



Northern
Territory
Government

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Inquiry into Government Drought Support
Productivity Commission
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Thank you for the opportunity to comment on the Productivity Commission *Draft Inquiry Report: Government Drought Support* ("the draft Report") released on 30 October 2008. Comments on the draft Report and recommendations relating to drought support in the Northern Territory follow. Recent recipients of drought declarations in the Northern Territory are the producers in the Alice Springs with large leaseholdings in the order of 3 800 km². These comments are made in that context.

The contents of this submission are not confidential.

Given the predicted impacts of climate change, there is no question that incentives must better encourage producers to manage the risks to their business enterprises, with adverse climatic conditions amongst those risks. The Northern Territory Economic Development Framework highlights the importance of business support and training programs to build the capacity and capability of businesses.

A Model for Future Drought Support

The Australian Government's FarmBis program was successful in encouraging a continuous learning mindset with Central Australian producers. The FarmBis training subsidy, as a major part of the training cost (contribution 75-80% in the Territory), encouraged uptake of learning opportunities. With the demise of FarmBis, and the lack of a replacement program at this point in time (with guidelines for FarmReady still under preparation) momentum has not been maintained. Continuous learning must be continuously encouraged and FarmBis offered opportunities to producers to increase their levels of training over time.

In the Northern Territory the majority of FarmBis training subsidies were delivered to the pastoral industry (both emerging Indigenous and mainstream producers) in the order of 70% of participants. The funding caps on the proposed new FarmReady program are unlikely to see the same benefits distributed to the Northern Territory.

A study of FarmBis in the Northern Territory undertaken in 2006 as part of a FarmBis-funded Targeted Industry Initiative project showed that once producers have entered the learning cycle, they continued to participate and to participate in higher order learning.

Focus group studies indicated that FarmBis training course participants would be less able to attend future training if the subsidy was reduced. This result was not surprising and obviously producers can pay 100% of their training costs, but if incentives are to be offered towards improved business risk management training, incorporating climate change risks, then the FarmBis model has proven to be of benefit to Central Australian producers.

The strategic group overseeing the program's delivery in the Territory consisted of members of industries (by coincidence rather than design). This shared understanding of industry needs was a contributor to the success of the program in the Territory.

The Food and Agriculture Reference Group (Corish) Report (p. 113): *Creating our Future: Agriculture and Food Policy for the Next Generation*, amongst other recommendations, pointed to the need for building on the FarmBis model towards an enhanced partnership approach to training and education.

Indigenous Enterprises

The draft Report contains limited assessment of the impacts of drought support arrangements on Indigenous farming enterprises. The importance of working with Indigenous communities and fledgling enterprises to deliver economic benefits to regional areas cannot be underestimated in the Territory, where nearly half of the land mass is owned by Indigenous interests. Any drought support arrangements must also benefit both emerging and future Indigenous enterprises. The FarmBis model, in its broad focus to include land management training meant that specific training programs could be developed for Indigenous enterprise development. Any proposed program for future drought support must also meet the needs of such businesses.

Northern Territory Drought Assistance Arrangements

As your draft Report has indicated (p. XXXII) the arguments presented against transaction subsidies are that they increase input costs and encourage retention of stock with adverse environmental outcomes. While recognising this may apply generally, the Northern Territory Drought Assistance Arrangements (available by navigating from www.nt.gov.au/d/Primary_Industry/) provide only for breeding stock freight subsidies. The purpose of the breeding stock freight subsidy is to encourage the early removal of the core herd of breeding animals to protect the resource base and facilitate recovery of the business enterprise, upon their return. Both destocking and/or restocking options are available.

Payments are evidence-based (using waybills and invoices) and only made for transport of breeding animals to agistment elsewhere such as other non-drought affected parts of the Territory or interstate (no transport to abattoirs or of steers or non-breeding age animals). While \$20 000 per property per year does not allow for large-scale movements of animals, its purpose as an incentive can be argued in the positive. In terms of adverse market impacts, it should be remembered that transport services suffer the impacts of drought and this small incentive is more likely to have positive flow-on effects to that service industry and to protection of the resource base, than negative impacts.

The Northern Territory Drought Assistance Arrangements are clear about their shortened life time, explicitly acknowledging this and the national agreement to remove transaction-type subsidies. They are also subject to budgetary considerations, so may not be offered in any particular year. The description of this incentive as livestock transport subsidy alongside the transport and fodder subsidies offered by New South Wales and Queensland is slightly misleading and in terms of total payments made, would not be in the same league.

Equity in Delivery

For any new assistance program or assistance measures proposed for delivery to the Northern Territory, a major issue is equity in delivery. This applies equally to Territory Government agencies as to the Australian Government and has within-Territory and between jurisdiction dimensions.

The key considerations for ensuring equitable delivery to the Northern Territory are:

- the ability for producers to access electronically delivered services
- a data paucity, for example for rainfall, due to the wider distribution of weather stations in the Territory; this and other data is often a critical input into assessment processes but is not collected with the same intensity as within other jurisdictions
- the high transaction cost of assistance measures, for example the proposed FarmReady training subsidy program will be of less benefit to producers who have to travel long distances to access training
- recognising the important land stewardship role that producers with large leaseholdings play in the broader landscape.

The first point is made as it is often an assumption in national program design that all producers across Australia have equitable access to information services.

For producers in central Australia, there are not only the difficulties arising from spatial separation due to large holding sizes but also the separation enhanced by difficulty in accessing information services. This applies to such systems as those which require producers to make applications for assistance using electronic systems, access to weather and other relevant land management information and management and decision-support tools.

In delivering any future support arrangements, transaction costs must be kept to a minimum. The use of Centrelink for programs which can be suitably delivered by that organisation offers obvious economies of scale. However, programs with a broad range of criteria may be more appropriately delivered by organisations with networks closer to the clients.

If assistance to producers is considered on a per square kilometre basis, rather than a per business enterprise basis, the picture presented is a different one. Based on this concept, the importance of the Central Australian region in terms of the scale of the landscape must be recognised. Government investment should recognise this land stewardship role and be commensurate with the scale of the property, not just the scale of the enterprise.

Welfare Safety Net

There has been nil uptake of welfare safety net programs in the Northern Territory during the current drought; however the need for such assistance is widely recognised in the Territory.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Rod Gobbey', written in a cursive style.

ROD GOBBEY
Executive Director Primary Industries

16 December 2008