

## RURAL LANDS PROTECTION AMENDMENT BILL 2008

### Second Reading

**The Hon. IAN MACDONALD** (Minister for Primary Industries, Minister for Energy, Minister for Mineral Resources, and Minister for State Development) [2.54 p.m.]: I move:

That this bill be now read a second time.

I seek leave to have the second reading speech incorporated in *Hansard*.

#### Leave granted.

The Rural Lands Protection Amendment Bill 2008 will put in place a number of important amendments to the Rural Lands Protection Act. These amendments will make much-needed changes to the structure and governance of the Rural Lands Protection Board system. Most significantly, the reforms introduced by this bill will improve critical farm gate services to ratepayers and to rural communities throughout New South Wales. They will ensure that the State's animal health surveillance systems and pest insect and animal management systems are world class. The amendments represent an opportunity to improve the financial viability of the board system into the future. The bill implements recommendations from several independent reviews of the Act.

The New South Wales Rural Lands Protection Board System Review 2008, a fundamental review of the board system, was presented to the New South Wales Government in June 2008 by the peak body, the State Council of Rural Lands Protection Boards, seeking action. The State council was seeking action to deal with systemic problems in the board system and to modernise the structure of the system. The New South Wales Government saw great merit in the findings of this review as a means of ensuring the financial viability of the board system into the future. The bill also implements recommendations from the review of the Rural Lands Protection Boards Rating System undertaken by the Hon. Richard Bull, which was released in July 2007 by the State council. As well, the bill includes several amendments remaining from the statutory review of the Act that took place in 2004. Most of the amendments from this process were made by the Rural Lands Protection Amendment Act 2006.

For many generations, rural lands protection boards have been servicing the needs of rural communities in New South Wales. These boards have their roots in organisations established in the 1860s to deal with sheep diseases. Pastures protection boards were established in 1902 to protect pastures and livestock from the depredations of noxious animals. The Pastures Protection Board Act 1934 further expanded the role of these boards to deal with travelling stock; public watering places; rabbit, marsupial and dog-proof fencing; and the identification of stock. In 1990, the Rural Lands Protection Act 1989 significantly modernised the administration of rural lands protection in New South Wales, replacing pastures protection boards with rural lands protection boards. I am sure, Mr Acting Speaker, in the area you represent as in mine, many people still call them PP boards and have done so for many years. The Rural Lands Protection Act puts in place the framework for the rural lands protection board system.

Further changes were made by the Rural Lands Protection Act 1998, which established the State Council of Rural Lands Protection Boards as the peak body to oversee the operations of the local level boards. Currently, there are 47 boards established under the Act. Each board is governed by a board of directors who are elected by ratepayers for four-year terms. Boards are primarily funded from rates charged to landowners. As at 31 December 2007, almost 139,000 land holdings in New South Wales were subject to rural lands protection boards [RLPB] rates. In coastal areas, rateable properties are generally those properties which are larger than four hectares; in the far west they start at 400 hectares. Boards are responsible for animal health surveillance in New South Wales. They investigate disease outbreaks and provide advice on herd or flock health problems such as enzootic bovine leucosis in dairy herds, ovine Johne's disease in sheep and cattle, and footrot in sheep.

Boards also play a significant role in emergency animal diseases outbreaks in this State. Over the past few years there have been a number of significant emergency disease outbreaks in New South Wales. The staff employed by boards, such as vets and rangers, have played a significant role in containing these outbreaks. The recent successful equine influenza control and eradication program was a massive task, to which the boards contributed significantly. The achievement of eradicating this

disease in record time is a credit to all those involved. The contribution of boards to the value of our primary industries in this State was also demonstrated by their role in the response to the outbreak of avian influenza at Tamworth in 1996 and 1997, and the outbreaks of Newcastle disease in poultry at Mangrove Mountain in 1999 and Horsley Park in 2002. Boards are also responsible for managing declared pest animals, such as rabbits, wild dogs and feral pigs.

Board staff also made a significant contribution to the successful campaign, in spring 2004, to manage the Australian plague locust outbreak. This campaign saved hundreds of millions of dollars in crop and pasture damage, keeping our rural economy afloat. Boards are again playing a critical role now in the current plague locust campaign. Boards also manage most of the State's travelling stock reserves and the movement of stock on public roads. In addition, they play an important role in drought management. All of these examples show the significance of having a sound functioning rural lands protection board system in New South Wales. However, the environment in which boards operate is changing. More sophisticated and nationally focused animal health programs, increasing demands from ratepayers, ongoing record drought and other factors continue to put pressure on the current system.

It is no secret that some boards are struggling to remain financially viable in a time of growing demands for their services. Although the total rates revenue for the board system for 2007 is expected to be about \$27 million, there will be significant differences in rate income between boards. For example, four boards, including one in my electorate, collected less than \$100,000 in rates. This income is not sufficient to cover office costs, maintain staff or provide effective services for ratepayers, especially in an environment in which demographic shifts in rural and regional New South Wales have created a more diverse range of landholders with different needs and an ever increasing demand for farm-gate services. The system needs to be modernised. Before I outline the reforms proposed in this bill, it is important for the House to note that these reforms will not adversely affect the range of critical front-line and farm-gate services provided by boards. Rather, the reforms are designed to secure the future viability of the board system and renew its purpose and relevance across the rural sector. The Rural Lands Protection Amendment Bill will reform the rural lands protection board system in three main ways.

Firstly, the bill makes important changes to the structure of the board system. Secondly, the amendments will improve corporate governance in the board system. Thirdly, the amendments will improve the overall administration of the board system in New South Wales, including changing the way in which rates are calculated. Turning first to the proposed amendments relating to the structure of the rural lands protection board system, rural lands protection boards will be renamed livestock health and pest authorities. The new peak body, which I will describe shortly, will be called the State Management Council of Livestock Health and Pest Authorities. The decision to rename the system was made following consultation by the current State Council with its constituents. It is an important decision. The new name more accurately reflects the roles and responsibilities of the board system.

It also marks a change from the past and the desire of the current leaders to create a modern board system for both present and future generations. The bill facilitates the renaming of the board system by introducing amendments that provide for livestock health and pest districts to be constituted under the Act. Livestock health and pest authorities will be constituted for each district, in place of rural lands protection boards. The bill will replace the State Conference of Rural Lands Protection Boards with a new policy making forum to be known as the State Policy Council of Livestock Health and Pest Authorities. The State Policy Council will be an important forum for representatives of the proposed 14 local authorities to discuss local and regional issues. These local representatives will, significantly, be responsible for selecting the members of the new peak body.

The bill replaces the current peak body, the State Council, with a new governing body to be known as the State Management Council of Livestock Health and Pest Authorities. The new State Management Council will, like the current State Council, be accountable to the Minister for Primary Industries in the exercise of its functions. It will also be required to provide its annual operating plan and budget to the Minister and the State Policy Council. It will report to the Minister at the end of each financial year on its performance against its annual operating plan and its strategic plan. As part of these reforms, the New South Wales Government proposes to reduce the number of new authorities from 47 to 14 through an amalgamation process. It is intended that the amended Act will commence at the same time as the amalgamation proclamation. I take this opportunity to congratulate the State Council, the current board directors and their staff for the significant work they have already undertaken to facilitate the proposed amalgamations. Reducing the number of authorities will be a critical step in ensuring the financial viability of the system into the future. It will also streamline the system's administration and governance functions and allow for a greater focus on front-line service delivery and a renewed local focus.

I now turn to the second main area of reforms. These reforms relate to corporate governance. One of the major findings of the independent review commissioned by the State Council this year was that the board system needs modernising. In response to the recommendations of the structural review, the bill makes important changes to the election, selection, membership and appointment processes for the organisations established under the Act. The membership of the new State Policy Council will consist of two members from each of the 14 new authorities. The council will be responsible for statewide policy setting. This will ensure a renewed local focus in policy making. Its other important role will be selecting and appointing the members of the peak body, the State Management Council. The State Policy Council will be accountable to the Minister. It will be required to report annually to the Minister and to the new authorities on its activities and performance. Unlike the current State Conference of Rural Lands Protection Boards, the State Policy Council will not be responsible for determining the budget of the State Management Council. It will, however, determine how much each authority contributes to the State Management Council's budget.

I turn now to the peak body, the State Management Council. The bill provides for the membership of the new Council to consist of nine members. Eight of these members will be chosen through a merit selection process run by the State Policy Council. This represents a shift away from the current system by which the members of the State Council are elected. Merit selection will ensure that the best and brightest candidates lead the peak body and represent ratepayers at the State level. Six of the members will be drawn from the ranks of directors of the new authorities. Two members will be appointed on the basis of their expertise or experience in law, business, financial management or corporate governance. As I have already noted, the State Policy Council will oversee this selection process. The ninth member of the new State Management Council will be a nominee of the Director-General of the Department of Primary Industries, who has responsibility for biosecurity. This member will be appointed by the Minister for Primary Industries.

That amendment will ensure that biosecurity issues are given the consideration they require at State level. It will also usher in a new era of cooperation between the Department of Primary Industries and the new authorities, which, together, form the first line of defence for biosecurity management in New South Wales. The bill introduces maximum terms for members of the new State Management Council. Generally, members will be able to serve only two four-year terms. This will ensure renewal in the leadership of the peak body. The bill also restates, and amends, the functions of the State Management Council. It will be responsible for supervising the corporate governance of the new authorities, including their implementation of statewide policies, preparing a strategic plan and policies for the new system, promoting the functions and activities of the new authorities, and providing administrative services to the State Policy Council.

As I have already indicated, the bill replaces Rural Lands Protection Boards with Livestock Health and Pest Authorities. The new authorities will consist of six elected directors. In addition, there will be two directors appointed by the six elected directors, following a merit selection process, on the basis of their expertise or experience in law, business, financial management or corporate governance. The bill inserts a definition of "selection on merit". Selection on merit will be defined as the appointment of a member or director after some form of open competition involving the selection of the person who has the greatest merit among the candidates who applied for appointment. The bill makes other important changes to improve the corporate governance of the new authorities. The elected directors will serve a maximum term of office, in general, of two four-year terms. To ensure leadership in the new authorities remains dynamic, elections will be held for half of the elected directors every two years.

The bill will insert a new section into the Act to clarify the animal health functions of the new authorities. The bill also imposes a requirement on an authority to prepare a function management plan in respect of its animal health functions. The bill also provides for the Minister to set remuneration levels for the directors of the new authorities. This will ensure suitably qualified candidates are attracted to the system. To ensure the appropriate standards are maintained by members of the State Policy Council, the State Management Council and directors of the new authorities, the bill inserts a new part in the Act. Proposed Part 6A, Honesty and conduct, gives the State Management Council the power to issue a mandatory code of conduct for all directors of new authorities. A process for suspending or dismissing a director for a breach of the code is also proposed.

In another important reform, the bill provides for ratepayers to be automatically enrolled to vote in elections for the directors of their local authorities. Currently ratepayers have to apply in writing, which reduces the number of people participating in elections. Turning from the governance proposals, I will now outline the third main area of reform. A number of amendments are proposed that are designed to improve the administration of the Rural Lands Protection Act. The bill makes much-needed

changes to the way in which rural lands protection rates are calculated. Boards are currently able to levy general, animal health and special purpose rates from ratepayers in their districts. Rates are currently calculated on the basis of the notional carrying capacity of the rateable land holding. The notional carrying capacity is expressed as stock units, or dry sheep equivalents. The rates payable on a holding are determined by the notional carrying capacity multiplied by an amount per stock unit.

This method has proved confusing for ratepayers. It has also been a complicated system for boards to administer. This is because it requires an assessment of the possible stock carrying capacity of the land, even if the land is used for cropping, or for an orchard, for example. The bill provides for rates to be levied on a per hectare basis. The new authorities will also be able to apply general, animal health and special purpose rates differentially across different zones. The zones will be determined largely on land types; that is, by reference to whether it is productive or unproductive land. This will ensure greater equity between ratepayers who have different types of land, but are located in the same district. The bill also proposes to amend the regulations under the Act so that the minimum rateable area for a district will increase to 10 hectares. This approach will deliver greater equity and certainty for landholders. It will be very much welcomed by a number of Monaro electorate ratepayers on hobby farm blocks, for example, and others in the areas surrounding Canberra.

The new method of calculating rates will be easier for ratepayers to understand. It will also be easier, and more cost effective, for the new authorities to administer. To give the new authorities time to implement appropriate new administrative systems, it is proposed that these amendments will commence in 2010. The bill also makes consequential amendments to the Meat Industry Act 1978 and the Agricultural Livestock (Disease Control Funding) Act 1998 as a result of the abolition of the concept of notional carrying capacity of land in relation to levies raised under those Acts. The bill will insert a new section into the Act to provide that during an emergency animal disease outbreak the Director-General of the Department of Primary Industries may direct the animal health staff of the new authorities. This amendment is designed to ensure that during such an outbreak, departmental staff and the staff of the new authorities can work together seamlessly. This is a sensible and practical approach to ensure the best use of veterinary and regulatory resources during these times of extreme pressure.

The period covered by an emergency animal disease outbreak will commence as set out in the Animal Diseases (Emergency Outbreaks) Act 1991. Currently, the financial year of the State Council and the boards commences on 1 January. The bill will make amendments to the Act so that the financial year of the State Management Council and the new authorities will commence on 1 July. The bill will introduce an objects clause into the Act and amend the long title to the Act. The objects clause will outline what the Act is intended to achieve. The bill also makes minor clarifications to the issuing of stock permits and reserve use permits and the lease of stock watering places. For example, the bill will make it clear that in future an authority may only issue reserve use permits for travelling stock reserves, or stock permits for public roads or travelling stock reserves, in the authority's district.

The bill includes a number of provisions of a transitional nature to facilitate a smooth transition from the current system to the new system. Transitional provisions also are included in the bill to provide for the calculation of rates for 2009 and to facilitate the changes made to the financial year of the State Management Council and the new authorities. I take this opportunity to correct some continuing misconceptions in some parts of the community about the management of travelling stock reserves. There is a misconception that the bill, and the reforms which will accompany the bill, will change the way in which the Act deals with travelling stock reserves. This is not the case. The bill does not make any changes to the management of travelling stock reserves.

The fundamental review of the board system, however, recommended that the new authorities look closely at how these travelling stock reserves are being used and whether they are being managed appropriately. This recommendation was made, sensibly, in the light of significant resources required to manage travelling stock reserves in this State, and certainly not with a view to selling them off. The review report found that between 2005 and 2007 the board system spent approximately \$8.65 million on maintaining travelling stock reserves. This represents 18 per cent of all board expenditure. The report also found that only five out of 47 boards were operating their reserves at a profit.

I now turn to the important matter of the consultation that has taken place in the development of the recommendations that form the basis of this bill. Extensive consultation was undertaken as part of the two review processes I outlined earlier. Consultation took place with ratepayers and current members of the board system. Public meetings and workshops were held and submissions were received and considered during the review process. Key stakeholders such as the New South Wales Farmers Association and Animal Health Australia were also consulted. The New South Wales Government considered a range of diverse views within the rural sector as part of the process of developing this

reform package.

I note that the shadow Minister for Primary Industries was quick to support the recommendations from the review commissioned by the State Council on which much of this bill is based. This legislation is sensible, practical and timely. It will make significant improvements to the way the system operates while enhancing the delivery of services to ratepayers and rural communities in this State. Boards have been an integral part of our rural and regional communities for more than a century. It is vital that we ensure the viability and relevance of these important organisations into the future. I commend the bill to the House.