



Charles Sturt
University

COMMITTEE ON INVESTMENT, INDUSTRY
and REGIONAL DEVELOPMENT

Inquiry into support for drought affected communities in New South Wales

29 November 2019

Office of the Vice-Chancellor
Charles Sturt University



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Mr Justin Clancy MP
Chair
Committee on Investment, Industry and Regional Development
Parliament House
6 Macquarie Street
SYDNEY NSW 2600

Dear Chair,

INQUIRY INTO SUPPORT FOR DROUGHT AFFECTED COMMUNITIES IN NEW SOUTH WALES

On behalf of Charles Sturt University, I am pleased to provide you with this submission in response to the Committee on Investment, Industry and Regional Development's inquiry into support for drought affected communities in New South Wales.

Firstly, I would like to acknowledge the genuine and real hardship that our farming families and rural towns are facing at this time of severe drought. Not only does the drought affect farmers, but it impacts the whole economy and society of our rural communities. We stand as one with our communities in regional New South Wales and Victoria at this time of national need.

Charles Sturt University is Australia's largest regional university, with more than 43,000 students and approximately 2,000 full time equivalent staff. We are a unique multi-campus institution with campuses at Albury-Wodonga, Bathurst, Canberra, Dubbo, Goulburn, Manly, Orange, Parramatta, Port Macquarie and Wagga Wagga, as well as various study centres located throughout regional and rural south-eastern Australia.

Further, the University has deep and proven experience in matters affecting regional, rural and remote Australians, including the learning, research, development and engagement needs of regional Australians. Our experience spans more than a century of contributing to the economic prosperity, social inclusion and environmental sustainability of Australia's regional cities, rural towns and remote communities. This places us in a unique position to understand and respond to the needs of regional Australians in time of drought.

Charles Sturt University welcomes the opportunity to contribute to the policy discussion around the impact of drought on regional New South Wales, as well as contribute to the identification of potential government action with particular reference to regional businesses, economies and communities at this time of need. The University's submission provides a range of views on the steps the Government could take to support communities in drought that will underwrite future prosperity, inclusion and sustainability in regional, rural and remote Australia.

Charles Sturt University has prepared this submission in accordance with the terms of reference for the Committee's inquiry into support for drought affected communities in New South Wales (refer, <https://www.parliament.nsw.gov.au/committees/inquiries/Pages/inquiry-details.aspx?pk=2554#tab-termsofreference>).

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Population loss and loss of key trades, skills and businesses, and community services such as schools and medical services

Charles Sturt University understands that for smaller rural towns and some remote communities, population loss and loss of key trades, skills and businesses due to the impact of drought on local economies is a concern, with often material impacts at the highly local level. While such a situation can create political pressure, it is important that government intervention be appropriate as:

- Drought is a short-term phenomenon and will pass, although the impact of climate change may make some agricultural areas unsustainable over the long term, as recently highlighted by the Federal Member for New England (see, <https://www.abc.net.au/7.30/farmers-defend-accessing-farm-household-allowance/11629164>).
- Changes in regional population and workforce capability greatly varies across Australia, for example population loss in the Pilbara and parts of Far North Queensland, which are not related to drought at all, or rapidly growing regional areas such as the New South Wales Mid-North Coast and North East Victoria which again, are completely unrelated to the ebb and flow of drought.
- While far from optimal, Australian businesses and the Australian workforce does respond to economic signals, consistent with movements in population mentioned above, just as with the mining boom key trades, skills and business will respond to market demand and move to or move from regional areas depending on opportunity.
- Governments must avoid, or minimise subsidies to businesses and or communities, as this can drive down competitiveness and increases dependency on governments, further many forms of subsidisation are illegal under Australia's trade agreements and will create expectations from other industry sectors for subsidy in times of hardship, for example advanced manufacturing when the Trade Weighted Index (TWI) is high.

Beyond direct drought support for farm enterprises and farming families, small, short-term and highly targeted economic stimuli are the best approach to smoothing the short-term impact of drought on population loss and loss of key trades, skills and businesses in our rural towns and remote communities. For example, the Commonwealth's Drought Communities Programme (see, <https://www.regional.gov.au/regional/programs/drought-communities.aspx>) and the short-term repositioning of the Building Better Regions Fund (see, <https://www.business.gov.au/Grants-and-Programs/Building-Better-Regions-Fund-Infrastructure-Projects-Stream>).

However, regarding community services such as schools and medical services, there is a very strong case for government intervention, or rather restraint. Governments, including State governments should not consider closing local schools during periods of drought and should make such decisions on student numbers based on long-term rolling averages. Further, the requirement for medical services in drought impacted communities will actually increase, not decrease, particularly in relation to mental health, chronic disease and nutrition. Governments must stand ready to meet such needs, as community services are the core business of government.

Business debt finance and responses of financial companies to the impact of drought

Consistent with Charles Sturt University's views above regarding intervention by government in the private sector, the University believes that the role of government regarding business finance and the responses of financial companies to the impact of drought should be indirect. That is, government role is to set market rules through legislation and regulation.



However, the University does not believe that legislation and regulation which by default could create subsidisation of debt for businesses impacted by drought is appropriate. Along with financial subsidies, such policy arrangements may encourage unsustainable business behavior that would not otherwise occur.

Further, drought is a fact of life in regional Australia, for which businesses, including farms and local communities must plan for ahead of time. To this end, there are many examples of highly professional farm businesses and rural enterprises that do just that. Their hard-won advantage should not be undermined by government subsidies that prop up otherwise unsustainable businesses.

Finally, governments must tread with caution when interfering in capital markets, particularly where government subsidy of capital and/or interest loads family farms and rural business with debt. Much has been written and spoken about the farm and rural debt trap and the long term damage debt can do to business sustainability, for example the Deputy Prime Ministers' speech to the National Press Club on 6 July 2015 (see, <http://www.barnabyjoyce.com.au/News/Releases/THE-HON-BARNABY-JOYCE-PRESS-CLUB-SPEECH>). In taking on additional debt during times of drought there is a danger that farm businesses will not have cash flow flexibility when the next drought hits, as they will still be paying down debt from the last drought.

Direct and indirect impacts of drought on businesses and industries

The direct and indirect impact of drought on business and industries in regional, rural and remote Australia are well known. Consistent with the University's commentary above, the degree of impact of drought either directly or indirectly on businesses and industries relates directly to planning, preparedness and diversification. For example, farm businesses that have acquired properties in more than one climatic zone to spread natural disaster risk and business based in regional Australia that have captured markets beyond their local area, including in our capital cities and offshore.

On this front, there is a role for government to play in awareness raising, facilitation of opportunities and through provision of education and training for skills development.

Transition and recovery from drought when drought conditions begin to improve

Charles Sturt University believes that the short, sharp and highly targeted interventions by government to support drought affected communities discussed throughout this submission, should be tapered-off as communities' transition and recover from drought when drought conditions begin to improve.

In relation to business and industry, such a taper should be inversely proportional to revitalise private sector economic activity as drought breaks. That is, classic Keynesian Economics whereby government expenditure is withdrawn from local economies as the private sector reinvests and spends, so as not to crowd out future private sector growth. This is the same principal that government agreed to at the G20 in response to the Global Financial Crisis in 2007.

Government provision of community services should be determined based on specific needs of given regional cities, rural towns and remote communities, regardless of the short-term impact of drought or the transition and recovery from drought when drought conditions begin to improve.

Preparedness for future drought events

Charles Sturt University supports the work of the National Farmers Federation (NFF) regarding Australia's preparedness for future drought events. The NFF's recently published National Drought Policy priorities objective and outcomes that enhance long-term preparedness, sustainability, resilience and risk management for farming business and farming communities in Australia in order to minimise the impact of future drought (see, [file:///C:/Users/Russ/AppData/Local/Packages/Microsoft.MicrosoftEdge_8wekyb3d8bbwe/TempState/Downloads/22102019%20National%20Drought%20Policy%20FINAL%20\(1\).pdf](file:///C:/Users/Russ/AppData/Local/Packages/Microsoft.MicrosoftEdge_8wekyb3d8bbwe/TempState/Downloads/22102019%20National%20Drought%20Policy%20FINAL%20(1).pdf)).



In the Policy, the NFF states:

“Drought policy cannot be considered in isolation from broader policies that impact on the ability of farmers and rural communities to build profitable and sustainable farming businesses and, in turn, resilient rural communities and a strong agriculture sector. These include water, natural resource management, taxation, animal welfare, regional development, telecommunications, and climate change policies.

The National Farmers' Federation calls on the Federal Government, state and territory governments, and local governments, other agricultural industry bodies, community groups, and agricultural research organisations, to work together to develop and implement a comprehensive, enduring national drought policy.”

Assessment of current Government programs

As discussed throughout this submission, Charles Sturt University is generally of the view that the level of and approach to support for drought affected communities by the State Government and the Commonwealth is about right, striking a balance between addressing immediate hardship and inadvertently encouraging poor business and community decisions over the long term.

Temporary relief from state taxes, charges and levies for drought affected businesses

Consistent with Charles Sturt University's commentary above, the University does support short-term, highly targeted interventions to support drought affected businesses and communities. Short, sharp and effective programs like the existing State assistance to reduce primary producer levies in times of drought provide temporary relief in the form of producer savings. State Government may consider partial subsidisation of local government rates for primary producers, an initiative that can be quickly costed and quantified and efficiently executed by administrators.

Employment focused initiatives such as the Drought Communities Programme and the short-term repositioning of the Building Better Regions Fund create economic stimulus that will be spent in and flow through local economies. The possibility of drought-affected businesses being exempt from payroll tax for a period of time could also be considered as a means to help retain workforce in the short-term during drought.

Capacity and coordination of town water supplies and further recycling opportunities

Charles Sturt University believes that the management of town water supplies is a crucial role of governments, particularly local government. Consistent with long-term Commonwealth and State investment in water infrastructure, such investment must be based on long-term, over the horizon planning. It is fair to say that the current drought has demonstrated that many local assumptions regarding minimum rainfall projections and maximum water storage requirements were severely underestimated, for example Stanthorpe in Queensland and Tenterfield in New South Wales.

Given claims and opinions regarding the current drought being the worst on record, it is clear that Australia's climate is changing and/or our previously understood notions of local weather were too narrow. Planning for our new understanding of climate impacts and weather extremes will be required to ensure town water supply capacity. Recycling opportunities, including storm water capture projects, such as those in Orange, New South Wales are no doubt the way of the future for assuring town water supplies.

However, a coordinated approach to water planning will be required as one town's waste water recycling and storm water capture initiatives will reduce downstream flows to other cities, towns and communities.

In conclusion, Charles Sturt University believes that governments have a role to play in supporting drought affected communities in New South Wales during their time in need. The University supports short, sharp and highly targeted market interventions which fill the gap in economic activity created by loss of farm business activity during drought.



The University also supports assistance for farm businesses, but only where it does not drive perverse market behaviors and/or creates moral hazard. The University does however strongly support the role of governments in ensuring community services in regional, rural and remote Australia are comparable to those available in our major metropolitan cities.

I would be very pleased to provide further information to the Committee and would be available to provide evidence at any proposed hearings that you may undertake regarding support for drought affected communities in New South Wales.

Yours sincerely

Professor Andrew Vann
Vice-Chancellor

