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Commissioner Mike Woods
Government Drought Support Inquiry
Productivity Commission
LB2 Collins Street East
MELBOURNE VIC 8003

Dear Commissioner Woods

The Local Government Association of NSW and Shires Association of NSW (the Associations) are the peak bodies for NSW Local Government.

Together, the Local Government Association and the Shires Association represent all the 152 NSW general-purpose councils, the special-purpose county councils and the regions of the NSW Aboriginal Land Council. The mission of the Associations is to be credible, professional organisations representing Local Government and facilitating the development of an effective community-based system of Local Government in NSW. In pursuit of this mission, the Associations represent the views of councils to NSW and Australian Governments; provide industrial relations and specialist services to councils and promote Local Government to the community and the media.

The Associations welcome the Drought Support Inquiry and the opportunity to make a submission. The Associations are aware that the Inquiry is part of a broader review of drought policy by the government and have already made a submission to the Drought Policy Review Expert Social Panel.

The Associations have long advocated the need for an inter-governmental review and overhaul of the present disjointed and porous system of drought relief measures, given contemporary understanding of the complex social, economic and environmental impacts of drought and the emerging science on climate change. The Associations have lobbied hard on a wide variety of issues relating to drought relief with both the Australian Government and the NSW Government. What is apparent is the qualifications for, timing and nature of different measures seem to bear no relation to one another. As Australian society better understands both climate change and the local social, economic and environmental effect of drought, there is an argument that the responses of all spheres of government could be better integrated and systematised.

Councils play a pivotal role in rural communities, particularly in times of crisis or prolonged hardship. There is an expectation that councils will provide the leadership and support required to cope with the immediate crisis and to provide for the long term viability of the community. The prolonged drought affecting most of NSW has demonstrated the important role that councils play.

While dealing with the additional demands of drought time councils must also continue to provide the basic infrastructure and services required to maintain the community. Prolonged drought impacts on a

council's financial capacity to do so as the local economy declines. Affected councils are typically faced with:

- increasing levels of rate deferrals and defaults;
- decreased income from fees and charges as a result of lower level of economic activity; and
- restricted opportunity to increase rate or other revenue.

In September 2007, the Shires Association of NSW convened a Drought Summit in association with the NSW Farmers Association, the Country Women's Association (members of the NSW Rural Alliance). The summit was attended by representatives from councils, federal and state governments, industry organisations and community groups and discussed the impacts of the drought on farmers and rural communities in NSW.

The summit attendees agreed that a revised package of assistance is required for NSW communities affected by the prolonged drought.

This package needs to be flexible enough to respond to circumstances which constantly change and must include a long term commitment from both the federal and state governments to work together to 'drought proof' NSW communities. The priorities identified at the Summit are summarised below.

Summit Priorities

- **Annual Rate Rebates**

Support for the introduction of annual rebates for Local Government and Rural Lands Protection Board rates for primary producers and agricultural-related businesses in areas officially 'in drought'. The rebate should be set at a minimum 15% although there is support for a 50% rebate. The Victorian Government currently provides rate rebates of up to 50% of 2007/08 shire rates. In light of the widespread nature of the drought in NSW, a 15% rebate would be a positive step. This measure is designed to help farmers and businesses meet their rate obligations and to assist councils in maintaining infrastructure and services.

- **Rural Financial Counsellors and Drought Support Workers**

Support for long-term funding and job security for Rural Financial Counsellors and Drought Support Workers. This view is also supported by the NSW Rural Mental Health Network, which remains extremely supportive of Farm Family Gatherings as an important ingredient to improving the mental health and wellbeing in rural communities, particularly in times of stress.

- **Fixed Water Charges**

Support for a waiver of fixed water charges for irrigators who have had their allocations reduced due to drought. As a result of the dramatically reduced – in some instances non-existent – allocations, the capacity of irrigators to pay is extremely limited.

- **Streamlining Drought Assistance Paperwork**

Support for the Productivity Commission's recommendation to remove duplication in applying for drought assistance, as reported in its *Annual Review of Regulatory Burdens on Business: Primary Sector*, released 12 September 2007. Streamlining the paperwork associated with Exceptional Circumstances ('EC') and other drought assistance measures would remove unnecessary duplication and alleviate processing time.

- **Infrastructure Spending**

Support for the appropriate maintenance of and investment in rural and regional infrastructure to ensure the survival and growth of rural communities into the future.

Income Contingent Loans

In addition the Associations have joined with the NSW Farmers Association in advocating the introduction of Income Contingent Loans as an additional assistance measure.

“The aim of this loan would be to:

- Provide a cash flow/financial assistance to maintain core agricultural business activities so that business can continue to operate;
- Help retain the rural skills base;
- Sustain rural and regional communities.

A number of financial institutions and other industry and community organisations have expressed their support for the establishment of a program which would enable farmers to maintain their core agricultural business activities. Financial assistance through this program would have a positive impact on farmers as well as for local communities and associated industries.

Through the provision of financial assistance to maintain core agricultural business activities, entire rural communities will benefit as economic growth will be stimulated throughout the supply chain. This will facilitate a much more efficient recovery from the drought for agriculture and associated industries which ultimately benefits the government through reducing the assistance required and increasing revenue through taxes on production.”¹

Income Contingent Loans have been successfully used in other contexts (e.g. Higher Education Contributions (HECs)) and the Associations strongly recommend that the Inquiry fully investigate their potential as a drought assistance measure.

The Associations would welcome the opportunity to further discuss these positions with the Productivity Commission.

Yours sincerely

Bill Gillooly AM
Secretary General

¹ NSW Farmers Association – Income Contingent Loan – December 2007