efficiency. In terms of land management at a local there are ostensibly five bureaucracies (Department of Primary Industries, Catchment Management Authorities, LHPAs, Councils and Landcare) that compete for the tax & levy payer's dollar. The current system has created "silos" of inefficiencies that waste human, physical and capital resources in manner that is unsustainable. If farmers ran their business enterprises replicating this silo approach to managing business enterprises in relation to land resource they would go broke very quickly. The maintenance of such bureaucratic efficiencies contributes to a reduced standard of living for future generations – socially, economically and environmentally. Any rationalisation of current inefficient rural service provision bureaucracies must focus on transforming them to regulatory agencies that provide and manage the regulatory framework in which efficient farm businesses succeed and grow; allowing them to take over those that are less efficient and increasing whole of industry productivity, living standards and environmental sustainability.

The logical basis for managing any landscape is at a catchment level. The existing management approach arises from a time when physical barriers were used as delineators. If one was to move to a management approach based on catchments the English approach to riparian rights (not the adulterated Australian approach) could be introduced to a greater extent, this would greatly enhance regional development and decentralisation. Such a restructuring would greatly enhance productivity and enhance environmental management.

### **Recommendation 1**

The Review recommends that there is a rationalisation of rural industry bureaucracies transforming them from service delivery agencies to industry regulators by amalgamating as a first step DPI, CMAs, LHPAs and Landcare (recognising Landcare is federally funded) into one structure that is organised on a catchment basis. A second and later step would be to restructure the councils to fit with the catchment approach and adopt the stricter English approach to riparian rights to enhance decentralisation and regional development

### **TSR - the Principle of Highest Value Use and proper Governance**

The governance of TSR is extremely poor and this fault lies with the State policy council. TSR become a high value resource utilised deliberately or by economic circumstance by managers not properly prepared for natural events. The value of these reserves/routes is exploited at a time when the resource itself is most vulnerable.

The value of the resource can be realised if the principle of highest value use is applied. If the TSR are seen as a valuable resource whether it be as a drought reserve, environmental habitat, indigenous heritage, bee keeping or recreational use the user wishing to pay the highest value for its use should be able to procure that right as long as they maintain the TSR



in accordance with the law. Any right to use a TSR should be acquired through an open and transparent process and be for a specified time.

The TSR is a remnant of a previous agricultural era and their relevance has been superseded by modern transport and better communication systems. TSR are seen as having a broader community value and also as a valuable natural resource. The principle of highest value use fails under certain circumstances. The value of the resource is likely to be undervalued when there is a single user application. Thus, a minimum value is required to be placed on the resource. This could be, for example, the average cost for agistment in the district plus a substantial resource / management cost (20 to 50%). There is also a potential to undervalue the resource in the case of single specialist users, and local LHPA board's need to negotiate a realistic value for the use of the TSR. However, they should not use this process to exclude specialist users in favour of using TSR as a resource to be exploited during exceptional weather conditions by farm businesses. The board's LHPAs must manage the TSR resource based on it being a commercial asset.

### **Recommendation 2**

The Review recommends that the policy relating to the use of TSR be changed and state that the right to use a TSR will be in accordance with the principle of highest value use. The process by which an entity may gain the right to use the TSR must be an open and transparent process subject to audit. The board of an LHPA has the right to nominate a minimum cost for the right to use the TSR to reflect the real value of the resource (commercial and natural). The process to calculate this minimum cost must be transparent and auditable. No entity can be precluded from gaining the right to use a TSR as long as the maintenance of the TSR is in accordance with the Act.

### **Regulatory requirement –Spillover effect.**

The basis of the submission is that the current overlapping bureaucratic service providers (DPI, LHPAs, CMAs and Landcare [RFS could also be considered for inclusion]) be combined into a regulatory authority for New South Wales farm businesses / land managers. If this were to happen there needs to be a change in the way the regulatory bureaucracy operates as opposed to being service providers. Substantially what this means is that there needs to be a change to the regulations such that an individual must demonstrate that they have taken every means possible to protect the environment and their neighbours from an adverse event. Currently an individual is responsible for the consequences of directly or indirectly starting a bushfire. There is no reason why an individual cannot be made responsible under the law for directly or indirectly causing the spread of a disease, pest or weed. Individuals must be given the right to seek recompense in the civil courts from those who have not met their responsibility. .

### **Recommendation 3**

The review recommends that the Act be changed to allow individuals the right to seek redress and compensation through the civil courts for losses incurred from all those entities that have



contributed to a substantial economic loss because of a lack of action to address and contain a threat that has caused economic loss to others.

### **Ratepayers and levies**

A disease or pest outbreak gives no consideration to the size of an operation. A property that has the potential to harbour or facilitate the spread of a disease, pest or weed is rateable. In order not to create inefficiencies within the organisation a minimum rate shall apply to any property.

### **Recommendation 4**

The review recommends that within a "rural lands" classification any property that has the potential to harbour or facilitate the spread of the disease, pest or weed be rateable. A minimum rate shall apply

### **Plague locusts**

The Australian plague Locust commission has modelling capability to be able to determine the potential area for an uncontrolled locust outbreak to invade. This should be the area from which additional funds are drawn from rateable properties to pay for the control measures. During the last locust outbreak all LHPA ratepayers were asked to pay for the cost of the control measures. Producers throughout significant parts of the Southern Tablelands suffered, in some areas, the worst ever outbreaks of wingless grasshoppers. These producers either suffered the loss or attempted to undertake control using their own financial resources, and they had to pay an insect levy for plague locust control, from which they could never received benefit,

### **Recommendation 5**

The review recommends the cost for controlling a disease or pest outbreak that is essentially a geographic epidemiology be paid for by the levy payers within the effect geography.

### **Governance**

Governance, accountability and the audit processes that keep these cornerstones of government, business and civil society intact are essential in our modern democracy. All activities must be accountable and auditable. Modern practice is that the responsible body pays for the independent audits.

### **Recommendation 6**

The review recommends an annual random independent audit of one or a number of the amalgamated agencies (or LHPAs). The cost of such audits being a part of the levy contribution of all ratepayers.



## **Comments on the Key Issues Raised in the Briefing paper**

In the absence of government intervention, would 'spillover' effects result in unacceptably low levels of landholder investment in the animal disease control and control of vertebrate pests and noxious insects?

**Yes! However, this is circumvented if regulatory and statutory obligations are changed to ensure the financial deterrent through civil action makes sure individuals put in place the appropriate financial and management practices to contain potential outbreaks.**

A number of agencies/organisations currently deliver services to farmers and other rural landholders. These include, for example, the Department of Primary Industries, Catchment Management Authorities, LHPAs and Weeds Councils. Is the current system efficient and effective or is there need for a new regional service delivery model for farmers and other rural landholders?

**See Recommendation 1**

What are the public good benefits for NSW stemming from animal disease management or control? What are the diseases or situations that involve intra-livestock industry spillovers, inter-livestock industry spillovers or spillover benefits to business outside of livestock or people in the community more generally?

Is the value to NSW livestock producers/land owners of the services delivered by LHPAs sufficient to outweigh the cost of funding the LHPAs?

**Yes! If you considered the cost/benefit of a controlling a FMD outbreak. However, in its current form there are substantial inefficiencies due to duplication of activities that could be combined with other agencies e.g. councils and weed control.**

If producers (as a group) don't consider the investment worthwhile, are there enough benefits to the community at large to pay for the current LHPA services?

Are there specific current LHPA responsibilities/activities/services that do not deliver benefits to LHPA ratepayers but deliver benefits to others in the NSW community? What are these?

Is and if so to what extent is the maintenance of certain Crown lands as Travelling Stock Reserves justified on net public benefit grounds?

**See Recommendation 2**



To what extent is it necessary for the services currently provided by the LHPAs to be regionally delivered, and is an independent system of LHPAs the most efficient and effective way to deliver them?

**See Recommendation 1**

Should the Review consider the economic rationale and functioning of Travelling Stock Reserves or is this issue more appropriately dealt with by the State Policy Council?

**See Recommendation 2**

Could other services that are provided regionally to landholders by organisations such as DPI, Weeds Councils and CMAs be effectively and efficiently provided jointly with the services currently delivered by LHPAs?

**See Recommendation 2**

To what extent do new developments in surveillance and pest and disease control open up alternatives to traditional arrangements?

**New and developing technologies in surveillance significantly add to improve pest and disease control. These developments range from the use of Unmanned Aerial Vehicles (UAVs) to the ability to electronically tag animate and inanimate objects related to a quarantine area and enforce a virtual exclusion zone. The cost of these technologies are significant and their use in any control program can only be determined through proper cost/ benefit study and measuring this against the public good.**

To what extent do current arrangements impede or facilitate development of more efficient and effective approaches?

**In Australia, the private sector does not sufficiently invest in research because of the government subsidy to public sector research. Numerous studies have shown that the private sector is more innovative and adaptive than the public sector. While the current bias to public sector funding remains, the private sector will continue to underinvest. There is little chance of this being addressed given the recommendations of the recently completed Productivity Commission Review of RDCs were not accepted by the Commonwealth and a "business as usual" position endorsed**

The How should the delivery of these services be funded and what should be the basis of any rate levied on landholders? To assist in the consideration of this issue some specific questions are:

- o Do the rates applied reflect the risk categories of the different types of landholders?
- o Are the rates appropriately targeted at those who benefit from the LHPAs?
- o To what extent could authorities make greater use of fees for service?
- o To what extent do existing LHPA services crowd out private provision and payment of such services or involve cross subsidies between ratepayers?



- o Is the rating system efficient in terms of the rates set for individual landholders for the control functions authorities are required to carry out?
- o Are there any alternative rating or revenue systems which can be considered?
- o Do the LHPA activities reflect the risks of different diseases and pests and the returns from appropriately containing or eradicating them? Is the basis

Ratepayers?

Is the risk profile for landholders dependent upon the size of the property?

Does property size have an impact upon the scope and costs of pest control?

Are there examples of problems or successes in LHPAs delivering these services to smaller landholders?

At what level do the administration costs of collecting rates from smaller properties exceed the revenue returns?

**To the above issues relating to the services and rates see Recommendation 4**

There have also been a number of specific issues raised in researching the issues and preliminary analysis. Comment is sought on these specific questions and issues.

### **Plague Locusts**

There have been concerns raised that the funding for control of plague locusts should not be obtained from regions where they are not a problem.

The recent outbreak and control provides a comparison base between NSW and other jurisdictions on the effectiveness and relative costings between LHPAs and other state approaches.

Is there information on the relative effectiveness of New South Wales versus other jurisdictions?

Can the impact of plague locusts be isolated to specific regions?

Is there an efficient levy mechanism to ensure that the beneficiaries of plague locust programs are the prime funders of them? Ratepayers and levies

**To the above issues relating to plague locusts see Recommendation 5**

### **Cattle ticks**

In its 2009-10 Annual Report the LHPAs stated "The new RLPB network should take over the current DPI program to manage and eradicate cattle ticks. This should be done on the understanding that sufficient funding is available from government to effectively undertake the role."

Concerns have been raised that in certain saleyards there have been officials from both the Department of Primary Industries and the LHPAs attending at the same time but checking for different pests. This adds to the total costs for the community and raises the scope for efficiencies to be obtained.

It is unclear to the Review as to why cattle ticks are under a different regime to other livestock pests.

Should cattle ticks be part of the remit of the LHPAs?



In considering this the beneficiaries of this program should be identified. Is it an issue that is primarily for the benefit of farmers or are there other community wide benefits?

If there are any what are the best means of achieving 'economies of scope' by amalgamating inspection and regulation functions, and who should undertake them?

- Has any progress been made on the implementation of the recommendations in the Annual Report?

**Issues relating to cattle tick are not the domain of AWGA, but the principles of Recommendation 5 apply**

### **Mouse plagues**

Mice plagues occur on a periodic basis depending upon seasonal and other conditions. Mouse plagues tend to be widespread but are localised in their impact on to individual farms. In the recent mouse plague in New South Wales the local LHPAs adopted different approaches in assisting farmers to control these plagues.

Should the Plague Locust Management Group or another similar body also manage mouse plagues?

Is there a need for a centralised approach where the local authorities adhere to a standard means of assisting farmers with consequent respective cost allocations to the individual farmers?

Are there alternative means of providing the necessary support and chemicals which do not rely upon the LHPAs?

**Mouse plagues because of their nature are essentially a problem impacting upon apply the individual. Approaches to controlling this problem should be left to the free market.**

### **Foxes**

The LHPAs have a significant role in the control of foxes primarily through organising baiting programs. They are not a prescribed animal in the category of wild dogs, pigs and rabbits. By what means can the LHPAs put animals on their list for control?

Is there a process for adapting the list to changing circumstances of any other potential new animal pest problems?

Is there an alternative means of providing the appropriate chemicals and organised participation in baiting programs without relying on the LHPAs?

Are Crown lands appropriately covered in baiting programs and making a sufficient contribution to the cost of them?

**Although outside of the scope of this review, a, if not the major constraint to effective group baiting programs to control foxes is the unavailability of a suitable antidote for 1080. Many farmers do not actively or effectively participate to the extent required because of the potential for valuable sheepdogs to be poisoned. The economic and broader environmental effectiveness of baiting programs would be substantially improved if research efforts were made to find an antidote for 1080.**



### **New diseases and pests**

New diseases and pests can arrive at any time. There are in existence, arrangements through the respective emergency Animal and Plant Health agreements between the Commonwealth and States. LHPAs are a frontline agency in responding to exotic disease outbreaks, and at such a time through a Memorandum of Understanding with the Department, they come under Departmental control.

If the eradication fails, how do the LHPAs assess the risks and returns from any monitoring and containment strategy that may be put in place for these new problems?

Is the existing arrangement between the Policy Council, State Management Council, individual authorities and the Department effective in determining priorities and dealing with the problems in a timely and efficient manner?

### **Equine influenza/Hendra virus**

The outbreak of equine influenza provides a recent example of biosecurity problems and dealing with them. It can be used as an example to test if the system worked effectively and what lessons have been learnt to deal with any possible future outbreaks of this disease and other diseases. The same questions apply to the more recent occurrence of Hendra virus. Were there any areas that could have been dealt with better such as in notification and quarantining arrangements?

Did the systems work in identifying potential problem areas in terms of the spread of the disease to neighbouring properties?

Were the properties fully identified in the LHPAs databases?

Were the properties below the minimum rateable area?

What were the implications of excluding landholders with fewer than 5 horses from the Animal Health component of LHPA rates?

### **Coordination**

Is the existing arrangement between the Policy Council, State Management Council, individual authorities and the Department effective in determining priorities and dealing with issues such as for example Travelling Stock Routes in a timely and efficient manner?

Are there any impediments to the effective functioning and coordination between the different components of the LHPAs?

### **Regulation enforcement**

The LHPAs are also responsible for ensuring that the regulations that they operate under are enforced upon ratepayers. There have always been concerns in other sectors of the economy about what is called "regulatory capture". This is where the regulated industry develops close relationships with the regulator and regulations and their enforcement favour the regulated industry relative to other interested participants in the industry.

Do the LHPAs effectively enforce their regulatory function?

Do the LHPAs have an appropriate management or auditing scheme to ensure their regulatory enforcement is undertaken appropriately?



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Should this be undertaken by a separate third-party to ensure the perception of independence?

What are the costs of such a change?

See Recommendation 6.