

REPORT ON PROCEEDINGS BEFORE

**LEGISLATIVE ASSEMBLY COMMITTEE ON
INVESTMENT, INDUSTRY AND REGIONAL
DEVELOPMENT**

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

Virtual hearing via videoconference on Friday 15 May 2020

The Committee met at 11:45

PRESENT

Mr Justin Clancy (Chair)

Mr Clayton Barr

Ms Steph Cooke

Mr David Harris

Mr Peter Sidgreaves (Deputy Chair)

The CHAIR: Good morning everyone. I declare open the second public hearing of the Legislative Assembly Committee on Investment, Industry and Regional Development inquiry into Support for Drought Affected Communities in New South Wales. On 5 May 2020 the Committee made New South Wales parliamentary history with the first virtual public hearing in which all of the members and witnesses participated by videoconference. Later that same week a Legislative Council committee also held a hearing by videoconference in what is rapidly becoming the new normal. Whilst these virtual proceedings are not without their technical and procedural challenges, they have enabled us to perform one of our most important roles—listening to public evidence.

Last week was a constructive hearing with valuable insights on the important subject of drought. I thank the witnesses, the members of the Committee, Committee staff, Hansard, IT Services and other support staff. As we continue to hear evidence on this important subject, today I welcome representatives from the Department of Regional NSW and thank them for their attendance.

JAMES McTAVISH, NSW Cross Border Commissioner and NSW Regional Town Water Supply Coordinator, sworn and examined

SCOTT HANSEN, Director General, Department of Primary Industries, Department of Regional NSW, sworn and examined

CHRISTOPHER HANGER, Deputy Secretary, Public Works Advisory and Regional Development, Department of Regional NSW, affirmed and examined

The CHAIR: Would any of you like to make a short opening statement before we begin the questions?

Mr McTAVISH: I have a short opening statement. The impact of drought on communities in New South Wales has been enormous, with many parts of the State experiencing issues of water availability and quality that have not been experienced previously, and with simultaneous impacts across many river valleys in both coastal and inland locations. Local water utility drought preparedness and resilience of town water supplies has been highly variable. Some communities have been actively preparing for water shortages for many years, and have done detailed planning to change community attitudes to water use and conservation, developed infrastructure to maximise utilisation of available water and used good seasons to prepare. Other communities have been poorly prepared, and in the lead up to and during this drought have developed more reactive plans for their town water supplies, often with substantial assistance from New South Wales Government agencies, particularly the local water utilities branch in DPI Water.

Since appointment as the NSW Regional Town Water Supply Coordinator in January 2019, I have worked with government agencies and stakeholders in more than 100 communities across regional New South Wales to ensure that their community has access to safe and acceptable water. The New South Wales Government has invested in a range of drought measures, including over \$200 million of new infrastructure, such as the Malpas Dam to Guyra pipeline, the reverse osmosis water treatment plant at Bourke, the new bore accessing the Great Artesian Basin in Collarenebri, and new groundwater access for Dubbo. This is on top of infrastructure delivered under the Safe and Secure Water Program, such as the Wentworth to Broken Hill pipeline.

Legislative, regulatory and policy changes have been necessary to ensure that projects are delivered in a rapid fashion, rivers can be operated with greater efficiency, and access to water for towns can be prioritised over other uses. Experts at DPI Water and NSW Health have assisted local water utilities to respond to issues of water quality in numerous communities, ensuring public health and safety. Funding has been made available for local government to cart water into a number of communities, and we have partnered with community organisations, such as the Menindee Water Run and Dignity Water, to deliver packaged water to communities in need.

While there has been an easing of conditions in many areas, water availability and quality risks remain for a number of communities, including Tamworth, Orange, Bathurst and along the Lachlan River. A large number of projects are under development and being delivered, and substantial activity is underway to ensure that risks for these communities are mitigated. Drought will return, and addressing issues with town water availability and quality remains a key focus of the regional water strategies currently under development. Additional work to address capacity and sustainability issues for local water utilities, section 60 approvals processes, infrastructure development and operation, and water utility drought preparedness, including on a regional level, is necessary and is underway with the assistance of stakeholders across regional New South Wales. I note that these issues are raised in a number of submissions to this inquiry. This concludes my opening statement. I am available for questions.

The CHAIR: Would either of you like to make an opening statement?

Mr HANGER: I will make an opening statement. I am pleased to be here today representing the New South Wales Government and the Department of Regional NSW. We recognise the importance of this inquiry as an opportunity to better support regional businesses and communities in this drought. It will also help the New South Wales Government to prepare for future droughts. More than 260,000 people in 65 local government areas are estimated to still be highly exposed and vulnerable to the economic impacts of drought. This drought is estimated to result in a \$5.7 billion reduction in gross State product in 2018-19, and further impacts of \$6.3 billion in 2019-20 and \$4.8 billion in 2020-21 are expected.

Some areas are beginning to recover. Recent increased rainfall has helped but 90 per cent of the State is still in one of the three drought categories: either drought affected or in drought or intense drought. That is as at 10 May 2020. In spite of the challenges posed by the COVID-19 pandemic and bushfire recovery, drought support and recovery remains one of the New South Wales Government's priorities. Farmers, regional communities and businesses have not been forgotten. In November 2019 the New South Wales Government created the Office of

Drought Response to cover the three focus areas of water security, community and businesses impacts, and support for primary industries. The Office of Drought Response plays a critical role in ensuring a cohesive and coordinated approach to drought response at cross-State, local government and Commonwealth levels. The office currently has four full-time staff, in addition to policy support from others in the Department of Regional NSW. The Government's drought relief and water security response is focused on providing immediate support to farmers, families, towns and businesses impacted by drought.

Over \$2 billion has been committed for the New South Wales Government's drought support package for primary producers, businesses and communities. On 10 May 2020 the Government announced an extension of its support with additional funding to continue to support drought-affected communities and farmers. This includes: \$116 million to continue the Drought Transport Subsidy; \$99 million to continue waiving of Local Land Services rates, and other rents and rates; \$28 million to continue existing water licence fee waivers for stock, domestic, general and high security water users; continuation of support for some key community programs, health and wellbeing; as well as support for Aboriginal communities and the Royal Flying Doctor Service. Thank you for the opportunity to provide an opening statement.

The CHAIR: Mr Hansen, would you like to make an opening statement?

Mr HANSEN: Happy to go to questions, Chair.

The CHAIR: Returning to Mr McTavish, as you said, a lot of the submissions the Committee received touched upon town water security. Certainly it was a prominent theme in the submissions. A lot of work has been achieved. I am interested in what you see as challenges that remain regarding future preparedness. You also commented on councils raising the issue of cost of water works sitting on balance sheets, the cost of depreciation, as well as sustainability. I would like to hear your thoughts around that.

Mr McTAVISH: We have some buffering issues here. There are some concerns that we have heard from a number of communities about the financial sustainability of the local water utility. Some of them are linked to issues associated with depreciation, and there is some substantial evidence in places like, for example, the Cobar Water Board where that depreciation is really constraining their ability to invest in infrastructure into the future. There is also in some other areas concern about the impact of drought on the income for the local water utility because their supply has been impacted and the restrictions that they have put in place, they have suffered a reduction in income over time, which further reduces their financial sustainability.

The CHAIR: Mr Hanger, one of the themes that came out of drought assistance to farmers is the difficulty for farming enterprises where a member of the family has gone off farm for income to help sustain their business but that has impacted on their ability to access drought relief. Is that a problem that you see from your end? Do you have any comment on that?

Mr HANGER: I might ask Mr Hansen to pick that up. He essentially deals with the farm side, including farmers who have gone off farm to get further income. The only comment I would make is through the Office of the Small Business Commissioner and Business Connect we do a lot of work to help those people who are trying to achieve other incomes during this challenging time. Mr Hansen is probably a bit closer to farmers and how they are working through this.

Mr HANSEN: One of the provisions we have in place to enable the Rural Assistance Authority [RAA] to address this concern is that it will go back in time to work with the farmer to identify what a typical year looks like. In most cases we have gone back four or five years. Most farmers will want to identify 2016 as their typical year, given that was a year of both record livestock prices over the course of the year, as well as record yields in most of our grain growing areas, to be able to use that year as the model to look at the 50 percent on farm-off farm split, rather than just choosing the last financial year, which may well pick up a year in which they have sourced off farm income to supplement the family income. We have tried to address that by allowing them to go back up to five years to choose the year in which they want to have that assessment done to allow them to reflect to us what a typical operating year for them might be.

Mr DAVID HARRIS: My first question is to Mr McTavish. Thank you for your introduction talking about the situation with water. Is there in the plan going forward and work being done on recycling and greywater-stormwater re-use? Obviously pipelines and dams rely on rain falling, and there probably needs to be a wider strategy of better use of water resources in non-drought years as well. Is any work being done specifically on those areas?

Mr McTAVISH: Yes. There is a substantial amount of work going on relating to wastewater re-use and water recycling. In regional New South Wales already around about 12 per cent of the total water supply is from a recycled water supply source. There is a process through which local water utilities and local government can apply for amendment to their water or sewage treatment which would allow for that water to be re-used. That is

typically exercised through section 60 of the Local Government Act. There are also some works underway as part of the drought management planning going forward to have plans for wastewater re-use to be incorporated in drought response activity. For example, around Taree with MidCoast Council we had done extensive planning for wastewater re-use for the dairy industry. As we move forward we will be looking to use wastewater as a resource more efficiently and effectively in future droughts.

Mr DAVID HARRIS: To Mr Hanger and Mr Hansen, obviously every time there is a drought there is a range of measures put in place. How are those measures reviewed as to their effectiveness in the communities, and how is that put into a plan or suite of measures that can be introduced in the future?

Mr HANSEN: I will go first and then Mr Hanger may want to add something. One of the really hard questions is working out what has delivered the biggest benefit and the best assistance. A lot of it hinges on what are all the contextual pieces that an industry or community was facing coming into the drought as to what type of assistance they most need. We have a process by which there is a requirement for monitoring, evaluation and review of the total suite of the New South Wales drought package. That review will be done when we hit a trigger point at which we believe that the majority of the package and the majority of the State has moved beyond drought. That will provide us with the learnings and the tools to set what has worked, how would we adjust it all, what are the trigger points for using it in future program activities.

It is important to note that setting up for this drought program went back to 2015, which was the first of the drought measures when the Farm Innovation Fund was triggered and put in place. That was largely a preparedness and resilience, as opposed to a response piece. We were able to go back and not only select or bring forward all of the ideas that the State had used in all previous droughts, but we reached out to Canberra and to our other State counterparts and put together a suite of all of the learnings and lessons from other States and the Commonwealth to be able to present a suite of options for the Government to choose from.

Mr HANGER: I might add, in terms of the off-farm support, very much the same approach in regards to program evaluation. One of the critical initiatives that has been introduced in this drought is the Drought Stimulus Package, and we have already talked about the requirement to continue having funding flow through the drought-impacted economies. There are \$170 million worth of rapidly shovel ready and deliverable infrastructure projects that have been put together as part of that program. Mr Hansen has mentioned all programs run by government do have an evaluation plan in place and for infrastructure projects obviously we assess them, we look at their business cases, we look at both the community and potential economic, and for many of these projects they are the jobs created during construction and then ongoing in those projects to make sure that they are as effective as they can be.

The other comment I would make is one of the really important roles of the Office of Drought Recovery is bringing together those learnings, making sure that across the suite of activity the Government has underway we are able to assess what has worked well and used that to inform the development of what will be a drought resilience and preparedness strategy for government so that we can prepare better and target those programs more effectively in the future. There is a range of measures that are in place for all programs and this drought, in particular, has called out opportunities to look at what we are doing and make sure that it is addressing the needs of those communities and industries as effectively as possible.

Mr PETER SIDGREAVES: My question is directed to Mr Hanger, but I welcome any feedback from Mr McTavish and Mr Hansen. The question regards infrastructure being identified as one means of assisting towns and communities that are currently impacted by drought. Some of the submissions have noted that when these projects are awarded they are often awarded to organisations that are outside the local area and even international companies. I am wondering whether or not any steps are being taken to enable local communities and businesses to be awarded some of those projects, whether it be a list of things that they need to be prepared for? As an example, is any weighting given to local businesses in the tender evaluation process?

Mr HANGER: That dropped out a little bit, but I think the question was essentially around local procurement and ensuring local workers are used as much as possible in projects. The way we assess projects, obviously we are looking to ensure that the communities are benefiting and as best as possible the funds for projects that we are investing into are able to be accessed and do swim around in those local communities. We cannot mandate that they use local content, but clearly we look at that as a very positive thing and very much the programs are designed to ensure that occurs. In regards to how individual projects are procured, the vast majority of projects that we have funded in the infrastructure space have been delivered by local councils. They are subject to procurement guidelines and obviously they need to show to ratepayers that they are achieving value for money. There are a range of measures that are in place there.

Very importantly, we looked at infrastructure spend and being able to provide smaller-scale projects that are often a lot easier for local contractors to be able to deliver. As well as that \$170 million Drought Stimulus

Package, over the last couple of years through the Stronger Country Communities Fund the Government has invested \$400 million in about 1,500 small-scale community amenity projects, which many local contractors are far more well positioned to be able to respond to. Although we cannot mandate local procurement, the package design and very much the way we think about program design is targeted to supporting that as best as possible.

Mr PETER SIDGREAVES: Is it possible to include a local business weighting in the evaluation?

Mr HANGER: Like every jurisdiction, there are free trade agreement requirements. We can look at that. We are typically not the procurer; that is the local council in almost all instances for many of the projects that we are talking about. They themselves would know that they are trying to support the communities where they are building those projects. We will not mandate local procurement and we need to make sure that there is value for money achieved, as well as being cognisant that, particularly in some parts of the State, there are what we would call thin markets. So it may not be possible in all instances to be able to procure the delivery locally, but clearly everyone wants to make sure that those programs, the projects and the impact of the funding is going locally as best as possible.

Mr PETER SIDGREAVES: I am not entirely sure who to direct my next question to. The lack of support programs for small businesses was a common theme in the submissions that the Committee received. Does the New South Wales Government have any plans to cater for these programs? I know that this has been significant in the COVID-19 program. In regard to drought recovery, has any consideration been given to this?

Mr HANGER: There are a range of different ways small businesses can be supported. You have called out grants as one of those. Outside of that, we have just talked about program design where small businesses may be able to provide services to deliver infrastructure projects. We very much look at making sure that is as easy as possible. The other thing that I would call out that we have done for small businesses, particularly drought-impacted businesses, is the development of a Buy Regional campaign. Businesses, service businesses in particular, who had been struggling to find customers, the Government has set up a dedicated online hub for those. That hub has had over half a million views to date and there are more than 450 businesses who have taken advantage of that and found customers online.

I would also call out the work that is done by Business Connect and the Office of the Small Business Commissioner. A lot of the support we provide to businesses is around making sure that their businesses are sustainable, that they are financially viable, that they have opportunities to access new markets and support that skills development can be as important as cash in hand. We do look at all the ways we can either involve them in the procurement that we undertake, support them to promote or be more effective as businesses. But they are 98 per cent of the economy in terms of small business, so it is vital that we support them through this.

Mr PETER SIDGREAVES: I know with some of the campaigns to buy from regional New South Wales there was a lot of concerted effort from most in Sydney to contribute. I assume that since the bushfires, and now COVID-19, those types of campaigns are not as successful?

Mr HANGER: No, there is still a lot of support for regional businesses. COVID-19 has obviously introduced travel restrictions, more so than anything else. In some ways people locked in at home are ordering in a lot more. Whilst there is clearly drought, bushfire and now COVID-19 in people's minds, the platform itself and its success in highlighting to people the really high quality products that you can get from regional New South Wales has not been diminished.

Mr PETER SIDGREAVES: Good to hear.

Mr CLAYTON BARR: Gentlemen, can I first of all start by thanking you all for the work that you do for our wonderful State. I know all of you quite well, interestingly through Standing Order 52 calls for papers, and I have seen and read multiple emails. Sometimes I wonder whether or not you even sleep—24/7 hard at it and incredibly professional. I really appreciate it. I will start with Mr McTavish. One of your many caps is as the Cross Border Commissioner. Do you see things on the other side of any of our borders that you think we should do more of or, at the other end of the scale, we need to make sure we never do that?

Mr McTAVISH: One of the wonderful opportunities I have is to be involved in that multi-jurisdictional environment. There are certainly some substantial learnings that we can take from other jurisdictions in terms of the operation of their local water utilities and how we administer that from a State point of view. There have been substantial reforms in other jurisdictions in local water utilities that we have examined. Victoria, Tasmania, New Zealand and Queensland, in particular, have got different arrangements around their local water utility arrangement. As we have gone through this drought in particular some issues for local water utilities in terms of their professional capacity and their critical person risk. It has also brought into stark relief some of the issues associated with their financial sustainability.

That is not meant to be a negative comment about the people working in those local water utilities because they do an extraordinarily good job. I think that as part of the action review from this drought we have engaged with the local water directorate, local water utilities and the like to take advantage of what other jurisdictions have learned previously, what we have taken away from this drought and to look at some further activity to support local water utilities not just when they are in periods of stress but in their day-to-day operations as well. A good example of where we have supported them is in Uralla. I know that last week they had a substantial arsenic issues and without the assistance of the DPI Water people they would not have got through that.

Mr CLAYTON BARR: Our local water utilities, once we get away from Sydney Water and Hunter Water, are generally councils or a small collection of councils who are servicing the water needs. Do other States not have that responsibility. Do the State governments take that overarching responsibility for the delivery of water across the State?

Mr McTAVISH: Or an entity which sits between local councils and the State Government, whether that is a form of corporation or county council style. What you see in Victoria is more akin to what you see with Riverina Water or Rouse water, for example, than the local water utility for Dubbo, which is Dubbo Regional Council.

Mr CLAYTON BARR: I think as a State Government if any of us wanted to move in that direction we would probably have 10,000 arguments with our local councils. However, there is going to be another drought and the State government of the day, whoever it is, will be called to arms to do what it did on this occasion. Mr Hansen, my question is about what you are seeing out there and what you are seeing that is good and what is not good. What decisions are you seeing from farmers, regional and rural communities where you think "We can't do that" in terms of some of the community's autonomous decisions? In contrast, what are you seeing that gives you hope and inspires you for recovery and the ability to not just survive but thrive?

Mr HANSEN: Thanks for the question. I might start with a similar theme to Mr McTavish. I also just spoke in a multi-jurisdictional forum to all the ag director generals across all States and Territories to our Commonwealth colleagues to catch up. We do that at least four times a year. Although, since the start of this year with both fire and COVID we have been catching up weekly. It has been quite an advantage for us. We discovered quite early on that at the same time we were progressing discussions about extending our Doppler network across the State so was WA. We were able to work with WA on some of the negotiations with the Bureau of Meteorology about getting the best outcomes in place.

When we had to rapidly ramp up the work of the NSW Rural Assistance Authority in coping with the volume of applications coming forward we actually talked to our Queensland colleagues and brought down both staff and learnings from the Queensland Rural and Industry Development Authority. They came down and spent weeks with us helping set up our systems, our processes and training staff. We have been working collaboratively across all the jurisdictions. Where we see someone has a real strength or an already learnt lesson we try to capture that rather than relearn it ourselves. We have relied pretty heavily on assistance and advice from our inter-jurisdictional colleagues over this past couple of years. To the question of what we are seeing out there at the moment, this is a chance for a little plug. We have just produced a booklet which is titled "Preparing for Drought". It is actually what farmers say.

We have had staff out there on the ground for the last three years and what we know is that every farmer will make their own informed decisions about what they are going to do on their farm to suit their circumstances and their current environment. What we have done is we have gone and we have captured those over the last three years so that we have a record of the individual decisions that some farmers have made and the learnings they have out of that, whether it worked well or it did not work well. That can then be communicated to their neighbours and other farmers and held in prosperity so that the next time a drought comes around people can look back and go, "So, what were some of the decisions that were made or not made that needed to be played out?" We are trying to capture some of those learnings and actually have them published and promoted back out into the farming community.

We know that the best way of getting information post the farm gate or beyond the farm gate is to actually have someone hear from someone within their own district or within their own neighbourhood or across their fence to show them how they have done something, the benefits or the traps associated with it. We will continue to do that. The biggest concern we have had in this drought has not been the decisions that have been made but that point in time where people have decision paralysis—where they feel the weight and stress of inputs in terms of seasonal changes, market changes, and they find themselves in a position where they cannot make a decision and end up going into a routine or pattern of behaviour that robs them of the ability to make decisions. That is where the rural resilience and mental health work has been desperately needed over the last couple of years to get

to farmers who are at that point and to give them the opportunity to take a break or to have some form of intervention to help them with that decision-making process.

Mr CLAYTON BARR: That is a really interesting insight and a lovely segue to my third question. Mr Hanger, in terms of regional development role, for 100 years now State and Federal governments of all persuasions have been trying to work on this concept of decentralisation. Much of the work we have talked about and billions of dollars is about helping communities to survive. In terms of regional development and for the sake of this Committee and recommendations going forward: What is needed on the tail end of this drought for them to thrive?

Mr HANGER: That is a really good question. There has been a lot of work that has been undertaken over the last couple of years. The Government has a regional development framework and a 20-year vision for ensuring that regional New South Wales remains a fantastic place to live, work, invest and raise a family. That has been delivered in a range of different ways. Some of the work we have done, and this builds off Mr Hansen's comments about learnings across jurisdictions—

CHAIR: We have lost Mr Hanger.

Mr HANSEN: I might just come back in, if I can. I have two additional comments regarding how we make communities thrive into the future. A really interesting insight is that in 2016 the agricultural communities across New South Wales experienced both record livestock prices as well as the largest grain yield ever delivered in the State. The combination of those two things have been a key factor in how much resilience our industries have shown through this record drought. There is no doubt that two of the greatest tools that we have had, which are often unstated in these discussions, are free trade agreements and access to markets that have meant that we have had incredible demand for the high-value products that Australia produces in the international market place. There is no doubt that without that strong demand we would have seen increased yields and turn-offs leading to a decrease in prices pretty significantly. Instead we had increased yields and prices held because of the strong global demand that was out there. That trade arrangement is critically important.

The second thing is—and it is one of these slow burns that is hard to capture and measure—decades worth of investment in research and development means that we now have crops that can be produced in one-third of the time that they would normally take, which means that they require one-third of the water they would normally require and because of that they are more drought tolerant than 10 years ago. We have an enormous amount of research being done. It is not the kind of thing that you invest money in now and you see an uplift in job reports in the next quarter but over the course of a decade it literally changes the dial and keeps the productivity and hence the economic returns to our primary industries, which is such a key driver for rural and regional New South Wales. It keeps them moving forward.

Mr HANGER: My apologies everyone. Ironically, I am in Sydney and I dropped because of poor digital connectivity. You seem to have better connectivity based regionally. I will add that one of the key elements to help communities thrive, we do have a framework and a 20-year vision, there is investment through the regional growth funds to improve amenity and economic outcomes. The Snowy Hydro Legacy Fund is investing \$4.2 billion exclusively in transformative projects for regional New South Wales. Digital connectivity, after water security, is the highest priority. We currently have in market an expression of interest seeking to improve connectivity because we know that if regional industry, agribusiness, tourism and a range of manufacturing businesses do not have that connectivity it makes it very difficult to work remotely.

The importance of that strong telecommunications and the vital role of connectivity has been underlined more than ever. It is ironic that I am sitting in the middle of Sydney and probably have the worst connectivity of anyone on the call.

CHAIR: Mr Barr mentioned decentralisation in his opening remarks. A broader theme is diversification in our regional areas. Where we have been focused on agriculture how do we diversify? We know that diversification negates our risks when we face drought. To your point, you have mentioned connectivity together with water security. The sound is going again. Do you still have us, Mr Hanger?

Mr HANGER: I do. I have turned the video off to see if that gives me a little more bandwidth.

CHAIR: My question is: What other levers do you see Government having in terms of promoting diversification of industry in regional areas?

Mr HANGER: As I started to mention, we have done a significant piece of work that analyses what we call functional economic regions in New South Wales. For each of those 38 economies we have looked at what we call the endowments. So what capabilities do they have? Agribusiness and mining are really clear ones. Tourism as well where you have natural endowments that you can build off. They may be specialisations. They

can be man-made specialisations. I can think of examples. I know that Mr Donato is on the call; Orange has a specialisation in terms of health care and that has been built up over a number of years.

For all of those economies we look at the driver industries that have a higher location quotient in terms of a higher employment specialisation and we look to build on each of those. You want as best you can to have a diverse economy so that if one of those industry sectors is hit, if there is, from an export perspective, a challenge in a particular market for a particular commodity that you are able to balance out with other industry opportunities that exist. We definitely look at that. We have developed strategies for each one of those economies to understand not only what are those industries but what is required to strengthen those industries, and that is both in the hard and the soft infrastructure.

In the hard infrastructure I have talked about investment into digital connectivity. We have talked about water security. Whether that is agribusiness or a range of other industries, water security is key and Government is investing, as everyone knows, billions of dollars to improve that as well as to better understand water management across the State. And then the final piece is you need to have the right workforce so you need to have the skills, you need to have the people appropriately qualified to do that work and that is both an education piece. Again, because I have been dropping out, making sure that people do have the connectivity to be able to access world-class research such as the DPI undertakes or high bandwidth for advanced manufacturers, and I can think of a couple in our activation precincts. In Parkes, for example, being able to deploy remote sensors and autonomous movement will be critical to that being a successful freight hub.

We do want to see diverse economies. We also want to build off the very strong industries we know that are there, and I think we are doing that quite well, Particularly the investments into key enabling infrastructure to support that.

MS STEPH COOKE: Thank you for your time today and your hard work in this space, particularly in my part of the world. I have all small communities that have been drought affected over recent years. My question is to Mr Hanger. I am interested in your views as to whether we do enough as a State Government with respect to supporting tourism into country New South Wales. The drought has affected inland New South Wales much more than the coast and sometimes it is very hard to get people to come out to our neck of the woods. Do we do enough in that space? Is there a greater role for Destination NSW to play in recovery from drought in terms of supporting local communities, local governments with tourism initiatives?

Mr HANGER: I will start with a couple of comments. Obviously, currently it is very challenging to promote tourism because of the COVID overlay but your point is one that is very well made. There is a really vital role that Destination NSW plays in ensuring that people are aware of the fantastic tourism experiences that are available across regional New South Wales. From my area of focus, which is looking at what sort of investments we need to make, you may be aware that the Government over the last couple of years has run a \$300 million regional what we call Regional Growth – Environment and Tourism Fund. That has invested in a whole range of infrastructure assets to improve what we would call tourism product across the State. Beautiful scenery is definitely one thing that will attract people, but you have to give them things to do.

I can think of a couple of examples where we might be building an iconic walk in the Snowy Mountains to give people more things to do. We are building a mountain bike trails, which means they can spend more time in those locations. We are leveraging off the connectivity piece. We know firsthand that people these days will not travel to a location if they cannot send a selfie back or cannot talk to their families at home. A key part of what we are looking at, whether that is through broadband or more mobile base station investments, is ensuring that those tourism opportunities are as rich as possible. We are investing in the infrastructure so that when the COVID restrictions come off Destination can do its job, which is to let people know about all the fantastic experiences you can have regionally.

There is a range of components in ensuring that you have got appropriate tourism product. We have been investing very significantly in the infrastructure side. Everyone is hoping the COVID restrictions come off quickly and Destination can do its job and get more people travelling regionally. I think there will be a real uptick. I am based in Sydney and I know there were a lot of people very frustrated that they could not get out at Easter and over the school holidays. As soon as the restrictions come off it will be great to have them back in those regional towns and spending money there.

Ms STEPH COOKE: Mr McTavish, it worries me as a local member when I have small councils in relation to town water supply come to me looking for what I would describe as a significant State Government support to connect potable water to very small villages. What more can we do in this space to help our local governments help themselves in a lot of ways so the relationship does not become lopsided and we still have communities, particularly small communities with potable water? Without it those communities will not grow. Why would you move to an area that does not have potable water? I think that is holding us back. It worries me

for the future of small communities. It costs a significant amount of money, as you would know better than any of us.

Mr McTAVISH: There is a substantial amount of work going on through the Regional Water Strategies program to look at that longer-term vision of investing in water infrastructure and policy for regional areas. The Lachlan Regional Water Strategy is on the verge of being publicly released as well. The reality is, as you indicated in your question, the provision of treatment for water supply, particularly for smaller communities, is not financially feasible in many cases, and particularly with traditional systems of treatment. There have been some local solutions put in place in a number of areas with some lower-level treatment but once again councils really lack the capacity to invest in those major pieces of infrastructure on their own. Once it is installed there is the issue of operation, maintenance, depreciation and replacement over time. In some areas it is simply not going to be financially achievable to be doing that.

In some areas there is non-potable supply which goes into houses. There are numerous examples in regional areas where non-potable supply is not supported by council or there is a local arrangement which provides for the maintenance of that non-potable supply and distribution system. There is advice that the department has been giving councils over quite a long time about how to manage risks associated with those non-potable supplies and that has also been assisted by NSW Health. The lack of treatment means that the official advice that is always given is that that water should not be consumed.

Ms STEPH COOKE: Yes, I understand.

Mr McTAVISH: We are hoping that the regional water strategies will provide some clarity for some councils and people in the regional areas. The focus of those strategies has expanded from just being about security programs to also looking at quality issues. That is a substantial piece of work. Once we get the feedback from the short list that is included in those strategies we will look to the future in terms of funding.

CHAIR: Mr Hanger, I have a question regarding the Office of Drought Recovery and the newly created Resilience NSW. I appreciate it is in very early stages, but have you had a level of discussion and collaboration between the two entities?

Mr HANGER: You are right, there does need to be close coordination between the two entities. Similarly, you would be aware there have been organisations that have been established to support communities that have gone through bushfires and the recovery mechanisms. One of key roles as the Resilience NSW team gets up and running is ensuring that nothing gets missed and there is no duplication between the work that they do and the Office of Drought Recovery already has underway. Resilience NSW has been set up to predominantly focus around supporting communities recover from COVID and bushfires.

As we are talking about today and as we would emphasis to everyone, while there has been some rain by no means is the drought over and the Government has not forgotten that in many parts of the State there are still real challenges there and for us it is vital to ensure that those drought-impacted communities are not forgotten and the Office of Drought Recovery and Resilience NSW are complementary and ensure that in those communities, whether suffering through drought, bushfires, COVID or in some instances all three, the services are targeted and it is easy for people to navigate between the two.

CHAIR: Just a final question, Mr Hanger, one of the themes is there are challenges associated with paperwork for drought support. You are having to tell your story more than once when you are talking Federal, State and then banks. Then there is the complexity of paperwork and information sharing. The issue of a single source of information and challenges of overcoming connectivity, not just being web based. A number of submissions touched upon the importance of drought recovery coordinators at the local level. My question is around that paperwork, collaboration between levels of government and financial institutions. How can we achieve a situation where people are only having to tell their story once—having a single source to give information to and a single source receiving information?

Mr HANGER: I might start, and Scott Hansen might have some more comments about working in particularly, probably, RAA's area. I have two initial comments. The first one is a coordination across State Government. So there is an executive committee that is chaired by the Secretary of the Department of Regional NSW, Gary Barnes, and that brings in all of the key agencies that have any role in terms of that. So we all stay on the same page in terms of who is doing what, how our service is being delivered and what issues are we seeing. Scott has already mentioned in the agriculture space, and this is true in terms of regional development as well. Jurisdictions can get together to, as best we can, ensure that what we are doing is complementing and supporting communities and not causing any more confusion or any additional work than there absolutely needs to be, to be able to meet everyone's own, sort of, process and audit requirements.

From our side we, as best we can, try to provide one point of entry. People will have seen the DroughtHub and work that Service NSW has done. Again, it is not perfect and there is always more work to be done, but the idea of "tell government once" and as best as possible that information is then shared is a focus in all the ways we design programs and interactions. I would be the first to admit that it is not brilliant but no-one wants to add confusion to the process. We are all trying to improve it. In my own area where most of my interactions are with councils, we have an online portal where any of the 2,000-plus projects that we are funding across the State, councils can go in and update their records, can submit applications through the same consistent channel—even if it is just a simple way of reducing the complexity and ensuring the consistency of application forms and information that they do not need to keep providing each time there is a new initiative.

We think we are getting better but I am sure there is clearly more work we can do and it is an area that causes some frustration. Hopefully, it is better than what it might have been a few years ago. Scott, did you have anything you wanted to say?

Mr HANSEN: Yes, thanks. There are a couple of quick things. We have moved within the RAA so that I think we currently have 15,000 customers within the Rural Assistance Authority. If those customers have already provided their key pieces of information, including previous financials and so forth, once they are in our system we hold that information and roll that forward so that they do not need to tell us that information a second time even if a program continues on into another financial year; or if a new program comes along that has the same eligibility criteria, we not only roll that information forward but also we go out and notify them that based on what we hold about them they are eligible for these, therefore, tick this box to indicate that you want to apply for it.

We have been learning over the past couple of years about how to keep simplifying, how to keep refining this. One of the key bits of feedback we get from our staff out on the ground—one of the advantages of having 2,500 people dispersed across rural and regional New South Wales and most of our staff live in amongst the community so they try to fill in the paperwork, fill in the forms—is they get fearless and frank advice from their neighbours, their friends and they pass that back through to us. We are working further. We recognise the fact that the connectivity plus the ability to pull documentation together, scan and reply with bits of information is not always easy. So in the past couple of years, for example, we have set up relationships with Service NSW to enable Service NSW officers and front desk to be able to be utilised as places to go and get help with filling in your paperwork, getting it scanned, getting it sent through.

We have also used our research stations and our officers around the State as a place where people can go and sit down and get assistance in terms of filling in stuff that needs to be filled in. We have tried to simplify all the forms as much as possible. We try to encourage people to do it online. It certainly speeds up the process if it can be done online. We have had a program of actually taking a bus around the State, stopping at small towns and villages, publicising it in advance, and that has been well received by the people who have used the staff accompanying that bus with the forms and systems that we have inbuilt into that to get their applications done quickly.

We are still chasing the Holy Grail for one definition and one set of criteria across the Commonwealth. In fact, that is something we are working on with all other jurisdictions at the moment. Part of the problem is obviously if you are looking at eligibility criteria for a safety net mechanism, it is very different to eligibility criteria for a lending of significant finance. Sometimes there is confusion between the amount of paperwork which is required. We have to make sure with the RAA, say, the Farm Innovation Fund where we are lending up to \$1 million over a 20-year repayment period to ask primary producers the kinds of questions and the kinds of things we need to know about the ability of that applicant to be able to make those repayments to be able to make sure we are acting as a responsible lender.

Obviously there is a minimum threshold that we need to know to be able to make those calls. In some areas it is harder to make it more streamlined because of the obligations we have about responsible lending. But wherever we can we are trying to streamline this to try to make it as easy as possible and putting as many people out in the field to help people with the process as well.

CHAIR: Do members have further questions?

Mr CLAYTON BARR: Yes. Scott, some of the questions from my colleagues and some of the answers have made me think about the document that you held up in terms of how to get through drought—I am sorry, I cannot remember the title. Are we fundamentally in the same space and having the same conversation that we were at the end of the Millennium Drought? Please correct me if I am wrong, but my vague memory is we were going to try to avoid the term "drought" and talk about long dry periods. After the Millennium Drought we were going to try our very best to work with people to prevent them from suffering from a future long dry period at the State and Federal levels, and across all different flavours of politics? Is that where we were after the Millennium Drought? Is that where we are going to be after this drought? Did we win or lose?

Mr HANSEN: There are a couple of really significant differences between where we are now versus where we were in the Millennium Drought. Two of the key drivers about those differences is the difference in the markets and the difference in the technology and innovation that is available for people. If you remember during the Millennium Drought, we were having livestock sold for \$1 a head. In fact, in some cases the costs of freight were well outstripping the cost of actually taking stock to market. This drought is a completely different scenario. In this drought because livestock still held their value the whole way through it gave producers decisions and options for decisions that they could make that actually provided cash flow, cash reserves or an asset that they wanted to hang on to. So there have been a few fundamental shifts in the macro-economic components that have been a shift towards the positive and a shift towards the improved resilience and improved ability to hang on.

I think we are kidding ourselves if we are going to think in the future that we will get to a point where the lack of rainfall over a four-year period is anything other than a significant impact on our production systems. We all live in hope that one day we might get to a point where you can grow anything anywhere because of both genetic gains and technology gains, but for the foreseeable future rain or water provides an important input into the agricultural system and if you just do not have it, you do not have it. I think considering where we are now, and the ability of our industry to rebound if this season does hold true—and that is a big "if"—we have already seen, certainly down in the Monaro, an early start, then a drying up and now hitting the really cold fronts coming through and so crops and pastures are falling off down there. So it is a long way away from calling us out of this one yet.

But that combination of new technologies, new tools and, importantly, such a strong global market for the products that we produce, they are fundamental game changers in terms of how quickly you rebound, how quickly you can build up the buffer to help you through the next downturn that comes. The big unknown for us in this one is—dealing with Millennium Drought and dealing with this drought is tough enough—now we have thrown in fire, now we have thrown in COVID, now we are likely to throw in international trade disputes and each of those in their individual component is a risk to our industry and to our communities. We have rolled them all together into one ball at the moment. That is why a lot of work needs to be done across all the jurisdictions and working with the Commonwealth to navigate a path out, not just for the agricultural communities but for those communities that rely on agricultural communities as such an important backbone to their businesses and their operations.

Mr DAVID HARRIS: In another hearing the Committee heard that the way that regional universities are covered by the different grants and support programs does not really recognise their role in regional communities. Is there scope to look at universities not just as education institutions but at how they integrate right across communities in terms of facilities, employment and other economic contributions?

Mr HANGER: Absolutely. The vital role that universities play in those locations where they are based and also where they have satellite facilities is more than just an education function that they provide. We have seen in locations where there is a large regional university and at the moment the impact of COVID and international student numbers is going to be quite challenging to many of those regional centres. As I have indicated, a key part of what we have been doing in the Department of Regional NSW is to understand who are those key employers and what is their role in each of those regional economies. That goes just beyond job numbers, it very much goes often to the life of the community. We do look to see where our opportunities to leverage what universities bring, where are ways that we can support universities to continue to play that critical role that they do often as a heart, almost, for those communities that they are in.

We do a lot of work—and Scott Hansen would know firsthand in a research sense—with the universities across regional New South Wales and from a regional development perspective as well the potential for commercialisation of what they do. The ways in which not only the employers themselves but also attracters to other support industries is going to be a really critical role that they will play because in many of those locations they are the largest employer in town. You are really right to call them out and they have been identified as one of those focused areas for us, whether that is drought but particularly now with COVID where the impact on international students and travellers has made it even more challenging.

Mr HANSEN: If I could add, obviously the Department of Primary Industries [DPI] has enormous ties and relationships with all their country universities. In most cases we actually co-locate, or they locate with us. In Armidale we have a joint venture in research with the University of New England. In Wagga Wagga we have joint ventures with the Graham Centre and the National Grape and Wine Industry Centre at Charles Sturt University. In Coffs Harbour we have a relationship with the Southern Cross University. We co-located with the Central Coast Ourimbah Campus of the University of Newcastle. We are very active in our discussions with them at the moment because we know that they are going to feel significant pain points in their availability of funding for research and innovation.

The cornerstone for many of these universities, especially regional-based universities, is their ability to take research and innovation and turn it into applied outcomes for our industries and our communities because of where they are located. That is something we are terribly concerned about and we are working with them about what we might be able to do to be able to assist during this period.

Ms STEPH COOKE: I have no further questions.

The CHAIR: The Committee may send you some additional questions in writing. Your replies will form part of your evidence and be made public. Are you happy to provide a written reply to any further questions?

Mr HANSEN: Yes.

Mr HANGER: Yes.

Mr McTAVISH: Yes.

The CHAIR: I echo the words of Mr Clayton Barr and thank you not only for appearing today but also for your work through the drought and for the community of New South Wales.

(The witnesses withdrew.)

The Committee adjourned at 13:01