

Impact of Drought on Town Businesses in Central West Queensland and some solutions



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who contributed to the report.

The Western Queensland Drought Committee (WQDC) commissioned a study to examine the impact of drought on town small business across the Central West (Figure 1), and the effectiveness of drought assistance measures used between 2013-2016.

The results will help to inform policy makers and organisations who provide assistance, goods and services to the Central West.

Information was collected through surveys completed by 83 small business owners from 17 towns across the Central West region (Figure 1) in 2016/2017. In addition, 35 interviews were undertaken and discussions were held in Longreach and Isisford in 2017.

Rural towns are especially vulnerable to drought, as small business in these towns rely on grazing families and their workers spending money in town.

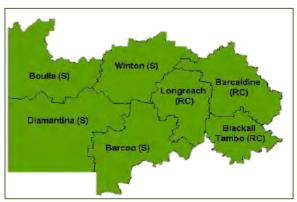


Figure 1 Central West region (RAPAD 2014)

Agricultural production has declined significantly due to drought, from approximately 50% of the regional economy in 2013 (Regional Development Australia 2013), to 25% in 2017. Conversely, tourism has increased in value by approximately 7% per year (average over past 3 years).

Nonetheless, the region relies on agriculture, cattle and sheep. In 2017, the value of key industries to the economy of the Central West is:

- Agriculture \$410 million/year: 25% of the Central West economy;
- Construction \$280 million/year: 19% of the Central West economy;
- Tourism \$105 million/year: 6% of the Central West economy.

This survey (WQDC 2017) demonstrates that drought has a significant effect on small town business operations. Many towns in this region are tiny and have very few businesses e.g. more than half of the 17 towns have less than 300 people and less than 12 businesses; 5 towns only have 2 or 3 businesses. Losing just one business can have a profound effect on a town.

Several people in this study said that drought was not the only reason for the economic downturn. Financial viability was also compromised by (1) seasonality of business activity, due to the hot summers which affected tourism in particular; and (2) decline in the sheep/wool and kangaroo industries. The economic decline in the Central West manifests in lower business turnover.

Business turnover

In the three financial years 2012/13, 2013/14 and 2015/16, all business sectors recorded a decline in the turnover. From the survey, agricultural town businesses had the highest loss in turnover of any sector in 2012/2013, while tourism had positive growth in the same year (Figure 2). Both the services and retail sectors have a declining trend over the 3 years (WQDC survey 2017). The impact of declining output on the regional economy is likely to be around \$100 million between 2011 and 2016 (REMPLAN 2017).

The survey indicates that small business turnover in the Central West declined between 40-60% over the last 2 years, with the most prominent declines in 2015-2016, which is likely to have continued in 2017. While turnover has declined, fixed costs have risen, and taxes, electricity and bank loans are among the most difficult costs to meet according to the WQDC survey.

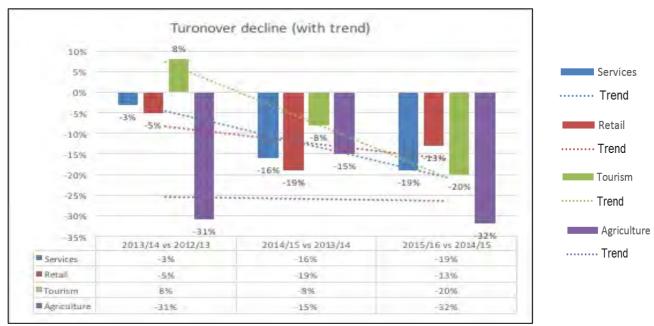
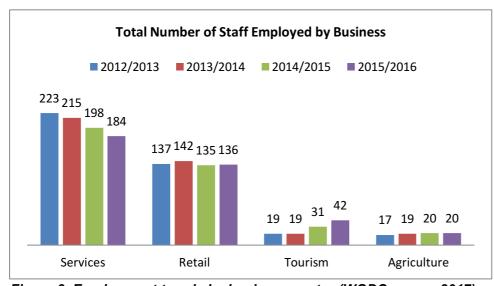


Figure 2 Turnover changes 2012 to 2016 per business sector (WQDC survey 2017)

Employment opportunities decline

The decline in turnover meant changes in employment arrangements, specifically [1] an overall decline in full-time staff (Figure 3), which was balanced by a slight increase in more flexible working arrangements; [2] a reduction in hours for part-time staff; 57% of tourism operators reported cutting employee hours; and [3] an increase in 2015/16 to 40% of owners who did not pay themselves.



Between 2011 and 2016, 700 jobs were lost in the Central West (REMPLAN 2017).

This graph shows more jobs were lost in the Service and Retail sectors than in Tourism or Agricultural town businesses.

Figure 3 Employment trends by business sector (WQDC survey 2017)

Overall, employment opportunities have declined in both rural enterprises and town small businesses; which means people leave town looking for work.

Population decline

The Central West has a population of approximately 10,500 people, inhabiting almost 25% of the area of Queensland (ABS 2017). As such, the region is considered very remote (Australian Bureau of Statistics remoteness index), with a sparse population which travels considerable distances to access services.

Approximately 1500 people left between 2011 and 2016, largely due to the impact of drought. As one person said: "It has been devastating to watch our small town population decline due to drought – there are no farm workers left. It has affected the school as well" (WQDC Survey 2017).

Since 2008, about half the primary school age children left.

The number of people leaving the region has decreased as the drought ended in 2007. Departures increased in 2012 when government staff were retrenched; then again as the 2013 drought impacts started. (Figure 3).

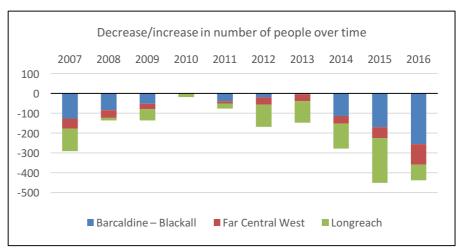


Figure 3 Net migration (ABS data 2017)

The age structure has changed in some towns, with one person explaining that "Jericho had a population of 104 adults, it is now about 51. The problem is that we have no one of working age left in town, most of the people are retirees." Older people tend to spend less money, compounding the economic impact on small businesses.

Social impacts

As the population declines, so do services provided. As families with children leave town, lower numbers at the school mean fewer teachers are needed; if the teacher has children, more children leave, and so a negative social spiral starts. The flow-on effects of drought are complex and intertwined, and once started, the momentum of a negative economic and social spiral is difficult to halt.

People interviewed as part of this study said that some social events are not well attended any more. Bigger events seem to be well attended, as people make an effort to attend at least one event, even if they are busy and have little time or money for socialising. Activities such as sports events, race days, camp drafts and gymkhanas are usually run by volunteers.

The Central West has a high rate of volunteering, with 30-40% of people volunteering compared to the Queensland average of 19% (ABS data 2017). Despite this, people interviewed reported having difficulty finding volunteers, partly because of declining population. Comments included: "The same people help at everything"; and "People have nothing to give, they are burnt-out" (Interview 2017).

Health, including mental health, declines during times of stress, such as droughts. Over 90% of people rate their health as good (ABS 2017). However, life expectancy in the Central West is slightly lower than the Queensland average, and rates of disease are 20% higher than the state average (Central West Hospital and Health Services 2014). People interviewed suggested that suicide was rarely spoken about, even though suicide rates in remote areas of Queensland are up to 2.2 times higher than metropolitan areas (Australian Government 2016). Proactive strategies are being implemented by the Central West Hospital and Health Service, in collaboration with local organisations such as the Remote Area Planning and Development Board (RAPAD), to improve health outcomes (Central West Hospital and Health Service 2014).

Drought assistance

All businesses surveyed said that they appreciated the assistance offered. The generosity of people offering to help those affected by drought was a boost to morale, and was considered to be well intentioned.

Almost half the surveyed businesses (44%) reported receiving some kind of governmental assistance. However, the support was not equally distributed. Almost 80% of respondents from the agricultural sector said they received help in the last four years, but only 29% of tourism businesses and 34% of the services sector received any assistance. More government assistance programs are directed to rural grazing enterprises than to town small business.

Several charity groups have delivered hay, food hampers and even hairdressers to towns in the region. As the goods donated were not bought locally, the effect on small business was devastating, with local food stores throwing food out in the week after hampers were delivered. The impacts on town small businesses were detrimental, rather than positive.

Preferred forms of assistance

In this survey, vouchers, cash and pre-paid cards were said to be the most useful. These prompted people to shop locally and thus help local business owners: "Each customer that could spend something in town helped cash flow, when there was next to nothing" (WQDC Survey 2017).

The desirability of cash is consistent with other natural disasters. The problem with donations is exemplified by the situation in the 2009 Victorian bushfires where over 40,000 pallets of goods cost more than \$8 million for storage, transport and staff time (Government of South Australia 2011). Cash can help stimulate recovery in the community.

The survey and interviews reported the need for more targeted, fair and equitable support from the government and charity groups. Some solutions suggested were:

- In the drought area, pay everyone's rates. That would help the local shires, and it would help the feelings of inequity ... something like this would be fair (Interview 2017).
- Encourage young people to stay in the region by promoting local career paths through a Careers Day at the schools (Public Meeting 2017).
- Adjust the zone allowance which has not increased in line with CPI [to make up for being so far away from family] (Public meeting 2017).
- Adapt the first home buyers grant to allow young people to buy older houses. All the houses that are for sale in Longreach do not qualify for the first home buyers grant because they are not new houses (Interview 2017).
- Support local business to retain existing staff by changing the current State Government scheme, which only supports the employment of new staff (Interview 2017).

Innovative solutions

Many projects underway in the Central West prove that innovation is already occurring. RAPAD is a regional organisation where the seven shire councils work collaboratively to develop proactive strategies for a prosperous future (RAPAD 2014). With a focus on "innovation, creativity, consultation and collaboration" (RAPAD 2017), it is recognised as a model for other regional communities (Walker *et al.* 2012). The transformation of the hospital and health services, the solar power plant at Camden Park, and creative programs to involve the locals and young people in the Qantas Museum are other initiatives that indicate positive and creative solutions are being developed by dedicated and enthusiastic local people.

Supporting these leaders to achieve their goals allows government to capitalise on existing efforts, and is an efficient and effective way to ensure productive economies and sustainable communities in the Central West.

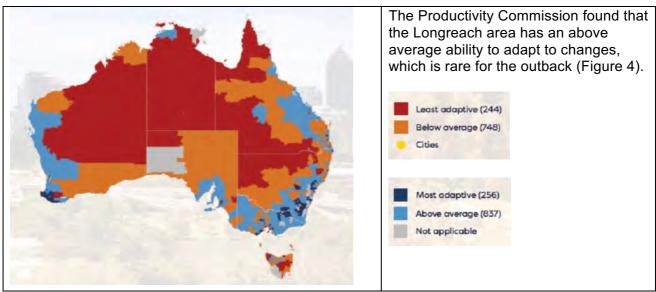


Figure 5. Regional Adjustment Potential (Productivity Commission 2017)

Because of this ability to adapt to change, investments in this region are likely to be successful.

Policy recommendations

To build community resilience, individuals, small businesses and communities need to be encouraged to adapt, innovate and transform when faced with challenges such as drought. The basis for action is succinctly presented through the acronym D.U.S.T.

- D Decide to act.
- U Understand the context
- S Support existing local capacities and local organisations
- T Transform change is needed

Transformational change in governance arrangements is critical to overcome the current policy deficiencies in rural & remote Australia. Communities need to be able to adapt to a future of inevitable uncertainty to overcome the inherent vulnerabilities of rural and remote areas. The aim is to have engaged governance, where local people will decide and implement solutions appropriate for their specific context.

The following six focus areas with recommended actions will help build the required resilience.

[1] Transform governance arrangements to foster local decision-making

- Provide more support for local organisations,
- Change roles and responsibilities to reduce centralised accountability and reporting requirements,
- Support existing local organisations and groups, recognising that local towns will have different models,
- Develop stronger links and cooperative partnerships between government, community organisations and private enterprise, both within and between regions e.g. Central West Rural Wellness Network and RAPAD.

[2] Extend infrastructure and services

- Understand how things work in the bush, and that simply transposing urban services to the bush does not always work,
- Improve whole-of-government planning for services, including basing relevant public servants in regional towns.

[3] Recognise people-place connections

- Recognise people's connections to place and desire to stay in the local area,
- Support people's desire to build sustainable businesses, with some using the people's connections to place as part of their business.

[4] Support community networks

- Recognise the importance of social activities and provide support for events that foster community networks and build social resilience,
- Foster opportunities for new cooperative partnerships between business sectors, community, not-for-profit organisations and governments.

[5] Develop diverse and innovative economies

• Encourage government & charity groups to invest locally, thus bringing money into the region to support local business.

[6] Build local knowledge and skill levels

- Provide financial support for mentoring & coaching programs appropriate to the local people's requests for skills e.g. strategic business and financial management,
- Encourage people to learn skills for building networks, partnerships & improving governance.

Beyond the Dust: building a bright future

A focus on building resilience has been identified as a contemporary approach towards pro-actively addressing the impacts faced within this region. Rural and remote regions tend to be different to other regions, and it is vital to understand the complexities and nuances of the local context. Supporting and enhancing local governance, ensuring that local people are provided with appropriate opportunity to actively engage in decision making processes, is recommended as a first step in the resilience building process.

The high level of adaptability to change in this region means that investment likely to be well used. When matched with significant local effort with highly motivated volunteers, investment has a significant multiplier effect in these small communities. This report calls on all stakeholders to work together to build resilience in the Central West region of Queensland, and in doing so providing a model for all regional Australia. The many examples of successful partnerships, networks and innovative businesses give hope to this region surviving drought and building resilience to withstand future challenges.

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For the rain never falls on the dusty Diamantina
And the drover finds it hard to change his mind
For the years have surely gone
Like the drays from Old Cork Station
And I won't be back til the droving's done

(Written by Hugh McDonald and performed by Red Gum — circa 1980's)

