



AGRICULTURE AND ENVIRONMENT COMMITTEE

Members present:

Mr GJ Butcher MP (Chair)
Mr SA Bennett MP
Mrs J Gilbert MP
Mr JE Madden MP
Mr EJ Sorensen MP

Staff present:

Mr R Hansen (Research Director)
Mr P Douglas (Principal Research Officer)

PUBLIC HEARING—REVIEW OF THE DROUGHT RELIEF ASSISTANCE SCHEME

TRANSCRIPT OF PROCEEDINGS

MONDAY, 18 APRIL 2016

Brisbane

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Committee met at 9.02 am

KEOGH, Mr Mick, Executive Director, Australian Farm Institute

CHAIR: Good morning, Mick. How are you today?

Mr Keogh: Very well, thank you.

CHAIR: That is good. My name is Glenn Butcher and I am the chair of the Agriculture and Environment Committee. Welcome. I declare this meeting of the Agriculture and Environment Committee open. I would like to acknowledge the traditional owners of the land on which this meeting is taking place today. My name is, as I said, Glenn Butcher. I am the member for Gladstone and the chair of this committee. Other members with me today are Mr Stephen Bennett, the member for Burnett and our deputy chair; Ms Julieanne Gilbert, the member for Mackay; Mr Jim Madden, the member for Ipswich West; and Mr Ted Sorensen, the member for Hervey Bay. The member for Mount Isa, Mr Robbie Katter, is not able to be with us at the moment.

We are meeting today to hold hearings for our review of the Drought Relief Assistance Scheme. The committee is conducting its review in accordance with its public accounts responsibilities as specified in section 94 of the Parliament of Queensland Act 2001. The hearings will finish by 11 am today. These hearings are formal proceedings of the parliament and subject to the parliament's standing rules and orders. The committee will not require evidence to be given under oath, but I remind any witnesses that intentionally misleading the committee is a very serious offence. The meeting today is being transcribed by our parliamentary reporters and broadcast live on the parliament of Queensland website. We welcome all of those who are watching.

I now welcome our first witness for today, Mr Mick Keogh, from the Australian Farm Institute. Would you care to make a brief opening statement for the committee?

Mr Keogh: Drought policy in Australia is something that has been evolving for perhaps most of the last 100 years and I am not sure that anyone would consider that there has been a confirmed landing point arrived at. It seems that each time a new situation evolves there is a new twist or part to the story. The series of reviews that was conducted in late 2008 through to 2010 on the basis of the experience of the so-called millennium drought that extended in most of eastern Australia from 2003 to 2009 probably signalled an evolution in drought policy in Australia. That was subsequently brought together by the governments of Australia through the agricultural ministers and the COAG process reaching an agreement in April 2013 about what future drought support policy should look like.

To some degree, that agreement has been given effect by some of the measures subsequently adopted by state governments as part of their component of that agreement, but I think a look around the various states would tell you that there is a degree of variation in what has been adopted and some would argue that they are in a transition towards some of the measures that have been proposed. Broadly speaking, the proposal was that, at the Commonwealth level, the main focus would be on ensuring that adequate welfare support was available to farm families. That is the Farm Household Allowance arrangement that has been put in place. It was a longstanding inequity in that someone owning a very expensive house in the city could obtain welfare support in periods of low income without having to account for the asset value of the family house, yet a farm household effectively would have, in previous times, to sell the farm before being able to get access to that. The introduction of the net assets test that is now associated with the Farm Household Allowance and also the support measures around that with counselling and financial advice have gone a long way towards addressing that inequity that was part and parcel of the difference between, for example, welfare measures available in regional and in urban areas of Australia. My observation in conducting drought reviews at various different levels is that that measure has been greatly appreciated and has the advantage of taking the immediate stress out of a farm household. Rather than worrying about how much of the overdraft can be used for household food, clothing, schools—the local grocery bills et cetera—that measure has put in place a welfare support that is well regarded in terms of the benefits that that brings to the farm household by de-stressing the situation in terms of everyday living costs.

The other parts of that April 2013 agreement were basically to do away with transaction subsidies and to not have business support measures in place, such as the old interest rate subsidies. They have been adopted to varying degrees by the different states. Of course, the federal government almost immediately after that April 2013 agreement implemented the low-interest loan schemes in its various different mechanisms, which was not included in that 2013 agreement. So it is a history of agreements and then responses and reactions to particular situations. I think we are getting closer to some sensible drought policy in Australia that avoids some of the worst aspects of previous measures. It is an evolution rather than a revolution in terms of getting to the point where there is a general agreement that what is in place is a sensible and necessary measure.

CHAIR: Thank you, Mick. I appreciate that you probably do not have a detailed understanding of the ins and outs of Queensland's Drought Relief Assistance Scheme, but from what I have seen of your research you certainly are across the issues at a national level. Queensland's scheme has historically been focused on using transaction subsidies on feedstock and so on to keep graziers afloat during periods of drought. Are things broadly similar in other states and territories that you know of?

Mr Keogh: No, somewhat different. Queensland has had, as I understood it—and I may have the number wrong, but it is either \$30,000 or \$40,000 or something like that—as a direct grant to those in areas that are declared drought affected or to those who can demonstrate from their farm records that they are drought affected according to the definition. That sort of measure applied in New South Wales up until—and I may be wrong in the year—as I understand it the middle of 2015, I think, or it may have been 2014. That ceased at that time. In New South Wales, there are not currently transaction subsidies available. The measures that are available are, obviously, the Farm Household Allowance at the Commonwealth level and then the concessional loan arrangements that originate from the Commonwealth but are administered through the Rural Assistance Authority in New South Wales. The New South Wales government has also put another number of other measures in place, such as support for farm business planning and risk management and a few of those sorts of things, but more in the training and community support mode than in terms of direct support for individual farmers. I also understand—and I may be incorrect in this—that Victoria, Tasmania, South Australia and Western Australia similarly do not have transaction subsidies as part of their drought support policies at the present time.

CHAIR: Thank you.

Mr BENNETT: Good morning, Mick, and thank you very much for your time. One of the things that we have been grappling with as a committee is how we get some equity, as you mentioned in your report. The multiperil crop insurance model has been tossed around. I primarily want to ask you about your experience with remote education. One of the things that has been happening for this committee is that there have been a lot of presenters who have talked about the tragedy of drought and the need for a balance. Have you ever heard of an investigation into some sort of similar insurance scheme for remote education, similar to the multiperil crop?

Mr Keogh: No, I have not, I am sorry.

Mr BENNETT: Has it been raised with you previously, though?

Mr Keogh: Would that be different in the sense from more or less the HECS arrangement?

Mr BENNETT: I think we are talking about significant fees for keeping kids of all ages in private schools, because there is no choice. There is no internet—

Mr Keogh: No, I understand that well, but I am not aware of proposals around that.

Mr BENNETT: Thank you, Mick.

Mr MADDEN: With regard to multiperil crop insurance, have you considered the possibility of that extending to graziers of cattle and sheep, or is it only possible to have that sort of insurance with crops?

Mr Keogh: There are a couple of answers to that. As you can understand, it is much more difficult with livestock because livestock are portable and it is much more difficult to keep track of them, although in relation to the cattle industry the NLIS provides some better mechanisms to potentially implement something like that. The experience in the US is that they have only recently, in the most recent iteration of the farm bill, moved to extend what is effectively revenue insurance across to the livestock industries. I know there are some considerable difficulties in that mainly from the point of view that it is harder to keep track of livestock than a crop planted in a particular paddock.

I think the jury is still out from the US perspective in terms of how that might work because the situation in the US until quite recently has been quite buoyant livestock prices and no real call on low revenue situations. That is changing at the moment with the pork industry but not with the beef industry and not at this stage with other industries. It is very early days yet and the US has much stronger information at the individual farm level given its long history of farm level subsidisation. They have a very large database of information about farm performance over an extended period of time to work off.

In terms of crop insurance, as you would be aware, the US government subsidises the premium cost of the multiperil insurance scheme in the US to the tune of about 65 per cent. In other words, the farmers pay about 35 per cent of the actual premium cost. The government pays 65 per cent and the farmers can also opt to top that up to a higher level of insurance which they obviously pay the additional premium on.

I think the view in the US has been a faint hope over a long period of time that the US government would eventually withdraw from being involved in subsidising the premiums. That has not happened. I guess the US government's view is they come at it from the point of view of a long history of direct farm payments which obviously went up enormously in bad seasons or bad price years. Under the insurance arrangements they subsidise the premium but private sector underwriters deliver the product to farmers. In a very bad year, the underwriting cost for the US government stays roughly the same—roughly about \$8 billion—but the insurance companies pay the additional payout in terms of the claims that are made against the policy.

The US government's perspective seems to be at least we know how much we are going to have to pay for this program each year, and we do not get hit with enormous variations and very big bills in drought years. They are coming from their background of previously paying out very large amounts of money in bad years. They prefer this approach which basically caps the annual commitment from taxpayers.

In Australia we are coming from a very different perspective in that there has not been this history of very large annual payments going to the farm sector. Governments have tended to look at multiperil crop insurance purely from the point of view of the effect on the budget bottom line of any subsidisation or any cost support for that. I think there is merit in thinking about it more from the point of view that if such a scheme were successful it would perhaps reduce the call on government drought funding support into the future. Maybe there is an argument that to get the systems up and running there does need to be some government support, but the risk is whether governments would ever eventually be able to withdraw from that support at some stage in the future.

Mrs GILBERT: Good morning, Mick. As a committee we did tour around some of the drought affected areas and we saw the consolidation of some small farms into large businesses. This obviously has an impact on the ability of those operators to prepare for and withstand droughts. It is a matter that we need to be aware of and—

Mr Keogh: I am sorry, you are cutting in and out. Could you repeat the question?

Mrs GILBERT: Certainly. The question is about the restructuring of the agricultural industry and the impacts of drought resilience. We have seen the consolidation of small-scale farms into large businesses. Obviously this has impacts on the ability of those operators to prepare for and withstand droughts. It is a matter that we need to be aware of in any attempt to redesign Queensland's current scheme. Are the trends that produce these changes stable? Are we likely to see any major changes in the ownership and the intensity of grazing businesses in the medium to long term?

Mr Keogh: That is an interesting question. I say that partly because the quality of statistics we have on this issue is somewhat problematic. Even the simple definition of what constitutes a farm business differs between the ABS and ABARES, and therefore they have two different sets of numbers. Of the number that we can track, it seems as if the reduction in the number of farm businesses averages at about 1½ per cent per annum. It has been on that trajectory for about the last 20 years and does not seem to show much variation. Whilst we looked at the millennium drought that finished in 2009-10, wherever you happened to be, and assumed that might accelerate the process of consolidation, it does not seem to have done so on the aggregate statistics.

The difficulty is that what we are seeing is a growth in numbers of quite small-scale farms—in other words, farms with less than \$100,000 turnover. What is driving that is that most of those are deriving almost all of their net income each year from off-farm sources. There are smaller farms located around regional centres which might be running cattle and the owner works in town or drives a truck or has another occupation that allows them to afford the lifestyle of farming. That group seems to be relatively stable, if not increasing. I think the squeeze is on in the middle—between about

\$100,000 and half a million turnover. That is where those farms tend to either end up drifting towards the smaller end of the spectrum if they are close to regional centres or have amenity value that means they can be subdivided and be attractive to purchasers, or they are moving towards consolidation into that top 20 per cent that account for about 75 per cent of the total output. That is the difficulty. We do not have good visibility on those numbers and how the changes are occurring.

I think it is that middle group—between half a million and \$100,000 annual output value—that is being consolidated. The question is whether that is going to be specific to a particular region. For example, I know in New South Wales—I am not so sure in Queensland—we have some areas, the soldier settlement schemes, where that group is getting squeezed pretty quickly. They are in a regional location and that is having an impact locally. In other situations there is not that collection of farms in that size category that are facing that squeeze so much. Some are less noticeable. It is a moving picture and it is hard to see (a) whether that is occurring and (b) whether the measures that are in place in terms of drought support are easing that occurring or exacerbating that occurring. That is an unknown question at this stage.

Mr SORENSEN: Out of all the states in Australia, which one would you suggest would be the best formula for this drought assistance?

Mr Keogh: I am a very strong supporter of the Farm Household Allowance system administered by the Commonwealth, from doing a couple of reviews of drought policy and being on the ground in all of the different states. That seems to be the measure that is most appreciated: access to welfare which means that the pressure is off in terms of the immediate household farm budget and participants can therefore focus on the bigger picture. I think that is good.

I guess the concessional loan schemes are the least worst option in some respects in that they do make finance available and reduce the cost of finance for farmers but at the same time retain an obligation to manage the business well and to work their way out of that. I guess that was the criticism of the interest rate subsidy regime of the past. Once you got access to the interest rate subsidy, you had no obligation and you could be a repeat customer four or five times. There was really no pressure on you to try to sort things out a bit better, whereas I think the concessional finance scheme probably does that in that you are not getting a grant; you are taking on debt.

I think what has not been thought through adequately as yet is what happens at the other end of the term of those loans. Generally they are five years. What happens at the end of that? Is it likely that the bank will take those customers back and refinance them, or is there going to be a problem with some of them where governments, particularly safe governments, might have to foreclose on some of those farm businesses? Of course that would not be politically correct or desirable from a range of different perspectives. I am not sure that that has been thought through.

The other measure which is often overlooked and which governments need to focus on is the provision of services. As a few people told us as we went around Australia, the drought was bad enough but the drought of services was even worse. That relates to issues like health and education and to make sure those are available. Further than that, community support measures and counselling measures (a) need to be available and (b) need to be coordinated so you do not have multiple agencies running around doing all sorts of different things and tripping over each other but you do have adequate support measures.

The example I was given was the programs that were run in Western Australia during the drought pilot over there. The community meetings were about planning and business issues but scattered around the periphery of those community meetings was the relevant counselling and social welfare support. It destigmatised the need to approach them. You could wander around during morning tea and approach the various different agencies without deliberately having to go into town and call in at the office to instigate a discussion with them. It created a much better environment to normalise people talking to those sorts of support groups and accessing that sort of support. It is surprising how important a lot of people viewed access to those services as a major positive in terms of drought support. To me, it was an eye-opener that people were not so much focused on the financial and the grant side of it but more on how they get support either for themselves or for someone they know who needs it. How do I make sure I can get that without having to go through a lot of rigmarole or having to drive hundreds of miles? They were the things that really struck me as we went around.

CHAIR: Mick, thank you very much for assisting us today.

MILLER, Mr Elton, Executive Director, Regions and Industry Development, Department of Agriculture and Fisheries

RUDWICK, Mr Vern, Director, Land Management, Department of Agriculture and Fisheries

WALDOCK, Ms Janine, Senior Policy Officer, Land Management, Department of Agriculture and Fisheries

CHAIR: Good morning. I invite you to make a brief opening statement.

Mr Miller: We have no formal opening statement as such but just that the Department of Agriculture and Fisheries welcomes the opportunity to appear before the committee today to provide as much clarity and information as the committee needs to respond to the submissions that you have received to date, the regional tour that you undertook and any other information you received as part of the public hearings so far.

CHAIR: Thank you very much. I will start off with rainfall predictions. Drought declarations obviously depend on rainfall predictions—that is how we tell if we are in drought or not—which are presumably based on historical information. How frequently are rainfall predictions updated?

Mr Rudwick: Rainfall forecasts are updated on a monthly basis. Generally the Bureau of Meteorology is the main source of that sort of information and they generally forecast out about three months at a time, which obviously in Queensland has a few difficulties in that we have a wet and a dry season. So obviously we tend to be locked in for at least half a year, but the ability to predict is quite difficult. There are a few experimental processes looking at extending that for a longer time frame, but they are still experimental at this stage.

CHAIR: What work is being done in that field when you say 'experimental'?

Mr Rudwick: Obviously the main forecast system in Queensland is the Southern Oscillation Index linked with the El Nino and La Nina cycle, and that has long been used to predict things out for three months. DSITI is also developing another statistical model based on a different index using different parts of the Pacific to develop that index to look for longer range forecasts, and of course the bureau and CSIRO and a lot of the global climate models are trying to continuously refine their models and increase their accuracy to be able to predict further out into out seasons.

CHAIR: If the general rainfall prediction is updated, how is this update passed on to the people that are in the affected regions, particularly in regional Queensland? Are they given any idea of how to adjust their businesses to adapt to changing rainfall patterns? Are we getting the message out there and how are we getting it out there?

Mr Rudwick: Queensland has been quite proactive in the past to develop forecast systems and disseminate that to the public. We have our Long Paddock website, which is a major clearing house for that information. The bureau of course releases their monthly climate updates between the 20th and 25th generally. The SOI's phase, which obviously influences how the next month or three's forecast is likely to be, is generally reported every Wednesday by the ABC. Jennifer Woodward every Wednesday for the last how many years has done that and she is quite a trusted source for that information.

Mr Miller: Likewise with the Bureau of Meteorology's monthly updates, they are now shown on *Landline* each month and they are on the website that people can access as well.

CHAIR: So generally you are quite happy that word is getting out to those affected farmers so they can adjust their businesses to suit the conditions that are coming?

Mr Miller: Yes. Vern, we also do workshops as well looking at climate conditions and how to respond. Do you want to talk about that a little bit?

Mr Rudwick: Yes, I suppose so. Over the years we have run various different approaches—training people to understand weather forecasting, how to use it into their farm business, SOI phase forecasts and climate forecasts. We used to run managing for climate workshops—everything has its time—and these days we generally use webinars and approaches like that. We have run drought workshops this particular drought. At the moment they are in a bit of a hiatus. You run them for a while and then you give them a bit of a break before you run them again, so that is where we are at at the moment.

CHAIR: Are these training programs well accepted? Do they have large numbers turn up, or are they small gatherings? Are they worthwhile doing and continuing?

Mr Rudwick: Yes. Some of those workshops are very popular and a lot of people would repeat them. With the current drought in terms of the drought workshops that we would run, we would run them until the numbers start dropping off and then you would leave it for a while and bring another lot in. That is generally how we would run things.

CHAIR: Very good.

Mr BENNETT: Good morning. I have a similar question—I am not sure if you were here—that I put to Mr Keogh. With regard to other assistance measures that may have been reviewed from time to time with the department—and I am talking about multiperil crop insurance being expanded—has there been any work from the department about maybe looking at other insurance schemes to mitigate against the impacts of drought?

Mr Miller: We have certainly started looking at multiperil crop insurance and have held some meetings with industry regarding that and also the insurance sector. Do you want to add any further information to that, Vern?

Mr Rudwick: I think that is pretty good coverage. Obviously we cannot comment on what the government may or may not do.

Mr BENNETT: Of course.

Mr Rudwick: Yes, we are running a working group at the moment with industry, particularly with QFF and AgForce.

Mr BENNETT: Is that about expanding it outside the crop industry and maybe picking up some other areas of concern that people may be able to take insurance premiums to mitigate against?

Mr Rudwick: There are two. The working group mainly is looking at what the impediments are to the uptake of insurance, and obviously one of the things that has been identified is that in the Queensland context in particular most of the traditional multiperil crop insurance products have been based on winter crops and wheat in particular. Obviously that is not a major crop compared to some other crops in Queensland, that there is not the data or underlying history of insurance products that are more important to Queensland or of greater importance.

Mr BENNETT: Further to that, with regard to other assistance options that may have been considered, are there any public papers, if you like, that have looked at things like local government rates and other options that may be considered by the department to be reviewed or is it just about the budget capacity to fund these expanding options for mitigation and resilience? Stamp duty, local government rates and all of those things have a big impact on producers, don't they, in times of drought? Has the department done other work on potential assistance to the rural sector during drought?

Mr Rudwick: We would implement policies and programs as required by the government of the day. I do not know if we really have papers or anything in particular that we could provide.

Mr Miller: The main public assessments have been done by organisations such as the Productivity Commission which were done about eight or 10 years ago, I believe, and they are the ones that are in the public domain. I think we provided those links and that information in one of our earlier briefings.

Mr BENNETT: Thank you very much.

Mrs GILBERT: Currently we are looking at the Drought Relief Assistance Scheme as it is. Could you explain to us what priorities and assumptions shape the current scheme and whether you have had to change these priorities over time?

Mr Rudwick: When the scheme was introduced I was probably still in nappies, so it is a bit hard to remember the detail in terms of what the motivations were when the scheme was introduced. I will talk about what we have done this drought, if you like, to give you the context.

Mrs GILBERT: Thank you.

Mr Rudwick: Obviously the bigger scheme is the national drought reform, which no doubt Mick Keogh probably mentioned to you earlier today, where government's intention is that in future drought preparedness will receive greater priority than in-drought support and it has some prescriptions around what may be the content of in-drought support. At this stage though the government election commitment is to maintain the current programs in place to at least 2018 and obviously it will be up to the government of the day to work out what happens from there on. In that context, this drought as it has rolled out government has tried to broaden the types of assistance that has been offered and that is expressed in the drought assistance package, of which the traditional freight subsidies that

have always been available under DRAS is just a part. The major introduction I guess that has resulted in the largest expenditure has been the emergency water infrastructure rebate, which has proven quite a popular component of DRAS and in-drought business support.

Mr Miller: Just on the emergency water infrastructure rebate, that was implemented to respond to a specific characteristic of the drought in the early stages of this drought where feed was available but there was a distinct lack of water and there were potentially emerging animal welfare issues. So that policy response was developed specifically to respond to that issue.

Mr Rudwick: Yes. In the case of the drought assistance package, they have tried to broaden it to farm family and family community assistance which brings in other portfolios beyond Agriculture obviously. We have introduced things aimed at mental health support, community assistance and through the community assistance package and also for in-drought support we have offered some land rent rebates and water licence waivers and expanded what is available as electricity charges for water and things like that. There has been a broadening of the type of assistance offered for drought and that has been continued and the government is committed to continue to maintaining those.

Mr Miller: But those elements that Vern is referring to are part of the broader drought assistance package. DRAS is still essentially freight subsidies and the emergency water infrastructure rebate—in-drought business support.

Mrs GILBERT: Thank you.

Mr MADDEN: In dollar terms, has the amount payable under DRAS changed over the years to keep pace with inflation and increasing business costs?

Mr Rudwick: The expenditure certainly has risen quite substantially, and partially that is because of the introduction of the broadening of the scheme with EWIR. The amount set—the \$20,000 that people can access each financial year—was pretty much set on the recommendation the last time the forerunner of this committee reviewed DRAS back in 1989. They recommended that it be capped at \$20,000 a year. Subsequent to that, we have introduced a procedure where people can access up to \$30,000 a year if they have an approved drought management plan to demonstrate that they have thought about how they are managing this current drought, and in the third and subsequent years now they can access up to \$40,000 a year. Obviously it is a 50 per cent freight subsidy of up to 50 per cent. In order to try to prevent a risk of carriers just increasing their costs to match the freight subsidy and capture all the value of the subsidy, we have a cents per tonne per kilometre limit and generally that, even now, still does not apply in the majority of claims, but it is a good way of preventing that rent being captured by the carriers rather than the producer.

Mr MADDEN: Just on that point with the freight subsidy with feed and things like that, that only applies if you engage a contractor to do it. It does not apply if you do it yourself. Is that the case?

Mr Rudwick: We do have a private transport allowance and Janine can probably talk a bit more about that.

Ms Waldman: Yes, we do have a private vehicle allowance for freight subsidy and that is 11 cents per tonne per kilometre.

Mr MADDEN: So you can get the subsidy if you move it yourself?

Ms Waldman: Correct, yes. They just need to show us the purchase invoice of the product and also fill out a statement saying what type of vehicle they have.

Mr MADDEN: Thanks very much. That is great.

Mr SORENSEN: Could you elaborate a bit more on the water subsidy? You have been administering this scheme for quite some time. Does dam desilting come into the subsidy now or will it in the future? Can you elaborate a little more on that sort of thing?

Mr Miller: It does not come into the subsidy at the moment. We can talk about what the actual emergency water infrastructure rebate covers. Do you want to talk to that?

Mr Rudwick: The purpose of the emergency water infrastructure rebate is mainly an animal welfare proposal. It is about addressing the animal welfare needs in the current drought. There would be arguments that desilting would help them be better prepared for the next drought, but the truth of the matter is that it does not address the current drought issue on which the money is provided. That would be a significant broadening of the scheme. I note that there have been some examinations of how a subsidy program could apply. That was done by AgForce, which identified that there were probably at least 140,000 dams in the drought affected areas. Obviously not everybody would desilt

their dam, but it would be a significant expenditure on what you could probably regard as a normal repairs and maintenance activity that producers would do, such as fencing repairs, shed maintenance, road maintenance and things like that. It does not address the current animal welfare issue in the current drought. That is why the boundary has been chosen there.

Mr Miller: So the EWIR was introduced regarding new infrastructure, that is, things such as tanks, troughs, pumps. It is new infrastructure. It was never intended for providing maintenance to upgrade someone's bore or replace the pump on someone's bore. It was all about new infrastructure to get water further out into the paddocks to be able to utilise pasture.

CHAIR: Following up on that, are there any avenues moving forward—and we have heard quite a few—about rebates, particularly with solar? We are talking about a sunburnt country so solar would be perfect. If they utilise solar power to run pumps and bores as we have talked about, are there any subsidies for that type of technology?

Mr Rudwick: Certainly the EWIR could be used to put in a new pump and that can be a solar pump. We do not differentiate. In some use cases, solar is a very efficient and good solution, particularly in remote areas where you can combine it with remote monitoring technology and the productivity gains for reducing your water runs and everything would be quite substantial. Again, as Elton made clear, it is about new infrastructure; it is not to replace current infrastructure. That is the parameter of the scheme. If a new water pump is needed to be put in to supply water to where there is grass and currently there is no water supply available, they could put in a solar pump. That would be no problem whatsoever. However, if they have an existing pump, it would not meet the criteria.

Mr Miller: Janine, have some producers accessed solar under the scheme?

Ms Waldock: Yes. Lots of people will put solar pumps in. Probably the majority of the claims for pumps would be for solar pumps. That is a choice that the producer would make when they go to purchase it, if they want to go solar, diesel, petrol or electric pump. Yes, we would give a rebate on the pump and also on the panels required to set up the solar pump.

CHAIR: How do you check on that to make sure that they are not utilising those grants for replacement as compared to new infrastructure? How do we do that check?

Ms Waldock: In the first part of the application process, the applicant needs to fill out a water availability statement. That statement details what is actually happening on their property at the moment and what they want to do on their property. That is signed off by a regional officer who will say, 'Yes, you are entitled to two solar pumps, three troughs, two kays of pipe'. Then they would undertake the project and submit the application to us. The invoices should match what was approved to be purchased from the water availability statement.

Mr Miller: We also undertake audits. We get an independent third party to come and audit a percentage of the applications that people have lodged.

Mr BENNETT: Please excuse me, Chair?

CHAIR: No problem. We have heard a fair bit about the struggles that farmers and operators are having, particularly with their children's schooling. Are we looking at things we can do, particularly around boarding school or technology, so that those kids can get the schooling that they require at home? Is anything in place at the moment or are we looking at anything moving forward?

Mr Miller: There was some assistance provided to the Isolated Children's Parents' Association.

Mr Rudwick: Obviously, when you are in remote areas you do not have much access to schools and often your choices are limited to either distance education in some form or boarding school. Those are your main options. Both the federal and the state governments provide assistance in that way. I think it works out at about \$8,000 for boarding school and another \$5,000 from the Queensland government for the living away from home allowance. That is available through the department of education. Obviously, the department of agriculture does business support for agriculture. That is our thing. With the education side of things, probably that would be the avenue that you should look at when addressing those sorts of issues.

Mr Miller: That is a matter that you would need to take up with the Department of Education and Training, which would run any such program.

Mr MADDEN: As with any scheme such as this, you will have the odd fraudulent claim. Could you outline what strategies you have in place to identify fraudulent claims? What strategies do you have to avoid future fraudulent claims?

Ms Waldock: When the applications come in, the requirement is that they need to have a tax invoice for the product and, if it is for freight, also the freight invoicing, unless they are carting it by themselves. We have steps when we process the claims. We look at the freight invoice and run checks over that. Also our system, the Drought and Disaster Assistance Management System, which is our database where we enter all the claims in, also has checks hard coded into the system. When the user is entering it, it will bring up a flag if it is a duplicate claim, for example. If we have already received this invoice from someone else, it will come up saying that this invoice is a duplicate. We also run regular audits. We have had three internal audits done on the scheme. During that time, some anomalies have been identified.

Mr Miller: Likewise, from time to time members of the community might contact the department and say that there could be an issue and then we are compelled to explore that or look into it and investigate it.

Ms Waldock: Also, if we have any suspicions that there could be a case of fraud, we would take steps to investigate that ourselves. If need be, we would refer to the relevant authorities from there.

Mr Miller: I mentioned earlier that we undertake random audits of a small percentage of claims. If those audits pick up any anomalies, we investigate those as well.

Ms Waldock: We often ask for the transaction as well. Not only do we ask for the invoice but also we might ask for the transaction so that we can see that the money did actually change hands.

Mrs GILBERT: As we have been investigating to report back on the rollout of DRAS, different people have said that applications are too hard to fill in and that type of thing. Can you tell us about the current operation of the scheme? We are interested in the types of applications being submitted to the department for assistance through DRAS. Can you tell us about the amount of claims so that we know that people are actually using the claims, what type of assistance is being sought and so on?

Mr Rudwick: In this drought, there have been about 17,000 claims so far. The majority would be for fodder freight subsidy, but the majority of the expenditure would be for the emergency water infrastructure rebate. If we include the \$13 million that the federal government provided in top-ups, we have just crossed \$83 million since the beginning of July 2013-14. The drought began in April 2013, but we did not receive any claims until July; would that be right?

Ms Waldock: That is correct, yes.

Mr Rudwick: That is fine, because people had six months to apply. The forms themselves are minimised as much as possible. Basically, there is the information we need like who they are and what their bank statement is, so that we can pay the subsidy. That information takes up about a page. How many livestock they have that they are claiming for; that is about a page. The next page is basically made up of the table for them to input their invoice so that they can record what they are claiming for. That is a line for each invoice that they may have. Then there is a statement that they must sign, which outlines that they meet the criteria. Instead of us testing that, yes, they are not a hobby farmer or they have not introduced stock or they do not have stock on agistment or any of those sorts of things, we take their word for it. We are relying on their honesty. Obviously, if they make a claim that is not correct and we find out about it, we will ask for the money back. We have a few cases like that, at the moment. If it is a case where they have tried to deliberately make a false invoice or something like that, as Janine said, that is when we would refer them to the authorities.

Mr Miller: We try to ask a minimum number of questions, but get enough information for us to make an informed decision as to whether or not they are eligible and should receive assistance. We have tried to improve our forms throughout the drought as well and have made some improvements to them, for example, to be more easily downloaded off the website and things like that. When we provided our previous submission to you in about August or September last year, I think we provided the numbers of assistance and dollar values for the financial years 2013-14 and 2014-15. We can table today the updated numbers for this financial year so far. From what we have been seeing in the figures, it is pretty well a continuation of the trends that had become evident in those previous two financial years. In the first year, I think we made over 5,000 payments; in the second year it was something like 5,500; so far to date it has been another 3,500 payments. We process a lot of claims, but we have sufficient resources to deliver on time within the service delivery statement time frames that we are bound to provide them by. I think over 95 or 97 per cent of claims are processed within 21 days and, as we said, we have made over 17,000 payments in the drought so far.

Mr Rudwick: I am circulating the updated set of figures that Elton referred to. We can provide an electronic copy to the committee. I am also providing a map that shows the distribution of claims across Queensland.

CHAIR: Is leave granted to table that? Yes, leave is granted.

Mr Rudwick: You can see that this is quite reflective of the current drought, where the most intense areas of it have been. It is quite interesting. I would say that the uptake in this drought is much higher than in previous ones. It is probably a reflection of the severity of the drought in some areas and the financial situation of people. Obviously the introduction of EWIR has been more useful to some people who, for various reasons, have never claimed DRAS before.

Mr SORENSEN: For over 20 years, the federal and state governments have worked closely to implement drought policies and to ensure the alignment of policies and approaches. What kind of changes have occurred in the national drought policy since its commencement? What impact has that had on the Queensland program? Are there any constraints on the national agreement on drought policy that would prevent widening the eligibility criteria for areas for assistance in the Queensland DRAS scheme?

Mr Rudwick: That is a very long question, Mr Sorensen. Basically, the scheme was introduced in the 1960s. It actually ended up being part of the natural disaster relief arrangements that existed at that time. It was partially funded by the Queensland and Australian governments. In 1989 the federal government decided that drought should not be in the natural disaster programs. From that point on the Queensland government funded DRAS on its own.

There were quite a few changes then. Obviously the committee reviewed DRAS at that time and introduced a lot of ways to improve the scheme and tighten it up. In 1992 there was a review done at the federal level with all the jurisdictions. That was when the concept of drought preparedness was first introduced. At that time the commitment was that transaction based subsidy schemes like DRAS would be removed. All the other states did that at that time. Queensland, because it was in drought at the time, said, 'We will do it over 10 years.'

The end of that 10-year period was the beginning of the millennium drought. It was considered not reasonable to remove a drought assistance scheme in the middle of a major drought so it was not removed. It has been retained to this day. Other states have temporarily introduced similar schemes, but, at the moment, we are the only one running one. That is basically a plotted history of DRAS.

As far as how the national agreements go, obviously there is the 1992 agreement that all the states and territories signed up to. That has been revisited periodically. The latest version of that is the intergovernmental agreement on national drought policy which was signed off in 2013. It is basically very similar. It outlined that if you were to introduce new drought measures they should conform to a set of principles. We have tried to do that with the introduction of EWIR. Even though it is an in-drought support package it does have future benefits that help people be better prepared for the next drought. We have also widened the type of drought assistance measures we offer to farm family and mental health type measures and the community assistance packages. At the same time the federal government has introduced the Farm Household Allowance and their concessional loan schemes. That is in the context of the framework of the current IGA.

Mr Miller: It must have been 2013 when Queensland signed that. It is probably more described as a best efforts document. I do not believe it is a legally binding document.

CHAIR: This scheme has been running for many years. Does the department do evaluations on how the program is going, what is good and what is bad?

Mr Rudwick: Our ministers might ask us to comment on programs from time to time or committees like yourselves. Obviously we will implement government policy of the day. That is what we do. We can offer suggestions for future programs and things like that. Obviously, it is up to the government to decide whether it adopts them or not.

CHAIR: The department does not do its own internal review of—

Mr Miller: We have done a number of internal reviews, especially around the efficiency of the scheme and implementing it as efficiently as possible. We can talk about that a little.

Mr Rudwick: As Elton commented, this drought we have had three internal audits of the package. A lot of that was to do with the implementation of EWIR. We had to try to roll it out as quickly as possible. That meant that we had to start offering the scheme before we could have the computer systems in place to really properly implement it. That took a little while to do. We increased our tempo

of audits to try to minimise the risk that we may be inappropriately providing assistance or not properly protecting the government's investment in the scheme and to also provide advice as to how to implement it more efficiently and that sort of thing. We are constantly reviewing things like that. We currently have auditors commenting on how we run our local drought committees, for example. We often do things like that to improve our processes.

Ms Waldock: We also had a business analyst come in to look at the actual process of the claim—that is, from when the client decided to fill out the application form until after payment; when they receive their notification saying it has been paid. We looked at each step along the way and how we make that a smoother process and more accountable. That was done at the beginning of this drought.

CHAIR: Do you understand why some people do not claim any assistance for drought affected land? Do you have any feedback on why people would not claim?

Mr Rudwick: There is certainly a core of producers who would never claim any government assistance whatsoever. It is a statement of principle that they will not do that. There are others who, for various reasons, are not eligible for the scheme. They might earn the majority of their income off farm, for example. That is a pretty significant reason why people are not eligible for the scheme or they might not be drought declared. There are things like that. What else would there be?

Mr Miller: There have been comments made that it is not worth the effort to fill out all the forms or the paperwork is too hard. There are issues around that that people state. There is a range of factors why people may not choose to apply for assistance.

Ms Waldock: I think it would also be how their business model is set up. Some people might be continually bringing cattle onto their property, fattening them up and selling them. They have some sort of income during the drought. That would make them not eligible under the DRAS.

CHAIR: I apologise because I was not a member of the committee when it went out west. Is there help for people who have to fill out these forms? If it is onerous, what assistance is out there for those people? You mentioned committees and representatives in communities. As we know, a lot of farms are miles from anywhere. What assistance is out there for helping people with these forms and doing that sort of work? Is there any?

Mr Rudwick: We have minimised the form. There is not much to it. I do not know if there is a lot of difficulty filling in the forms. There are five climate risk coordinators across the state who can help people fill in the forms. They can always just ring us if they are having particular difficulties.

Ms Waldock: Most of the forms are two or three pages long. It is not a lot of work. I think the thing that people find most difficult is actually collating all the information before they actually go and fill out the form.

CHAIR: Making sure their receipts are in and making sure they have done all the right work?

Mr Miller: I believe some people get their accountant to help them fill out the form. There is also the Rural Financial Counselling Service. I understand that some producers can get assistance from the counsellors to help them fill out some of the forms. From time to time we have had a mobile office that has assisted as well.

Mr Rudwick: When people are talking about forms they are probably talking about forms generally. Obviously the Farm Household Allowance is basically the Newstart form with some added things with regard to farm assets. That probably is a major source of angst around claims. That is not to say that there is never a complaint about the complexity. Obviously if you are lodging a claim with 40 or 50 invoices you are going to have to record each invoice on a line. That could get a bit tedious, but they are claiming a lot of money.

Ms Waldock: With regard to our most difficult forms, like our drought management plan and our water availability statement—where people actually have to sit down and write out their plan with regard to what they propose to do—our regional office would help people complete those applications if needed.

CHAIR: I am interested in mental health training and the issues we have in regional Queensland, particularly with our rural producers. I notice you say that training drops off. Does that sort of thing pick up when we are in serious drought? How is the training for mental health rolled out and who rolls that out?

Mr Rudwick: In previous droughts the Queensland government has never offered a specific mental health program. In this drought that has been attempted. Initially we did basically an awareness program. I am obviously commenting on another portfolio. DAF did have oversight of the whole-of-government approach. When I say we, I am talking about the Queensland government.

We tried an awareness program. Through UnitingCare Community we rolled out an awareness training program. I think we ended up with about 80 workshops across Queensland. That was in the early stages of the drought. At the early workshops there might have been 20 people and we really did not want more than that to manage those workshops well. Towards the end there was not a lot of attendance—and particularly as the drought extended towards South-East Queensland. People might have felt they already had a higher degree of awareness.

Subsequent to that, we changed the approach to a delivery of services to remote Queensland. Queensland Health employed the RFDS to do that for them. From all accounts that seems to be quite successful. It is a mix of clinical care and community awareness and community-building type activities.

Outside of the drought package—because the drought package is obviously for the drought—the Minister for Health, Cameron Dick, last year announced a new program called the Tackling Adversity in Regional Drought and Disaster affected communities through Integrating Health Services, TARDDIHS. That is an ongoing program of about \$3.5 million, of which \$2.9 million is for nine clinicians across Queensland to specialise in that sort of mental health support and \$600,000 for a grant program. I think the recruitment for the clinicians is nearing completion. They are open for grants. Queensland Health is receiving those applications at the moment.

Mr Miller: If you needed more detail on that program that is a matter you would need to take up with Queensland Health. I believe the Commonwealth government has been providing some mental health funding as well in drought affected areas.

Mrs GILBERT: Can I go back to the claims that the farmers are making. When we did our Western Queensland tour there was a group of farmers who talked about the forms. I understand that you have streamlined the process and made it quite easy. Some of the farmers were saying that collating the invoices and getting the receipts together caused issues. They were interested in being able to send the invoice or the order straight to government and the government pays the invoice and it takes that step out of the process for them. I think they were feeling a bit stressed about receipts and dockets and if they lose something it is hard to get a claim in. Is that something that would work? Would that make it too difficult in terms of accountability and knowing whether the stock arrived or the water they purchased arrived?

Mr Rudwick: It has not been part of DRAS ever to pay direct. The government has tried it in the past with some QRAA schemes in the natural disaster context. It was called hardship. People would apply and demonstrate that they have a difficulty in paying up-front and when the invoice was presented QRAA would pay the supplier directly. I think it is fair to say that it was quite problematic. Obviously for some people it worked fine, but quite commonly it did not. At the end of the scheme you would have a whole heap of people who had registered for hardship but never lodged a claim or presented an invoice or anything like that.

From the suppliers perspective I guess the risk is when they would get paid. Obviously we process most of our claims within 21 days. That would depend on when we were presented with the invoice and all that sort of thing. There is lots of concern around whether the suppliers would be properly looked after in that context. These things sound okay but then there is the practical application and how it works.

Ms Waldock: Considering that we would only pay up to 50 per cent as well in subsidies.

Mr Rudwick: We might pay the supplier but they never get the other 50 per cent.

Mr Miller: It is possible but there are implementation challenges—

Mr Rudwick: That would have to be carefully thought through.

Mr SORENSEN: Has the department identified opportunities to utilise DRAS money to provide greater benefits to small businesses in drought affected communities and perhaps encourage local purchases wherever possible? The committee has heard that the drought has a huge impact on local government, who struggle to fund basic services as farmers struggle to pay their rates. Has the department considered this problem and, if so, what opportunities are there to assist local government in these circumstances?

Mr Miller: To answer the first part of your question, we have certainly received anecdotal evidence that through the emergency water infrastructure rebate a lot of producers have accessed the pipes, the troughs, the tanks and the pumps through their local suppliers. That allowed for a lot of reinvestment within local communities and turnover in small businesses in local communities. That aspect of DRAS certainly helped to recycle money in the drought affected small towns.

Mr Rudwick: The other question was about the rates. For this drought, that has not been offered. In the previous drought, it was offered after five years of drought. We implemented that through QRAA. It was obviously not part of DRAS. It was done with a default means test. If people were accessing the exceptional circumstances relief payment at the time, they would be eligible to apply to QRAA for a rebate on their rates. Obviously EC is not in place at the moment. It ended years ago. If the government were to consider something like that, it would use another mechanism. At this stage it is not as long into the drought as the previous one.

Mr Miller: Rate rebates are not part of the drought assistance package.

CHAIR: I have a question about your expenditure in DRAS. I have been doing some rough calculations. In 2013-14, it was \$30 million—445. In 2014-15, it was \$34 million—882. In this financial year, if we stay on track, we are looking at \$51.66 million. It seems to be going up. Why is it going up? Is drought getting worse or are more people starting to access the system? Why the increase?

Mr Rudwick: The drought assistance package overall?

CHAIR: Yes.

Ms Waldock: The DRAS.

Mr Rudwick: That is just DRAS, is it?

CHAIR: DRAS expenditure.

Mr Rudwick: You have to remember that in the early stages of the drought we had a \$13 million federal top-up that went over the two financial years.

CHAIR: And \$11,000 to date this year.

Mr Rudwick: It is probably closer to \$17 million. The \$11,000 is just an adjustment payment for somebody.

CHAIR: So they are not funding it anymore this year?

Mr Rudwick: It was only a temporary top-up.

Ms Waldock: The expenditure has been utilised.

Mr Rudwick: As far as state government expenditure is concerned, the first year was \$24.2 million. Then it rose to a bit over \$28 million. Expenditure to date so far this year is \$17 million.

CHAIR: That is still heading towards nearly \$51 million.

Mr Rudwick: This year I expect it will be around the \$23 million or \$24 million.

CHAIR: Is it per financial year?

Mr Miller: It is per financial year. For DRAS expenditure itself, which is the freight subsidies and the emergency water infrastructure rebate, at this stage we are tracking this financial year to be spending less than last financial year. It picked up from the first financial year to the second. It is probably going to be a bit less this year, but it is all demand based. If people put in a legitimate claim, we pay it. It is demand driven. It will probably be a little less this year.

CHAIR: I was adding up year to year, not financial year. Is there any interest from the federal government in helping with the top-up of EWIR again or is it finished—dead in the water?

Mr Miller: There were a couple of requests made. At this stage the federal government has chosen not to provide any further top-ups.

CHAIR: Has there been any reason why they are not? Have we not asked enough?

Mr Rudwick: It was indicated to me that that was what they could afford at that time and they do not plan to come back to it again. They have pursued the concessional loans program and the debt reconstruction rather than—

CHAIR: Water.

Mr MADDEN: You mentioned previously that the National Drought Program Reform is focusing on preparedness. Is there any way DRAS either now or in the future could provide support for local government in preparedness for drought? I am thinking about water supplies for local communities that are affected by drought. Has there been any thought applied for DRAS to give some support to local government with a view to preparedness for drought?

Mr Miller: Not for DRAS specifically. My understanding is that the Department of Energy and Water Supply works with local governments around water supply issues in the context of drought. That would be a matter that you might need to raise with DEWS.

Mr MADDEN: We have seen fodder trucks travelling from Victoria to north-western Queensland. Is there any scope for DRAS to provide support for local government with regard to the drought committees or coordinating counselling services or putting on extra staff to deal with the issue of drought? Does DRAS occupy that space in any way?

Mr Rudwick: DRAS does not do that because it is in-drought support for producers. It is business support basically for businesses. The drought assistance package the government offers is broader than that. This is the third financial year that they have provided the Community Assistance Package, which provides funds to regions. It is generally local government or collections of local government like RAPID, for example, that would access those funds or some regional groups. Even AgForce and QFF have accessed those funds. It is for community programs to make sure that that sort of community spirit still continues and that people are not being lost in the system. Quite often what happens is people stop talking to each other because they are so busy dealing with the drought. Those programs are designed to try to offset that sort of thing. It does not provide infrastructure assistance to government. The federal government did provide a scheme last year as part of the agricultural competitiveness white paper, which provides funds for those types of activities. It is not part of DRAS.

Mr Miller: The point is that there are a couple of other programs. The department of communities at the state level and the federal government did provide funding for some of those shovel ready projects in drought areas.

Mr MADDEN: For those things I was talking about—providing support, coordinating non-profit groups and drought support—that funding is mainly provided through the department of communities?

Mr Rudwick: Yes, that is right.

Mr Miller: Except DRAS does support charities with freight subsidies and we can provide an update on that.

Mr Rudwick: So far in this drought about \$900,000 has been provided to charities. A charity that is donated everything obviously does not need an extra bit of money from the feds or from us. For those that have had to pay for fuel or transport, we provide them a 100 per cent subsidy for that purpose up to about \$100,000 a year.

Mr MADDEN: Is that for moving goods?

Ms Waldock: It is for fodder.

Mr Rudwick: We are providing assistance to the farm business. That has been much more significant with this drought than with previous ones. Some of the providers have been given a fair bit. Aussie Helpers flies below the radar a lot, but they have transported millions of dollars worth of fodder, and we have helped them a fair bit. Some of the other charities like Rotary and Frontier Services and Buy a Bale have also done those sorts of things.

Ms Waldock: They need to be a registered charity. That is one of the main criteria.

CHAIR: Thank you very much for coming in today. Your answers were very good. That brings our hearing to a close. You did not take any questions on notice.

Mr Miller: Thank you very much for the opportunity to present today. We look forward to seeing the committee's recommendations.

CHAIR: We will make the proof transcript of the hearing today available on our website as soon as we are able. The next stage for us is to seek advice from the department. We are aiming to finish the review and report at the end of this month. I now declare this meeting closed.

Committee adjourned at 10.25 am