
5 Exceptional Circumstances declarations

Key points

- The Exceptional Circumstances (EC) declaration, which is used to trigger the availability of assistance for drought, relies on both climatic and economic factors.
- The application of EC criteria has failed to distinguish between droughts defined as those that would be expected to be managed, and those which are beyond the ability of even the most prudent farmer to manage.
- To the extent that climate becomes more variable over time and between regions in the future, any definition of EC areas will be of little relevance in scoping the extreme nature of drought impacts.
- The EC declaration process lacks transparency and accountability. Recommendations about declarations are not made public and farmers and organisations involved in preparing applications receive no feedback other than the final decision.
- Placing lines on maps for EC boundaries is divisive within and between communities and can result in farmers in similar circumstances being treated differently in terms of eligibility for assistance.
- While EC declarations are generally made in a reasonably timely manner, determining the end of declarations is problematic.

5.1 Introduction

When the 1992 NDP was developed, Commonwealth, state and territory governments agreed that drought should be viewed in the context of a risk that could be managed by primary producers. The focus of drought policy was intended to be on how governments could aid producers to be prepared for and become self reliant during drought events. The NDP states:

The role of government is ... to assist farmers enhance their skills in key areas of risk management, business planning and natural resource management. (DAFF 2008e, p. 5)

As noted in Chapter 4, the 1990 Drought Policy Review Task Force recommended that farmers should manage all forms of drought as it was not possible to make an adequate distinction between severe and lesser drought.

But despite the recommendation of the Drought Policy Review Task Force, policy makers sought to make a distinction between ‘normal’ and ‘severe’ droughts. The Senate Standing Committee on Rural and Regional Affairs, when asked to assess appropriate government responses to the recommendations of the Drought Policy Review Taskforce initially stated that:

The Committee is of the view that individual landholders within rural industries should be responsible for preparing and managing variable climatic and seasonal conditions. However, it considers that there are limits to the self-reliance of farmers to cope with severe drought. Invariably, as drought worsens, self-reliance will diminish. Therefore, even with sound management and planning, it may be difficult for a primary producer to withstand the effects of the most severe drought.

The Committee considers that the Commonwealth Government has a responsibility to provide additional assistance in severe drought, as it is in the national interest for the Commonwealth Government to protect and maintain Australia’s agricultural base and productive capacity, particularly Australia’s breeding herd and flock. (Senate Standing Committee on Rural and Regional Affairs 1992, pp. xv-xvi)

This led to a distinction between manageable normal and unmanageable severe drought events within Australia’s drought policy. Severe droughts were initially thought of as those years in which rainfall over three months or more was in the lowest 5 per cent of historical records. Such droughts are thought to have occurred approximately every 18 years. However, the time between these events over the past 150 years has varied from 4 to 38 years (BoM 2003).

The distinction between normal droughts and severe droughts meant there was a need to assess drought events against a criterion that would allow for severe droughts to be recognised. The rationale behind declaring an area as experiencing an EC event is to recognise circumstances which ‘are rare and severe and beyond the ability of even the most prudent farmer to manage’. If a severe drought was declared, it would then represent a trigger for assistance. In recognition that no one standard definition of drought was appropriate, the criteria used to evaluate drought events incorporated both climatic and economic factors. EC events are characterised by the NDP as events which:

- are 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)
- cannot be planned for or managed as part of a farmer’s normal risk management strategies.

Further to this, the economic effects of an EC event must be discrete and not form part of any long term structural adjustment processes or normal fluctuations in commodity prices (DAFF 2008e). Also, events that are insurable, covered under the National Disaster Relief and Recovery Arrangements, or by existing Commonwealth, state or territory measures, are excluded from consideration.

Applying the EC criteria

The process for applying for an area to be declared as experiencing an EC event involves community and industry organisations, state and territory governments and the Commonwealth. Community and industry organisations and state and territory governments are required to put together a ‘justifiable application’ (box 5.1).

There are two key steps:

- concerns by community or industry bodies about an event are to be raised initially with the relevant state or territory government
- following the notification of concerns, and provided that the relevant state or territory government believes an application is justifiable, it will work in conjunction with the community or industry body to develop an application to the Commonwealth Government (declarations can be regional and/or industry based).

The onus is on the community or industry body, along with the relevant state or territory government, to provide the necessary objective evidence to support an EC application and to set appropriate boundaries for the application area (DAFF 2008e — see box 5.2 for examples of recent applications).

Box 5.1 **Criteria for a justifiable application**

State and territory governments are required to assess local conditions based on the EC criteria. Applications must demonstrate that the event is rare and severe, has resulted in a rare and severe downturn in farm income over a prolonged period, and that the event was not predictable or part of a process of structural adjustment. Applications are then assessed by the Commonwealth Government using data from the National Agricultural Monitoring System (NAMS), the Australian Bureau of Agricultural and Resource Economics (ABARE) and through on-ground inspections by the National Rural Advisory Council (NRAC).

Rare and severe event

A rare event is one which is believed to occur only once on average every 20 to 25 years. A rare event is believed to be severe if it is of a significant scale — affects a significant proportion of farm businesses in the application area. Applications for EC must demonstrate that multiple factors combined to form the event being assessed (for example, drought combined with severe or abnormal frosts).

Applications put forward by state and territory governments must include information supporting the event being classified as rare and severe (meteorological, agronomic and environmental), the location of the affected area, the timing and duration, the occurrence of a sustained adverse impact on incomes of producers, and the impact on crop and livestock production and farm viability across different industries.

Rare and severe downturn in farm income

For an event to have a rare and severe impact on farm incomes the event must adversely affect incomes over a period longer than 12 months. Evidence in support of this should include information to provide an historical comparison (production and yield levels along with average cash incomes), actual and forecast effects of the event on production and yield levels along with average cash incomes and average debt levels.

Not predicable or part of a process of structural adjustment

The provision of EC support is not intended to interfere with the process of structural adjustment brought about by current pressures (such as declining terms of trade) or any foreseeable changes (such as policy changes that may have been known about for some time). Applications must provide information to provide evidence that the current downturn in farm incomes is due to the discrete event under consideration.

Source: DAFF (2008e).

Box 5.2 **Recent EC declarations**

Some recent examples of successful EC area applications are the Western Australian application for the Northern Wheatbelt and Northern Areas of the Eastern Wheatbelt and the South Australian Yorke Peninsula application.

Northern Wheatbelt and Northern Areas of the Eastern Wheatbelt, Western Australia

The EC application was based on climatic events during 2006 and 2007. These two years represented the two driest successive years on record within the region, and as a result led to 50 per cent fall in crop production. Characteristics of these years that were reported as exceptional were:

- in 2006, late summer rainfalls meant significant costs were incurred by producers to control summer weeds and, due to rainfall timing, left little residual soil moisture for the growing season. During the growing season rainfall was significantly below average for the entire region
- in 2007, with low summer rainfall and little stored soil moisture, the growing season that followed had similar rainfall patterns and amounts to 2006. Low rainfall was exacerbated by high temperatures and strong wind events during autumn and winter. There was also a reported low prospect for spring rain.

Yorke Peninsula South Australia

This EC application was based on climatic and production conditions over the five year period between 2002 and 2006. The events which led to the declaration were:

- in 2002 there was significantly below average rainfall, poor yields, high fodder prices.
- in 2003 there was average to below average rainfall, poor yields, poor grain quality, with producers unable to replenish fodder reserves due to high prices in 2002.
- in 2004 there was a late break to the growing season and good winter rains. But hot October winds impacted yields, grain quality and available fodder. The pasture growing season was significantly shortened requiring producers to feed livestock.
- in 2005 there was average to above average seasonal conditions and good yields but poor commodity prices. Pests such as black tip were a problem, with hay spoilage and snail impact experienced in some areas due to late season rains. Some farmers had to supplementary feed livestock for third consecutive season.
- in 2006 there was good start to the grain and pasture season but many areas finished with decile one rainfall resulting in poor yields and little or no feed. Frosts and snails were also experienced by some which affected germination of crops and pastures.

Source: DAFF (2008 unpublished).

Once an application is received by the Commonwealth Government a prima facie assessment is conducted by the Department of Agriculture, Fisheries and Forestry. This process involves a desk-based assessment of the application supported by information from the Bureau of Rural Sciences (BRS) through the National Agricultural Monitoring System (NAMS) (box 5.3) and economic data supplied by ABARE. If a prima facie case for declaration is established, access to the EC support payments is available (through the interim support payments) and the application is forwarded to the National Rural Advisory Council (NRAC) for formal assessment.

Box 5.3 National Agricultural Monitoring System

NAMS is a web based tool that was designed to streamline the EC application process for producer and community groups and for state and territory governments. NAMS has been in place since July 2006 and provides historical data and predictions on both broadacre dryland and irrigated agricultural industries. Data are available at a spatial scale allowing for individual regions to be analysed.

Development of NAMS was instigated by Primary Industries Ministerial Council, and the project is funded by the Commonwealth, state and territory governments. The objectives of the project are to:

- provide relevant and comprehensive data from a system that is user friendly and client focused
- provide a centralised access point for those data
- provide quicker and cheaper access to data than pre-existing sources
- enhance the timely identification of an emerging EC event
- allow users to apply data to areas equivalent to local government areas
- identify other uses, for example more objective state drought declarations and improved approaches to risk management.

An independent review of the system concluded that NAMS had successfully met its objectives and found NAMS to be a highly valued information system. It has reduced the time and resources required in preparing applications. For assessors, NAMS has ensured standardised content that is consistent for all users. An internal assessment by BRS also found that NAMS led to a significant productivity improvement with staffing levels considerably reduced despite the volume of reports and the amount of information provided to NRAC increasing four-fold.

Sources: Wickles and Windle (2007); BRS (2008 unpublished); NAMS (2008)

NRAC comprises representatives of the Commonwealth, state and territory governments along with a representative from the National Farmers' Federation and experts in the areas of economics, financial administration, banking, sustainable agriculture and farm management. (NRAC has a number of roles outside the EC process, including providing information to government on rural adjustment, regional issues and education and training, but in recent years the majority of their workload has been EC related (NRAC 2006).) NRAC tours an affected area consulting with local producers and businesses. Assisted by information provided by BRS and ABARE it then makes a recommendation to the Minister for Agriculture, Fisheries and Forestry in relation to the EC application. Drawing on this advice, the Minister decides whether or not an area should be declared an EC region.

Once an area has been declared, farmers, farm businesses and farm dependent rural small businesses can apply to access the EC support programs. To be eligible for income support, farmers and farm dependent rural small businesses owners must first acquire an EC certificate from Centrelink, which identifies them as being located within an EC area.

There is no set duration for EC assistance once an EC event is declared. Each event is assessed separately and therefore the length of time assistance is available varies. Despite this, the duration of available assistance is generally based on one year of experiencing the event and one year of recovery. Timelines may be altered with respect to the production systems affected (for example, expiry of an EC declaration might be altered from two years to the time when producers receive incomes from crops harvested in the recovery year). If the event is believed to have not ended on expiry of the declaration period, the EC declaration will only be extended if a new application is received from state or territory governments.

5.2 Assessing the EC declaration system

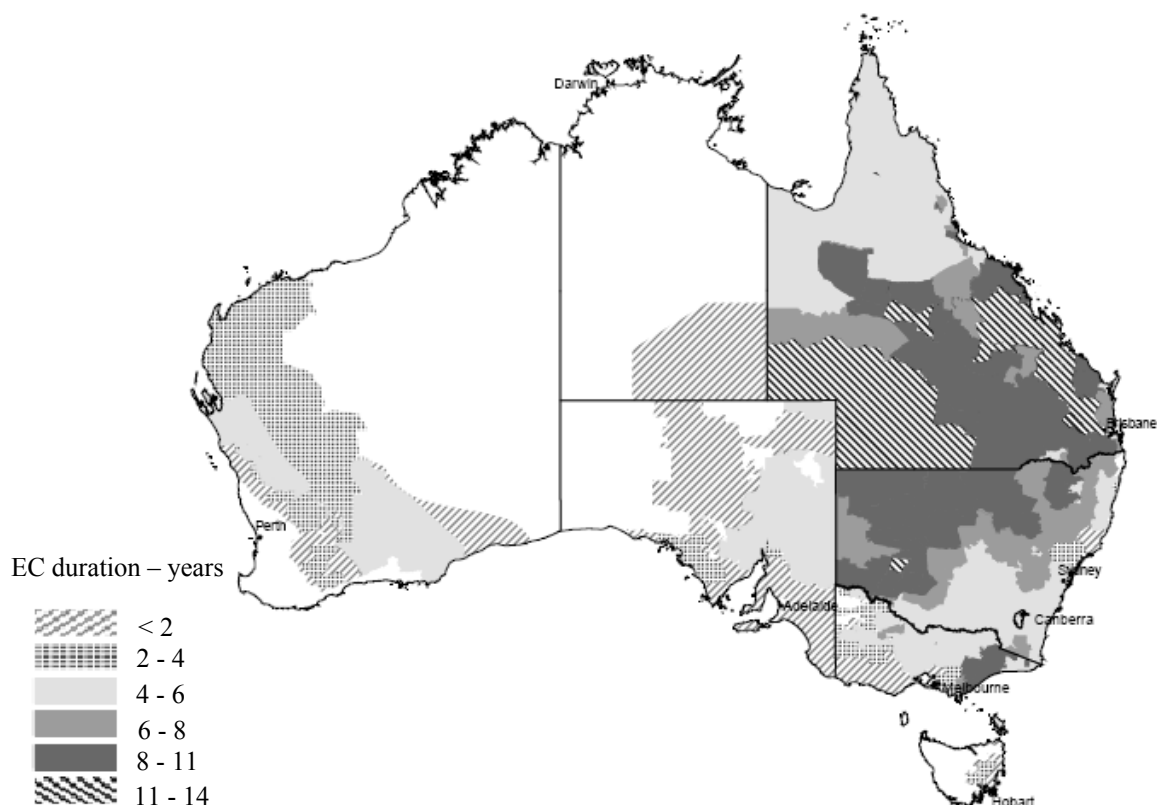
This section assesses issues relating to the effectiveness and efficiency of the process of identifying exceptional circumstances.

Frequency of EC declarations

The EC criteria are not solely based on climatic conditions. For an area to be considered to have experienced an exceptional event, a climate based event must occur in combination with another event (need not be climate related), and must be rare in the sense that it occurs on average only once every 20 to 25 years. Despite this, many areas have been declared as experiencing exceptional circumstances with

a significantly greater frequency, even after allowing for the period given for recovery (figure 5.1). Indeed, over the 17 year history of the NDP some areas have been EC declared for 14 years. Many of Australia's agricultural producing regions in Queensland, New South Wales and Victoria have been under an EC declaration for at least 8 years during this period.

Figure 5.1 Duration of EC declarations, 1992–2008^a



^a Includes only declarations based on a drought event (irrespective of industry).

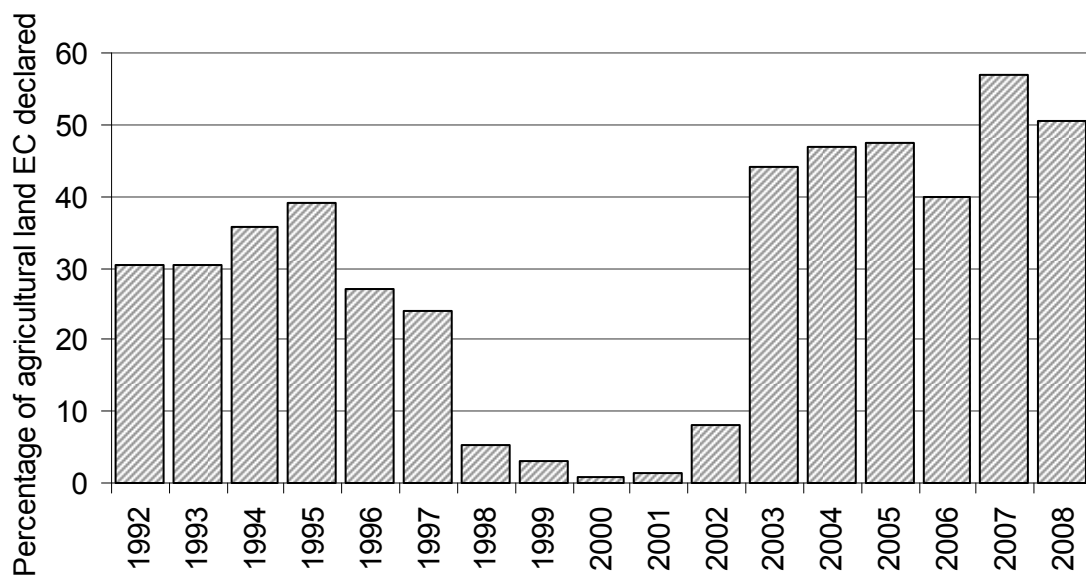
Data source: BRS (2009 unpublished).

Between 2003 and 2008, there was a significant increase in the proportion of agricultural land declared as experiencing an EC event (figure 5.2). Over this period close to 50 per cent of all agricultural land was under an EC declaration compared with an average of close to 30 per cent for the early years of the NDP (1992 to 1997) and close to 5 per cent between 1998 and 2002.

There are a number of reasons why declarations may have occurred more frequently than expected (in addition to the latest drought's severe and prolonged nature progressively exacerbating regional conditions) including:

- inappropriate criteria used for evaluation and too broad a focus for the definition of a rare and severe event — the combination of two or more random events
- poor implementation
- incentives within the system which lead to a bias in favour of declaration.

Figure 5.2 **Percentage of agricultural land EC declared, 1992–2008**



Data source: BRS (2008 unpublished).

The EC criteria

An EC declaration is based on the occurrence of two or more events in combination, at least one of which must be related to climate. Given the relatively short history of climate records, the potential for two or more events to have occurred in combination over the historical record is low, making such events more likely to be viewed as a 1 in 20 to 25 year occurrence (and thus declarations more probable). Indeed, declarations have been made in more than 5 per cent of the 17 year operation period in many areas. Further, in declared areas the majority of producers have managed without EC support, and there has been no evidence of a significant increase in departures from farming (chapter 2). This suggests that, while the policy was designed to delineate between severe droughts that not even the most prudent farmer could manage and lesser droughts, the criteria as applied have been unable to do so.

Rainfall and soil moisture data for Australia highlight the inability of the EC process to effectively identify exceptional droughts (it should be noted that such data do not directly reflect hydrological drought conditions). Measured as rainfall and soil moisture levels that are in the bottom 5th percentile based on historical records, around 3 per cent of Australia on average experienced exceptionally low rainfall over the NDP period 1993-2008, rising to just over 5 per cent for the period 2002-2007. On average, up to 12 per cent of some regions experienced exceptionally low soil moisture levels over the drought period 2002-2006 (table 5.1 — for regions see chapter 3).

Table 5.1 Average area experiencing exceptionally low rainfall and soil moisture
Selected years

<i>Region</i>	<i>Exceptionally low rainfall</i>		<i>Exceptionally low soil moisture</i>	
	<i>1993–2008</i>	<i>2002–2007</i>	<i>1993–2006</i>	<i>2002–2006</i>
	%	%	%	%
Queensland	3.9	7.5	6.5	9.0
New South Wales	5.0	10.7	5.7	11.4
Victoria & Tasmania	7.0	14.1	4.5	6.2
Southwest Australia	3.4	5.4	3.3	6.6
Northwest Australia	2.4	5.6	3.4	1.6
Murray-Darling Basin	4.8	11.4	5.2	10.9
Southwest WA	9.0	10.6	4.6	11.7
Australia	3.1	5.1	–	–

Source: Hennessy et al. (2008).

Despite this, over the same period, vastly more of Australia’s agricultural land has been declared as experiencing an EC event (table 5.2). Average agricultural area declared as experiencing an EC event from 1993 to 2008 was 29 per cent, well above the average area experiencing exceptionally low soil moisture and rainfall. New South Wales, for example, had an average agricultural area of 50 per cent under an EC declaration for the 15 year period, rising to 88 per cent for the period 2002-2007. Yet only an average of 11 per cent of the state had exceptionally low rainfall for the same period, with 11 per cent also experiencing exceptionally low soil moisture (2002-2006).

Table 5.2 Average agricultural area EC declared
Selected years

<i>State</i>	1993–2008	2002–2007
	%	%
New South Wales	50	88
Victoria	29	51
Queensland	49	48
South Australia	20	38
Western Australia	11	25
Tasmania	11	8
Northern Territory	3	4
Australian Capital Territory	31	67
Australia	29	41

Source: BRS (2008 unpublished).

Given predictions of a changing climate, the use of an historical record to measure rare events is problematic and creates a risk that any trigger based on this record could be activated more often than intended within the policy framework (Hennessy et al. 2008). With rising temperatures and mixed forecasts for rainfall, the risk of rare drought alone (defined where rainfall is in the lowest 5th percentile on the historical record) is likely to increase. According to BoM-CSIRO, attempts to incorporate climate trends are believed to provide no useful improvement. As stated by BoM-CSIRO:

... this approach has already been modelled (based on 20, 30 and 40 year moving ‘training windows’) and shown to result in no useful improvement. This is partly due to the lags in responses, since operationally the ‘training windows’ have to be historic. (Hennessy et al. 2008, p. 19)

Such an approach has the added disadvantage of arbitrarily specifying what time horizon should be used in the record — for example, should it include the wet decade of the 1950s and extend further back to the drought of the 1940s. Also, alternatives to using historical data, such as analysis on the basis of future predictions, are open to significant uncertainty over the accuracy of predictions and the need for continual updating of the record as new modelling techniques and climate predictions become available.

Implementation

The EC declaration process has a number of checks which aim to support the integrity of the process. Data on climatic conditions within drought affected regions are supplied by BRS through NAMS, with economic information supplied by ABARE. However, due to the coarse scale of much of the information (for example,

in some regions rainfall data are only available from somewhat scattered weather stations that may not provide a good representation of local conditions), NRAC undertakes tours of affected areas to ‘ground truth’ the information provided. This involves committee members holding consultations with a wide range of local producers.

Despite this consultative process, recommendations made by NRAC regarding the appropriateness of a declaration are not made public. Instead, the recommendations are provided directly to the Minister for Agriculture, Fisheries and Forestry, who then makes the declaration decision. In addition, the applications for EC declaration by state and territory governments in conjunction with local groups are not made available for public scrutiny, and little feedback is provided to these groups apart from the final decision (NSW Farmers’ Association, sub. DR182).

This lack of transparency in the declaration process provides scope for all parties to act strategically.

Incentives within the system

Farmers, their lobby groups and local communities along with state, territory and Commonwealth governments face different payoffs from an EC declaration and thus have differing incentives to bring about a declaration. Combined with the lack of transparency, these strategic behaviours have the potential to create a number of inefficiencies.

The participants in the EC declaration process act sequentially. Farmers and their lobby groups are the first to engage in the process by alerting state and territory governments to the perceived severity of the drought they are experiencing. After contact from these groups, state and territory governments decide whether to work with them and submit an application to the Commonwealth.

For farmers (along with some small businesses), a declaration provides the trigger to be able to apply for EC payments along with other support payments made available from state and territory governments (although some states have their own drought triggers). Given this, there is likely to be little incentive for farmers, their lobby groups and local communities to not proceed with an application when they believe there is some chance of a declaration. However, this is likely to be tempered as some farmers may not wish to be involved in the declaration process if they feel a reluctance to be seen to be asking for government support (Wahlquist 2003). There are also costs incurred in preparing applications.

For state and territory governments, declarations enable farmers and related businesses to access support programs for which the costs are mainly incurred by the Commonwealth. State and territory governments are also seen to be responding to the needs of their electorate. By supporting an application, they avoid any political costs associated with a lack of action. As suggested by the Murray Lands Regional Development Board Inc:

It would be reasonable to claim that [the] State Government would support applications for EC declaration as it assists them in shifting a part of the financial burden that falls upon the state. (sub. 68, p. 3)

In addition, Botterill and Chapman proposed that:

... the funding arrangements have reduced incentives for State governments to act as effective gatekeepers for dubious applications for EC declarations. (sub. 52, p. 3)

For the Commonwealth, a declaration also allows the government and individual ministers to be seen as responding to the needs of the community. In 2007 the Minister for Agriculture, Fisheries and Forestry extended the expiry date of 38 EC areas, stating:

The extension of 38 EC areas to September 2008, will give farmers greater security as they continue to battle through this cruel drought. (McGauran 2007a, p. 1)

Another example of the Commonwealth Government's response, when faced with groups under stress, is that a number of interim assistance areas were declared by the government in September 2007. None of the communities subsequently attempted to build a case for EC status. The Tasmanian Minister for Primary Industries and Water, D. Llewellyn, indicated that:

The Tasmanian Government does not support an extension of the interim declaration. The North West Coast, King Island, parts of the North East and other regions not in full EC declaration simply do not meet the criteria ... But the ending of the interim declaration next month does not affect relief to the drought-afflicted full EC regions of Tasmania. These are distinct matters. One was an election stunt. The other is a proper evidence-based relief arrangement. (Llewellyn 2008, p. 1)

The absence of a transparent assessment process together with uniform end dates (which suggests that individual regional characteristics and production cycles were not taken into account) and the lack of subsequent EC applications provides some indication of how governments react to potential pressure.

Given the incentives facing each of the participants in the declaration process, it is probable that an EC event would be declared more often than would be expected given the stated criteria. It can also create an expectation of government support, altering the behaviour of some farmers who may see the availability of EC declaration as a form of fallback insurance against drought (Ha et al. 2007).

Placing lines on the map

A regularly reported criticism of the EC declaration process is the need to define boundaries around affected regions. Such boundaries necessitate lines being placed on maps in order to delineate those who can and those who cannot receive assistance.

Placing lines on maps allows for assistance to be limited to those who have been affected by a declared drought event. It also excludes those in other areas who may meet the specific eligibility criteria for relief payments or interest rate subsidies, but as a result of factors such as falling commodity prices rather than drought. Such targeting places limits on the overall cost of support to governments. This cost saving, however, is diminished by the fact that assistance measures still require individual assessments to determine eligibility.

Lines on the map that fully encompass those affected and exclude those not affected by a drought are difficult to develop. In practice, lines on maps are developed around arbitrary boundaries such as roads, shire boundaries and rural lands protection board areas. In this respect, boundaries have the potential to be divisive, as stated by the NSW Government:

Eligibility is determined by ‘lines on a map’ rather than by the individual needs of farm businesses or households. This creates equity issues as those outside the line can be in similar circumstances to those who are eligible. (sub. 90, p. 4)

This was also reported by the Expert Social Panel:

EC policy was reported as having created feelings of division and resentment, particularly by farmers who have successfully managed and adapted to prolonged dryness towards those farmers eligible for EC assistance. (Kenny et al. 2008, p. 14)

Further, the coarseness and availability of the data used in assessing areas makes defining drought areas difficult. Data on climatic conditions within drought affected regions are typically available for the EC declaration process on a 25 square kilometre grid. In some parts of Australia, this is sufficient to describe drought conditions, but in others (for example, parts of South Australia and Queensland) this scale is either considered too coarse, with rainfall data at this level considered an unsatisfactory representation of local conditions, or not available. The Rangelands Drought Taskforce noted that:

The current EC declaration requires good regional weather data to support the regional application, in the Outback regions of South Australia the data was not available due to the sparseness of weather stations and delayed the application submission by 6 to 8 months. (sub. 60, p. 5)

The creation of a buffer area around the EC declaration lines was an attempt to reduce the arbitrary nature of EC boundaries. Buffer areas are used where conditions and their impact have been highly variable along boundary lines, and whilst varying for different EC areas, have commonly taken the form of a 7 km area around the existing boundary. However, buffer areas equate to a widening of the existing boundaries and thus shift existing lines without avoiding potential inequalities of having lines on the map in the first instance. As put by the South Australian Country Women's Association Incorporated:

Geographical boundaries do cause a problem in that adjacent areas are excluded because, on the whole, that adjoining region is not experiencing severe drought conditions. Example: a farm situated on the southern boundary of a region is EC declared whilst the neighbouring farm, located outside of the EC declared area, is excluded. Buffer zones can be just as discriminatory. (sub. 72, p. 5)

The addition of buffer zones has added to the confusion over whether some farmers are eligible for assistance. It is also questionable whether suitable buffer areas could be established if initial lines were difficult to develop.

Recognition of tough times

Throughout consultations to this inquiry, many producers stated that EC declarations also provided an important public recognition from governments that producers were facing difficult circumstances outside their control — a sentiment also expressed in earlier reviews (Drought Review Panel 2004). For example, as stated by AgForce:

In many cases the simple approval of EC to Farmers who would never qualify [for assistance] has provided great psychological comfort to them in that the wider suburban community recognises how tough things are. (sub. DR185, p. 2)

On the other hand, there can be detrimental consequences for communities of using EC declarations to indicate that circumstances are 'tough'. For example, one South Australian farmer suggested that:

The process of EC declaration focuses the community away from confidence in the future to examining victim status and the community mindset then changes to rights. This polarises an outlook of self help and focuses people on a mental search for eligibility. (J. Berger, sub. DR138, p. 2)

To the extent that EC declarations entrench a perception that there is little that could be done to mitigate drought impacts, the process has the potential to work against the NDP objective of encouraging greater self-reliance.

Timeliness of declarations

The process of assessing applications for EC necessarily requires investigations of the rarity of climatic conditions and claims of drought impact. The ANAO (2005) found that during 2002-03 and 2003-04, while most applications for EC declaration were processed by NRAC in 7 weeks, some took up to 23 weeks. In other years, average processing times have varied considerably (table 5.3).

With the introduction of NAMS in July 2006, processing time has reduced compared with the previous two years. Despite this, compared to assessment times over the 2001 to 2003 period when a similarly high number of applications were received, there has been little improvement. However, for those areas with limited available data and the need for NRAC to 'ground truth' conditions, it would be reasonable to expect assessments to take several months explaining, in part, the variability seen in processing times.

Table 5.3 NRAC processing time for EC applications, 2001 to 2007

Year	Applications	Average weeks
	No.	No.
2001	2	13
2002	15	9
2003	45	10
2004	9	19
2005	3	18
2006	9	11
2007	14	14

Source: DAFF (2008 unpublished).

Declarations for EC are, by their nature, ex post and thus producers suffer a degree of hardship prior to support becoming available. The subsequent lack of responsiveness in assistance measures was believed by some to be a failure of the EC system. For example, the Coonamble Shire Council stated:

EC legislation needs to be changed or removed to enable a more responsive intervention. The process by which EC status is determined and the requirement for EC zones to have a certain minimum size or minimum number of producers is problematic as it delays an effective response and creates unsupportable inequities. Drought support should be based on area and level of need with support provided on the basis of individual need.

Drought assistance should be focused on being responsive in times of severe drought. Other programs of assistance should be utilised to ensure farmers and regional small business are able to adapt to a changing climate. (sub. 63, p. 5)

The transition out of an EC declaration also carries concern. Some inquiry participants expressed a view that movements out of declarations are too sudden and do not allow sufficient time for businesses to recover. Many participants considered that while the usual process of allowing one year for recovery was suitable for one-off drought events, with prolonged conditions it did not allow for enough time for recovery. It was suggested that recipients of assistance were unprepared for survival post-EC without government support. As put by the Queensland Farmers' Federation (QFF):

... what is relevant to this Review is that the current operation of the EC policy offers no clear steps to transition farmers still needing assistance. QFF finds it incongruous that some 3,400 farm families and small businesses can be in receipt of assistance for an "Exceptional" event one day, and the next day a third of them are cut off.

For the record this followed the Advisory Council's inspections for "agricultural recovery" in Queensland and its failure to adequately assess the hydrological issues and low water allocations. As a consequence some of the 13 Queensland EC regions had assistance abruptly ended 15 June 2008 when a wider assessment would have suggested otherwise. QFF estimates this immediately impacted up to 1,200 farmers with no suitable transition arrangements for many of them. (sub. 82, p. 8)

Again, the lack of transparency in the revocation process is likely to have contributed to the concerns expressed over decisions made to end declarations — particularly given differences in post drought recovery speeds between agricultural industries and between regions. Further, in cases where the process has failed to identify exceptional events, the need for extended transitions is questionable.

Cost of the declaration process

There are extensive costs involved in preparing an EC application. The EC declaration process broadly includes the costs of: preparing applications for EC status consideration; assessing applications for EC status and extensions of that status; providing recommendations to the Commonwealth Government Minister for Agriculture, Fisheries and Forestry; and implementing EC declaration decisions. These costs are likely to vary considerably between drought years and may be higher in those years for which more applications for EC status are made.

Despite the presence of NAMS, the application process is data intensive. As put by the South Australian Government:

The process has ... highlighted a range of issues including the cost of the process, both in time and in dollars ... Given that applicants for EC support were, quite appropriately, still required to go through the 'second gate' of eligibility assessment once a region had been declared, the cost-benefit of the current application process for EC declaration is debatable. (sub. 91, pp. 2-3)

The South Australian Government suggested that the cost of individual EC applications equated to close to \$65 000 (sub. 91). This was made up of costs relating to state government support to develop applications including case studies of the affected regions, along with in-kind support and contributions provided by local stakeholders.

At the Commonwealth level, in 2007-08, NRAC, the main organisation involved in the assessment of EC applications, incurred expenditure of around \$440 000 — approximately \$275 000 of this was for travel and the remainder was remuneration to council members. However, this does not include the cost of staff within the Commonwealth Department of Agriculture, Fisheries and Forestry who are directly or indirectly involved in the NRAC processes.

In addition, approximately \$1.2 million was set aside in the 2007-08 budget (on a 50 per cent cost sharing arrangement between the Commonwealth and state governments), for the maintenance and extension of NAMS. The Commission has only limited information on these costs for other years or for other agencies involved in the EC declaration process (including the Commonwealth agencies BRS and ABARE and the numerous state agencies and industry organisations which are involved in preparing applications).

Overall, the Commission considers that any process that attempts to declare areas according to the severity of drought is inappropriate, ineffective and inequitable.