

**Submission
No 44**

**SUPPORT FOR DROUGHT AFFECTED COMMUNITIES IN NEW SOUTH
WALES**

Organisation: RDA Northern Rivers and Northern Rivers Joint Organisation

Date Received: 29 November 2019



Response to the Committee on Investment, Industry and Regional Development inquiry into and report on the impacts of drought on regional NSW and identify potential government action with particular reference to regional businesses, economies and communities including:

- (a) population loss and loss of key trades, skills and businesses, and community services such as schools and medical services;
- (b) business debt finance and responses of financial companies to the impact of drought;
- (c) direct and indirect impacts of drought on businesses and industries;
- (d) transition and recovery from drought when drought conditions begin to improve;
- (e) preparedness for future drought events;
- (f) assessment of current Government programs;
- (g) temporary relief from state taxes, charges and levies for drought affected businesses;
- (h) capacity and coordination of town water supplies and further recycling opportunities; and
- (i) any other related matter.

Introduction

RDA Northern Rivers and the Northern Rivers Joint Organisation welcome the opportunity to provide a joint submission to the Committee on Investment, Industry and Regional Development on this important matter.

Witnesses of this drought have put forward that it “creeps up over time” and by not having a defined start and end point is a slow and insidious event that differs from other climate-driven events. The term drought also has a variety of accepted definitions owning at least four different variations: meteorological; agricultural; hydrological, and socio economic ¹.

Australian academic research² has been undertaken at regular intervals into economic impacts of drought, however the socio-economic impacts have not received as much attention and therefore the first recommendation to the Committee is to institute a broad national level academic research project that will provide a sound methodological basis to underpin recommendations from the final Committee deliberations, including the socio-economic aspects.

This submission provides primarily anecdotal evidence gained over time, particularly focussed in the experience in the Northern Rivers region, NSW. This region is located from the northern border of QLD and NSW to the southernmost reaches of Clarence Valley Shire Council. This region experiences reasonable annual rainfall events, although the climatic zones are split into the coastal region and the eastern slopes. As of 12 November 2019, all shires with the Northern Rivers are experiencing drought with the NSW Drought map indicating about 80% of the Northern Rivers is regarded as being in intense drought, 18% drought and 2% is drought affected.

¹ Hennessy et al 2008 in Edwards et al 2018

² Edwards et al 2018, p1

Recommendations in response to Terms of Reference:

(a) population loss and loss of key trades, skills and businesses, and community services such as schools and medical services;

Farming businesses often provide the most important stimulus to a small-town economy (apart from government services) and as the input to the economy from the farming businesses diminish, the flow-on effects are tangible. As the economic input decreases, skilled staff are laid off, often against the desires of the owners, and if those newly redundant skill sets are mobile, they can and will relocate. This then means that the original business owner must take on an extra expense of rehiring and training new staff post-drought. This typical situation is mitigated if the skills belong to a partner working off-farm for supplementary income and can result in a quick return of those skill sets when the economy does return to normal levels.

When mobile family units with school-aged children vacate drought affected areas, this then impacts on student enrolments and teaching numbers of local schools. Educational institutions typically bring well-paying professional jobs into the community as well as employment opportunities for non-teaching staff for locals. Medical services are similarly affected as patient numbers decrease, requiring fewer professional services and so on. This results in rental vacancies, homeowners increasing sales volumes pushing down real estate prices and importantly, decrease in construction.

It is recommended that increased financial assistance for retention of staff, training and retraining is allocated to businesses and other service organisations. Other solutions such as increasing regional Visas and programs such as DAMA could be expanded.

(b) business debt finance and responses of financial companies to the impact of drought;

Most regional farmers and businesses have well established relationships with their debt lenders. The recent Royal Commission into Misconduct in the Banking, Superannuation and Financial Industries has brought to light fraudulent and other activities of misconduct which added to the stress of regional customers of these institutions. Leaving the findings of this Royal Commission aside, the larger financial institutions are typically further removed from their end customers than smaller local institutions, and can end up making life-changing decisions, at times with devastating effects on long standing farming families on the basis of short term data rather than a long term holistic view of circumstances in which the farming business may be operating.

Government-backed low interest loans, while well-meaning are often inaccessible to fully leveraged farm businesses. In a prolonged drought situation, rural and regional businesses often have no or very little security left to offer against any debt instrument, whether it is from public or private institutions.

Farm businesses which are operated and managed by leaseholders may also be excluded from certain types of debt finance.

The recent response to the 2019 drought by the Federal Government to provide low interest loans is a welcomed initiative. As long as the loan terms are non-secured, the farming and business communities are likely to take up this type of loan. However, when loans (no matter what the interest rate) require security then the business/farm owner may not have any security left after years of taking on secured loans through normal bank and industry financial institutions.

Another common response from the rural sector is the difficulty experienced by applicants with accessing the loans particularly for on-line applications. NSW programs often give the applicant a

choice, however the paper option requires to be downloaded and printed which can be problematic in some rural areas.

It is recommended that debt finance takes into account individual situations and bank and other financial institutions are encouraged to offer non-secured loans at similar rates to secured loans. Government debt finance should be offered at low or no interest loans, again depending on individual circumstances, with non-secured position being the default. The provision of equitable access to financial assistance should also be considered.

(c) direct and indirect impacts of drought on businesses and industries;

Small rural and regional communities often have a comparatively closed economic loop. The farmer will purchase goods from the shop owner who gets their car serviced by the local mechanic who will get their haircut from the local hairdresser and so on. The larger agricultural economic actors often bring in export dollars (ie outside of the local economy) who then purchases local goods and services which is multiplied throughout the local economy. While this is a simplified version and internet purchases, tourism dollars, welfare receipts, investments etc need to be factored into the local economy, it is remarkable how an economic downturn in a small rural economy can be traced from store to store.

The drought typically impacts on agricultural businesses by increasing feed and other input costs, water cartage issues, increasing the need to purchase drinking water for livestock and reduced access to water for horticultural industries. It is anticipated that these economic impacts are having wider implications for our local economies and communities. Indirect impacts also need further examination at an empirical level, however anecdotal evidence suggests that the indirect impacts appear to be more pronounced in smaller rural communities than larger regional centres and metro areas.

Indirect impacts can include the effects on other members of the farming family and the extended workforce. Partners and children also suffer from trauma which can affect school and university studies, loss of productivity in off farm income jobs, general health deterioration and so on. This then increases stress levels perpetuating and increasing an already dire situation in many circumstances. The well documented tragic loss of life in farming communities over the last decade highlights just how deeply a prolonged drought affects individuals as well as whole communities.

It is recommended that service organisations which provide community resilience programs are well resourced and programs providing psychological and wellbeing support and are coordinated across the state. During prolonged droughts, farm businesses may require grants to maintain operations in a holding pattern until they receive adequate rainfall. This decreases pressure on farm owners. Innovative, locally-developed programs which have key objectives to decrease stress on individuals and build community resilience should be encouraged and promoted. Results of these locally-driven programs could be cross-promoted to other regions for broader take-up.

(d) transition and recovery from drought when drought conditions begin to improve;

It is likely that a region could recover from a drought event in a different way to its neighbour. Variability of recovery depends on the geographic extent, the depth and duration of the drought, concurrent micro and macro-economic conditions etc. Transition and recovery assistance is best directed to local recovery units to manage as these are best placed to prioritise and address issues at each level of the economy.

It is recommended that:

- *Small business and farm business level;* business resilience and low administration, low cost, grants and loans. Some farmers are calling for cash assistance as they are fully leveraged and cannot offer security against loans. Ongoing family assistance programs for up to one year. Greater promotion of “Buy Regional” campaigns.
- *Industry level;* Government assistance to larger businesses, co-ops and peak bodies can take many forms - either grants, programs, loans to strengthen the structure of industry. Assistance could be provided for education and awareness of adapting to new climatic conditions, research and development of new crops and varieties and growing methods, increasing soil condition and so on.
- *Regional level;* infrastructure spending by governments into targeted areas is a preferred instrument, in particular we advocate here for dedicated and enforced “local buy” procurement programs of goods and services where possible.
- When drought breaks, proactive policies and programs need to come into place to “drought proof” regions. A plan for drought will have good management as its foundation and include better retention of water, dams, and subsidies for water tanks for those not connected to water supply.

(e) preparedness for future drought events;

Preparing for future drought events is fraught because, as described above, it is challenging to monitor when a drought begins and ends, and the resulting impacts differ from region to region. One option to ensure timely preparedness is to resource an asset already in place, such as the Regional Development Australia network, to provide regular drought monitoring and provide timely input to assessment of a drought declaration and then rapidly provide assistance as and where needed in conjunction with other service providers.

Drought should be categorised as a natural disaster with a specialist agency nominated to invoke planning, response and recovery actions. It is acknowledged there is some support at government level emerging in regard to this point.

An important and effective measure that will prepare the state for future drought events would come from a state level assessment of major water infrastructure assets. We recommend urgent assessment and investment into new and existing dams and other key water infrastructure that connects across the state and even interstate to ensure water reliability and quality for regional communities recognising community service obligations for all sizes of communities.

Regional businesses and farmers can take on their own drought preparedness programs but are often slowed or stopped in their efforts to attain approvals for water infrastructure by bureaucratic red tape and over-regulation by the relevant state government agencies. We recommend a review into the current approval processes and developing fit for purpose processes for future requirements. In the meantime, short term gains could be made by subsidising water tanks for those not connected to water supplies.

Local Government is in a good position to take the lead in providing input to water sharing plans and policies around environmental flows on a catchment basis. particularly with regard to better management and optimisation of local environmental releases of water. Empowering and effectively

resourcing local governments to take on this role will ensure that local communities are better prepared for future drought events.

Complementary to preparing for future drought events, government programs could promote and assist farmers using traditional farming practices take up new drought effective systems of production, new crop varieties as well as increasing investment into new technologies. On the demand side, governments could encourage consumers to purchasing drought resistant goods while incentivising industries to restructure into new crops and produce that are more adaptable to the new climatic conditions.

From a farming perspective it is recommended the state government investigate opportunities to incentivise or reward farmers for the adoption of better management practices that will lead to more drought resilient land. Increasing soil carbon is regarded as one of the most effective means of increasing water holding capacity in the landscape and creating more drought resilient farms. As the Soils CRC has indicated, farmers need premium prices for their produce, and there may be opportunities to be paid for providing ecological services such as carbon sequestration. Furthermore, the CRC indicates that to reward sustainable soil management, the market needs a supportive policy framework and sustained innovation of new more cost-effective technologies.

It is recommended that:

- RDAs be resourced to provide a drought monitoring and preparedness role. Local governments are resourced and given a lead advisory role in environmental releases of water, which needs better management and optimisation of this water.
- A large-scale statewide water infrastructure audit and review be undertaken with regard to future preparedness including cross border infrastructure to establish a water grid network.
- A review into timelines for current approval processes for major water and sewer works so approvals are timely and developing fit for purpose processes for future requirements. Programs are established to subsidise water tanks for those not connected to water supplies.
- Investigation into opportunities to incentivise or reward farmers for the adoption of better management practices that will lead to more drought resilient land.

(f) assessment of current Government programs;

While it is beyond the scope of this submission to provide a detailed assessment of the numerous NSW Government programs on offer, an indication from people affected by drought has been expressed to the authors over time. The attachment provides a detailed program list to which these comments refer.

Existing grant programs like the NSW Environmental Trust could have a greater focus on restoring and improving soil health and provide funding to initiate projects that improve drought preparedness on farms and minimise environmental degradation associated with drought events.

Agencies such as Local Land Services and the NSW Department of Primary Industries who deliver on-ground support for drought-affected farmers are well-regarded however need increased resources to effectively service their individual large areas. We recommend the State government increases human resources so these agencies can deliver specialised drought preparedness and response programs on the ground.

Local Government needs to engage in water sharing plans on a catchment basis to address current environmental flow. Input and representation from Far West communities into current Government programs and into the LGNSW water utility policy advisory group would be beneficial.

Local Government NSW Sustaining the Regions - Local Government NSW held a collaborative forum in October, bringing together Joint Organisations (JOs), Regional Organisations of Councils (ROCs) and regional/rural councils to identify common goals and build a platform for future collaboration. As the peak organisation that represents the interests of NSW general and special purpose councils, it is suggested the inquiry review the papers presented. Information can be found via the link below: <https://lgnsw.org.au/events-training/sustaining-regions-forum>

- **NSW Drought Assistance Fund**

The NSW Government is offering a \$50,000 interest-free loan to transport stock, fodder and water, genetic banking of breeding herds and installing on-farm fodder and water infrastructure. The loans term is seven years and there are no repayments required in the first two years.

Comment: This assistance is a useful for applicants requiring a smaller operational loan with very good repayment terms. The application procedure is not onerous. However it is only available to owner/operators and this could be broadened to include lease-holders.

- **The Farm Innovation Fund**

The Farm Innovation Fund is an incentive-based initiative to assist farmers to identify and address risks to their farming business, improve permanent farm infrastructure, ensure long term productivity and sustainable land use plus aiding in meeting changes to seasonal conditions.

Comment: This is a versatile higher value loan (up to \$1million) with low interest rate recently waived however is usually a lower than market rate of 2.5%. Application is more complex than the Drought Assistance Fund but not overly onerous compared to the potential dollar value.

(g) temporary relief from state taxes, charges and levies for drought affected businesses;

Tax relief and other relief from government charges is seen as an efficient way to alleviate the financial stress brought on by drought. State Government should work closely with federal counterparts and industry peak bodies, farming organisations etc to coordinate tax relief at all levels of government.

The depreciation issue on water and sewer assets should also be addressed with the State Government accepting this responsibility. This would recognise community service obligations to fully fund upgrades for water and sewer for small communities.

(h) capacity and coordination of town water supplies and further recycling opportunities;

In the Northern Rivers, Rous County Council is the regional water supply authority providing potable bulk water to most council areas. Rous is therefore an important player in planning and operating water infrastructure resources. Financial assistance to this organisation to bring forward its strategic planning and construction programs will be welcomed. Council-managed Water Departments fulfilling their role to service the Northern Rivers require similar financial assistance in order to provide long term drought mitigation and secure the water supply needs of the communities.

(i) any other related matter.

- a.** Prolonged drought has been shown to cause deep social as well as economic trauma for regional communities. We recommend that policy makers should now take a longer-term planning horizon with a more holistic view taking into account the full range of socio-economic impacts.
- b.** Local leaders, eg local governments typically know what the most effective type of funding is for any given community and how it can be best directed at a local level. Drought assistance programs need to be as flexible as possible.
- c.** State Government investment (brought forward) should be allocated to local infrastructure programs in drought-affected regions which will provide an economic boost to the general communities with the opportunity to provide off farm incomes for residents.
- d.** We recognise that policies and programs are developed to assist drought affected areas by the three levels of government with the best of intentions. The multi-level, multi-agency approach can lead to confusion around where and how to apply for assistance. We recommend that a simple one stop shop style solution is developed with one website, one call number and centrally managed to ensure the most up to date information.
- e.** The NSW Rural Financial Counselling Service Officers are well respected but traditionally have large geographic areas to service. This service could be complemented through a voucher system paid to accountancies and qualified financial advisers in regional towns to provide similar counselling services for all residents.

Attachment One:

NSW Govt Announced Assistance for Farms and Farmers Affected by Drought³

June 2019

The NSW Government announced a further \$185 million to continue the NSW Emergency Drought Relief Package, to help farmers manage the effects of the drought.

The extended NSW Emergency Drought Relief Package for 2019-20 includes:

- \$70 million to continue Drought Transport Subsidies for fodder, stock and water
- \$50 million to waive Local Land Services rates
- \$30 million to waive fixed water charges in rural and regional areas
- \$10 million to waive Farm Innovation Fund interest fees
- \$15 million for emergency town water supply assistance
- \$10 million to reduce the cost of farming , including apiary fee waivers, wild dog fence fee waivers, stock welfare panels and donated fodder

The NSW Government committed to new programs and increased funding in other critical areas, including:

- \$7 million for exemptions for agricultural vehicle registration fees
- \$8.2 million for counselling and mental health programs
- \$5.2 million to support preschool children and their families facing hardship due to drought
- \$5 million for training to upskill farmers and contractors
- \$1 million in grants to local sports organisations

June 2019

In addition to the extension of the Emergency Drought Relief package, the NSW Government announced a new Drought Stimulus Package to help stimulate rural and regional economies impacted by this drought.

- \$170 million funding for infrastructure works, including enhancing water security and infrastructure in rural and regional towns:
 - \$29.4 million for water infrastructure programs
 - \$15.4 million for capital investment in rural and regional activities
 - \$0.5 million to improve water usage in critical industries

July 2018

The NSW Government announced a \$500 million NSW Emergency Drought Relief Package to help farmers manage the effects of the current drought.

³ Source: <https://www.dpi.nsw.gov.au/climate-and-emergencies/droughthub/drought-assistance/faq>. Accessed 14 Nov 20019

The three major elements of the \$500 million NSW Emergency Drought Relief Package are:

- \$190 million for Drought Transport Subsidies
- \$100 million for cutting the cost of farming fees and charges – by waiving Local Land Services rates, waiving fixed water charges in rural and regional areas, and waiving class one agricultural vehicle registration costs
- \$150 million to bolster the Farm Innovation Fund (FIF) infrastructure program

The package also includes funding for:

- Counselling and mental health;
- Critical services in regional communities, including transporting water and drought related road upgrades and repairs
- Animal welfare and stock disposal.

2015

The NSW Government launched a \$300 million Drought Strategy focusing on preparedness, improved decision making and targeted support for rural communities. In the 2018 NSW Budget, the Government boosted drought assistance by \$284 million.