



# Joint Select Committee on the Australia Fund Establishment

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Report

June 2015

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ISBN 978-1-76010-254-8

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# Committee Membership

## 44<sup>th</sup> Parliament

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Senator Linda Reynolds	WA, LP
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# Terms of Reference

On 23 September 2014, a joint select committee was established to inquire into the establishment of an Australia Fund for report by 30 June 2015. The terms of reference for the inquiry are as follows:

(1) That a joint select committee, to be known as the Joint Select Committee on the Australia Fund Establishment, be established to inquire into and report on:

The establishment of a fund to support rural and manufacturing industries, with particular reference to:

(a) the need for a fund to assist rural and manufacturing industries in crisis and support communities affected by natural disasters, including the following assistance:

- (i) emergency or ongoing financial relief,
- (ii) a loan to such a business,
- (iii) act as a guarantor for all or part of a loan or proposed loan to such a business,
- (iv) purchase all or part of an existing loan to such a business,
- (v) capitalise or waive interest owed by such a business,
- (vi) assume control of such a business for a particular period,
- (vii) grant funds to an appropriate industry body, and
- (viii) grant funds to such a business for the purpose of purchasing new technology to make it more economically viable and competitive or restructuring it; and

(b) whether:

- (i) existing bankruptcy and insolvency laws should be modified or temporarily relaxed for businesses in times of crisis, and
- (ii) any foreign bankruptcy or insolvency laws should be adopted as laws of the Commonwealth.

(2) That the committee deliver its final report on or before 30 June 2015.



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# Abbreviations and Acronyms

ACP	Automotive Component Producer
ADP	Automotive Diversification Program
AMTP	Automotive Machine Tool and Automotive Tooling Producers
AMWU	Australian Manufacturing Workers' Union
ANMS	Automotive New Markets Program
APFA	Australian Prawn Farmers' Federation
ASP	Automotive Service Providers
ATS	Automotive Transformation Scheme
BoM	Bureau of Meteorology
CYWA	Cyclone Yasi Wage Assistance program
DCLS	Drought Concessional Loans Scheme
EC	Exceptional Circumstances
ECIRS	Exceptional Circumstances Interest Rate Subsidy
ECRP	Exceptional Circumstances Relief Payment
FAPM	Federation of Automotive Products Manufacturers
FFCLS	Farm Finance Concessional Loan Scheme
FHSS	Farm Household Support Scheme
FMB	Farm Management Bonds
GRIIF	Geelong Region Innovation and Investment Fund
IED	Income Equalisation Deposits
IGA	2013 Intergovernmental Agreement on National Drought Program Reform
IRO	Industry Recovery Officers

MNIIF	Melbourne's North Innovation and Investment Fund
MVP	Motor Vehicle Producer
NDP	National Drought Policy
NDRA	Natural Disaster Relief Arrangements
NDRRA	Natural Disaster Relief and Recovery Arrangements
NFF	National Farmers' Federation
NGMIP	Next Generation Manufacturing Investment Program
PC	Productivity Commission
RAS	Rural Adjustment Scheme
RBDC	Rural Business Development Corporation of Western Australia
RFCS	Rural Financial Counselling Service
SEMC	State Emergency Management Committee
TCCI	Tasmanian Chamber of Commerce and Industry
WAS	Wage Assistance Scheme
WFSA	Wildcatch Fisheries South Australia Inc.

# **Recommendations**

## **Recommendation 1**

**2.71** The committee recommends an evaluation of current concessional loan schemes to ensure that the schemes are utilising appropriate data and that eligibility criteria are designed in consultation with the sector to ensure that schemes are as accessible as possible for those in need of Commonwealth government assistance.

## **Recommendation 2**

**2.75** The committee recommends that the Commonwealth government consider the development of a land management technology fund to support the rural sector, and to ensure that the sector is equipped with appropriate Commonwealth government managed data.

## **Recommendation 3**

**3.23** The committee recommends that the Commonwealth government works with state and territory governments to ensure that the seafood and aquaculture industry is an integral partner in all future mitigation planning and post-disaster reconstruction and recovery efforts.

## **Recommendation 4**

**3.48** The committee recommends that future Commonwealth government investment is focused on training and skills development of the automotive workforce to allow them to transition their skills and expertise to other areas of the local and national economy.

## **Recommendation 5**

**3.50** The committee recommends that the Commonwealth government consider extending concessional loan schemes to the manufacturing industry to support sustainable manufacturing businesses.

## **Recommendation 6**

**3.55** The committee recommends that the Commonwealth government works with state and territory governments to develop best practice guidelines to assist stakeholders in managing post disaster recovery fundraising efforts and that these be disseminated widely.

## **Recommendation 7**

**3.69** The committee recommends that the Commonwealth government works with state and territory governments to provide more information, practical preparation and recovery guides/advice for individuals, businesses and communities affected or likely to be affected by natural disasters.

## **Recommendation 8**

**3.71** The committee recommends that the Commonwealth government engages with state and territory governments and industry to ensure businesses are well-

**informed and resources are available to help expedite recovery following a natural disaster.**

**Recommendation 9**

**3.90 The committee does not recommend the establishment of an Australia Fund.**

# Chapter One

## Introduction

### Conduct of the inquiry

1.1 At its meetings on 30 October and 1 December 2014, the committee agreed to consider the terms of reference to separately envisage a fund that would a) assist rural and manufacturing industries in crisis and b) support communities affected by natural disasters, as two distinct parts. The committee also agreed to call for submissions and undertake a number of public hearings as part of the inquiry process.

1.2 Subsequently, the committee conducted three public hearings: **Canberra**—1 December 2014, **Hobart**—4 February 2015, **Melbourne**—5 February 2015. On Monday 9 February 2015 during its regular committee meeting, the committee resolved that it would not hold a scheduled public hearing in Brisbane.

1.3 Despite advertising the inquiry in the national press and writing to over 200 organisations and individuals inviting them to contribute to the inquiry, the committee received only 18 submissions, and heard from 15 stakeholders over the three public hearings.

### Report structure

1.4 The report focusses on the provision of assistance and support, including research, to rural and manufacturing industries in crisis, as well as drought, which does not fall under the Productivity Commission's (PC) criteria as a natural disaster. The report comprises three chapters: Chapter One—an introduction, background and reference to PC Report; Chapter Two—Drought Assistance; Chapter Three—Rural and Manufacturing Industry assistance.

### Background

1.5 During the course of the inquiry the federal government publicly discussed the PC's inquiry into Natural Disaster Funding Arrangements which the government requested the PC undertake in April 2014. The PC report is a comprehensive inquiry into how natural disasters are currently managed, and argues a case for a redirection of Commonwealth funding to focus more on providing mitigation funding instead of the current disaster recovery focus. The final report was released in May 2015.

1.6 The Minister for Justice, the Hon Michael Keenan MP, has also made statements discussing a rebalancing of assistance and support and suggested that the government plan to engage the states and territories with a view to changing the emphasis from post-disaster recovery funding to mitigation efforts:

Australia is a uniquely disaster-prone continent and we need to make sure that the billions of dollars we do spend is being spent in the most effective way, and clearly spending more on mitigation prior to a disaster occurring makes a lot of common sense...we need to discuss it with the states who are

obviously very important stakeholders in this area, and make sure we can map a way forward nationally.<sup>1</sup>

1.7 Due to the significant crossover into the committee's terms of reference by the PC's inquiry, and that the government is yet to provide a formal response to the PC inquiry's report, the committee is not in a position to comment on the issues arising from that inquiry. On this basis, the committee's report does not comment on the natural disaster element of its own terms of reference, instead it makes reference to the PC report's findings and points the parliament to the government's forthcoming response and any subsequent policy developments when they are made available.

1.8 With regard to the committee's other terms of reference that relate to current bankruptcy laws and provisions, the committee did not receive any evidence on these aspects of the inquiry and is therefore not in a position to report on them.

### **The establishment of an Australia Fund**

1.9 As discussed, throughout the following two chapters, there are a number of policies, programs, funds and other types of assistance and support available to individuals, communities and businesses impacted by natural disasters and economic crisis. The question put by the terms of reference is essentially whether the design and quantum of these measures would benefit from the establishment of a sovereign wealth fund.

1.10 While the committee received evidence that there are gaps in the current patchwork of financial assistance be it through a range of direct support, post tax relief or tariff based relief, there was no suggestion that current issues would be ameliorated through the creation of a single fund.

1.11 Furthermore, the committee did not receive any evidence of how such a fund could be structured or how it would be funded. For these reasons the committee does not recommend that a fund be established, and given the relatively low response to the committee's call for evidence, it is of the view there is not an overwhelming desire by stakeholders for the government to proceed down this path.

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1 ABC News, 5 January 2015, available at: <http://www.abc.net.au/news/2015-01-05/natural-disaster-funding-review-not-driven-by-budet-govt-says/5999722> (accessed 1 June 2015).

# Chapter Two

## Drought assistance

### Background

2.1 At its meeting on 1 December 2014, the committee decided that it would consider drought as a natural disaster under its terms of reference. This differs from the approach taken by the Productivity Commission (PC) which excluded drought from its considerations:

The terms of reference define natural disasters as ‘naturally occurring rapid onset events that cause a serious disruption to a community or region, such as flood, bushfire, earthquake, storm, cyclone, storm surge, tornado, landslide or tsunami’. Heatwaves and drought are outside the scope of this inquiry.<sup>1</sup>

2.2 However the committee's terms of reference tasked it to inquire into the need for a fund to support rural and manufacturing industries as well as communities affected by natural disaster. In this context the committee decided that drought was the primary natural challenge facing communities dependent on rural industry.

2.3 An area is declared as being in drought based on data from the Australian Bureau of Meteorology (BoM). This declaration is based on a variety of factors, including the length of the rainfall deficiency and how it impacts water users:

Drought is a prolonged, abnormally dry period when the amount of available water is insufficient to meet our normal use. Drought is not simply low rainfall; if it was, much of inland Australia would be in almost perpetual drought. Because people use water in so many different ways, there is no universal definition of drought. Meteorologists monitor the extent and severity of drought in terms of rainfall deficiencies. Agriculturalists rate the impact on primary industries, hydrologists compare ground water levels, and sociologists define it by social expectations and perceptions.<sup>2</sup>

2.4 Extreme variability of Australia's climate and the subsequent impact on rural industries has been well-documented. For example, the National Farmers Federation (NFF) note in their Climate Change Resilience Statement that:

Australia is the world's driest inhabited continent with the most variable climate. This variability is projected to increase with the extremes becoming even more extreme, creating significant challenges for agriculture ... Australian farmers must focus on embedding climate variability as a

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1 Productivity Commission, *Natural Disaster Funding Arrangements – Draft Report*, Volume 1, September 2014, p. 4.

2 Australian Bureau of Meteorology, *What is Drought*, available at: [http://www.bom.gov.au/climate/drought/http://www.bom.gov.au/climate/drought/ - tabs=About-drought](http://www.bom.gov.au/climate/drought/http://www.bom.gov.au/climate/drought/-tabs=About-drought) (accessed 22 April 2015).

normal business “risk” decision, whilst maintaining a focus on productivity and profitability in the short to medium term. A resilient farm is likely one that is profitable, sustainable (given its resources), and can effectively manage variations in environment, financial and economic aspects of its business, such as commodity prices and input costs.<sup>3</sup>

2.5 Likewise the Parliamentary Research Service paper by Alan Burdon, *Dry Paddocks, Damp Policies: Drought Assistance Strategies and their effectiveness*,<sup>4</sup> noted that the twentieth century began in the grip of one of the worst droughts on record only to be followed by a further six extreme droughts. More recently the Australian Bureau of Statistics found that from 2001 to 2009 eastern Australia has experienced its driest period on record:

The period from 2001 to 2009 has been the driest on record over parts of eastern Australia, meaning that many large water storages did not fully recover from the 2002–03 drought prior to the onset of the 2006–07 drought. While rainfall returned to near normal levels in the second half of 2003 following the severe drought of 2002–03, there were no periods of sustained above average rainfall in most of the region from early 2001 to the summer of 2009–10.<sup>5</sup>

2.6 Since 1990 Australian governments have preferred a long-term management approach to drought, rather than taking the position that drought should be treated as a natural disaster. This means that now the onus is on those affected by rainfall deficiencies as acknowledged by the NFF above. Successive reviews have cemented this approach, with government intervention focussed on supporting long-term drought preparedness and mitigation rather than providing temporary relief.

2.7 One of the most recent and comprehensive reviews was undertaken in 2008 by the PC under direction from the Assistant Treasurer, the Hon. Chris Bowen MP (The PC's Drought Report). This report brought into focus the previous two decades of drought policy and found that many of the policies introduced to alleviate the impact of drought had not met their objectives of helping farmers ‘improve their self-reliance, preparedness and climate change management’.<sup>6</sup> A number of policy reviews are set out in Table 1 below.

2.8 The PC also found that the majority of farmers did not access available government assistance in drought-stricken areas and that over two thirds of the designated assistance was not spent. It also found that most farmers are in fact sufficiently self-reliant to manage climate variability.<sup>7</sup>

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3 National Farmers Federation, Climate Change Resilience Statement, [www.nff.org.au/get/4216.pdf](http://www.nff.org.au/get/4216.pdf), (accessed 22 May 2015).

4 A. Burdon, *Dry Paddocks, Damp Policies: Drought Assistance Strategies and their effectiveness*, Research paper, 6, 1995-96, Parliamentary Library, Canberra, 1995, p. 3.

5 Australian Bureau of Statistics, *1301.0 - Year Book Australia, 2012*, available at: <http://www.abs.gov.au/ausstats/abs@.nsf/Lookup/by%20Subject/1301.0~2012~Main%20Feature~Australia's%20climate~143> (accessed 1 May 2015).

6 Productivity Commission, *Government Drought Support*, No. 46, 27 February 2009, p. xx.

7 Productivity Commission, *Government Drought Support*, No. 46, 27 February 2009, p. xx.



## Drought policy in Australia

**Table 1** Drought policy reviews<sup>8</sup>

<i>Review</i>	<i>Key Recommendations/Findings</i>
1990 — Drought Policy Review Task Force <i>Final Report</i>	<ul style="list-style-type: none"> <li>• Drought separate from natural disaster relief</li> <li>• Governments should implement a National Drought Policy</li> <li>• Against the use of transaction-based subsidies/rebates</li> <li>• State/territory assistance for drought purposes be provided through general concessional loans</li> <li>• Provision of grants or interest free loans be limited to extreme situations</li> </ul>
1997 — Drought Policy Task Force <i>Review of the National Drought Policy</i>	<ul style="list-style-type: none"> <li>• Transaction-based subsidies and interest rate subsidies be phased out</li> <li>• Improve farm financial and land resource planning via education and training programs</li> <li>• Encourage farmers to build cash reserves during good seasons to prepare for downturns</li> <li>• Research and development on the effects of prolonged drought</li> <li>• Introduce a Farm Family Re-Start Scheme, targeted at farmers unable to access payments from other sources</li> <li>• Counselling services be managed by state governments and provided at an early stage of drought</li> <li>• Amend and combine Income Equalisation Deposits (IEDs) and Farm Management Bonds (FMBs)</li> </ul>
1997 — McColl et al. <i>Mid-term review of the 1992 Rural Adjustment Scheme (RAS 92)</i>	<ul style="list-style-type: none"> <li>• Remove interest rate subsidies and grants to farm businesses for productivity improvement or for EC support</li> <li>• Replace Rural Adjustment Scheme (RAS) 92 with an improved scheme addressing the issues of management skills, farmer re-establishment, and savings and welfare</li> <li>• Introduce FarmBIS and the Farm Re-establishment Scheme</li> <li>• Introduce a single instrument combining IEDs and FMBs</li> <li>• Higher priority should be accorded to research on climate change, climate variability and climate prediction</li> </ul>
2004 — Drought Review Panel <i>Consultations on National Drought Policy</i>	<ul style="list-style-type: none"> <li>• Most stakeholders would support a shift in government focus towards drought preparedness measures at the expense of business support</li> <li>• Exceptional Circumstances Relief Payment (ECRP) was valued highly and regarded as being necessary during drought</li> <li>• Stakeholders less in favour of business support Exceptional Circumstances Interest Rate Subsidy (ECIRS) and fodder/transport subsidies — overall, stakeholders thought such assistance encouraged debt and supported the less prepared</li> <li>• Transaction-based fodder and freight subsidies seen to have a detrimental effect on farmers in other states (most stakeholders considered these subsidies should cease)</li> <li>• Exceptional Circumstance (EC) process as a whole seen as too demanding, complex and confusing</li> <li>• Off-farm income and assets limits for accessing EC assistance seen as restrictive</li> <li>• Criticism by stakeholders about perceived differences in administration of ECIRS between states</li> <li>• FMD and FarmBis schemes strongly supported</li> <li>• Rural Financial Counselling service regarded highly</li> </ul>
2006 — Agriculture and Food Policy Reference Group <i>Creating our Future</i>	<ul style="list-style-type: none"> <li>• Phasing out of interest and other transaction-based subsidies by the end of 2010</li> <li>• Maintain FMDs</li> </ul>

2.9 The PC made a number of recommendations intended to provide a long-term policy foundation that included:

- (a) Research, development, extension, professional advice and training to improve farmers' business management skills and build self-reliance warrant significant government funding where they deliver a demonstrable community benefit;
- (b) Farm Management Deposits, notwithstanding their use for tax management, have encouraged farmers to save and to be more self-reliant, and should be retained;
- (c) All farm households in hardship — regardless of cause or location — should have access to an income support scheme that is designed for farming circumstances;
- (d) The NDP [National Drought Policy] should be replaced with extended objectives for Australia's Farming Future; and
- (e) An intergovernmental agreement with independent monitoring and financial incentives for complying with agreed commitments should be established.<sup>9</sup>

### ***Drought policy***

2.10 Up until 1989 Commonwealth drought assistance was provided under the Natural Disaster Relief Arrangements (NDRA) and each state and territory developed its own drought assistance policies, generally within the context of the NDRA.

2.11 In 1989, the Commonwealth Government removed drought from the NDRA. Its removal was brought about by concerns that temporary relief during droughts was not appropriate and that drought declarations were being made either ad-hoc or too quickly. The Commonwealth was also concerned with the high cost of administering drought relief and the way that some drought policies discriminated against farm managers who did prepare for dry times<sup>10</sup>. Additionally, concerns were also voiced about funds possibly being misused for political purposes.<sup>11</sup>

2.12 Following the removal of drought from the NDRA, the Commonwealth established the Drought Policy Review Task Force in 1990. The Task Force noted similar concerns including that many drought relief schemes were more focused on obtaining assistance and less about mitigating and living with drought.

2.13 The Task Force also noted that drought could not be objectively or universally defined and there could be no agreed distinction on the severity of drought:

The Task Force concluded that it was not possible to develop an objective, scientific, and universally accepted definition of drought and rejected the notion of being able to identify the severity of a drought. It concluded that: Any distinction between lesser and extreme droughts in this context would

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9 Productivity Commission, *Government Drought Support*, No. 46, 27 February 2009, p. xx.

10 A. Burdon, *Dry Paddocks, Damp Policies: Drought Assistance Strategies and their effectiveness*, Research paper, 6, 1995-96, Parliamentary Library, Canberra, 1995, p. 3.

11 Productivity Commission, *Government Drought Support*, No. 46, 27 February 2009, pp 89-90.

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be completely arbitrary and inappropriate. (McInnes et al. 1990, vol. 2, p. 20).<sup>12</sup>

2.14 The Task Force considered that the main factor that sets drought apart from the concept of aridity or variations in regular rainfall, is that those areas considered affected by drought are being used for commercial or social purposes that depend on certain levels of rainfall.<sup>13</sup>

2.15 Nevertheless, the Task Force did develop a working definition that:

[D]rought represents the risk that existing agricultural activity may not be sustainable, given spatial and temporal variations in rainfall and other climatic conditions.<sup>14</sup>

2.16 On the basis of this definition, the Task Force proposed that drought should be considered as 'a recurring, natural condition and not a rare climatic aberration' and that a new national policy approach be adopted that focuses on 'the roles of producers and governments in implementing self-reliant risk management approaches to drought.'<sup>15</sup>

2.17 Two years later, in 1992, the Senate Standing Committee on Rural and Regional Affairs was tasked with reporting on the Task Force's recommendations. In contrast to the Task Force's view that there should be no distinction between different degrees of drought, the Committee opted instead to make a distinction on the degrees of drought severity on the basis of circumstances that it could reasonably be planned for, and exceptional circumstances that no amount of planning could mitigate.<sup>16</sup>

2.18 Following the Task Force report and the Senate committee's response, the National Drought Policy (NDP) was developed. The NDP's objectives, as recommended by the Task Force, were to:

- encourage primary producers and other sections of rural Australia to adopt self-reliant approaches to managing for climatic variability
- maintain and protect Australia's agricultural and environmental resource base during periods of extreme climate stress
- ensure early recovery of agricultural and rural industries, consistent with long-term sustainable levels.<sup>17</sup>

2.19 While the NDP adopted the position that responsibility for managing drought risk lies with the farmers, it also incorporated the distinction between normal and severe drought events as recommended by the Senate Rural and Regional Affairs

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12 Productivity Commission, *Government Drought Support*, No. 46, 27 February 2009, pp 89–90.

13 A. Burdon, *Dry Paddocks, Damp Policies: Drought Assistance Strategies and their effectiveness*, Research paper, 6, 1995-96, Parliamentary Library, Canberra, 1995, p. 4.

14 A. Burdon, *Dry Paddocks, Damp Policies: Drought Assistance Strategies and their effectiveness*, Research paper, 6, 1995-96, Parliamentary Library, Canberra, 1995, p. 4.

15 Productivity Commission, *Government Drought Support*, No. 46, 27 February 2009, pp 89–90.

16 Productivity Commission, *Government Drought Support*, No. 46, 27 February 2009, pp 90–91.

17 Productivity Commission, *Government Drought Support*, No. 46, 27 February 2009, p. 91.

Committee through the Exceptional Circumstances (EC) provisions that were introduced as part of the National Drought Policy (NDP) announced in 1992.

### ***Exceptional Circumstances***

2.20 The exceptional circumstances concept as a trigger for assistance was a feature of government drought policy until 2013. The concept was predicated on the distinction between normal and severe drought conditions. Due to there being no objective definition of drought, the NDP incorporated criteria for severe drought which categorised it as being exceptional, based on meteorological *and* economic factors. For a drought to meet these criteria, it must meet the following conditions:

- Be rare, in the sense that they do not occur more than once on average over a 20 to 25 year period;
- Result in a rare and severe downturn in farm income over a prolonged period of time (12 months or more); and
- It cannot be planned for or managed as part of a farmer's normal risk management strategies.<sup>18</sup>

2.21 The criteria placed the onus on the farmer to manage all but the most extreme circumstances, as well as ensuring that assistance is only provided in circumstances where a tangible economic impact on the farming business can be established.

2.22 The introduction of the NDP also dovetailed with the redeveloped Rural Adjustment Scheme (RAS), the Farm Household Support Scheme (FHSS) and the Farm Management Bond Scheme (FMB). The RAS developed out of the Rural Reconstruction Scheme which was introduced in the 1970s to assist farmers to either improve their farms, provide short term assistance to maintain the farm, or to leave the farm. The RAS was subject to review in 1992 with a greater emphasis on sustainability and management skills.<sup>19</sup>

2.23 The FHSS was intended to provide household support at the equivalent rate of the Jobsearch allowance to non-viable farmers where they had been refused commercial financing and had difficulty meeting living expenses.<sup>20</sup> The FMB provided assistance in the form of interest rate subsidies and tax breaks.<sup>21</sup>

2.24 Aside from these programs, drought assistance measures have evolved into a plethora of schemes and time-limited programs to tackle particular aspects of hardship borne by farmers.

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18 Productivity Commission, *Government Drought Support*, No. 46, 27 February 2009, p. 106.

19 Malcolm, B et al, *The Rural Adjustment Scheme, Its Role, Operation and Effectiveness*, 2000, pp 10–11.

20 Productivity Commission, *Government Drought Support*, No. 46, 27 February 2009, p. 92.

21 ABC Rural, *Timeline: droughts and Australian drought policy 1895-2014*. Available at: <http://www.abc.net.au/news/rural/specials/drought-timeline/#12> (accessed 4 May 2015).

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## Current drought assistance policy

2.25 Drought declaration has traditionally been the responsibility of state governments which take into account a variety of factors, including rainfall deficiencies, in determining an area to be drought affected (based on data provided by the BoM). This declaration can include a declaration of Exceptional Circumstances if required, which in turn triggers a range of assistance to those affected, which can include retrospective support. However, a significant change occurred in drought policy regarding declarations, and many other aspects of drought, in 2013 with the introduction of the 2013 Intergovernmental Agreement on National Drought Program Reform (IGA).<sup>22</sup>

2.26 The IGA moved away from EC declarations, with the NSW Minister for Primary Industries citing the controversy over the equity of the EC model:

There's no doubt that in the past there has been a lot of concern about the former Exceptional Circumstances model...Clearly that system was out of date and unfair.<sup>23</sup>

2.27 The objectives of the IGA agreed by the Commonwealth and all the states and territories are to:

- assist farm families and primary producers adapt to and prepare for the impacts of increased climate variability
- encourage farm families and primary producers to adopt self-reliant approaches to manage their business risks
- ensure that farm families in hardship have access to a household support payment that recognises the special circumstances of farmers
- ensure that appropriate social support services are accessible to farm families
- provide a framework for jurisdictions' responses to needs during periods of drought.<sup>24</sup>

2.28 These objectives are founded on the set of principles agreed in April 2011 by the Standing Council on Primary Industries. The principles set out the case for reform of drought policy:

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22 Department of Agriculture, *Intergovernmental Agreement On National Drought Program Reform*, May 2013. Available at: <http://www.agriculture.gov.au/ag-farm-food/drought/drought-policy/drought-program-reform/iga-national-drought-program-reform> (accessed 1 May 2015).

23 ABC News, *Farmers unhappy with new national drought policy*. Available at: <http://www.abc.net.au/news/2013-05-03/government-announces-new-national-drought-policy/4667782> (accessed 4 May 2015).

24 Department of Agriculture, *Intergovernmental Agreement On National Drought Program Reform*, May 2013. Available at: <http://www.agriculture.gov.au/ag-farm-food/drought/drought-policy/drought-program-reform/iga-national-drought-program-reform> (accessed 1 May 2015).

Council reconfirmed the principles for drought policy reform that would enable farmers to move from crisis management to risk management and preparedness. The principles are:

- there should no longer be Exceptional Circumstances (EC) declarations or 'lines on maps'. Instead, governments should focus on addressing the specific needs of farming families, farming businesses and farming communities;
- acknowledgement that drought is just one of a number of hardships that can adversely impact farmers'
- recognition of the important role of farmers as the nation's food producers;
- future farm family welfare assistance should require a level of mutual responsibility;
- for access to the income support system, farming families should have a temporary period of exemption from the normal assets tests for farm assets, but otherwise receive the same access rights as the wider community;
- government farm business support should assist farming businesses plan and prepare for the future. Farm business support will be based on a willingness by those businesses to prepare for the impacts of drought and climate change;
- the role of farmers in natural resource management and their role in maintaining vibrant rural communities;
- the importance of maintaining and supporting the natural resource base during drought and climate change;
- government policies and programs should support farming communities to prepare for drought and enhance their long term sustainability and resilience.<sup>25</sup>

2.29 However, the reform proposals have not been welcomed by all stakeholders. The NSW Farmers President said that while they welcomed the concept of preparedness, the process of reform was taking too long and having a direct impact on farmers across the state:

We welcome preparedness and we welcome the concept of that... but we also need a strategic approach... so that we can have some certainty as we head into these difficult weather conditions about exactly what arrangements will be in place.<sup>26</sup>

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25 Primary Industries Ministerial Council, *Communiqué PIMC 19*, 15 April 2011. Available at: <http://www.mincos.gov.au/communiqués/documents/pimc/pimc19.pdf> (accessed 1 May 2015).

26 ABC News, *Farmers unhappy with new national drought policy*. Available at: <http://www.abc.net.au/news/2013-05-03/government-announces-new-national-drought-policy/4667782> (accessed 4 May 2015).

2.30 The National Farmers' Federation submitted that an adequate replacement for the Exceptional Circumstances model had not been put in place and has resulted in an ad-hoc and inconsistent response to drought:

Concerning specific drought assistance arrangements, a lack of clear and consistent commitment from all levels of government has been witnessed since the dismantling of the Exceptional Circumstances framework without a suitable replacement. This has disappointingly led to worse outcomes, with government at all levels not committing adequately to funding preparedness and then subsequently responding ad-hoc to drought events, rather than through a transparent and consistent framework. The NFF believes it is important that the governments provide drought assistance to businesses in a consistent, structured manner that places sufficient effort on preparedness, in-event support and recovery.<sup>27</sup>

2.31 AUSVEG, the national peak industry body representing Australian vegetable and potato growers, was critical of the decision not to treat drought as a natural disaster for the purposes of determining financial relief:

The devastating effects of ongoing drought are undeniable, and while Australia's climate necessarily requires that farms account for dry spells as part of their business risk management, a period of declared extreme drought should be considered a natural disaster...<sup>28</sup>

2.32 AUSVEG also contend that \$6.5 billion spent through the Natural Disaster Relief and Recovery Arrangements (NDRRA), which superseded the NDRA, did not address the real threat to the livelihoods of vegetable growers in Australia:

... the NDRRA do contain a significant flaw: they do not cover drought. The vegetable growers of Australia are far more likely to have their livelihoods injured by prolonged drought than a meteorite strike, but under the NDRRA, they are protected against the latter and not the former.<sup>29</sup>

2.33 Graingrowers also submitted that prolonged drought is the 'pre-eminent current concern to the grain industry'.<sup>30</sup> However their submission offered suggestions aimed at mitigating the impact of drought rather than providing post-drought relief:

- Assistance with preparedness for drought is preferable to after the fact relief.
- Development and support of a Multi-Peril Crop Insurance scheme with government backing is an efficient way for support to be provided, and it has precedents internationally.
- Subsidised finance (i.e., interest rate at market rate minus an allowance), so that it recognises the special conditions around

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27 National Farmers' Federation, Submission No. 9, pp 1–2.

28 AUSVEG, *Submission No. 7*, p. 6.

29 AUSVEG, *Submission No. 7*, p. 5.

30 GrainGrowers, *Submission No. 11*, p. 2.

maintaining agricultural production but is still linked to market signals, is preferable to unlinked support.<sup>31</sup>

2.34 GrainGrowers also recommended that any support should take into account 'the nature of farm ownership and farm asset values', and be contingent on farmers adopting 'best management practices/using effective farm business decision technology'.<sup>32</sup>

2.35 The NFF were not of the view that drought should be addressed in the same way as other natural disasters. The Federation proposed that drought assistance requires a bespoke strategy that recognises the increased frequency and longevity of drought events:

We certainly want to see a natural disaster mechanism and we want to see a specific drought mechanism. We do not want to see it bundled in with natural disasters. We have a real fear that if it is bundled in with natural disasters any drought relief may simply go to the biggest cause in the biggest area and not actually enable farmers to cope with something that is occurring on a more frequent basis. We would like to see consideration given to what that drought support would look like.<sup>33</sup>

2.36 There are a number of significant state and federal drought management programs already in place. Many of these purport to assist in long-term mitigation strategies to better prepare farmers for the impact of drought. Western Australia for example manages both state and federal programs through the Rural Business Development Corporation of Western Australia (RBDC).

2.37 The RBDC informed the committee of the assistance available to farmers affected by drought in WA. The RBDC administers a number of programs on behalf of both the Government of Western Australian and the Federal Government. The state programs include:

**Farm Business Assessment Scheme** — A State Government scheme which provides grants of up to \$10 000 to farm businesses in drought affected shires to have their business assessed by an external professional.

**Farm Exit Support Grant** — A State Government scheme which provides a \$20 000 grant to farm businesses who have decided to exit farming.

2.38 The federal assistance programs administered by the corporation are:

**Farm Finance Concessional Loan Scheme (FFCLS)** — A Federal Government scheme that aims to assist farm businesses that are experiencing debt servicing difficulties but are considered commercially viable in the longer term, by providing loans to undertake productivity enhancement activities. Recently, this scheme in WA was enhanced by the inclusion of a debt restructuring component, and an increase of the

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31 GrainGrowers, *Submission No. 11*, p. 2.

32 GrainGrowers, *Submission No. 11*, p. 2.

33 Mr Simon Talbot, National Farmers' Federation, *Committee Hansard*, 5 February 2015, p. 13.



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maximum loan amount to \$1 million. A total of \$50 million of funding is available.

**Drought Concessional Loans Scheme (DCLS)** — A Federal Government scheme that aims to assist farm businesses recover from an existing drought and prepare for future droughts and return to viability in the longer term. Under the scheme, \$20 million is available to drought affected farmers in Western Australia.<sup>34</sup>

2.39 However the RBDC reported that there was a low uptake for both federal schemes. Over the two rounds of FFCLS funding from January to April 2014 and July 2014 to April 2015 only 25 of the total 53 applications received were approved. This funding amounted to \$5.19 million, of the available \$50 million allocated.<sup>35</sup>

2.40 Similarly, DCLS, which opened in September 2014 and closes in June 2015, has had very low take up. As of January 2015, the fund had only received eight applications and had only approved one.<sup>36</sup>

2.41 According to RBDC there were a number of reasons why both the application and the approval rates were so low. These reasons included the record WA grain harvest in 2013 which prevented many previously eligible farm businesses from meeting the criteria for either fund; farm businesses being unable or unwilling to take on more debt; and that the BoM methodology does not take WA's Mediterranean climate into account:

This [DCLS] Scheme is reliant on the Bureau of Meteorology (BoM) rainfall deficiency data, based on annual rainfall figures. In Western Australia, as we have a Mediterranean climate with only a six month growing season, the 12–24 month BoM data does not suit the Western Australian short and single growing season. Accordingly, the BoM maps for WA shows areas that have not experienced drought as being in severe drought, and other areas that have experienced severe drought are shown as having experienced ‘normal’ seasons. While the Scheme is a national scheme, the BOM data has disadvantaged some Western Australian farm businesses, which in turn has made it hard to ‘market’ the Scheme to farmers.<sup>37</sup>

2.42 This explanation was expanded on by the Western Australian Farmers Federation who suggested that this failure of the methodology was also responsible for the 'failure' of the Exceptional Circumstances model in WA:

Maybe I should go back and explain why the EC did not work, because we are actually seeing the present circumstances not working for much the same sort of reasons and that is that, especially in the south-east land

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34 Rural Business Development Corporation of Western Australia, *Submission No. 16*, pp 2–3.

35 Rural Business Development Corporation of Western Australia, *Submission No. 16*, pp 2–3.

36 Rural Business Development Corporation of Western Australia, *Submission No. 16*, p. 2.

37 Rural Business Development Corporation of Western Australia, *Submission No. 16*, p. 2.

division, we have very much a Mediterranean climate where we depend on rain falling in a fairly concise time...

One of the problems we have with the present system is that the rainfall outside that time is recognised. Therefore, people who are really deficient of rain in that growing period have been put out of, or culled out of, the drought section because they actually—especially last year—got rain during harvest and same with the year before. Although some of that rain in the summer can be useful if it falls in late summer, but if it falls around about harvest time it is virtually no use even with the amount of spraying and whatever that goes on these days.<sup>38</sup>

2.43 Support at both state and federal government level continues to develop. The federal government currently provides a number of assistance measures including:

- Farm Household Allowance
- Farm Finance Concessional Loans Scheme
- Farm Management Deposits (FMD)
- Taxation measures
- Rural Financial Counselling Service (RFCS).<sup>39</sup>

2.44 There have also been a number of funding announcements in recent months to support these programs. In December 2014 the Minister for Agriculture, the Hon. Barnaby Joyce MP, announced \$100 million of new funding for Drought Recovery Concessional Loans. Loans of up to \$1 million will be made available at 3.21 per cent over a 10-year period. These loans are in addition to the existing Farm Finance and Drought Concessional Loans Schemes which have already approved loans to 286 farm businesses in Queensland and NSW, valued at over \$150 million.<sup>40</sup>

2.45 On 9 May 2015 a further series of funding announcements was made to continue funding for concessional loan schemes, as well as other assistance measures:

- \$250 million in 2015–16 to continue existing drought concessional loans and drought recovery concessional loans schemes.
- \$35 million for local infrastructure and employment projects that provide options for people whose work opportunities have been adversely affected by drought.
- \$25.8 million for programmes to manage pest animals and weeds in drought affected areas.

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38 Mr Dale Park, President, WA Farmers Federation, *Committee Hansard*, 4 February 2015, p. 25.

39 Australian Government, Department of Agriculture, *Drought assistance*, Available at: <http://www.agriculture.gov.au/ag-farm-food/drought/assistance> (accessed 11 May 2015).

40 The Land, 4 December 2014, available at: <http://www.theland.com.au/news/agriculture/agribusiness/general-news/another-100m-in-drought-loans/2718992.aspx> (accessed 1 June 2015).

- \$20 million to extend and expand existing social and community support, including mental health support and counselling, for drought-affected farming families and communities.
- \$1.8 million available to fund additional rural financial counsellors to meet increased demand during periods of drought.<sup>41</sup>

2.46 The committee also notes the proposals announced in the 2015-16 Budget, and subsequently contained in the Tax Laws Amendment (Small Business Measures No. 2) Bill 2015, introduced on 4 June 2015, which will provide for accelerated depreciation for primary producers. This will allow farmers to deduct amounts for capital expenditure on water facilities, horticultural plants, fodder storage assets and fencing assets.<sup>42</sup>

2.47 However it is unclear to the committee whether this new funding will address the concerns of farmers' advocates that there are significant barriers preventing farmers from accessing the assistance measures. The NFF suggested that the system needs to be 'reworked', commenting that a more structural approach should be taken:

I would like to see it reworked. I think it can be sporadic; it is hard to compare event with event; often it can be fuelled by media. It is [a] horrible topic to talk about, but it can be fuelled by media, who may overindex in a particular geographic area, and the TV may drive the outcome. We think it needs more structure and more clarity of purpose...<sup>43</sup>

2.48 AUSVEG were also concerned that current assistance efforts were sometimes hampered by political considerations, arguments between different levels of government and the lack of a coherent strategic purpose:

Last year the Productivity Commission referred to government disaster relief responses as 'ad hoc and emotionally and politically charged'. An independently managed Commonwealth fund would ensure that when rural industries were at their most vulnerable they were not left exposed to the political motives of state or local governments. This is exemplified by the current lack of coverage for South Australia in the Drought Concessional Loans Scheme in which the state and federal governments are blaming each other for applications not being opened. This situation is unacceptable considering the federal Treasurer has acknowledged that drought relief is a complete natural disaster and the Minister for Agriculture believes drought is an unmanageable crisis.<sup>44</sup>

2.49 Mr Finlay from the NFF suggested in the media that those most in need of assistance were often considered ineligible for the current assistance packages, leaving much of the available funding unspent:

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41 Australian Government, Department of Agriculture, *Drought assistance*, Available at: <http://www.agriculture.gov.au/ag-farm-food/drought/assistance> (accessed 11 May 2015).

42 Tax Laws Amendment (Small Business Measures No. 2) Bill 2015, Schedule 2, Item 2.

43 National Farmers' Federation, *Committee Hansard*, 5 February 2015, p. 17.

44 AUSVEG, *Committee Hansard*, 5 February 2015, p. 32.

Some of these businesses, because they have been so smashed, are deemed to be non-viable so they're deemed to not be able to service the loan or pay it back in future, he said.

Mr Finlay said it was simply not possible for many farmers to take on a concessional loan which must be paid back in five years and said the Government needed to extend all loan periods to 15 years.

He said there needed to be greater cooperation between Government lending authorities and commercial banks to streamline the lending process and a relaxation in loan eligibility criteria.<sup>45</sup>

2.50 The NFF were also supportive of recent measures to improve water infrastructure, which has the additional benefit of supporting local communities:

In these remote communities the actual council, the local government authority, is the major employer and a lot of businesses rely on that and a lot of people in that community rely on that for income, Mr Finlay said.

So to actually put money into these communities around infrastructure projects, we strongly support that.<sup>46</sup>

## Insurance

2.51 Insurance coverage, and the adequacy of insurance policies to cover drought, was raised throughout the inquiry. The NFF highlighted the importance of technology to improve the quality of data to inform insurance risks and eventual premium calculations:

We have—again, I will not name names—some very excellent insurers who are working with farmers in the long term and we have others who may treat them simply like a city based insurance package, which does not really work. The National Farmers' Federation as an entity must develop the top two or three ag insurance companies in Australia and work collaboratively to identify and alleviate the gaps, the unknowns and the risks. However, having said that, technology is paramount. Often drought and flood are the greatest insurance risks. If we can identify, particularly around the drought areas, things that we are doing to mitigate the risk as a farmer collective in given geographic areas, we believe that we can get a better insurance bundle from a specific company.<sup>47</sup>

2.52 AUSVEG contended that there is a gap in the insurance market for farmers to cover themselves for risks that may impact production:

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45 ABC News, *Government red tape tying up \$400 million in drought relief*, National Farmers' Federation says, 7 May 2015, available at: <http://www.abc.net.au/news/2015-05-07/drought-relief-red-tape-national-farmers-federation/6451552> (accessed 11 May 2015).

46 ABC News, *Government red tape tying up \$400 million in drought relief*, National Farmers' Federation says, 7 May 2015, available at: <http://www.abc.net.au/news/2015-05-07/drought-relief-red-tape-national-farmers-federation/6451552> (accessed 11 May 2015).

47 National Farmers' Federation, *Committee Hansard*, 5 February 2015, p. 16.

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There is also currently a large gap in the market for agricultural producers to insure themselves against production risk, and that gap includes coverage for drought and extreme rainfall.<sup>48</sup>

2.53 According to AUSVEG it was not just drought that was very difficult to insure against, but flood was similarly problematic, especially given that many farms are located on flood plains by necessity:

I will step into the next category that has affected us and that is flood. We have lived on a flood plain all our life. Our farming practices, usually high-intensity vegetable-farming enterprises, end up on flood plains. So, for a start, insurers do not want to look at you because you are on a flood plain. But, in saying that, even if there were an insurance policy that would cover you, the cost of premiums would outweigh whatever we would get out of it. Whatever we have seen over the past with insurance claims, there seems to be a loophole somewhere.<sup>49</sup>

### Research and development

2.54 The use of technology was widely agreed to be crucial in alleviating the impact of drought. As discussed above, the NFF suggested that improvements in the quality of data can assist in more targeted mitigation, as well as improving outcomes in insurance packages. The Federation also proposed making the most recent climatic data available to farmers to allow them to make the best choices around their pasture management:

[F]armers often operate somewhat in isolation and they do not have the capital resources to apply the best technology. But there is a growing demand amongst the farmer base, particularly around climate change and pasture management. If they could be given the best Google Maps data, the best Bureau of Meteorology data, the best intersects around solar, evaporation and wind to help them spray, to help them plan and to help model the land, that is the best tool we could possibly provide over the next 20 years...

[T]here must be something done around commercial climate technology being applied to farmer-driven outcomes at a farmer level, where the first thing the farmer does when he wakes up in the morning is he says, 'Do you know what? I am looking at my short-term weather forecast, my evaporation rates, rainfall and wind, and I am not going to plant today, I am not going to spray the weeds today.' Or, 'I am going to have a frost in three days—here is my risk matrix and I can now make a calculated decision that the risk of frost is too great, so I am going to wait a week.'<sup>50</sup>

2.55 Providing farmers with the tools to manage and prepare for drought is the NFF's principal policy position. In addition to providing access to climatic data, the

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48 AUSVEG, *Committee Hansard*, 5 February 2015, p. 32.

49 AUSVEG, *Committee Hansard*, 5 February 2015, p. 32.

50 National Farmers' Federation, *Committee Hansard*, 5 February 2015, p. 16.

NFF also highlighted the value in using the best available technology to manage crops, which can have a dramatic impact:

For us there is something around the technology, the best available farmer technology in terms of long-term forecasting and short-term forecasting. To give you an example, in one of our major farming areas we have been monitoring the migration of crop growing. The seasons have actually changed, so you now put your crops in two weeks later and harvest them three weeks earlier. That is the way the scenario works. A number of farmers were not aware of that technology and therefore suffered frosts at one end of the cycle. The point I am trying to make is that giving farmers the tools and the ability to self-manage, as long as they meet certain criteria and work as a collective within regions, is by far the better outcome.<sup>51</sup>

### ***Committee view***

2.56 The committee recognises that drought relief is a technologically and administratively challenging policy arena. This includes the difficulty in developing a determinative assessment of what a drought is, and the past drought declaration process which has been highly controversial for many years in Australia.

2.57 Throughout the inquiry the committee was presented with views from a number of stakeholders on whether the current policy model to alleviate the impact of drought is appropriate, or whether a reworking of drought policy should be considered. This is an especially important consideration in the context of the Australian environment that constantly presents challenges in how to maintain and potentially increase the productivity of rural industries that are reliant on the land.

2.58 The Productivity Commission's recent proposal to separate some forms of drought assistance from other types of natural disaster assistance continues a policy evolution that began in 1990. Since then, a number of reviews have consolidated the approach that drought requires a very different response than other natural disasters.

2.59 The committee notes that drought is considered to be a recurring, natural condition and not a rare climatic aberration and that this requires a long-term strategic approach. Such an approach naturally places greater onus on the land manager to implement self-reliant risk management approaches to mitigate and prepare for the continuous effects of drought.

2.60 Acceptance of this approach is not universal—particularly at the industry level. The committee heard evidence that drought, and the devastating impact it can have on the sector, is still the primary natural disaster concern of rural stakeholders. While the committee does not seek to diminish the impact drought has on those affected, it recognises the underlying principle that self-reliant risk management of drought will require a different response to the short-term post-disaster relief often associated with other types of natural events.

2.61 The approach of the Intergovernmental Agreement on National Drought Program Reform in 2013 to remove the Exceptional Circumstances (EC) classification

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51 National Farmers' Federation, *Committee Hansard*, 5 February 2015, p. 15.

is one that is supported by the committee. The EC model was controversial and often resulted in seemingly arbitrary decisions based on 'lines on maps', rather than concentrating on the impact of those affected and how best this could be prevented, or alleviated.

2.62 Replacement of this model with one more focussed on building greater resilience that encompasses sustainable approaches for rural industries is an option that the committee understands is more broadly accepted as best practice. However the committee is aware there remains criticism over whether the present response has been coherent.

2.63 Considering the constant calls from the sector for assistance, the committee is very concerned about the unusually low levels of application for, and awarding of, government funding initiatives, such as concessional loans. Given that there are so few successful applicants, the committee questions the validity of the schemes' intent to assist the development of self-reliant management practices.

2.64 Some of the criticism levelled at the assistance schemes relates to the onerous administrative task of establishing eligibility.<sup>52</sup> Other criticism relates to the exclusion from assistance due to misunderstandings in meteorological data as described at paragraph 2.41. One of the significant eligibility criteria barriers to accessing support was the requirement that a farmer had to hold approximately 70 per cent equity in their farm.<sup>53</sup>

2.65 The committee considers that after many years of no income due to the impact of drought this requirement would appear to be overly onerous. The committee found that a compounding issue with equity ratio calculation is more often than not, that the calculation is taken during the drought years when funds are sought, not across the years to average or 'smooth' out the effects of the good and the bad years as stated by the NFF:

You should take a loan to equity ratio over a seven-year or five-year time horizon to get the good, the bad and the average years modelled out. What actually happens is that they say, 'Sorry, you are down to XYZ 20 per cent equity and it is time to move on.'<sup>54</sup>

2.66 This treatment of equity is especially significant if policy makers truly accept the rationale that drought is a 'recurring, natural condition and not a rare climatic aberration'.<sup>55</sup>

2.67 As indicated by the NFF, the ratio issue also highlights the scheme's loan repayment terms which are generally five year terms. This issue really goes to the intent and appropriateness of the scheme design. The sector has repeatedly voiced its

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52 Queensland Farmers' Federation, *Submission No.6*, p. 2.

53 <http://www.abc.net.au/news/2015-05-25/grass-roots-drought-policy-solutions-from-farmers-in-north-west/6493366> (accessed 25 May 2015).

54 Mr Simon Talbot, National Farmers Federation, *Committee Hansard*, 5 February 2015, p. 14.

55 Productivity Commission, *Government Drought Support*, No. 46, 27 February 2009, p. 90.

concern that the terms are insufficient in length. The NFF among others, have consistently said that 'it is simply not possible for many farmers to take on a concessional loan which must be paid back in five years... Government needed to extend all loan periods to 15 years'.<sup>56</sup>

2.68 A final comment regarding the administration of assistance schemes was by the Director of AUSVEG, Mr William Bulmer, and relates to the efficacy of the delivery of the assistance once all the eligibility criteria have been satisfied. This comment encapsulates other similar comments from across the assistance initiatives:

For one of the droughts we obtained, through Rural Finance, a \$200,000 low-interest loan...[by] the time they actually paid the money was 12 months. It just went on and on and on, and we just had to carry that through our business.<sup>57</sup>

2.69 However, it is also important to note that recent reductions in the cost of commercial finance will further complicate decisions by farmers to access the schemes. The committee is of the view that while it supports the government being a lender of last resort, the government should not be in a position of competing with the commercial finance industry.

2.70 Nevertheless, the committee welcomes the recent announcements of funding and support packages for those affected by drought. Though, the quantum of assistance does not appear to be the central issue in ensuring that the assistance measures are as effective and useful as possible. The committee is of the view that more needs to be done to clearly establish who the schemes are designed to assist and what they aim to accomplish. The committee would welcome an assessment of the design of the current assistance measures before further funding is committed to similar schemes with similar eligibility criteria.

### **Recommendation 1**

**2.71 The committee recommends an evaluation of current concessional loan schemes to ensure that the schemes are utilising appropriate data and that eligibility criteria are designed in consultation with the sector to ensure that schemes are as accessible as possible for those in need of Commonwealth government assistance.**

2.72 If the policy paradigm is to continue to support self-reliance, then more attention needs to be given to supporting the wider adoption of sustainable husbandry across the rural sector. The committee encourages greater input into education and support for other assistance measures such as investment in water infrastructure.

2.73 The utilisation of technology has the potential to transform the preparedness and mitigation efforts of farmers. According to evidence received by the committee, access to the latest meteorological data, accompanied by appropriate IT, could place farmers one step ahead of both the elements, and their competitors world-wide. The

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56 Mr Simon Talbot, National Farmers Federation, *Committee Hansard*, 5 February 2015, p. 14.

57 Mr William Bulmer, AUSVEG, *Committee Hansard*, 5 February 2015, p. 34.



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committee supports the ambitious target of providing food for 150 million people, but for this to be realised, investment in modern technologies is crucial.<sup>58</sup>

2.74 Improved technology in areas such as geographical information systems, evaporation, water retention and soil management is available but better access and education would ensure greater utilisation of these enabling technologies not only to improve productivity but also to assist farmers with issues such as insurance against unforeseen events. The committee believes that this is where government, at both a state and federal level, could add real value.

### **Recommendation 2**

**2.75 The committee recommends that the Commonwealth government consider the development of a land management technology fund to support the rural sector, and to ensure that the sector is equipped with appropriate Commonwealth government managed data.**

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58 National Farmers' Federation, *Submission No. 9*, p. 14.



## **Chapter Three**

### **Assistance to rural and manufacturing industries in crisis**

3.1 The committee considered the first part of the terms of reference in detail to try and break up the definitions contained within it. The committee sought to understand which types of businesses might fall under the banner of rural and manufacturing industries, as well as trying to establish what would constitute a crisis for these types of businesses.

#### **The definition of a crisis**

3.2 The committee embarked on the inquiry with a general idea of what circumstances could cause a crisis for rural and manufacturing businesses. However it was surprised at the variety of often unforeseen events that could impact trading and productivity.

3.3 In addition to drought, the committee heard that there are a significant number of other events which can affect both rural and manufacturing businesses and associated communities. The committee took evidence in Hobart from a number of stakeholders whose businesses and sectors are susceptible to events beyond their control.

3.4 The aquaculture sector in Tasmania provided many examples of catastrophic events that impacted businesses, both on and off-shore. Professor Christopher Carter from the Fisheries and Aquaculture Centre at the University of Tasmania made the general point that 'aquaculture is vulnerable to catastrophic events because the production cycles are long'. He also outlined some possible scenarios for specific industries:

- Salmon hatcheries are located inland and are exposed to bushfire and drought, for example. Shellfish hatcheries are located close to the sea and are vulnerable to extreme coastal events. In addition, abalone farming is land based...Catastrophic events to hatcheries could destroy a year or more of production.
- The oyster industry has their growing stations in estuarine conditions. High rain events will cause run-off which dilutes the salinity of those areas. It can also wash-out potential toxicants.
- In the hatcheries when there is a severe drought condition they have to manage their freshwater supply. The production of salmon is dependent on salmon in freshwater and the volume of water can limit their production.
- Natural disasters such as high wind events or tsunamis et cetera can disrupt cage systems and tear them from the moorings and rip the cages.
- Catastrophic events at sea could destroy brood stock, which will take more than two years to grow and replace. Marine ecosystems

and unpredictable changes: marine ecosystems are complex and may be vulnerable to threshold changes.<sup>1</sup>

3.5 The Tasmanian Seafood Industry Council also highlighted the potential lag from when a disaster occurs, to its impact on the seafood industry:

In Tasmania specifically, both the salmon industry and the oyster industry rely on hatchery production...If a bushfire were to go through there and a hatchery were wiped out, that would have not an immediate impact on production; but, given the lag time between when the fish are put out as fingerlings and when they come through the production cycle, 12 to 18 months later, you could see production severely impacted—same with the oyster industry. In fact, I heard you talking earlier about the Dunalley bushfires here. That is a classic example: the bushfire came within metres of destroying Cameron of Tasmania's hatchery right in the centre of Dunalley. Now, that hatchery produces approximately 45 per cent of the spat for the Pacific oyster industry nationally...They are the sort of land based things that can impact on the ability of industry to keep going.<sup>2</sup>

3.6 The Tasmanian Chamber of Commerce and Industry (TCCI) were keen to point out that a crisis does not have to be precipitated by a natural disaster for it to have a significant impact on businesses, and the community as a whole. The TCCI recounted the impact of the Port Arthur massacre in 1996, and the recent Dunalley bushfires as examples:

One of the things in terms of what I would like to say to the committee today is that I think the definition, the terms of reference, is too narrow. It really does not matter if it is a natural disaster. It could be a bombing. It could be a massacre. It could be anything that disrupts the community on a wide scale. With that, I realise that government cannot be God, but, in terms of thinking, I think this is important.

Although Port Arthur was a long time ago, in 1996, I think the lessons are still pertinent. As recently as the Dunalley bushfires, the TCCI did take a very direct role. Based on some of my experience, I think it is worth reflecting on those.<sup>3</sup>

3.7 Advocates from the manufacturing sector also had firm views on how the term crisis should be defined. In the context of manufacturing, the sector argued that unlike a crisis caused by natural events, a crisis in the manufacturing sector could possibly be foreseen, and avoided with strategic investment and research and development specifically aimed at supporting the sector to adapt to changing economic conditions.

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1 Professor Chris Carter, Fisheries and Aquaculture Centre, University of Tasmania, *Committee Hansard*, 4 February 2015, pp 1–2.

2 Mr Neil Stump, Chief Executive, Tasmanian Seafood Industry Council, *Committee Hansard*, 4 February 2015, p. 16.

3 Ms Susan Parr, Chair, Tasmanian Chamber of Commerce and Industry, *Committee Hansard*, 4 February 2015, p. 5.

3.8 Unions Tasmania also emphasised this view, highlighting the perspective of regional Australia and the impact that funding to support the manufacturing sector could have in those areas:

Clearly, from a Tasmanian point of view, with the spread of population across the state, we are a regional community, and many of our regional communities have been particularly impacted as a result of loss of jobs and closure of companies. In our view, narrowly focusing on financial relief necessary to support these industries in times of crisis is missing an opportunity to develop long-term and innovative industries that provide meaningful employment in well-paid and permanent jobs.<sup>4</sup>

3.9 When asked whether the current economic conditions in the sector could be compared to a natural disaster, the Australian Manufacturing Workers' Union (AMWU) were unequivocal in their response:

[T]he problem that we have in manufacturing at the moment is that there is a perfect storm. The perfect storm is described first of all and most prominently by the wholesale closedown of the vehicle industry. As I said, there are up to 230,000 jobs affected...

On top of that, we have a problem in defence procurement in this country. The committee is probably aware, and the Senate is absolutely aware of, the submarines issue. There are many thousands of Australian manufacturing jobs tied up in the submarine contract but more generally in naval shipbuilding...

Then there are other industries such as food in which the AMWU is involved where our competitive advantage has been eroded by, for instance, the dumping of tomatoes by the Italian tomato industry...

To describe it as the perfect storm or to suggest this is by way of a man-made natural disaster—if that is not an oxymoron, Senator—I do not think is not over-egging the pudding.<sup>5</sup>

3.10 The Federation of Automotive Products Manufacturers (FAPM) also discussed the catastrophic impact of the cessation of vehicles manufacturing in Australia:

As you would expect in an industry that relies on volume production, this contraction has created, and continues to create, enormous stress on the component manufacturing side of our industry. Vehicle production continues to decline, flowing on to the component sector. This sector is, itself, altering production schedules to meet reduced demand from the vehicle assemblers, and this is impacting on employment and cash flow within the sector.<sup>6</sup>

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4 Mr Stephen Walsh, Secretary, Unions Tasmania, *Committee Hansard*, 4 February 2015, p. 12.

5 Australian Manufacturing Workers' Union, *Committee Hansard*, 5 February 2015, p. 9.

6 Federation of Automotive Products Manufacturers, *Committee Hansard*, 5 February 2015, p. 1.

## **The definition of a rural and manufacturing industry**

3.11 The committee discovered that the types of businesses covered by the definition of a rural and manufacturing industry span a broad spectrum, and went beyond what would generally be anticipated. As is evident from the contributions above, the seafood and aquaculture industry engaged strongly with the inquiry to emphasise both the importance of the sector and its vulnerability to events beyond its control. The industry is firmly of the view that they are excluded from both the conversations around how disasters are mitigated and how recovery is managed, including financial relief.

3.12 The Tasmanian Seafood Industry Council contrasted the assistance and resources provided to land based primary producers in times of drought compared with support given to marine based primary producers. Mr Neil Stump, the Chair of the Council, emphasised how difficult it is for members of his sector to access assistance in the aftermath of disasters:

What we are seeking is to receive equal treatment, the same as our terrestrial cousins who are primary producers. Everybody is aware that farmers for many years have received drought assistance in times of drought, and we do not begrudge them that. But, at times when [there] have been natural disasters—maybe from slightly different causes—in the seafood industry, we have found it near impossible to gain government support to assist individual companies or industry sectors to get back on their feet and operating again.<sup>7</sup>

3.13 The Australian Prawn Farmers' Association (APFA) provided the example of one of their member's attempts to access emergency relief payments following Cyclone Yasi in Queensland which they claim, illustrates the inequity of the system:

All emergency relief offered under the NDRRA Category D assistance packages were reportedly poorly constructed for the aquaculture industry and underestimated the significant position that aquaculture holds in rural and remote regions of Queensland and the dependence of local communities on these aquaculture facilities.<sup>8</sup>

3.14 APFA quoted the observations of one of the Industry Recovery Officers (IROs) employed following the cyclone, which supported the claim that the aquaculture industry is not well served in the current disaster relief framework:

The IRO reported at the time – “the above underestimation combined with a poor understanding of the operational needs and financial capital requirements of aquaculture, compounded the ability of already inappropriately constructed assistance packages to deliver ... maximal recovery outcomes to industry.”<sup>9</sup>

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7 Mr Neil Stump, Tasmanian Seafood Industry Council, *Committee Hansard*, 4 February 2015, p. 16.

8 Australian Prawn Farmers' Association, *Submission No. 1*, p. 3.

9 Australian Prawn Farmers' Association, *Submission No. 1*, p. 3.

3.15 Wildcatch Fisheries South Australia Inc. (WFSA) concurred with the view that assistance to the marine food industry is not well served with the current disaster relief framework, despite encountering the same difficulties and risks:

At present there is not a consistent framework for defining primary producers and primary production. Many government programs do not classify seafood producers (wildcatch and aquaculture) the same as a terrestrial food producer. In many cases the businesses of seafood producers are also subject the vagaries of nature and their fishery and its performance is subject to environmental variability.

...

It is therefore our opinion that Government must work to provide the same safety net and support for seafood producers that many other primary producers have come to enjoy and expect.<sup>10</sup>

***The distinct nature of the manufacturing and farming sectors***

3.16 The question of why any industry should receive government support was raised during the inquiry. The point was put to the AMWU in terms of what particular attributes the manufacturing sector brought to the economy that made it distinct from other sectors:

The reason why manufacturing is special is the amount of human capital, if you will, or the amount of knowledge and technology, that goes into manufacturing, as opposed to other sectors. In other sectors there is technology, of course, and there is human capital, but the intensity is not anywhere near as much.

You can look at this from the macro point of view and you can see that manufacturing is responsible for a quarter of the R&D that the business sector does, yet it is responsible for much less—less than 10 per cent—of actual output. So it is a very knowledge intensive area, and that is not surprising because manufacturing is the transformation of basic goods into much more valuable goods. That is not what mining does. That is not what services do. So the links between manufacturing and technology and science are links that do not exist with other sectors, and it is the technology and the science that make us advanced.<sup>11</sup>

3.17 Farming is of course the predominant rural industry across Australia. The cultural attachment and dependence of rural and regional Australia has on farming, as well as the scale of the agricultural sector make it impossible for government not to provide assistance and support when required.

3.18 The NFF also makes the point that the sector does not impose a burden on the taxpayer, and compared to international competitors receives relatively little subsidy from the government:

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10 Wildcatch Fisheries South Australia Inc., *Submission No. 5*, pp 1–2.

11 Dr Tom Skladzien, Australian Manufacturing Workers' Union, *Committee Hansard*, 5 February 2015, pp 10–11.

Even though their operating environment is extremely volatile, Australian farmers are much more self-sufficient than their international competitors (with whom we compete on both an international and domestic level). At 0.2% of National GDP, Australian agriculture has the lowest level of support in the world. The fact is, Australian farmers don't impose a burden on taxpayers. They underpin one of the very few sectors that creates real value for the economy. As the current Australian Government has rightly identified, agriculture is a key pillar of the Australian economy.<sup>12</sup>

### *Committee view*

3.19 The committee was made aware very early in the inquiry that a business could be placed in crisis by a range of circumstances, many of which were unique to that industry. One of the initial tasks of the committee was to tighten up the definition of a crisis in the context of the inquiry's terms of reference.

3.20 The impact of the cessation of automotive manufacturing in Australia is catastrophic for those engaged in that sector, and for the local communities and economies that rely on the industry. Many businesses have been profoundly impacted by matters outside their control. The committee considers that this is a crisis for those affected.

3.21 The seafood and aquaculture industry was well represented in the written submissions and at the committee's public hearings. The industry presented examples of the types of catastrophic events beyond its control that had significantly impacted the sector. These included water based events such as storms and high winds. However there was also evidence of how land-based disasters such as bushfires, heavy rains and drought impact the industry. In addition, disease was cited as having potentially catastrophic consequences, especially in the aquaculture industry when it affects fledgling stock used for re-stocking.

3.22 The industry argued that they were often left out of the conversation about reconstruction and recovery initiatives following an event, and did not usually have 'a seat at the table' when it came to planning the recovery efforts. Given the often disastrous impact on the sector from land based events, the committee strongly supports efforts to ensure that the sector is recognised and is consulted and supported in both mitigation efforts and any post-disaster responses.

### **Recommendation 3**

**3.23 The committee recommends that the Commonwealth government works with state and territory governments to ensure that the seafood and aquaculture industry is an integral partner in all future mitigation planning and post-disaster reconstruction and recovery efforts.**

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12 National Farmers' Federation, *Submission No. 9*, pp 1–2.



## Current industry assistance programs

3.24 Industry assistance is a substantial part of the federal budget each year. In 2011-12 the Commission of Audit found that overall assistance to industry amounted to \$17.3 billion. This comprised:

\$7.9 billion in gross tariff output assistance, \$5.1 billion of budgetary outlays and \$4.3 billion in tax concessions. After allowing for the cost to business of tariffs on imported inputs (\$6.8 billion), estimated net assistance was \$10.5 billion in 2011-12.<sup>13</sup>

3.25 The manufacturing industry received the highest level of assistance, \$7.4 billion consisting of tariffs, budget outlays and tax concessions. In terms of budget outlay alone, the industry received \$1.4 billion, second to the services sector (mainly electricity, gas, water and waste services) which received \$2.1 billion.<sup>14</sup>

3.26 The previous government established the Automotive Transformation Scheme (ATS) specifically to assist those businesses involved in the automotive industry to develop sustainable business models. In January 2011 the ATS commenced operations and was set to run until December 2020, providing \$2.5 billion in capped assistance and approximately \$348 million in uncapped assistance.<sup>15</sup> The ATS originally had two stages: \$1.5 billion of capped assistance would be provided between 2011 and 2015, and \$1 billion of capped assistance from 2016 to 2020. Uncapped assistance of \$348 million would also be provided. However, the committee notes the 2015-16 Budget projections for the ATS state that the demand for capped assistance will reduce by \$795 million over the forward estimates to 2018-19. The net impact of the reduction will mean the government will spend \$105 million from 2014-15 to 2020-21.<sup>16</sup>

3.27 The ATS is open to:

- motor vehicle producers (MVPs)
- automotive component producers (ACPs)
- automotive machine tool and automotive tooling producers (AMTPs)

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13 Commission of Audit, *Towards Responsible Government*, Appendix to the Report of the National Commission of Audit – Volume 2, Chapter 10, p. 4. Available at: <http://www.ncoa.gov.au/report/appendix-vol-2/10-1-industry-assistance.html> (accessed 22 May 2015).

14 Commission of Audit, *Towards Responsible Government*, Appendix to the Report of the National Commission of Audit – Volume 2, Chapter 10, p. 4. Available at: <http://www.ncoa.gov.au/report/appendix-vol-2/10-1-industry-assistance.html> (accessed 22 May 2015).

15 Australian Government, AusIndustry, *Automotive Transformation Scheme*. Available at: <http://www.business.gov.au/grants-and-assistance/manufacturing/ats/Pages/default.aspx> (accessed 26 May 2015).

16 Australian Government, Budget 2015, *Budget Paper No. 2: Budget Measures 2015-16*, p. 128. Available at: <http://www.budget.gov.au/2015-16/content/bp2/html/index.htm> (accessed 19 June 2015).

- automotive service providers (ASPs).<sup>17</sup>

3.28 Participants in the Scheme will be able to claim for 50 per cent of the value of eligible investment in Research and Development and 15 per cent of the value of plant and equipment.<sup>18</sup>

3.29 With the cessation of both automotive manufacturing, and the relative decline of the broader manufacturing sector, Commonwealth funds have been established to support the transition from these industries. One of the primary levers used in recent years to mitigate the impact of crises in the sector has been to establish regional innovation funds to assist industries and communities to recover from major industrial upheaval. There are currently three such funds administered by the Department of Industry and Science:

- The Geelong Region Innovation and Investment Fund (GRIIF)
- The Australian Government Innovation and Investment Fund (Tasmania)
- The Melbourne's North Innovation and Investment Fund (MNIIF).

3.30 The GRIIF was established by the Australian and Victorian Governments in response to the announcement by Ford Australia that it will cease its vehicle and engine manufacturing operations in Australia from October 2016. It has a budget of \$29.5 million which will be supplemented by \$5 million from Alcoa following their announcement of the closure of the Port Henry aluminium smelter. The fund will distribute grants of more than \$50 000 to businesses focussed on the creation of new jobs rather than job retention.<sup>19</sup>

3.31 The Tasmanian Fund has a budget of \$13 million over three years and the MNIIF has a budget of \$24.5 million, which includes a \$4.5 million contribution from Ford. Both funds have a similar methodology to the GRIIF providing grants greater than \$50 000 with a focus on the creation of new jobs rather than the retention of current jobs.<sup>20</sup>

3.32 Other funds designed to assist businesses in the automotive industry include the \$42 million Automotive New Markets Program (ANMP), established by the previous government as a joint initiative of the Federal, State and Victorian

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17 Australian Government, AusIndustry, *Automotive Transformation Scheme – Fact Sheet*. Available at: <http://www.business.gov.au/grants-and-assistance/manufacturing/ats/Pages/default.aspx> (accessed 26 May 2015).

18 Australian Government, AusIndustry, *Automotive Transformation Scheme – Fact Sheet*. Available at: <http://www.business.gov.au/grants-and-assistance/manufacturing/ats/Pages/default.aspx>, (accessed 26 May 2015).

19 Australian Government, AusIndustry, *Geelong Region Innovation and Investment Fund*, available at: <http://www.business.gov.au/grants-and-assistance/regional-innovation/GRIIF/Pages/GRIIF-fact-sheet.aspx>, (accessed on 20 May 2015).

20 Australian Government, AusIndustry, *Geelong Region Innovation and Investment Fund*, available at: <http://www.business.gov.au/grants-and-assistance/regional-innovation/GRIIF/Pages/GRIIF-fact-sheet.aspx>, (accessed on 20 May 2015).

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governments to help automotive supply chain companies broaden their customer and product base, and remove their dependency on domestic vehicle manufacturers.<sup>21</sup> This fund closed in 2014 and was replaced by the \$20 million Automotive Diversification Program (ADP).<sup>22</sup>

3.33 The Next Generation Manufacturing Investment Program (NGMIP) is a national fund established in response to Holden and Toyota's decisions to close their factories. The program was established to 'provide grants to support capital investment projects in areas of high value manufacturing. It aims to stimulate economic activity and increase business competitiveness and sustainability.'<sup>23</sup> The Department of Industry and Science provided details on the program's funding while emphasising that it was part of a broader policy to support the sector transition:

There are a number of elements to that program and one of them is called the Next Generation Manufacturing Investment Program, which is to be focused on Victoria and South Australia only. That is a \$60-million program to which the two states are contributing \$12 million each. That program, which has only recently closed to applications, was enormously oversubscribed. With \$60 million in funding available, I think we had 265 applications seeking grants totalling more than \$500 million.<sup>24</sup>

3.34 The Department explained that the assistance is a short-term investment in the hope that this builds sustainable businesses:

The thing about these programs is they are not a be-all and end-all. It is a recognition that that particular geographic location is worth keeping, for a start, and that it is going to be severely socially and economically impacted if that is not assisted. But it is also a recognition that it will be short-term assistance. In other words, if assistance is provided now, in the short term, there is a good prospect that in the longer term that particular region can sustain itself.<sup>25</sup>

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- 21 Minister for Industry and Science, Media Release, *\$4.3 million to help auto suppliers enter new markets*, 5 May 2014. Available at: <http://www.minister.industry.gov.au/ministers/macfarlane/media-releases/43-million-help-auto-suppliers-enter-new-markets> (accessed 19 June 2014).
- 22 Australian Government, Department of Industry and Science, *Key differences between the Automotive New Markets Program (ANMP) & Automotive Diversification Programme (ADP)*. Available at: <http://www.business.gov.au/grants-and-assistance/growth-fund/Automotive-Diversification-Programme/Documents/ADP-KeyDifferences.pdf> (accessed 19 June 2017).
- 23 Australian Government, AusIndustry, *Next Generation Manufacturing Investment Programme, Customer Information Guide*. Available at: <http://www.business.gov.au/grants-and-assistance/growth-fund/Next-Generation-Manufacturing-Investment-Programme/Pages/Guidelines.aspx>, (accessed on 27 May 2015).
- 24 Mr Paul Sexton, Department of Industry and Science, *Committee Hansard*, 5 February 2015, p. 27.
- 25 Mr Paul Sexton, Department of Industry and Science, *Committee Hansard*, 5 February 2015, p. 27.

3.35 The Automotive Diversification Program and the Next Generation Manufacturing Investment Program are both part of the \$155 million Growth Fund established by the Australian Government in 2014 with support from Holden, Toyota and the Victorian and South Australian Governments.<sup>26</sup>

3.36 While stakeholders agree that innovation and diversification are crucial in creating sustainable businesses, the committee heard that there are substantial barriers to growth, particularly for the manufacturing sector. The AMWU stated that access to finance for the sector is a significant problem:

The Australian Industry Group conducts surveys of its members and asks: 'What are the barriers to growth that you face?' Access to finance is one that comes out on top for manufacturers. In addition, the ABS collects data, also through survey form, where, again, access to finance pops out as an issue. And if you go around and talk to both experts in the field and business people, they will admit that access to finance is a problem, especially for new technology—for the deployment of new technology type projects.<sup>27</sup>

3.37 According to the AMWU the reasons behind the lack of enthusiasm on the part of investors was the long lead time required for a return on the investment:

One of the reasons is that manufacturing has a much longer lead time for the realisation of profit, especially when it comes to the innovation cycle and the learning curves that were required to ensure that there is a return on capital, whereas a major mining project can provide a major return on capital within three years of the first sod being turned, and oftentimes in manufacturing you are talking about a lead time of eight years to 10 years before there is a substantive profit.<sup>28</sup>

3.38 This view was supported by FAPM who surveyed their members regarding access to finance and found that it was becoming more difficult to access funds, and that coordination between the automotive industry and the banks would need to improve for this to change:

Our view is very clear that the commercial banking fraternity has been very poor in liaising with our industry over quite a number of years, particularly on the issue of access to capital, and our members have reinforced that. We surveyed our members on access to capital a number of years ago now, about 4½ years ago now. It was very clear that banks have essentially turned off the lending tap to the automotive sector and have done so for many years. They have made the commercial decision that they have not seen the automotive industry as an industry that they want to bank.<sup>29</sup>

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26 Australian Government, AusIndustry, *Growth Fund*. Available at: <http://www.business.gov.au/grants-and-assistance/growth-fund/Pages/default.aspx> (accessed 19 June 2015).

27 Australian Manufacturing Workers' Union, *Committee Hansard*, 5 February 2015, p. 10.

28 Australian Manufacturing Workers' Union, *Committee Hansard*, 5 February 2015, p. 10.

29 Federation of Automotive Products Manufacturers, *Committee Hansard*, 5 February 2015, p. 3.

## Skills and training

3.39 According to the AMWU the government's policy response to the challenges that are facing the manufacturing industry, and the knock-on effects of a crisis such as the cessation of vehicle manufacturing in Australia, will not assist the recovery of business and the local and national economy:

Policy is needed to mitigate the impacts of the closure of the automotive manufacturing industry, especially policy to assist in the transition of supply chain firms to new products and markets. Only through active policy intervention can the employment, social and community impacts of closure be minimalized.

To date, the government's response to this task has been so inadequate as to be laughable. The \$155 [million] Growth Fund announced in response to the industry's closure includes a \$20 million diversification fund to help supply chain firms diversify. In addition, only \$3 million of this represents new funding for diversification support, as \$17 million of the fund has been transferred from the now closed Automotive New Markets program, which was also aimed at assisting auto supply chain diversification.<sup>30</sup>

3.40 FAPM cited the UK as an exemplar for how a relatively high wage country could maintain a sustainable automotive manufacturing industry, even after years of contraction:

I think the United Kingdom is very instructive for Australia. Certainly through the late seventies and eighties the UK automotive industry basically contracted, and a lot of their indigenous brands were sold and moved offshore—Jaguar, Land Rover and a whole range of other companies as well...But then they realised what we in particular—and others—have been talking about for three years. They realised that the capacity, the capability and the skills that are generated within an automotive industry are diffused throughout the whole economy... And the UK is now a poster child for global automotive production—the factories are coming from eastern Europe and Europe, for example, back into the UK.<sup>31</sup>

3.41 The AMWU argued that it would be a wasted opportunity if the government did not intervene to better utilise the skills and human capital from the automotive industry to benefit the economy as a whole:

If the government sits by and does nothing after pulling auto support and then seeing the sector collapse then that is a massive amount of capacity, skills and capital that just goes to waste. There is no reason for that. Even if you do not want an auto industry, those resources and those skills should be

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30 Australian Manufacturing Workers Union, *Submission No. 13*, p. 8.

31 Mr Richard Reilly, Federation of Automotive Products Manufacturers, *Committee Hansard*, 5 February 2015, p. 5.

channelled to be deployed somewhere else to save that capacity, save that value.<sup>32</sup>

3.42 The committee heard that innovation and research are crucial levers in enabling business to transition away from industries such as the car manufacturing. FAPM highlighted the extensive 'engineering, design and construction capabilities of the automotive industry' and discussed how the industry and governments could support these skills to be used successfully in other industries:

[W]e have identified other industries and we have done a lot of work in this space, as I know all three governments have, really. The Victorian and South Australian governments and certainly the federal government are looking at other industries—for example, prefabricated construction; I think that is a real opportunity going forward. There is a huge dynamic going on in the building industry at the moment—new and innovative ways to build apartments, particularly in Melbourne, I see, and new construction methods. And the skills and capabilities that are being developed in automotive—like lean and just-in-time delivery and all those waste reduction initiatives, which were all developed in the automotive sector—are being brought into other industries, so it is not only banging out a widget; the skills, technologies and the capabilities are being developed as well.<sup>33</sup>

3.43 FAPM added that a number of other sectors would benefit from the expertise of the skills developed in the automotive industry:

In answer to your question, ultimately we have identified things like mining, med-tech and prefabricated construction, amongst others. There are a couple of others [as] well...Food production is a national imperative as well, which would benefit from the efficiencies in the automotive industry. As Richard said, I would say mining efficiencies as well as the global commodity price comes off—there need to be more efficiencies put into that industry.<sup>34</sup>

3.44 Unions Tasmania also suggested that any fund established should invest in skills, innovation, research and development as a priority to support sustainable business models in rural and regional Australia:

In our view, strong industry policy is needed to support our manufacturing and rural industries, particularly in the areas of innovation, investment, management skills, integration of Tasmanian businesses into national and global supply chains, access to new markets and, importantly from a Unions Tasmania perspective, organisational approaches in the workplace

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32 Dr Tom Skladzien, Australian Manufacturing Workers' Union, *Committee Hansard*, 5 February 2015, p. 12.

33 Mr Richard Reilly, Federation of Automotive Products Manufacturers, *Committee Hansard*, 5 February 2015, p. 6.

34 Federation of Automotive Products Manufacturers, *Committee Hansard*, 5 February 2015, p. 6.

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that give workers a greater say in workplace decisions and that ensure their ideas are actually listened to.<sup>35</sup>

### *Committee view*

3.45 The committee understands that a crisis in the manufacturing sector has very different causes from those that affect rural industries. Events such as the cessation of vehicle manufacturing in Australia will have catastrophic implications for the sector, causing a substantial loss of employment, skills and experience throughout the entire manufacturing industry.

3.46 Over recent decades, governments have provided significant investment and subsidies to car makers through initiatives such as the Automotive Transformation Scheme. Following the announcements by Holden and Toyota that they would cease production in South Australia and Victoria, this fund has understandably been curtailed. However, the committee is concerned that the programs put in place to assist those areas and workers affected by the closures may not fully exploit the skills, expertise and experience that the factories have developed.

3.47 The evidence received by the committee urged the government to take full advantage of the human capital that is available by developing initiatives focused on training, skills, research and development of technology. The committee was supportive of this proposed focus and encourages the government to consult broadly on the performance of current programs and the development of new investment initiatives to ensure opportunities are available for individual workers and the economy as a whole.

### **Recommendation 4**

**3.48 The committee recommends that future Commonwealth government investment is focused on training and skills development of the automotive workforce to allow them to transition their skills and expertise to other areas of the local and national economy.**

3.49 The committee was also interested in some of the proposals put forward to alleviate the issues regarding access to finance for the manufacturing industry. The committee acknowledges that the sector has some unique features which make it less attractive to commercial finance than other sectors. In the same way that the government supports the farming sector through concessional loans, the committee is of the view that analysis should be undertaken to explore extending this type of support to assist manufacturing businesses.

### **Recommendation 5**

**3.50 The committee recommends that the Commonwealth government consider extending concessional loan schemes to the manufacturing industry to support sustainable manufacturing businesses.**

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35 Mr Stephen Walsh, Unions Tasmania, *Committee Hansard*, 4 February 2015, p. 12.

### ***Barriers to recovery***

3.51 Aside from the barriers to maintaining an industry, the committee heard that there are substantial barriers to recovery in rural and regional areas, following a natural disaster or industry crisis.

3.52 Bob Elkington, the Economic Development Manager at the Murrindindi Shire Council, was involved in the recovery effort following the Black Saturday bushfires. Mr Elkington said that the initial focus on immediate social needs was understandable, but this approach excluded businesses which were critical in restarting the local economy but lacked the vital assistance required to re-establish themselves:

[P]eople tended to focus on their human and social needs. I guess the hierarchy of needs goes: myself, my family, shelter, food and the ones at the very bottom of the pyramid tend to be things like getting the business going again. It impacted a lot of businesses very, very heavily, and some businesses would not have got back up.<sup>36</sup>

3.53 The committee was made aware that public generosity during times of crisis can have unintended consequences. Mr Elkington described the impact of the public gifting of goods to disaster sites, and the effect this has on local businesses trying to re-establish:

[S]omething that the state government and local governments need to control more, is the massive influx of donated goods and gifted assets that our shire and others around us received. Controlling the flow and distribution of those is really important. We saw a number of businesses that were not in the flame impacted area close down because there were so many goods being gifted: white goods, work wear, footwear and clothing—that sort of thing.<sup>37</sup>

### ***Committee view***

3.54 Given the potential for businesses to be severely disadvantaged as a result of the donation of goods, the committee suggests that best practice guidance be developed to assist disaster response organisations manage public enthusiasm and fundraising efforts to ensure they are focussed appropriately.

### **Recommendation 6**

**3.55 The committee recommends that the Commonwealth government works with state and territory governments to develop best practice guidelines to assist stakeholders in managing post disaster recovery fundraising efforts and that these be disseminated widely.**

3.56 The Queensland Farmers' Federation made the point that a successful and sustainable community recovery requires rural business to be functioning again as quickly as possible:

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36 Mr Bob Elkington, Murrindindi Shire Council, *Committee Hansard*, 5 February 2015, p. 20.

37 Mr Bob Elkington, Murrindindi Shire Council, *Committee Hansard*, 5 February 2015, p. 20.



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[P]roviding assistance to farmers to speed up recovery assists the community at large to recover. Our experience is that prompt recovery of regional agribusinesses and other small to medium enterprises has a strong spill-over to the impacted regional economy.<sup>38</sup>

3.57 This view was shared by the Tasmanian Fire Service, which recognised that businesses are key to the recovery from a disaster such as a bush fire:

[I]n recognising the important community assets we are recognising in many cases businesses as well as other assets, because for a community to recover following the emergency we understand that in terms of the employment created business is extremely important.<sup>39</sup>

3.58 The TCCI discussed the profound impact the Port Arthur massacre had on both the local economy and the community itself, and the difficulties encountered in recovering from it. This was not only because customers and tourists stayed away following the massacre, but also because of the impact of the recovery efforts on the community. Ms Parr from the TCCI explained:

What happens is that, once a disaster has struck, the emergency services come in. The firefighters fight fires; the ambulances take away injured people; the police do whatever they have to do; a whole lot of bureaucrats descend upon the place, and after six weeks they all go home, saying, 'Incident managed.' And then some poor blond person, as I used to be, goes to do the job of community recovery. It becomes absolutely enormous. It is the economic issues. It is the fact that businesses in small communities are often marginal anyway. It is the fact that customers stop coming. They will not come to Dunalley or Port Arthur or whatever. So immediately you have an economic issue, never mind the real grief, social and personal issues.<sup>40</sup>

3.59 Ms Parr also expressed caution over the political response that could impact community and economic expectations further down the line. Her experience following the Port Arthur massacre was that significant promises were made in the immediate aftermath that heightened expectations, which ultimately were not met:

[T]he first thing I would say is that promises, while I can understand them being made in that emotional situation, need to be very guarded and very moderate—they need to be almost underpromised and perhaps overdelivered—because people are relying on a need for certainty in management arrangements—that what it is said is going to be done is done.<sup>41</sup>

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38 Queensland Farmers' Federation, *Submission No. 6*, p. 2.

39 Mr Michael Brown, Chief Officer, Tasmanian Fire Service, *Committee Hansard*, 4 February 2015, p. 21.

40 Ms Susan Parr, Chair, Tasmanian Chamber of Commerce and Industry, *Committee Hansard*, 4 February 2015, p. 5.

41 Ms Susan Parr, Chair, Tasmanian Chamber of Commerce and Industry, *Committee Hansard*, 4 February 2015, p. 5.

3.60 Mr Bailey from the TCCI was of the view that the lessons of the Port Arthur massacre were not learned in terms of how the bureaucracy approached the aftermath of the Dunalley fires:

What we did not learn in Tasmania was the experience of Port Arthur, because we rebuilt everything for Dunalley again, as far as how the bureaucracy and the community approached it. To me that is extraordinary, because a natural disaster, or a disaster such as Port Arthur, whether it happens in the north of Australia or the south, is probably going to have the same issues. To me, it seems like a terrific opportunity to put together some sort of process that just clicks into place that links all of the learnings from all of these experiences around Australia to come up with the guide that is used.<sup>42</sup>

3.61 This sentiment was shared by Mr Damian Bugg AM QC, the former Chair of the Tasmanian Bushfire Recovery Taskforce. Mr Bugg provided a number of suggestions to the committee on how recovery processes could be improved and be more effective and efficient. Included in this list was to allow the recovery to be managed with as few bureaucratic obstacles as possible, and to ensure the right people were selected to empower the community to take control of the process:

Ensure that the Recovery Directorate is properly staffed and not hide bound by red tape and oppressive meeting schedules. The people selected for the task should have good community savvy and connectivity. The best way to achieve an uncomplicated and effective recovery is to enable local communities to own their own recovery. This will not happen with the wrong people in charge.<sup>43</sup>

3.62 Mr Bailey also backed Ms Parr's advice that there are two distinct efforts required to recover from a disaster: an immediate response to the event; and a long term approach to the rebuilding and sustainable recovery effort to support the community in various ways:

One of the concepts that Susan talks about, which I think is very smart, is the need for two bodies to approach this sort of issue. One body is the immediate recovery body, almost like the war general. But also, at the same time, you need a group of people that are there for a much longer term, starting at the same point, and that are more like the peacetime general, to be working with the community on an ongoing basis, because it is a very different job indeed. One is that immediate fix. The next is that more long-term help for this community to regenerate.<sup>44</sup>

3.63 Oysters Australia raised the issue of government fees in relation to the regulation of seafood following a natural disaster, amplifying the costs to businesses:

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42 Mr Michael Bailey, Tasmanian Chamber of Commerce and Industry, *Committee Hansard*, 4 February 2015, p. 6.

43 Mr Damian Bugg AM QC, *Submission No. 18*, p. 4.

44 Mr Michael Bailey, Tasmanian Chamber of Commerce and Industry, *Committee Hansard*, 4 February 2015, p. 6.

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These natural disasters and crises can also be amplified by the high regulatory cost imposed by respective state Governments, particularly in the areas of Full Cost Recovery for Licence / Lease fees and plus the additional requirement of paying for comprehensive Shellfish Quality Assurance Programmes which are regulatory requirements for the safe consumption of shellfish. In some instances, Government charges have more than doubled in the space of 12 months.<sup>45</sup>

3.64 In many regional and rural areas staffing is a key factor in the success and sustainability of a business. In times of crisis the ability to retain staff is crucial to the recovery process. The Australian Prawn Farmers Association (APFA) submitted that post Cyclone Yasi, the Queensland Reconstruction Authority managed Wage Assistance program (CYWA) was critical in assisting their members to recover.

The Wage Assistance Scheme (WAS) was a critical element for laid off staff to be paid while recovery efforts and businesses were clearing debris, rebuilding operational facilities or waiting on assessors and insurance claims. WAS needs to be available under extreme circumstances for dedicated staff in any affected regional area where it can be difficult at the best of times to attract and retain a reliable workforce.<sup>46</sup>

3.65 The CYWA payments were administered by Centrelink and were available to employers to help maintain their workforce following the cyclone. Payments of \$469.80 were available for each full time staff member or full-time equivalent for up to 13 weeks.<sup>47</sup>

3.66 APFA noted the significant benefits of employing Industry Recovery Officers (IROs) during post-disaster periods. However, APFA was critical of the present practice of employing IROs for only a limited time. APFA was concerned that this practice eschewed valuable expertise and experience in a region that frequently suffers natural disasters such as floods and cyclones:

Queensland is usually hit at least once a year with a severe cyclone or heavy rain event – the IRO's who were employed at the time were only employed for one year. During that time they gained a lot of valuable information from those affected on the ground. Once their contract was finished in most cases they sought other employment taking with them valuable knowledge that could have been used in future events.<sup>48</sup>

### ***Committee view***

3.67 The committee heard from a number of submitters on how difficult it was for businesses to recover from disaster, and how integral businesses were to the overall recovery of a community. However the committee also received a number of valuable suggestions that could alleviate some of these problems. The experience of the TCCI,

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45 Oysters Australia, *Submission No. 4*, p. 1.

46 Australian Prawn Farmers Association, *Submission No. 1*, p. 2.

47 Queensland Reconstruction Authority, *Monthly Report - January 2012, Grant Assistance*, p. 41.

48 Australian Prawn Farmers Association, *Submission No. 1*, p. 3.

Murrindindi Shire Council and Mr Damien Bugg from the Tasmanian Bushfire Recovery Taskforce illustrated that there are tangible and achievable methods available that could be implemented elsewhere. These include suggestions for how businesses can be better prepared for disasters.

3.68 The committee would be keen to see the kind of practical advice contained in the Murrindindi Shire *Council Restore Your Business Community Practitioners Handbook*<sup>49</sup> made available to communities all over the country. The committee recognises the value of initiatives such as IROs, which have proved effective for particular industries during reconstruction and recovery efforts. To this end, the committee recommends that the government explore how best this information sharing could take place to assist communities to recover from natural disasters.

### **Recommendation 7**

**3.69 The committee recommends that the Commonwealth government works with state and territory governments to provide more information, practical preparation and recovery guides/advice for individuals, businesses and communities affected or likely to be affected by natural disasters.**

3.70 The committee noted how general post-disaster relief funding and assistance, such as the Disaster Recovery Allowance and concessional loans, can assist businesses affected by disasters to get back on their feet as quickly as possible. The effectiveness of providing resources to assist specific sectors and regions was well illustrated by APFA in their use of IROs. The committee commends these types of assistance measures.

### **Recommendation 8**

**3.71 The committee recommends that the Commonwealth government engages with state and territory governments and industry to ensure businesses are well-informed and resources are available to help expedite recovery following a natural disaster.**

#### ***Insurance***

3.72 The ability for a business to adequately insure its assets and ongoing capacity to operate in the event of a crisis was raised by several contributors to the inquiry. In Tasmania, the committee heard from the aquaculture industry which provided examples of essential infrastructure that was not covered in the event of a disaster, but was crucial to their ongoing operation. According to the Tasmanian Seafood Industry Council this was in contrast to the support that may be provided to land based businesses:

Some of the businesses impacted by the bushfire at Dunalley may have received some level of assistance to rebuild sheds and things like that. But when you talk about insurance one of the farmers there got burnt out. His tractor, shed and everything were insured, but he could not insure the

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49 Murrindindi Shire Council, *Restore Your Business Community Practitioners Handbook*. Available from <http://www.murrindindi.vic.gov.au/Home> (accessed 28 May 2015).

baskets he used to put the oysters in to contain them in the water. So that was a couple of hundred thousand dollars worth of equipment that was not insured.<sup>50</sup>

3.73 The TCCI discussed their experiences with their members who didn't have adequate insurance for all their assets, or business disruption insurance:

Most people do not understand what their insurance policies cover, and a lot of people are not insured for interruption of business...

The things that I would add to that are some of the experiences in Dunalley, I suspect, where insurance simply did not cover all things. An example was a local sawmill that had been in business for some generations. A lot of the equipment had been built by previous generations. Trying to get insurance for very important equipment that might be 60 years old was near impossible, and I suspect one of the reasons that that business did not reopen was the energy required by the sons and grandsons of the original owners to get this thing up and going again. It was almost easier just to step away and not have to worry about it, which led to 15 jobs being lost in the community, pressure on the local hotel and the local cafe et cetera.<sup>51</sup>

3.74 This view was echoed by Mr Elkington, from Murrindindi Shire Council, who said that in his experience of the Black Saturday bushfire recovery, many businesses had not planned sufficiently, and that 'in a lot of cases did not have adequate or any insurance, and most of them did not have any form of emergency plan.'<sup>52</sup> Mr Elkington suggested that this lack of insurance cover hampered the recovery of the businesses and the local communities because some businesses were just not able to recover.

3.75 Mr Elkington agreed with the Chair's comment that adequate insurance should be included as 'a must' in any list of requirements in any disaster continuity planning:

I think that would be a very strong message to business: if you intend to look to support post disaster, there are certain things you need to do. You need to have a business plan for a start. You need to have a business continuity plan and you need to have adequate insurance.

3.76 Mr Malcolm Cronstedt, Executive Director, State Emergency Management Committee Secretariat in Western Australia (SEMC) also highlighted the economic and safety benefits of mitigation and preparation in the context of insurance, and overall recovery from a disaster:

[A]ddressing the risk up-front...by mitigation and prevention represents [a] far better investment value than dealing with the result. Of course, mitigation reduces the cost of reconstruction and recovery, improves the availability and cost of insurance, contributes significantly to public safety

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50 Mr Neil Stump, Tasmanian Seafood Industry Council, *Committee Hansard*, 4 February 2015, p. 16.

51 Mr Michael Bailey, Tasmanian Chamber of Commerce and Industry, *Committee Hansard*, 4 February 2015, p. 5.

52 Mr Bob Elkington, Murrindindi Shire Council, *Committee Hansard*, 5 February 2015, p. 19.

generally, reduces the threat to those responders—volunteers are notable at the moment in the bushfires we are experiencing—and reduces the cost of hazard response.<sup>53</sup>

3.77 AUSVEG submitted that one of the advantages of an Australia Fund being established would be to encourage the 'uptake of multi-peril insurance'.<sup>54</sup> This was an issue also raised by Regional Development Australia in their submission. They agreed that a fund could add real value by supporting rural economies to mitigate against a number of risks through multi-peril insurance, and that this was an issue they were already discussing with key stakeholders:

Regional Development Australia Orana are currently working with partners from the farming, banking and insurance sectors, to develop an advanced model for risk mitigation in agriculture.

This model will include a mechanism for shifting from an emphasis on in-event drought support to business based risk mitigation via multi-peril insurance.<sup>55</sup>

3.78 The WA Farmers noted the benefits of multi-peril insurance products stating that they 'are market-driven mechanisms that cost the taxpayer virtually nothing', while ensuring that farms minimise their losses and continue to trade. Additionally, the WA Farmers state that the schemes not only transfer the risk away from the producer, they also diminish the risk to the taxpayer by reducing the need for costly drought schemes. However, WA Farmers did note 'that the relatively costly audit process [associated with multi-peril insurance] is a barrier to uptake'.<sup>56</sup>

3.79 The issue of a fund filling in the gaps where insurance was inadequate or did not exist was discussed with a number of contributors. The moral hazard, or inequity of a fund providing assistance to both those who had prepared for such an event, and those who had not, raised suggestions that there could be mechanisms in place where assistance was contingent on being prepared. With the benefit of his experience Mr Elkington supported the idea of conditions being placed on assistance with benefits accruing to those who had prepared:

We saw a lot of instances where a business was quite well-prepared and lost everything and another business in the same street may have had the same. The first business might have been fully insured, may have had a disaster plan and were just unlucky. The other business might have had limited or no insurance, but they were all eligible [for] the same amount of support. I think a federal process that enabled people to prove that they were pre-prepared for a disaster would be a very good thing.<sup>57</sup>

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53 Mr Malcolm Cronstedt, State Emergency Management Committee Secretariat, Western Australia, *Committee Hansard*, 5 February 2015, p. 23.

54 AUSVEG, *Submission No. 7*, p. 2.

55 Regional Development Australia Orana NSW, *Submission No. 8*, pp 2–3.

56 WA Farmers, *Submission 12*, pp 2-3.

57 Mr Bob Elkington, Murrindindi Shire Council, *Committee Hansard*, 5 February 2015, p. 21.

3.80 The SEMC in Western Australia also discussed the importance of ensuring that there was no disincentive for businesses not to be adequately prepared because they thought they would be adequately covered by the post-disaster reconstruction and recovery response. Mr Cronstedt quoted from a book by Richard Sylves who referred to the situation as a 'moral mazard':

It is a term that has been coined by a chap by the name of Richard Sylves in a book called *Disaster Policy and Politics*, and I will just quote a bit that is quite pertinent. He says that it:

Creates a type of **Samaritan's dilemma**: providing assistance after a catastrophe reduces the economic incentives of potential victims to invest in protective measures prior to a disaster. If the expectation of disaster assistance reduces the demand for insurance, the political pressure on the government to provide assistance after a disaster is reinforced or amplified.<sup>58</sup>

3.81 The TCCI agreed that this was a situation to be avoided:

That certainly could be an unintended consequence—businesses saying, 'I'm not going to worry about my insurance because this will cover me.' That is not the outcome we would be looking for.<sup>59</sup>

### *Committee view*

3.82 The committee agrees with contributors who highlighted the importance of adequately insuring business assets and potential loss of business due to a catastrophic event. The impact of not having adequate insurance for the individual business and for the recovery of the wider community is very significant—not to mention the potential impact on the taxpayer. The necessity to adequately insure individual and/or business assets should always be highlighted in any disaster preparation/contingency planning information for communities at risk of floods, bushfires or any other disaster.

3.83 However, the question of whether it is the job of government to intervene in the insurance market brings a complex set of other considerations into play. Direct intervention through regulation is not necessarily the best option, nor is the expectation that the taxpayer will refund all preventable loss or insurable assets. The role of government does not extend to prescribing how businesses conduct their internal affairs and manage business risks. Government encourages greater self-reliance that includes an expectation that adequate planning for all contingencies including insuring against risk is undertaken by businesses. Government can however continue to assist by investigating, developing and disseminating well-researched information to allow businesses to make informed decisions about their risks. Sustainable approaches, such as drought and disaster mitigation, broader technological

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58 Mr Malcolm Cronstedt, State Emergency Management Committee Secretariat, Western Australia, *Committee Hansard*, 5 February 2015, p. 23.

59 Mr Michael Bailey, Tasmanian Chamber of Commerce and Industry, *Committee Hansard*, 4 February 2015, p. 8.

approaches, greater investment in new processes and skills all offer better solutions for those involved.

## **Conclusion**

3.84 The role of government goes to the essence of this inquiry—how it supports rural and manufacturing industries and communities affected by natural disasters. The inquiry's terms of reference sought responses to a number of issues related to natural disasters and how government can assist during such times. Unfortunately the committee did not receive any submission regarding many of these issues.

3.85 For example, the committee did not receive any evidence on how an 'Australia Fund' would be resourced or structured. Likewise, the committee received no evidence that a single fund would assist in filling the gaps in the current provision of support available for economic crisis and natural disasters.

3.86 With regard to these gaps, the committee welcomes the emphasis on sustainability and self-reliance in the farming sector through concessional loans, but is of the view that more work needs to be done on how best these loans and their eligibility criteria are structured to ensure they provide the most benefit. Nevertheless, the committee supports the expansion of the concessional loan model to the manufacturing sector where access to finance is proving a barrier to sustainability.

3.87 The committee agrees with many submitters that more investment in mitigation and preparedness strategies is required. As mentioned in Recommendation Two, assisting with greater utilisation of technology, including the development of new skill sets, could improve productivity and also help farmers, manufacturers and communities to better prepare and deal with unforeseen events more effectively.

3.88 In the committee's view, targeted and comparable support for businesses is available at both a state and federal level. Initiatives like the Farm Household Allowance, when considered alongside Centrelink employment support for non-farming households, suggest a coherent approach is being taken by government with regard to households as well.

3.89 Overall, the committee considered the evidence it received, and where appropriate, recommends improvements in areas where issues have been brought to its attention. However, without evidence to respond to the issues raised in the terms of reference, it is not able to recommend the establishment of an Australia Fund.

## **Recommendation 9**

**3.90 The committee does not recommend the establishment of an Australia Fund.**

**Mr Andrew Laming MP**  
**Chair**







# **Appendix 1**

## **Submissions and tabled documents**

### **Submissions**

- 1 Australian Prawn Farmers Association
- 2 Coonamble Shire Council
- 3 Confidential
- 4 Oysters Australia
- 5 Wildcatch Fisheries South Australia
- 6 Queensland Farmers' Federation
- 7 AusVeg Limited
- 8 Regional Development Australia
- 9 National Farmers' Federation
- 10 Australian Dairy Farmers
- 11 Grain Growers
- 12 The Western Australian Farmers Federation
- 13 The Australian Manufacturing Workers' Union (AMWU)
- 14 Federation of Automotive Products Manufacturers (FAPM)
- 15 Local Government Association of Tasmania
- 16 Rural Business Development Corporation
- 17 Murrindindi Shire Council
- 18 Damian Bugg

### **Tabled documents**

#### **Public hearing, Hobart, 4 February 2015**

Tasmanian Fire Service

- When bushfires are burning out of control – remember our priorities
- Your guide to using the Community Bushfire Response Plan
- Your guide to Community Bushfire Protection Plans

#### **Public hearing, Melbourne, 5 February 2015**

Murrindindi Shire Council

- Business Preparedness and Recovery – mind map



# **Appendix 2**

## **Public Hearings**

### **Witnesses at Canberra, 1 December 2014**

#### **Attorney-General's Department**

Ms Samantha Chard, Assistant Secretary, Emergency Management Policy Branch  
Mr Aaron Verlin, Acting Assistant Secretary, Emergency Management Branch

#### **Department of Infrastructure and Regional Development**

Ms Robyn Fleming, Executive Director, Local Government and Territories Division  
Mrs Glenda Kidman, General Manager, Norfolk Island and Reconstruction Programmes, Local Government and Territories Division  
Mr Greg Wicks, Director, National Disaster Recovery Taskforce, Local Government and Territories Division

### **Witnesses at Hobart, 4 February 2015**

#### **Institute of Marine and Antarctic Studies, University of Tasmania**

Professor Chris Carter, Head of Centre

#### **The Tasmanian Chamber of Commerce and Industry**

Mr Michael Bailey, Chief Executive Officer  
Ms Susan Parr, Chair

#### **Unions Tasmania**

Mr Stephen Walsh, Secretary

#### **Tasmanian Seafood Industry Council**

Mr Neil Stump, Chief Executive

#### **Tasmanian Fire Service**

Mr Michael Brown, Chief Officer

#### **Western Australian Farmers Federation**

Mr Dale Park, President

**Witnesses at Melbourne, 5 February 2015**

**Federation of Automotive Products Manufacturers**

Mr Richard Reilly, Chief Executive Officer  
Mr Mounir Kiwan, General Manager

**Australian Manufacturing Workers Union**

Mr Andrew Dettmer, National President  
Dr Tom Skladzien, National Economic and Industry Adviser

**National Farmers' Federation**

Mr Simon Talbot, Chief Executive Officer

**Murrindindi Shire Council**

Mr Robert Elkington, Manager, Economic Development

**Western Australian State Emergency Committee**

Mr Malcolm Cronstedt, Executive Director

**Department of Industry and Science**

Dr Anne Byrne, General Manager  
Mr Paul Sexton, General Manager

**AusVeg Limited**

Mr Richard Mulcahy, Chief Executive Officer  
Mr Andrew White, Deputy Chief Executive Officer  
Mr William Bulmer, Director

