

**Submission
No 58**

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

Organisation: Narrabri Shire Council

Date Received: 29 November 2019

Our Reference: 1725049 LM:AW
Your Reference:
Contact Name: Amanda Wales



Mr. Justin Clancy MP
The Chair
Committee on Investment, Industry and Regional Development
Parliament House
Macquarie Street
SYDNEY NSW 2000

Friday, 29 November 2019

Re: Legislative Assembly Inquiry – Support for Drought Affected Communities

Dear Justin,

Narrabri Shire Council would like to thank you for the opportunity to make a submission to the inquiry into support for drought affected communities. Council has received much feedback from the community regarding drought support, which is outlined below.

Narrabri Shire is a rural LGA located in North West NSW, with a population of over 13,000. As a community whose economic footing has been established on a large and agricultural base which provides employment as well as a sizeable contribution to community income, the ongoing drought is having a major effect both in an economic sense and a humanitarian sense. Shire residents have been severely affected by drought conditions, resulting in:

- Job losses
- Mental health fatigue
- Reduction in Shire economic stimulus through reduced spending
- Reduction in agriculture commodities – The value of farm production is predicted to fall again in 2019-2020 (ABARES). NSW DPI predicts reduced crop yield and reduced pasture production
- Negative impact on community resilience

Council has reviewed the Terms of Reference relating to the Legislative Enquiry and would like to issue the following response:

Population Loss and Loss of key trades, skills and businesses, and community Services such as schools and medical services.

Narrabri Shire has faced what can be considered significant loss of business due to ongoing drought conditions, examples of which are highlighted below.

Namoi Cotton, a significant industry in the Shire, has reported (ref. Irrigation Australia Limited) being forced to take action to contain payroll costs, control expenditure and review supply


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chain efficiency. A key point to note is reports by Namoi Cotton which indicate that severe drought in NSW and southern Queensland would impact 2020-2021 ginning and market results, proving that effects of the current conditions will be felt long term. Current predictions place 2019-2020 cotton prospects at below 900,000 bales.

In 2018 Cargill closed their Narrabri operations with the drought being cited as a major factor in their decision to close. Cargill has operated the Narrabri facility for 46 years and was considered a strong employer amongst the community. This resulted in the loss of 25 direct jobs and, due to a multiplier effect of 1.8, a further 18.2 indirect job losses.

Several local small businesses have closed their doors within the last two (2) years and discussions between Council and small business indicates that a contributing factor is economic pressure due to ongoing drought conditions. These conversations confirm that businesses who are not directly linked to agriculture are suffering as part of a flow on effect of little economic stimulus resulting in an inability to meet financial contributions. Small business impacts result in further loss of jobs. To put it simply, no money made in farming equals no money to spend in farming communities.

Business Debt Finance and Responses of Financial Companies to the Impacts of Drought

The final report resulting from the Royal Commission in to Misconduct in the Banking, Superannuation, and Financial Services Industry revealed several recommendations relating to drought-stricken areas. These recommendations include not charging default interest, working with those who have "distressed agricultural loans" and changes to land valuations.

Whilst these measures are helpful, providing they are adhered to, Council believes that the community consensus is that financial institutions do not realise the toll taken on drought affected areas and do not practice empathy or compassion when dealing with drought affected borrowers. Council suggests lobbying financial institutions to lead by example and provide tangible, easy to access financial assistance to those facing hardship in drought declared areas. Council would also like to see financial institutions agree and adhere to no foreclosures on any loans where borrowers are located in drought declared areas. As mentioned previously, financial implications of drought have a flow on effect and are not restricted to agriculture based industry. Financial institutions need to repair their reputation amongst the community and this can be achieved by operating with empathy, compassion, respect and transparency.

Whilst low interest loans do provide assistance, they may not be a viable answer if a business is already overwhelmed with debt. Loans which have a tight repayment schedule, short loan term and interest charges increase financial stress. Lending terms must be broadened to include repayment holidays, no interest and long-term loans in order to provide improved financial assistance.



Direct and Indirect Impacts of Drought on Businesses and Industry

Narrabri Shire is a rural community with a strong agriculture industry under optimum weather conditions. The Shire also has a strong resources sector which provides diversified employment and economic stability. Unfortunately, drought conditions affect all facets of the community. Lack of water due to drought results in direct and indirect impacts such as:

- Reduced production
- Unemployment
- Business closure
- Population decline
- Service decline
- Community resilience impacts
- Increase in mental health issues
- Family breakdown
- General hardship

Drought results in a perpetual loop of economic stress which can only be broken through:

- a) Tangible financial assistance
- b) Easily accessed assistance
- c) Governments who truly listen and act swiftly
- d) Ongoing education in improved business practice and resilience
- e) Rain

As mentioned throughout this summary, impacts of drought severely affect the community as a whole, not just the agriculture industry. Direct economic impacts on agriculture businesses result in indirect economic impacts to small business, schools, childcare and community services.

Council is aware of businesses, be they agricultural or not, that are closing as there is **no money** or assistance cannot be accessed. Closure of business or a decrease in trade, that is long term, may result in an adverse effect on regional exports, having financial impacts beyond the Shire.

Transition and Recovery from Drought when Drought Conditions Begin to Improve

Narrabri Shire is currently listed as being in intense drought and has been for an extended period. (Department of Primary Industries) The Combined Drought Indicator (CDI) defines intense drought as having rainfall, soil water and plant growth below the 5th percentile. Ground cover is low, soil moisture stores are non-existent and there has been minimal rainfall in the last 6-12 months. The outcome of this is consistent de-stocking or euthanising, low or non-productive growing and loss of topsoil.



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Transition from intense drought in to drought affected (weakening) and then to recovery can take years and is known to be another costly venture for farmers. Destocking/euthanasia results in the need to re-stock in order to increase breeding numbers and reinvigorate finances. As stock numbers have depleted due to drought, demand may outweigh supply resulting in a lengthy recovery period. A more long-term effect is loss of genetics. Blood lines will need to be rebuilt which is a lengthy process, dependent on the availability and quality of breeding stock.

Loss of quality topsoil and soil moisture properties can be expected to have an effect on cropping income for several years after a drought is declared over. This means ongoing financial pressure despite several seasons of good weather.

To support swift and successful transition and recovery periods, Council suggests the following adjustments need be made:

- Low interest loan terms need to be extended to allow for payments to be made over a much longer period;
- Adjustment to loan repayment schedules, allowing for loan repayment holidays;
- Introduce no interest loans;
- Revisit all aspects of the Farm Household Allowance, as outlined below;
- Increased access to free financial advisors, vets, specialist breeding advice and agronomists to optimise recovery success;
- Increase the number of Rural Financial Counselling positions.

Preparedness for Future Drought Events

Council has reviewed information available from various entities such as Department of Primary Industries (DPI), Australian Bureau of Agricultural and Resource Economics and Sciences, Drought Hub and Farm Hub. In addition, Council has received feedback from the farming community, business community and Narrabri Shire community members. Drought preparedness measures are readily available with increasing education amongst the farming and broader community allowing for improved practices which insulate against the impact of drought. Improved knowledge on sustainable practices, water saving measures, impacts of climate change and the benefits of drought preparedness plans have contributed to Shire resilience.

The severity and length of the current drought can be assumed to have impacted on those who have "prepared" for drought conditions. Council believes that comprehensive drought impact information relating to the current drought must be released as soon as possible in order to assist with future drought preparation. Continued education on drought resilience measures as well as access to drought preparedness funding opportunities such as the Drought Assistance Fund and Farm Innovation Fund will also assist with preparedness. Funding opportunities need to be kept simple and have flexible spending/repayment arrangements.

In addition to the abovementioned preparedness measures, Council believes encouraging diversification of industry, (e.g. resources, recycling and manufacturing) will improve drought preparedness.

Assessment of Current Government Programs

Council has reviewed a number of drought support initiatives presented by State and Federal Governments. Whilst all support is welcomed, there are aspects which can be streamlined to improve access and utilisation of these initiatives. Streamlining which Council believes is achievable for government and imperative to ease the burden on our farming communities. Please note, the documents reviewed were current on the Drought Hub website as at 8 November 2019.

Farm Household Allowance

This is extremely beneficial to farming households as it provides supplementary income which is a welcome boost to finances. There are several issues which can be addressed to improve the Farm Household Allowance (FHA) program, as follows:

- Vastly reduce the 61-page FHA Guidelines document, change the language used to plain, easy to read language and decrease the number of constricting guidelines. Our farming communities are suffering mentally and physically and reading such a long-winded document with a large amount of constraints that is filled with clauses and legalese is yet another task in an already overwhelming schedule. Simplify this document.
- Review and extend the four year payment period. Whilst four years is very beneficial and is a great start, the current drought has no end in sight. Department of Primary Industries NSW Seasonal Update – October 2019 indicates that management of drought conditions will likely be required well in to 2020 with 99.4% of NSW in one of the three drought categories. Narrabri Shire falls in to the intense category. Given the prediction of ongoing drought and taking in to consideration the length of time and the finances required to re-stock, re-build and re-grow, four years is not long enough. Farming communities will battle the effects of this drought for many years after the drought is declared over. Extend the length of time the FHA is paid for.
- Required self-reliance improvement activities. Whilst education on improved farming techniques can be considered vital to improved farming practices, forcing this activity on our farmers as a requirement of accessing the FHA is not helpful. The lack of income is due to drought. Whilst a portion may be due to unrefined practices, farmers cannot prevent drought and forcing them to review management of their finances which are low or non-existent due to what should be declared as a natural disaster should not be a requirement of accessing funding. Farming men and women are proud, resilient people who know their finances and the circumstances which puts them in a position to need financial assistance. Forcing them to recap events leading



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up to the moment they finally ask for help is not beneficial. In addition, many farmers and/or partners have had to find off-farm employment to keep their farms going, restricting the time available to undertake these activities. Remove this requirement or at the very least make it non-compulsory.

- Farm Financial Assessment. Remove the need for this. The farm financial assessment is required once the FHA is approved. This requires reading a 41-page document and completing yet more forms which appear to be online only. As with the point above, farming men and women already know why they are in the situation they are in. Requiring yet another extensive form to rehash a poor financial situation is simply adding more pressure to an already overwhelming situation. Remove the need for this form. Income and assets information is already required when lodging an FHA form.
- The entire FHA process. In order to apply for and successfully receive the FHA, the applicant needs to meet an extensive list of qualifying issues and complete the following:
 1. Review a **61-page** guideline document
 2. Complete a **10-page** application form
 3. Complete an **18-page** Income and Assets form which requests an extensive amount of financial details including, but not limited to:
 - a. Market value of assets including cars
 - b. Ownership of boats, caravans or motorhomes
 - c. Shares
 - d. Sales of assets for below their value in the last five years
 - e. Funeral bonds and life insurance
 - f. Loans or gifts to other people or organisations
 4. Supply a multitude of additional income documentation, e.g. pay slips, loan documents, shares documents insurance policies etc. even though income tax return information is a requirement on the FHA form
 5. Supply personal and business tax returns for both applicant and partner
 6. Proof of details of living arrangements including details of deceased partners
 7. **If** all the above information is completed and applicants meet all criteria and are deemed successful, there is then the Farm Financial Assessment which is required to be completed before payment
 8. Review a **41-page** Farm Financial Assistant Companion Guide
 9. Complete a Farm Financial Assessment (size unknown) and liaise with a Farm Household Case Officer to develop a Financial Improvement Agreement

That is **over 130 pages** of documents to review and complete. This is overwhelming and unnecessary. It is a roadblock to accessing assistance. Whilst information shows this process is under review to be "radically simplified", it is not enough. It is imperative to farming families and communities suffering from what is commonly known as the worst drought in history, that this process is drastically simplified immediately. Council also suggests that any forms which can only be accessed and/or completed on-line be available in a paper-based format.

In addition, the need to obtain profit and loss reports may require retaining an accountant which is another cost to already stretched budgets. Council suggests relaxing this requirement.

Drought Assistance Fund

Whilst the availability of loans with no interest is a vital tool in helping farmers, the requirement to repay the loan in its entirety within two years is another financial burden. Council suggest increasing the loan repayment time-frame. In addition, farmers are not in control of the length and severity of the drought. As such, taking a mortgage over farming property with a short repayment term can be considered yet another pressure point for farmers. Council suggests increasing the repayment term will alleviate pressure.

Transport Subsidy – Emergency Drought Relief, Animal Welfare

As mentioned previously, assistance that is easily accessed is gratefully received. Council suggests refining the process so that accompanying documentation which is the same for different subsidy applications only be requested once and then kept on file. This principle could be applied across all financial assistance requests, making the overall process faster and less frustrating for applicants.

Emergency Water Infrastructure Rebate

As mentioned above, supporting documentation appears to be duplicated across several forms. Council suggests refining application processes, so this documentation only needs to be supplied once and is kept on file. The Emergency Water Infrastructure Rebate form is lengthy and whilst Council understands the need to obtain information, given the drought circumstances, the reason for lack of water is clear. This form needs to be refined to make the application process easier.

Drought Relief Declaration – Agricultural Vehicle Registration Relief

Council supports this program as it provides financial relief to those with agricultural vehicles however the program is restricted to class one agricultural vehicles which are defined as:

- exceeds one or more of the following prescribed dimensions
 - 2.5m wide
 - 4.3m high
 - 12.5m long
 - 42.5 tonnes gross mass (or exceeding a statutory axle mass limit)
- has its own automotive power
- is built to perform agricultural tasks

This is very restrictive. Council would like to see the guidelines for this program relaxed to include a broader range of vehicle types as well as allowing applications from those in industries which rely on agriculture, such as freight transport businesses.

Water Security

Shire towns and villages are already under enormous emotional and psychological burden due to ongoing drought conditions. Uncertainty about water security increases this burden. Council understands the importance of healthy, sustainable waterways and appreciates the complicated, multi-faceted approach required to strike a balance between business, nature and people. To limit stress on an already overwhelmed community, Council requests public meetings regarding policy review, changes to water legislation and revision of plans be undertaken in consultation with a greater number of affected communities. Failure to do so increases community angst and anger. For example, an already stressed Wee Waa community had to lobby for a meeting to be held in Wee Waa regarding proposed water sharing plan changes. As Wee Waa is one of a number of towns affected by any changes, a community meeting should have been scheduled for Wee Waa without the need for a community uprising. Communities affected by water regulation must be consulted. Failure to do so is unacceptable as it further demoralises an already vulnerable community.

Low Interest Loans

Low interest loans can be utilised as a helping hand during times of adverse farming conditions. Council is concerned that the length and severity of the current drought has placed farming business under increasing debt stress. As such Council believes the current situation requires no interest loans with extended repayment times which allow for re-stocking, re-growing and re-building opportunity before repayments are required. Council also recommends simplified application forms which do not require a duplication of supporting documentation which has already been recently supplied.

Mental Health Services

Mental Health services are vital during the continuing drought conditions. Council welcomes all mental health initiatives that support drought-stricken communities. Council would like to see increased availability of free mental health services to all community members. It is important to remember that the continued stress placed upon the agricultural industry has a flow on effect throughout the community, not just those directly involved with farming. Whilst Council applauds the consideration given to the mental wellbeing of farmers and farming families, these issues are not solely constrained to one community sector. Council believes that all community members should be able to access free mental health support including, but not limited to, counselling sessions which will enable a healthier mindset for the whole community.



Temporary Relief from State Taxes, Charges and Levies for Drought Affected Businesses

Current government support through taxation relief measures are welcomed by Council as an effective way of providing some financial reprieve to both farmers and farming communities. Interest free payment plans, concessions, incentives and waiving of penalties provide tangible benefit to businesses and individuals affected. Council recommends review of guidelines and application processes to ensure accessing assistance is easy.

Capacity and Coordination of Town Water Supplies and Further Recycling Opportunities

Council takes a proactive stance in relation to water usage, water saving and water monitoring. Council has recently utilised Drought Communities Program Funding to install Bulk Water Dispensing units in the outlying towns and villages of Baan Baa, Bellata, Gwabegar and Pilliga. This ensures potable water is available within reasonable travel distance of farms, negating the need to travel to larger towns for water. Council has utilised renewable energy when upgrading the Baan Baa supply and has also installed updated water meters across the Shire which have drastically reduced water losses. Council has applied for funding to install rainwater harvesting tanks which will help irrigate Jubilee Oval at Boggabri, another responsible water use initiative.

Council welcomes funding opportunities to further improve sustainable water practices and harness water recycling opportunities. State government plans to increase water storage capacity through added infrastructure are welcomed as current dam levels are frighteningly low. As at 13 November 2019, both Split Rock and Keepit Dam were at 1 percent, with Copeton Dam measuring at 8 percent. Extra water storage measures would increase water security and support future drought resilience measures.

Other Related Matters

Charitable Organisations

Council would like to take this opportunity to applaud the many charitable organisations who strive to support our communities in a variety of ways. The "mate helping mate" spirit is a true representation of Australians working together to help others and on behalf of Shire residents, Council would like to say thank you.

General

In general, Narrabri Shire Council would also like to take this opportunity to suggest the following:

- Expand help to those with hobby farms and small numbers of animals. For instance, those who own a small number of horses will find purchasing feed difficult due to


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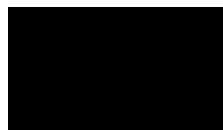

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cost of feed and availability. They may also be facing economic hardship due to loss of job or decrease in hours as a result of the drought. Whilst owners of small numbers of animals may not have an ABN, their need to take care of their animals is no less important. Council requests a review of assistance being given only to those with an ABN.

- Increase assistance for non-agricultural businesses. The impacts of drought are wide spread. Financial issues are not concentrated to solely agricultural industries. Government, both State and Federal, need to provide simplified financial assistance to all those residing in drought-stricken areas. Small businesses provide many jobs. When spending decreases, small businesses feel the effects and are forced to downsize or even close. There appears to be limited access to financial assistance, be it through income support or loans. Council believes a review of financial assistance available to non-agricultural business is imperative for country towns to remain resilient in times of hardship.
- More feet on the ground. Increase the number of Rural Financial Counselling Services and general counselling services. Whilst visits by government departments have occurred and have been welcomed, there needs to be more. More government representatives need to visit drought affected areas to gain real insight into the hardships faced by our communities on a daily basis. From the farmer who is euthanising livestock, to the parent who has no idea where grocery money will come from. From the local business who just closed their doors, to the school children who are watching their families suffer. These people have stories which need to be heard in order for government to really understand the toll this drought is taking on so many. To hear and understand, you need to turn up and listen. Council requests more visits from government officials and increased counselling services so that tangible help is provided.

Narrabri Shire Council is grateful for the opportunity to provide insight in to the strengths and issues relating to drought support. Should you require further information, please feel free to contact Councils Grants Officer, Amanda Wales, on [REDACTED]

Kind Regards,



Lindsay Mason
Director Corporate Services