

Rural Financial Counselling Service NSW - Central West Inc.

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**Inquiry into Government Drought Support
Productivity Commission
Locked Bag 2, Collins St East
Melbourne Vic 8003**

RE: INQUIRY INTO GOVERNMENT DROUGHT SUPPORT

On behalf of the Board and staff of Rural Financial Counselling Service NSW – Central West (RFCS – CW), please find attached our further comments following the release of the ‘draft’ report and the series of round tables and hearings held by the Commission enquiring into Government Drought Support.

Any questions or issues regarding this submission can be directed to the CEO, RFCS-CW on the contact details as listed.

Thank you for this opportunity to have an input into your response to Government regarding this matter.

Yours sincerely

A handwritten signature in black ink that reads "Caldbeck". The signature is stylized with a large, sweeping initial 'C'.

Jeff Caldbeck

CEO

Rural Financial Counselling Service NSW – Central West

INQUIRY INTO GOVERNMENT DROUGHT SUPPORT

RFCS-CW SUBMISSION - No 2

1. Inquiry Background

The Productivity Commission had been asked to undertake a public inquiry into the current government drought support arrangements in Australia. The Commission had been asked to identify the most appropriate way for governments to assist farmers, farm businesses and farm dependent rural small businesses improve their self-reliance and preparedness for drought events.

Specifically, the Commission is requested to:

- report on the appropriateness, effectiveness and efficiency of the Commonwealth, state and territory governments' business support and income support measures;
- identify impediments to improving self-reliance and preparedness for periods of financial difficulty; and
- identify the most appropriate, effective and efficient responses by Commonwealth, state and territory governments, to build self-reliance and preparedness to manage drought.

The Commission's Draft Inquiry Report was released on 30/10/08, and the Commission has now invited interested people and organisations to register their interest and make a written submission(s), to the 'draft' report and following the series of roundtables and hearings held by the Commission.

2. Responses to the Draft Report

2.1 Roundtables & Hearings

The Commissioner's should be commended in the manner by which they conducted the Mildura and Dubbo roundtables, as well as the Sydney hearing. I found throughout the three forums they (Commissioner's) were thorough and at the same time very considerate of the attendees.

The roundtables gave opportunity for strong discussion and input from a range of attendees including RFCS, NSW Farmers, citrus growers and a varied range of key stakeholders, and the forums were well appreciated.

2.2 Identified Draft Recommendations (need for further consideration)

2.2.1 Draft Recommendation 8.2

Rural Financial Counselling Services (RFCS)

In the past ten (10) years the RFCS program has been subject to various reviews and scrutiny as to its effectiveness and reason for being. Following the 2004 review of RFCS, the industry has undergone significant change that culminated in the second half of 2006, when the rationalisation of services across Australia took effect.

State based and large regionally based organisations now manage the service delivery across the nation, addressing and implementing professional management functions, strengthening the governance and audit processes, and controlling the effective use of manpower across vast areas of drought ravaged rural farming land.

DAFF has recently introduced a new program of client assistance for RFCS's to adopt and rollout, whereby clients will be subject to comprehensive case management by Rural Financial Counsellors (RFC's), to ensure that they receive a total support package of assistance that should guarantee that when decisions are made about their farms and their futures, that these clients will be extremely well informed and supported.

This process does now include:

- an assessment of the clients situation;
- referral to additional supporting agencies, Government Departments or private consultants;
- advocacy or support of clients in discussions with creditors;
- the development of future options often with the referral to technical expertise;
- additional information that will clarify opportunities, and
- ongoing support as changes are implemented be they, modification to farming systems, restructure of the farming operation or exiting from agriculture.

It can be seen that in many ways these new protocols will be a return to the way longer term and those more experienced counsellors operated in times before the introduction of Exceptional Circumstances. Since then the demand on counsellors' time for assistance in applying for Government Support Programs, particularly Interest Rate Subsidies (IRS) has seen less or little time to follow up more specific issues with those clients who need their assistance. The process of RFCS amalgamations since 2006 and a more stable workplace has also seen an increase in the number of counsellors that now allows service providers to again consider a more holistic service delivery under the case management approach that concentrates on achieving outcomes for both our clients and funding bodies.

We believe that the further amalgamated Central West Service, now supporting over 58% of NSW, does perform very well and does provide the Federal and State Government's with very good value for money.

Of concern is the issue of whether the RFC's whilst undertaking their role are perceived to be providing "advice". Previously counsellors have provided information and client assessments by way of outlining what options were available to their clients and not advice. This has then meant that DAFF has promoted the RFCS program as a "free no advice" service.

It is important to state however that this situation needs to be critically reviewed by both the service providers and Government for its currency. RFC's are qualified as counsellors, not accountants, or tax agents, or financial planners. The industry is very conscious of the issues relating to any unforeseen compromises to existing local 'paid' service providers such as accountants or other professionals, and the need to work with them.

2.2.2 Draft Recommendation 6.2

Exceptional Circumstances Interest Rate Subsidy (ECIRS)

It is a significant objective of the DAFF program to empower families to be self reliant of Government support, however we believe that ECIRS or a similar program will need to continue after the EC period expires to help alleviate significant pressure during this period, as in many cases it may still be considerable time (6-12 months) before viable income to the client is available after the EC period ceases. This is due to periodic income for many business's or purely due to a lag in the flow on effect for small business.

It is again stressed that a possible reduction in assistance by 25% in the first year after EC ceases a further reduction of 25% in second year and a subsequent 25% in the third year. This will assist those that are unable to fully come back into production after one season.

2.2.3 Draft Recommendation 6.1

Exceptional Circumstances Relief Payment (ECRP)

This has been essential for many families and for many the only means of funding food and household necessities. The ECRP or a similar program (Draft Recommendation 9.1) should also be continued after the EC period ceases for a similar time frame to that of the ECIRS and if recipients receive sufficient income from their business (farming or other) it would minimise or discontinue payment due to exceeding required income limits.

There is general agreement by the Service with Draft Recommendation 9.1, temporary income support for all farmers facing hardship.

2.3 Other Issues

2.3.1 Exceptional Circumstances Exit Programme

It is believed the exit programme should still exist in some form and not be linked necessarily to EC. It may be utilised to assist farmers who are in desperate situations and wish to leave and also look at it with possible succession to younger generations as well. Maybe assistance to for older generation to leave and linked to assistance to younger generations in taking over in the form of grants of similar value.

2.3.2 Draft Recommendation 8.4

The Service is in agreement with the recommendation that FMD's be retained.

2.3.3 Other Opportunities and Impediments to Farming Sector Structural Adjustment

1. There may be many impediments to farmers, farm businesses and farm dependant rural small businesses improving self-reliance and preparedness for periods of drought causing financial difficulty, and at present many have not been able to produce sufficient residual surplus income due to low commodity prices, drought, climatic damage to cropping – frost, hail, prior to the drought, to set aside funds to manage the financial difficulties.
2. The 'internship' of young farmers needs to be addressed as a matter of urgency.
3. Incentives to young farmers can include income contingent loans for younger farmers getting established (to help reduce initial debt burden and hopefully prevent viability threat during adverse periods in the first five years).
4. The availability of FMD's should be extended to other small business that may be adverse to seasonal or climatic income variations (Share farmers, contractors, small business associated with farming etc). Incentives may be in the form of taxation incentives such as accelerated depreciation for certain capital works.
5. Training farmers in business, farm and financial management is essential with accessibility child care facilities, timing and distance are key factors affecting the uptake and effectiveness of training
6. Review of legislative requirements of farm recording and reporting of activities, including livestock identification systems, crop chemical recording, completing the BAS for GST, farmers are finding the "paper requirements" too difficult and in some cases failing to comply with requirements is easier than trying to learn or pay someone to assist.
7. The Service believes that the issue of 'Gifting' of the farm and the identified ramifications resulting from this course of action need to addressed as a matter of urgency.

3.0 References

- <http://www.nff.org.au/farm-facts.html> NFF fact sheet sourced from Australian Bureau of Statistics, Agricultural Commodities 2005/2006). modelling by Econtech for the Australian Farm Institute, Australia's Farm Dependent Economy Report, 2005.
- Australian Government Productivity Commission, Trends in Australian Agriculture 2005
- The Australian Bureau of Statistics, Value of Principal Agricultural Commodities Produced, Preliminary 2006/2007
- Discussion Paper, RFC Rob Muffet, RFCS-CW Forbes
- Discussion Paper, RFC Cath Mabbott, RFCS-CW Gilgandra
- Creating our Future – Agriculture and Food Policy for the Next Generation, 2005