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Report to the Rural Services and Wairarapa Committee
from Wayne O'Donnell, Manager, Biosecurity

Bovine Tb Operations – Funding Issues

1. Purpose

To seek Committee direction on three issues concerning Bovine Tb operational funding – application of the differential rate; minimum area rated; and long term maintenance control options.

2. Background

This report indicates some possible options for aspects of Bovine Tb funding. It is proposed that the Committee discuss these options and indicate preferences for further investigation.

Council's investment in the Bovine Tb programme has increased significantly since 1994. The current commitment from Council (i.e. excluding Animal Health Board contributions) is in excess of \$1.4million p.a., funded 60% by general rate and 40% from the Bovine Tb rate.

The Bovine Tb rate is applied differentially with 80% sourced from rateable properties within operational areas and 20% from non-operational areas. The rate is only applied to properties in excess of 10 hectares. A minimum rate of \$10 is payable when the actual rate is less than \$10, e.g. smaller properties in non-operational areas.

The Bovine Tb rate was introduced in 1994/95, originally as a flat per hectare rate across all rateable land above 10 hectare. In 1995/96 the differential rate was introduced because of concerns from those property owners who were not receiving any service.

The Bovine Tb rate reserve commenced at the close of the 1994/95 financial year. The reserve total has steadily increased as savings have occurred through increased efficiencies in operational management and also through interest

earned on accumulated funds. The reserve currently totals \$760,000. This reserve does not receive any funds from general rates.

A review of long term maintenance control options is timely as Council looks to expand the Bovine Tb programme into S.E. Wairarapa. Savings in maintenance operations could assist with expansion of the programme, or, alternatively, be used to reduce overall rating requirements.

3. Bovine Tb Rate – Amendment Options

3.1 The Bovine Tb rate differential was introduced to reflect the varying degrees of direct and indirect benefit received by landowners. In 1995/96, the 80/20 differential was considered to fairly reflect these benefits. The operational per hectare rate was then about 3.5 times the non-operational rate per hectare. Since 1995/96, a number of new, smaller operational areas have been added to the programme. This has resulted in a slight reduction in the operational rate and a small increase in the non-operational rate, as the 20% total is collected from fewer properties. It is suggested that the reverse should apply, with operational areas contributing a greater share of the costs.

3.2 Council has submitted an expanded programme for 2000/01 and beyond to the Animal Health Board for approval. If approved, this programme would result in additional operational rate income over the next three-year period, ranging from \$60,000 in 2000/01 to \$100,000 in 2002/03. Maintaining the current 80/20 differential during an expansionary programme will result in non-operational areas facing significant increases as follows-

	1999/00	00/01	01/02	02/03
\$ per ha (current)	\$0.37	\$0.53	\$0.62	\$0.75

3.3 Various calculations have been completed using different percentages, in an attempt to maintain about the current ratio. Changing to a 90/10 differential provides reasonable consistency-

	1999/00	00/01	01/02	02/03
Operational \$ per ha (current)	\$1.26	\$1.33	\$1.285	\$1.27
Non-op \$ per ha (current)	\$0.37	\$0.27	\$0.31	\$0.38

3.4 Changing to the 90/10 differential would ensure the ratio remains similar to current levels. The impacts on landowner budgets are likely to be quite minor. Council could fix the differential for a three-year period or, alternatively, review the differential annually.

4. Bovine Tb Rate – Other Options

- 4.1 There are some other rating alternatives to the present system that the Committee may wish to consider.
- 4.2 Under an expansionary programme, the non-operational rating area will continue to decline. Under these circumstances, it could be appropriate and more cost effective to rate Bovine Tb operational areas only. The per hectare rate increases would not be particularly significant-

99/00	00/01	01/02	02/03	03/04
\$1.26 (current)	\$1.48	\$1.43	\$1.41	\$1.40

In relation to this option, it should be noted that the rate currently paid by property owners in operational areas is generally less than 15% of the total cost for operations on their properties.

It should also be noted that the majority of rate related enquiries come from landowners in non-operational areas. Concerns are generally related to service, or more correctly, the lack of any specific service delivery on the property concerned. Complaints have increased from non-operational areas where Tb infection remains or is increasing. If the proposed operational expansion is declined, it is expected that the number of complaints from non-operational ratepayers would rise significantly.

If non-operational areas were excluded under a maintenance only programme, i.e. no expanded programme, the rates for operational areas would need to increase to about \$1.47 per hectare.

- 4.3 A further option may be to fix the rate on a \$ per hectare value. For example, the Committee may determine that a 5:1 benefit ratio exists between operational and non-operational areas. The per hectare rates could then be fixed for several years and this would avoid having to adjust the 80/20 or any other differential ratio every year.
- 4.4 With any of the above options, the Bovine Tb Reserve could be used as a smoothing mechanism with withdrawals when additional funds were required and vice versa. This would remove the need to alter the rate per hectare every year despite the ongoing changes in the actual operational programme.
- 4.5 The procedural matters relating to creation, altering or discontinuing a differential rate requires use of the Special Order process. This involves advertising the proposed action for between 60 and 70 days before the Council begins the actual rate making process. Hence

allowance needs to be made for this period between deciding on the preferred action and being able to implement it.

5. Bovine Tb Rate – Minimum Area

- 5.1 A second issue requiring further consideration concerns the current minimum rateable area. The 10 hectare minimum has been in place since 1990. An analysis was completed in 1994 to determine whether a reduction to 4 hectares was cost effective. Collection costs and the relatively small number of assessments determined that a change was not appropriate at that time.
- 5.2 In recent years, the number of subdivisions in the rural part of the Region has been significant. A recent survey indicated that within the Region there are now 2,454 properties between 4 and 9.99 hectares of which 2,291 are rateable. A number of Councils' Bovine Tb operations include peri-urban areas with large numbers of properties less than the current 10 hectare minimum. The Mangaroa-Kaitoke operation, for example, contains approximately 460 (80%) properties less than 10 hectares. Operations, such as Whangaehu, Taueru-Maungaraki, and Mt Bruce also contain significant numbers of 'lifestyle' properties. Costs associated with these types of operations are considerable. Consultation requirements are high and more expensive field techniques are usually needed.
- 5.3 These properties currently only pay a small contribution to the Bovine Tb programme via general rates. It is suggested that it would again be appropriate to review the costs and benefits of a lower minimum rateable area.
- 5.4 Changing the minimum area would be particularly appropriate if there was an operational rate only.

6. Maintenance Operations

There are an increasing number of operations that have been managed by the Council for a number of years. Several of these operations have low or negligible Tb infections and possum densities. Would it be appropriate for the landowners to take on maintenance control responsibilities instead of the Council?

The perceived benefit is that a shift to landowner responsibility will enable more resources to be redirected to new operations. However, there are a number of critical factors that need to be considered –

- ◆ Areas where vector related Tb has been absent for two years are now being considered for Eradication Zone (EZ) proposals. Councils' funding input

would be reduced substantially if an EZ were approved by the Animal Health Board and funded at 75% by them. EZ's must remain free of Tb for a 5-year period after which a change to a 'TB Free' area is possible. To ensure this transition occurs, targeted maintenance control is likely to be regularly required. History indicates that there are risks of failure if maintenance becomes the responsibility of the individual landowners.

- ◆ It would be unwise to give landowners full responsibility for vector control without some form of assistance. Education and advice would be essential. These 'assistance' costs would be difficult to determine. A third level differential rate may be required.
- ◆ Despite being fully aware of the consequences of Tb infection, very few landowners have implemented efficient self-help control strategies. All farmers regularly use herbicides and pesticides for stock and crop health reasons. The reluctance to undertake Tb vector control as part of general farming practices is, therefore, rather difficult to comprehend.

A possible option to get landowners 'interested' in maintenance control would be to increase the Bovine Tb rate in areas where, say, five maintenance operations have already been completed.

Group control schemes could be considered for current long-term operations. Landowners would be responsible for contractors. Funding could be a mix of landowner, Council, and employment subsidy inputs. Council staff could provide advice and manage contract payments. A system similar to this option operated in the Taueru – Maungaraki area prior to it becoming an Animal Health Board operation.

A problem that will arise with all landowner managed schemes is performance monitoring. The current trap catch protocol will not be effective unless control was co-ordinated over a number of properties of sufficient size.

7. Communications

As this report is presented for discussion, it is not considered appropriate to seek any particular publicity at this stage. However, should the Committee confirm any specific funding or management changes, then it may be relevant to communicate these proposals by a specific media release.

8. Recommendation

1. *That the Bovine Tb rate be changed to a uniform per hectare rate applied to rateable properties (10 hectares and above) in Bovine Tb operational areas only and with this change to apply from the commencement of the 2000/01 financial year.*
2. *That the Committee identify options from this report, concerning minimum area, and vector control maintenance responsibilities, for further investigation.*
3. *That the Manager, Biosecurity, be requested to prepare a report providing further details for a subsequent Committee meeting.*

Report prepared by:

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