

31st October 2008

Commissioner Woods
Productivity Commission
Canberra

Commissioner

I refer to your media release yesterday, and the preliminary findings made from your inquiry on drought support.

There are several issues you have commented on regarding drought support which are pertinent, and other issues you have not commented on which are just as relevant.

The exceptional circumstances system is anachronistic and too open to bureaucratic manipulation. The declaration process for E.C support is found deficient in the area of what defines a region for assistance and how the duration of assistance to that region is evaluated. The overall system lacks transparency and credibility.

What the Productivity Commission fails to mention is that the highly restrictive criteria used by this and the previous government in determining eligibility for E.C. The restrictive definitions used has resulted in less than 10% of farmers receiving any help.

Your release also fails to mention that:

1. There is a multitude of responses by differing jurisdictions drought support that are inconsistent and unjust. When a farmer on the south bank of the Murray River can obtain water rate and council rate relief (Victoria), but the same farmer in N.S.W gets no support at all shows, there is no uniform national response to this issue. Such border discrepancies is what forced farmers to call the Federation Conference in Corowa in 1892.
2. Drought support expenditure is insignificant when compared to the taxation collected from drought effected regions. Ever rising taxes and charges, levied by government and public agencies, is simply sucking drought support money back to the capital cities.
3. Farmers are paying expensive water charges in N.S.W, when the government knows that there was never any likelihood that any water would be delivered to the paying farmer.
4. Water charges have risen 600% since 2000 (550% above the inflation rate) and has been no water to deliver . There has been zero allocation since 2005.

5. State government cost shifting to local government, is increasing land rate charges on drought farms. Local councils are struggling to meet ever increasing costs from cost shifting state government programs. Council meet this budget shortfall by collecting more rating tax from drought farms.
6. Money collected in council rates in N.S.W is nearly twice the amount spent by government on drought support. This tax is charged on our only means of production (land) irrespective of whether there has been rain to generate output or income.
7. South West N.S.W and North East Victoria, once safe and traditionally high rainfall regions with highly productive farms, is the epicentre of this prolonged drought. Since 2001, rain fall has declined of 60% relative to the long term average. No amount of business / farming preparation or training can prepare any one for such a rapid and extended change in operating conditions.

I find a thorough report analysing both government response to drought, **but also the unyielding array of taxes and charges placed on our nation's farms** would give a clearer "productivity statement" by your commission. To show what is really happening in the area of drought support in Australia a broader report is warranted.

I look forward to such a report by the Productivity Commission which considers all aspects of drought funding, some of which I have mentioned above.

Yours Sincerely

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