

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

Organisation: Hunter Business Chamber

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Support for drought affected communities in NSW

Legislative Assembly Committee on Investment, Industry
and Regional Development

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Introduction

The Hunter Business Chamber (the Chamber) is the largest regional business chamber in Australia, established in 1886. The Chamber independently represents about 2,000 member organisations to all levels of government and is the peak business and industry association in the region, reflecting the interests of all sectors.

The Chamber works as an integral part of the NSW Business Chamber network. We advocate to government local, state and federal level for policies that promote investment and growth to deliver flow-on benefits to all in our community.

The Hunter Region in NSW is Australia's largest regional economy, with a Gross Regional Product of more than \$50 billion per year, driving more than one quarter of the total economic output of NSW. The region encompasses 10 local government areas (LGAs) with a total population of nearly 700,000 and a workforce of 280,000¹.

Much of the Hunter is currently classified as being in drought or intense drought, according to the Department of Primary Industries Combined Drought Indicator (CDI), while even the areas closer to the coast are classified as drought affected. As of the first week of December, the CDI indicated that 56.8 per cent of the Hunter Region (by area) was in intense drought, 36.5 per cent in drought and 6.7 per cent drought affected.²

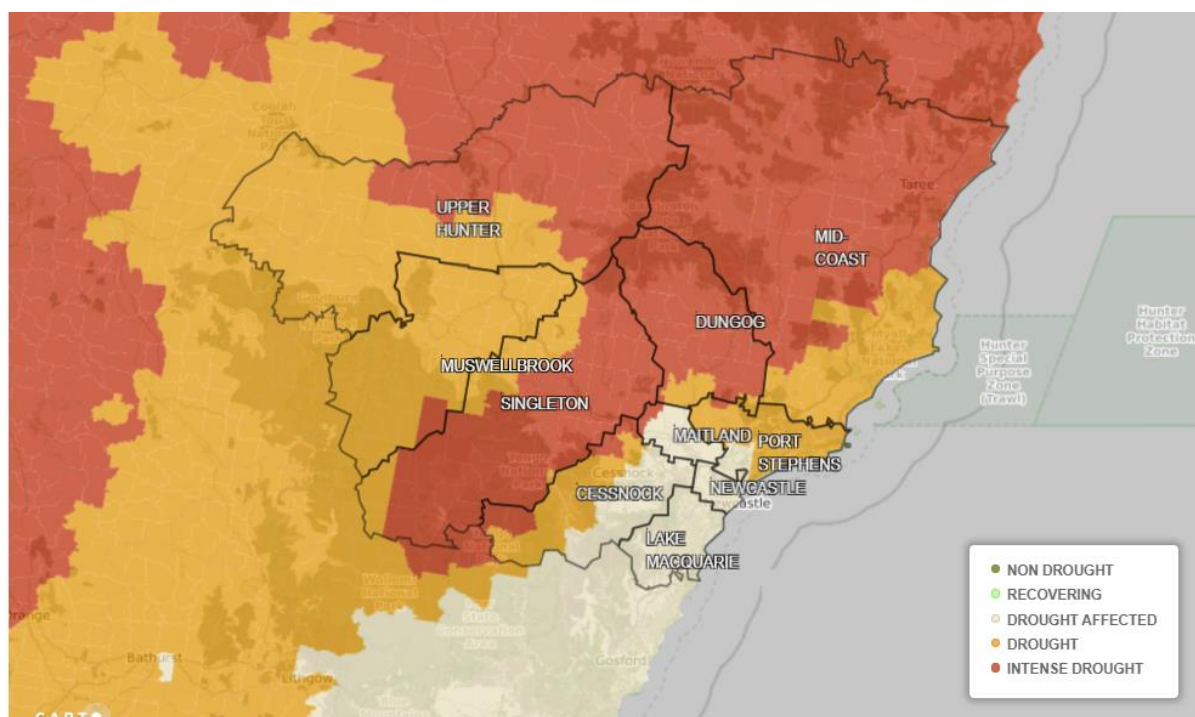


Figure 1: Hunter Region LGAs showing drought classifications. (Department of Primary Industries Combined Drought Indicator)

¹ Remplan, City of Newcastle and Hunter Economy Profile <https://www.economyprofile.com.au/newcastle/industries/gross-regional-product>

² Department of Primary Industries Combined Drought Indicator <https://edis.dpi.nsw.gov.au/>

The Chamber has strong connections with the business communities in those parts of the region most affected by drought, both through direct memberships and our alliances with local chambers. Feedback from these sources indicates that the impacts of drought are being felt well beyond the farm gate, with businesses across all sectors reporting reduced trade and other adverse conditions.

The Chamber hopes through this submission to highlight the broader impacts of drought on business and industry in our region.

Our submission primarily addresses part (c) of the Terms of Reference:

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

Business Conditions

The drought is having a significant toll on the regional business community. The NSW Business Chamber (NSWBC) conducted a Drought Survey in 2018, which indicated 84 per cent of regional businesses were affected by the drought³. With the drought having worsened since, it can reasonably be assumed that the adverse impacts on business in affected areas has been exacerbated by the continued dry conditions and associated water shortages and bushfire damage.

The Hunter Business Chamber conducted a survey of members in November 2019 which reinforces the issues raised by businesses in the 2018 NSWBC Drought Survey. The Chamber's recent survey attracted responses from businesses and organisations in each of the 10 Hunter region LGAs representing a diverse range of sectors including:

- Retail (eg: jewellers, giftware, hardware);
- Services (accounting, audio systems, legal, electrical, real estate);
- Manufacturing (mining and industrial supplies);
- Agriculture (cattle, vineyard); and,
- Local government.

³ NSWBC Drought Survey, August 2018 https://www.nswbusinesschamber.com.au/NSWBC/media/Policy/Drought-Survey-2018-Report-Final_1.pdf

The majority of responses came from members located in the LGAs of Muswellbrook, Upper Hunter and Singleton. More than 85 per cent of respondents indicated that their business had been adversely impacted by drought.

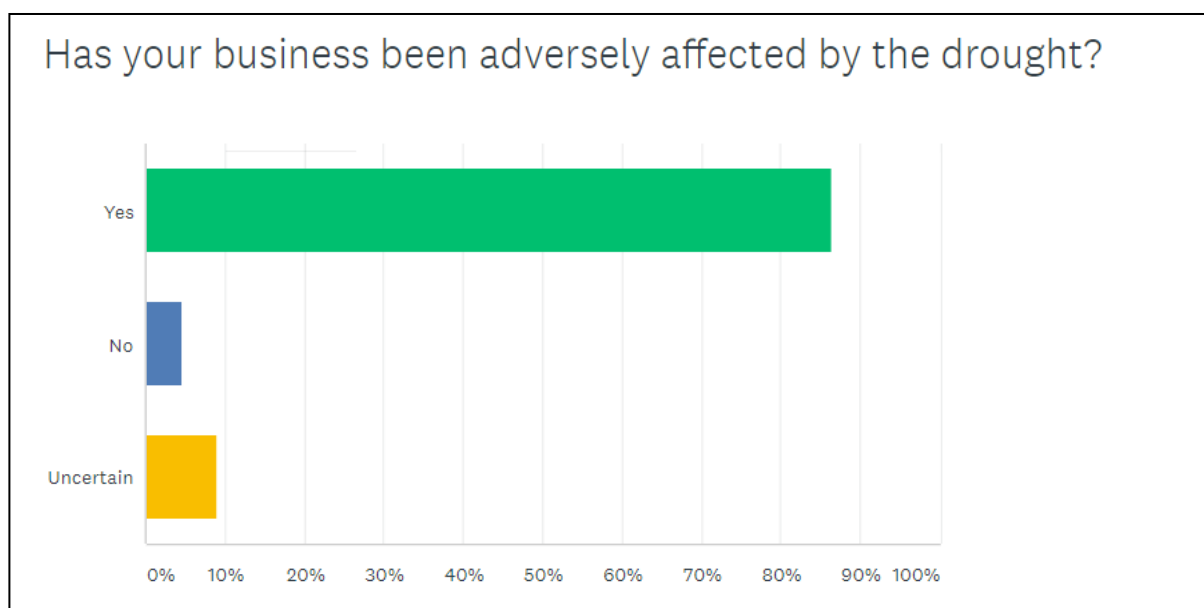


Figure 2: Hunter Business Chamber drought survey, November 2019

Of those businesses that reported adverse impacts, about 80 per cent indicated that they had experienced reduced trade or revenue, and about 60 per cent said they were receiving less trade from local customers. Reduced trade from tourists and travellers was also evident (20 per cent).

About 20 per cent of respondents indicated that had been forced to reduce operating hours or staff hours, and 15 per cent had cut staff because of cost pressures arising from weaker business conditions.

While most of the respondents were from ‘town centre’ businesses indirectly affected by drought through the impacts of reduced household and business spending, about 20 per cent indicated they had been directly affected by changes in environmental conditions, such as water restrictions, reduced water availability, damage from fire, or interruptions to business as result of fire risk.

Drought impacts

The survey also sought qualitative responses on members’ experience with the drought to provide a better understanding of the challenges.

Many comments reinforced the ‘flow on’ effect of drought to all businesses in rural and regional communities, with respondents pointing out the forced reduction in household and business spending by farmers and others directly affected by drought also hits the bottom

line of the businesses who provide them with goods and services. This in turn has an adverse impact on the incomes and spending capacity of business owners across a range of sectors.

The spiralling impact on businesses that support farmers and rural communities is reflected in some of the comments by respondents.

“Our sales figures ... YTD are 34% down on 2016-2017, 32% down on 2017-2018, 10% down on 2018-2019. We cannot continue if sales fall any lower.”

Jewellery business, Hunter Valley

“We are finding our rural areas are struggling; not just farming but ALL areas ... We have seen a lot of different sectors affected.”

Labour hire firm working across multiple LGAs

“When there is less cash income folks spend less on nice-to-have products and tend to only spend on necessary items.”

Photography studio, Hunter Valley

“Our practice has a lot of clients in fire-affected areas and due to the issues they have experienced they are unable to go about their usual work activities; therefore as a result they have not been able to pay our fees at this time.”

Accounting practice, Newcastle

“Water restrictions have reduced sales.”

Garden centre, Williams River area

“Dry conditions reduce the consumption of some ground-engaging tools in mining and construction.”

Industrial machinery supplier, Muswellbrook

“We have destocked all but 12 stud cows in our herd – [we have] no commercial cows at all.”

Cattle producer, Muswellbrook

Local businesses are struggling and, as such, employment opportunities are reducing. During spring and summer we usually see a peak in landscaping, lawn mowing and agriculture-based employment. Unfortunately, due to water restrictions and drought conditions, employment opportunities in these areas have been significantly reduced.

This in turn reduces the number of people in employment and potential for income to flow on to business which may have benefited from that person obtaining employment. Put simply, no job = no money to spend within the local economy. No income for the local businesses then flows onto reduced employment opportunities and in some cases additional job losses.

Employment agency, Maitland

In addition, businesses are experiencing reduced trade from tourists and through-travellers, as drought conditions, water restrictions and the impact and risk of bushfires deter people from visiting regional areas.

“[We have seen] drastically reduced visitation from out-of-district travellers or day visitors.”

Dungog café

The economic impacts of drought similarly flow through to organisations and institutions in affected areas, as illustrated by this comment from an education provider that draws students from Muswellbrook, Singleton and the Upper Hunter.

“[We have had] more requests for bursaries and students from drought-affected families have withdrawn.”

Many business owners in regional areas also live on the land, so have to contend with not only the economic implications of drought on their operations but the practical difficulties of maintaining a property, and sometimes livestock, while dealing with water shortages, lack of animal feed and the constant threat of bushfire. These competing demands and concerns can have a significant impact on a business owner’s ability to run their operation.

This heartfelt reflection by one of the survey respondents – a main-street retailer with businesses in two regional centres – illustrates the complexities of living with drought and the economic, physical and psychological toll it can impart on individuals and their families.

“We have not had decent rain for over two years. Many dams are empty. There is no grass cover on the paddocks so that when it rains it is not going to be any good as water will run off and not sink into soil, taking any topsoil with it.

“My daughter’s partner has just spent another \$35,000 on feed for his stock. He is handfeeding every day. The husband of my friend just passed away and now she is left to feed their stock on her own – very difficult to drive a vehicle and throw feed off at the same time. People are getting desperate. Too many suicides in our area because men cannot cope any more and there is very little help available for those with mental health problems.

“Personally, I live on 25 acres and do not have town water. We rely on tanks for our water. Our dam was empty last summer so we could not keep our small garden alive. We had rain at end of March which put water into dam, but that has now run out again so we face another summer without dam water. Our greatest concern is the threat of fires as we cannot defend our property. My husband is depressed and is finding it difficult to cope with the state of our property.”

Government assistance

None of the respondents to the Chamber’s survey had accessed or applied for drought assistance, although only two are directly engaged in the agricultural sector. There seemed to be little awareness of the programs available and a sense that what programs and

services were in place were only available to farmers. While respondents acknowledged the greater impact of drought on primary producers, they generally felt that the persistence and severity of the current drought warranted consideration of financial assistance schemes at both state and federal level being extended to the broader business community in affected areas.

Some of the suggestions were as follows:

- Low-interest loans for businesses;
- Government assistance/incentives to stimulate employment opportunities;
- Investment allowance incentives; and,
- Tax relief.

Comments were also made about the ineligibility of areas for forms of drought assistance, despite the obvious impacts of drought and inconsistencies in classification between levels of government. For instance, while 93.3 per cent of the Hunter region is classified as being in either drought or intense drought on Department of Primary Industries mapping, only two of the 10 LGAs in the area – Upper Hunter and Muswellbrook – are eligible for funding under the Federal Government's Drought Communities Program.

One respondent raised the issue of local procurement, observing that infrastructure investment designed to stimulate economic activity in local areas would be more beneficial if there was a requirement or greater emphasis on sourcing materials and services from within that community.

"I believe the government has done a good job of investing into our areas, but unfortunately most of the major projects have used out-of-area contractors with out-of-the-area material suppliers. For example, the TAFE building in Scone did not use any local trades and almost all the materials were sourced through suppliers in Sydney or outside of the area."

NSW Business Chamber submission

In addition to this contribution, the Chamber endorses the comments and recommendations made to this inquiry in the NSWBC submission, specifically in regard to the following:

- Targeted payroll tax relief and stamp duty exemptions for regional businesses;
- Fast-tracking regional infrastructure delivery to stimulate local economies;
- Measures to protect NSW from natural disasters, including the establishment of a recovery fund to better support businesses and communities affected by natural disasters.

More information on these initiatives is available in the NSWBC submission (attached).

Conclusion

The Chamber has sought in this submission to provide the inquiry with a snapshot of the experiences of business owners and operators in drought-affected areas of the Hunter Region.

The Chamber acknowledges that primary producers bear the brunt of drought impact and should rightly be the key target of assistance programs and services. However, we argue that the prolonged period and intensity of this drought has been such that the economic impact for businesses in other sectors is also significant and consideration should be given to ways that assistance can be provided to any business that can demonstrate drought-induced hardship.

Areas the inquiry should consider include the following:

- Extension of assistance programs currently provided for farming businesses to other sectors;
- Creation of targeted business assistance programs applicable to all sectors;
- Incentives to business to stimulate employment;
- Increased focus on local procurement in infrastructure projects;
- Better alignment of eligibility criteria with drought classification; and
- Reductions/exemptions on taxes and charges (ie: payroll tax relief and stamp duty exemptions as outlined in the NSWBC submission).

SMEs play a vital economic role in rural and regional communities and are an integral part of the social fabric. Businesses support communities through the provision of goods and services, employment, social opportunities and through philanthropic gestures such as sponsorships to sporting clubs and community groups. They are a drawcard for visitors and a destination for local residents who live on the land, giving people a reason to venture into town centres. When business struggles, the impact is felt throughout the community, as the comments in this submission show. For this reason, the Chamber believes government should recognise the wider impacts of drought across all sectors and give higher priority to supporting all businesses in affected areas through this difficult period.

The Chamber appreciates the opportunity to contribute to this inquiry and welcomes further engagement on these matters.

Contact

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