

## RAPAD Board Meeting 25, 26 February 2020 Communiqué

As a part of normal business, the Board of RAPAD held its second scheduled Board meeting for 2020 on the 25<sup>th</sup> and 26<sup>th</sup> of February, in Winton. This meeting was preceded by meetings of the Central West Regional Pest Management Group, the Outback Regional Roads and Transport Group and the RAPAD Water and Sewerage Alliance - <https://www.rapad.com.au/programs-and-projects/regional-local-government-alliances/>

This meeting represented the last meeting for retiring Mayors Cr Ed Warren and Cr Bruce Scott OAM. The Chair thanked them for their service to their communities and the region, and their departure will be missed greatly.



L-R: Cr Rob Chandler, Cr Gavin Baskett, Cr Andrew Martin, Cr Geoff Morton OAM, Cr Bruce Scott OAM, Cr Ed Warren, Cr Rick Britton

### Matters covered at the meeting were:

- There was a presentation from, and discussion with, the National Drought & North Qld Flood Response and Recovery Agency (NDNQFRRRA) represented by Monica Finlayson, Acting Assistant Secretary & Therese Stuart, Senior Policy Adviser.
  - RFCSNQ ([www.rfcsnq.com.au](http://www.rfcsnq.com.au)) Rural Financial Counsellors, Rachel Bock & , Natalie Hughes provided a presentation on service matters with a focus on drought and flood related issues,
  - Dr Thea Voogt provided an update on her research project being undertaken in partnership with RAPAD and RFCSNQ - [https://stories.uq.edu.au/research/impact/2019/surviving-the-dry-spell/index.html?utm\\_source=researcher&utm\\_medium=referral&utm\\_campaign=research-impact-112019&utm\\_term=tv&utm\\_content=surviving-the-dry-spell](https://stories.uq.edu.au/research/impact/2019/surviving-the-dry-spell/index.html?utm_source=researcher&utm_medium=referral&utm_campaign=research-impact-112019&utm_term=tv&utm_content=surviving-the-dry-spell) and a submission was provided (*att*) which Dr Voogt requested be submitted to the NDNQFRRRA Coordinator General Shane Stone,
  - Morgan Gronold provided an overview of the current cluster fencing program - <https://notjustafence.org/> (*map attached*).
- Sarah Buckler, Kristy Gooding, Subathra Ramachandram from LGAQ, provided an update on LGAQ activities. Matters covered were:

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#RAPADCWQ

- Local Government Electoral (Implementing Stage 2 of Belcarra) and Other Legislation Amendment Bill 2019,
- Waste Update,
- Reef Advocacy,
- Queensland Local Government Drought Action Plan,
- Review of the Strong and Sustainable Resource Communities Act 2017,
- Productivity Commission Inquiry into Australia's Remote Area Tax Queensland Local Government Action Plan on Drought,
- Concessions and Payments,
- Building certification reform update,
- 1080 Stockpile Depletion,
- Queensland Climate Resilient Councils Program (QCRC),
- South East Queensland 2032 Olympic and Paralympic Games,
- Review of Local Government Training Package (LGA04),
- Rural Water and Wastewater Guarantee,
- LGAQ Submissions Update.

Sarah offered her thanks to retiring Mayors, Cr Ed Warren and Cr Bruce Scott recognising their significant input to public life, and Sarah acknowledged the good working relationship LGAQ has with RAPAD.

- **2020 / 21 budget submission:** Media has commenced regarding the Western Alliances budget submission on roads calling for additional funding. The Western Alliance consists of RAPAD and the North West ROC and South West LGA. *The media release is attached.*



- **Regional Planning Interests Act:**

The CEO advised the submission to the State Governments proposed RPIA changes, had been submitted (*att*) and the Board instructed the CEO to write to the Government seeking feedback on the process from here given a previous commitment from Government that there would be consultation after this round of submissions.

- **2020 Election:**

The Board gave feedback to the CEO on the tabled draft election

platform and they endorsed its finalisation, and instructed the CEO to bring it back for final endorsement in mid-March.

- **QATC / LPC:** The CEO updated the Board on progress of RAPAD QDAF discussions and contractual matters regarding the License to Occupy and proposed business plan.

As at this board meeting date, the CEO advised he was waiting on feedback from QDAF on the business plan proposal and its funding. The CEO advised the completion of the business plan was important and its submission to, and favourable consideration by Government was critical.

- **Financial, policy, governance:** The CEO tabled general finance matters which were received by the Board and these related to the License to Occupy, RESQ, a sponsorship request, and the Federal Governments budget offer for RFCSNQ for the 20-21 period.
- **Central West Regional Resilience Strategy:** The Central West Regional Resilience Strategy has now been released. From the QRA website:  
*“The Queensland Government has partnered with the seven councils that make up the Remote Area Planning and Development Board (RAPAD) to deliver the Central West Regional Resilience Strategy which harnesses local expertise to champion a holistic approach to disaster resilience for the region. The purpose of the Strategy is to focus on new possibilities through aligning the objectives of economic development, resilience and climate adaptation in order to help the region reduce its exposure to the effects of climate variability and uncertainty. The Strategy includes consideration of the increasing strong cycles of persistent drought and flood facing the region, which is taking its toll on families, communities, businesses, stock and land. It focuses on prosperity as a key driver for resilience – a means of minimising or reducing the effects of climate-induced natural hazards through a resilient society and economy. Implementation of the Strategy will now be overseen by RAPAD in partnership with Barcaldine Regional Council, Barcoo Shire Council, Blackall-Tambo Regional Council, Boulia Shire Council, Diamantina Shire Council, Longreach Regional Council, and Winton Shire Council.”* <https://www.qra.qld.gov.au/our-work-resilience-regional-resilience-plans/central-west-regional-resilience-strategy>

The boom and bust cycle of flood and drought is endemic to Central West Queensland, but these cycles are changing.

As our landscape, weather and climate continues to change, our drive towards continuous improvement and sustainability for our communities is being challenged. To meet this challenge, together we must strategically navigate our 'pathway to prosperity'.

These cycles are often reflected and expressed in economic, social and environmental terms, with cascading effects that can be far reaching and which impact upon the wellbeing of our region. The communities of Central West Queensland are amongst Queensland's most resilient. However, identifying opportunities to bolster resilience action into the future can help our region to collectively 'change the game' in supporting individuals, communities, the economy and the environment to continue to prosper.

New Possibilities draws upon an expansive evidence base to build a pathways approach to transition towards a climate resilient future for our region. It identifies opportunities to strengthen community and climate-related disaster resilience. Collectively, we know our regional aspirations and what we want for our future. New Possibilities charts a pathway to help us to move towards that vision. This Strategy is supported by an Action Plan to guide our focus and priorities over time, to match community need with possible funding pathways. Its ultimate goal is to underpin a sustainable and prosperous Central West into the future.

New Possibilities has been developed as a partnership between the Queensland Government, the Remote Area Planning and Development Board (RAPAD) and its member councils. Its purpose is to guide how we work together to proactively support resilience action across the Central West.

The seven councils of the Central West together form RAPAD, a regional collaboration of councils with a key focus on delivering shared solutions to common challenges across the Central West. Together, these councils include:

- Barcaldine Regional Council
- Barcoo Shire Council
- Blackall-Tambo Regional Council
- Boulia Shire Council
- Diamantina Shire Council
- Longreach Regional Council
- Winton Shire Council.

  
Councillor Rob Chandler  
Chair of the Remote Area Planning and Development Board (RAPAD)

More information will come to hand from the QRA in the near future.

- **Remote Area Board funding (RAB):** The CEO tabled three proposals which he submitted to the DSDMIP for funding. The RAB funding is a quarantined funding

allocation to several remote development organisations, of which RAPAD is one, to support economic development related initiatives.

- **An update** was provided regarding progress on the Outback Opportunities project and renewable energy / new industry potential projects, recognising both matters were still in there very early stages.

**Information:**

- **QODE** – QODE is an innovation event held for the last couple of years in Brisbane. For the last few years, RAPAD through the Advancing Regional Innovation Program Outback project has taken a delegation of 10 entrepreneurs and businesses to the Advance Qld supported innovation festivals held, with financial support towards travel and accommodation. [QODE](#) (previously named Myriad) is again to be held in Brisbane this year with 24-25 March set aside at the Brisbane Convention and Exhibition Centre, Southbank. The themes at this year's event include:

- Future of jobs
- Environment
- Space
- Smart logistics
- Energy
- Longevity and age reversal
- City Data
- Transportation
- Quantum computing
- Agritech
- Aviation
- Future of Finance

Through the Outback Advancing Regional Innovation Program, RAPAD is again able to provide financial support towards the travel and accommodation costs of 10 outback small businesses or startups who are working in/have interests in these areas. The showcase is an opportunity for our Outback Regional delegates to display what is happening in our region on the Outback Booth, as well as to see what is happening in Australia and globally in these sectors.

- **Annual Report:** <https://www.rapad.com.au/publications/annual-report/>
- **RAPAD Constitution:** <https://www.rapad.com.au/about/strategic-plan/>
- **RAPAD Skilling** for your training needs. [www.rapadskilling.com.au](http://www.rapadskilling.com.au)
- **Recent media releases** not already referred to above are attached.

### RAPAD QFPI Round 1, 2 and 3 Fencing Applications Longreach, Barcoo and Winton Wild Dog Exclusion Applications Successful and Successfully Funded

Western Queensland

**Stockroutes**

- Primary
- Secondary
- Minor
- Unused
- Old Protected Areas

**Stockroute Applications**

- RAPAD QFPI Round 1 Fences
- RAPAD QFPI Round 2 Fences
- RAPAD QFPI Round 3 Fences
- BRIC Wild Dog Exising Fence
- BRIC DAWR Stage 1 Under construction
- Good Neighbour Fencing
- UWDFIS Stage 1 Constructed
- LRC Wild Dog Exising Fence
- LRC DAWR Stage 2 Under construction
- BRIC DAWR Stage 1 Under construction
- WSC DAWR Stage 1 Under construction

**Wild Dog Exclusion Applications**

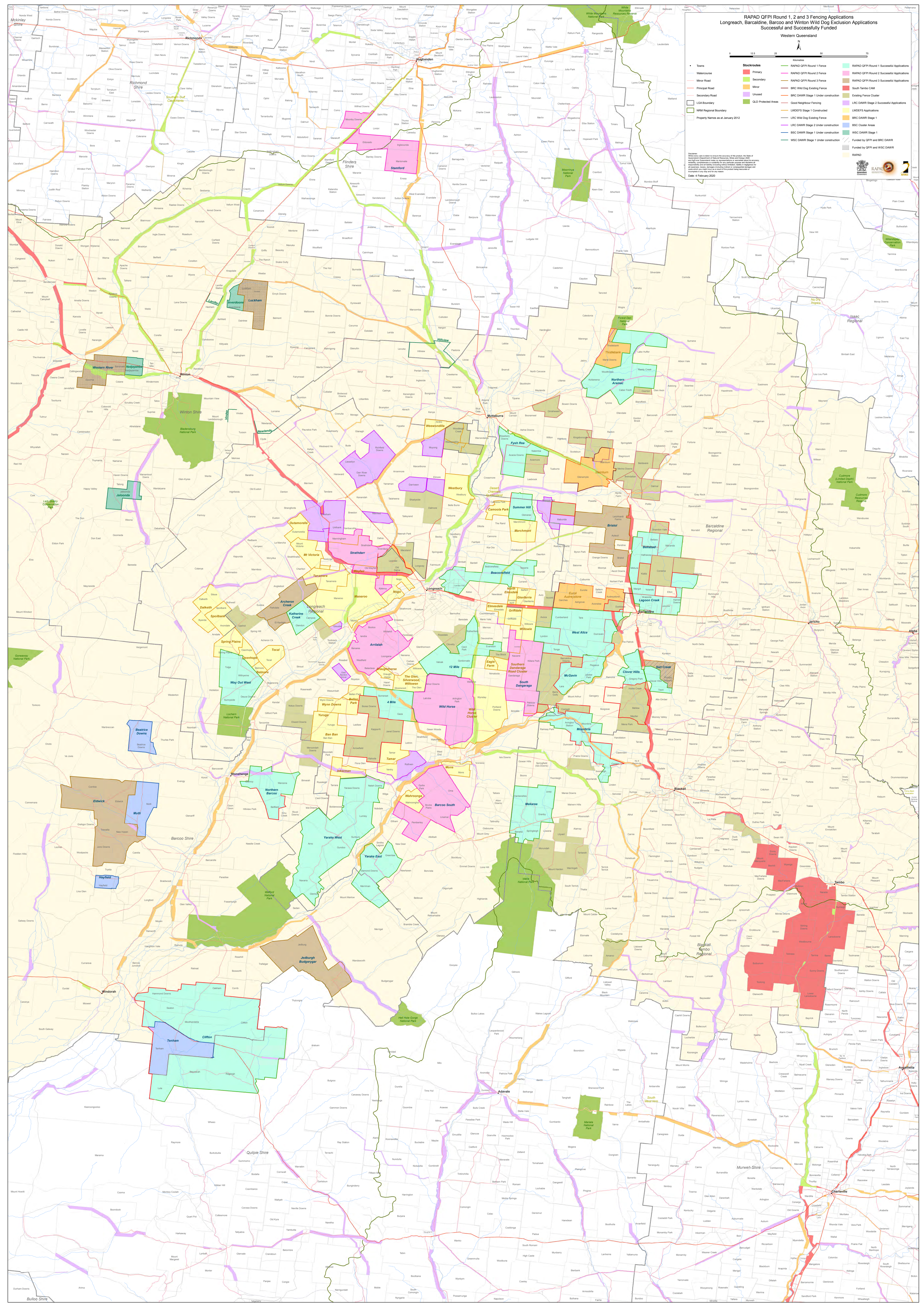
- Successful Applications
- Successfully Funded Applications
- South Tembo CAM
- Exising Fence Chain
- BRIC DAWR Stage 2 Successful Applications
- BRIC DAWR Stage 1
- BRIC DAWR Stage 2
- WSC DAWR Stage 1
- Funded by QFPI and BRIC DAWR
- RAPAD

**Legend:**

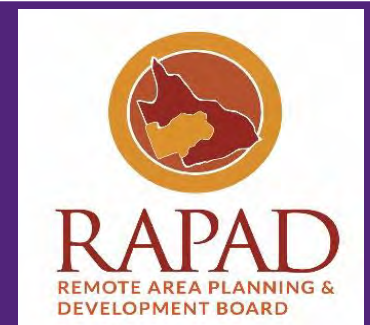
- Towns
- Watercourse
- Minor Road
- Principal Road
- Secondary Road
- LOA Boundary
- NRM Regional Boundary
- Property Names as at January 2012

**Scale:** 0 12.5 25 50 75

**Date:** 4 February 2020



# Submission



National Drought and North QLD Flood Response and Recovery Agency

Briefing Note

*Winton, QLD*

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## Executive Summary

This Briefing Note is a written submission to the National Drought and North Queensland Flood Response and Recovery Agency.

The Briefing Note was prepared by a team of UQ Researchers who are currently conducting a Pilot Study in the RAPAD region of Central Western Queensland, in collaboration with industry partners RAPAD and RFCSNQ. The Pilot Study is entitled: **RAPAD region policy solutions and business innovation for farmers and small businesses.**

The Pilot Study is relevant to the National Drought and North Queensland Flood Response and Recovery Agency's work.

The Briefing Note supports an oral presentation to staff of the Agency, at a meeting of the RAPAD Board held in Winton, QLD on 25 February 2020. In particular, the Briefing Note introduces the Pilot Study to the Coordinator-General of the National Drought and North Queensland Flood Response and Recovery Agency, the Hon. **Shane Stone** AC QC, and serves as a platform for future engagement with Mr Stone and the Agency.

The Briefing Note:

- Provides an overview of the UQ–RAPAD–RFCSNQ Pilot Study and why the Pilot Study is unique
- Explains the national relevance of the Pilot Study
- Sets out what progress has been made to date and plots the way forward for the Pilot Study
- Details examples of research questions and specific aspects of the UQ team's research, where the UQ–RAPAD–RFCSNQ Pilot Study's evidence-based data and finding can make a contribution to the Agency's work.

The examples discussed in the Briefing Note cover a range of drought-relevant areas of interest, summarised below:

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### Example

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1 **Concessional loans v Co-contribution grants as funding mechanisms for exclusion fences**

Concessional loans and co-contribution grant schemes are important funding mechanisms for exclusion fences that may be applied in reference to the environmental threat of wild dogs that, together with drought conditions, have a significant negative impact on agricultural prosperity.

Our UQ research team has prepared a comprehensive Research Paper funded by a grant from the Rural Economies Centre of Excellence that undertakes two case studies to explore different conceptions of partnerships, collaboration and cooperation in reference to the application of loans and grant funding in very remote area development.

The case studies are:

1. The loan-based Longreach Wild Dog Exclusion Fence Scheme and
2. The RAPAD Cluster Fencing Grant Scheme.



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## 2 **Concessional loans v Commercial debt**

Concessional loans continue to be an important policy tool in the context of drought.

Our Pilot Study tracks the values of concessional loans, compared to commercial debt in the RAPAD region at the farm gate. In particular, our study documents:

- Who owns the farm land. This is relevant to loan security
- Who owns and operates the farming operations to determine where cash is generated, compared to the structure/s where loans are held. When mortgages and loans, and farming operations are in different entities, there is a knock-on effect on taxation and on cash flow that we are able to measure
- Estimates of the value of cash generated by the farming operations, and compares that to interest payable on loans
- Can predict whether primary producers will be able to pay interest on concessional loans after two years, and principle and interest after five years if their operations are to remain the same.

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## 3 **External v Internal debt**

Loans between participants in family businesses are common. So too are loans between participants and the legal business structures they use to operate their family business. It may be that participants regard these loans as equity. But these are loans nevertheless, that are presented as such in financial statements and which are thus relevant in:

- Assessing credit and loan applications
- Determining the selling price of the business when participants want to exit the business
- The investment decision of any external party who wants to invest equity in the business.

Our preliminary findings have revealed the presence of:

- Significant sizeable loans between family members and the legal structures they use to operate their businesses
- Drawings accounts in discretionary trusts and in sole trader and partnership businesses for participants other than the legal business owners.

From a legal perspective, these are not always justified in reference to the law of trusts and ownership rights, and there is currently uncertainty about the treatment of loan forgiveness from a tax perspective.

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## 4 **The impact of tax losses on instant asset write-offs and Farm Management Deposits**

There is little doubt that instant asset write-offs and Farm Management Deposits are powerful tax policy tools to assist primary producers under drought conditions.

However, prolonged drought conditions often result in large carry forward tax losses. Our preliminary findings reveal the presence and impact of assessed tax losses that make instant asset write-offs and the FMD scheme ineffective in many cases.

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5 **What financial advice primary producers seek**

Rural financial counsellors are an important resource for primary producers in financial distress. Data about the activities of rural financial counsellors, in reference to the standardised reporting activities that all rural financial counselling services use across Australia, provide important insights into what matters for primary producers.

Our research has delivered evidence-based findings that are relevant to the work of the Agency and show the extent to which cash flow and budgeting is key, and how often primary producers seek advice about debt and other government support.

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# Introduction

The National Drought and North Queensland Flood Response and Recovery Agency ([The Agency](#)) was established in December 2019. The Agency is a Federal Government body, led by the Coordinator-General, the Hon. Shane Stone AC QC.<sup>1</sup>

The Agency is tasked with leading ‘a national response to the drought affecting large parts of the country and to continue supporting North Queensland communities affected by wide-spread flooding in early 2019’.<sup>2</sup>

In so far as the drought goes, the Agency will provide the Government with policy and program advice,<sup>3</sup> in reference to the *Australian Government’s Drought Response, Resilience and Preparedness Plan* that has three parts:<sup>4</sup>

- Part 1: Immediate action for those in drought – focused on measures to support farmers and communities facing prolonged drought conditions to keep them going until the drought breaks.
- Part 2: Support for the wider communities affected by drought – rural and regional communities depend on our farmers and are at the heart of Australia.
- Part 3: Long-term resilience and preparedness – building resilience and ability to withstand drought periods in the long term.

The main focus of the Agency’s activities since its establishment less than three months ago, has been community visits and consultation.

In his capacity as Coordinator-General, Mr Stone has met with primary producers, small business owners and community leaders across the length and breadth of Australia. In December 2019, Mr Stone visited the following communities in the RAPAD region: Barcaldine, Boulia, Longreach and Winton.<sup>5</sup>

RAPAD region community leaders and staff from RAPAD and the Rural Financial Counselling Services North Queensland (RFCSNQ) have a further opportunity to meet with two senior staff members from the Agency in Winton on 25 February 2020.

It is within this context that our research team from the University of Queensland was invited to provide the Agency’s staff in attendance at Winton, with information about a joint **UQ–RAPAD–RFCSNQ Pilot Study** that is relevant to the Agency’s work.

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<sup>1</sup> National Drought and North Queensland Flood Response and Recovery Agency, ‘The Drought and Flood Agency’, *About* (2019) <https://www.droughtandflood.gov.au/about>.

<sup>2</sup> National Drought and North Queensland Flood Response and Recovery Agency, ‘The Drought and Flood Agency’, *Progress to date* (2020) <https://www.droughtandflood.gov.au/progress-date>.

<sup>3</sup> National Drought and North Queensland Flood Response and Recovery Agency, ‘The Drought and Flood Agency’, *Progress to date* (2020) <https://www.droughtandflood.gov.au/progress-date>.

<sup>4</sup> Commonwealth, *Drought in Australia* (Australian Government Drought Response, Resilience and Preparedness Plan, 2019) 6.

<sup>5</sup> National Drought and North Queensland Flood Response and Recovery Agency, ‘Community Visits’, *Where we have been* (February 2020) <https://www.droughtandflood.gov.au/community-visits/where-we-have-been>.

# The Briefing Note

## Why did we prepare this Briefing Note?

This Briefing Note supports an oral presentation to Agency staff at a meeting held in Winton, QLD on 25 February 2020.

In particular, the Briefing Note introduces the Pilot Study to the **Coordinator-General** of the National Drought and North Queensland Flood Response and Recovery Agency, the Hon. **Shane Stone** AC QC, and serves as a platform for future engagement with Mr Stone and the Agency.

## What the Briefing Note covers

The Briefing Note:

- Provides an overview of the UQ–RAPAD–RFCSNQ Pilot Study and why the Pilot Study is unique
- Explains the national relevance of the Pilot Study
- Sets out what progress has been made to date and plots the way forward for the Pilot Study
- Details examples of research questions and specific aspects of our research, where the UQ–RAPAD–RFCSNQ Pilot Study’s evidence-based data and finding can make a contribution to the Agency’s work.

## Future engagement

The guiding principle for the Agency is: ‘**Locally led, locally understood and locally implement**’.<sup>6</sup>

Similarly, the Pilot Study is a community-led RAPAD region project with national outcomes in the areas of:

- Drought policy and practical drought-proofing strategies
- Taxation law and concessions for primary producers
- The efficacy of grants, concessional loans and co-contribution grants
- Farm cash management strategies
- Multi-stakeholder feral animal strategies and programs
- Rural financial counselling.

The UQ research team would welcome an opportunity for further engagement with Mr Stone and Agency staff.

Research team contact details:

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<sup>6</sup> National Drought and North Queensland Flood Response and Recovery Agency, ‘The Drought and Flood Agency’, *About* (2019) <https://www.droughtandflood.gov.au/about>.

# The Pilot Study in a nutshell

## Background

In March 2019, researchers from the University of Queensland’s Law School and the UQ Business School embarked on a three year Pilot Study in collaboration with RAPAD and RFCSNQ.

The research is conducted under Institutional Human Research Ethics Approval Number: **2019000030** [Duration to 28/2/2024].



The name of the Pilot Study is: **RAPAD region policy solutions and business innovation for farmers and small businesses**

The purpose of the Pilot Study was to apply a legal lens to investigate:<sup>7</sup>

1. The differences between the legal structures adopted to conduct farming and small business
2. Participants’ practical access to business-generated cash
3. The way capital is raised, and
4. How existing ownership is transferred in family firms.

UQ, RAPAD and RFCSNQ envisaged that:<sup>8</sup>

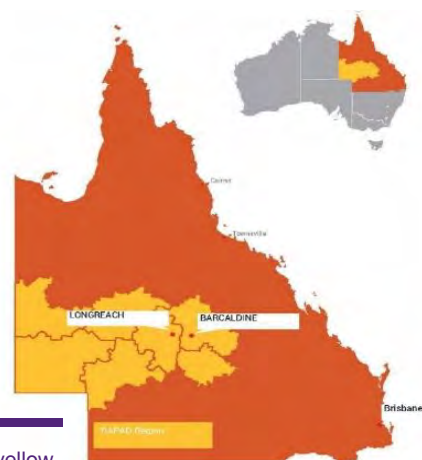
*The research will provide much needed evidence-based findings to inform policy and development of the RAPAD-region economy, and valuable insights into cash flow optimisation; the impact of income tax on small firms and their participants; the impact of rural financial counselling service; and firm succession in a regional economy dominated by small firms.*

## Where is the Pilot Study conducted? Why is RFCSNQ involved?

The Pilot Study is conducted in the RAPAD region of Central Western Queensland. The RAPAD region spans the local government areas of:

Barcaldine, Barcoo, Blackall-Tambo, Boulia, Diamantina, Longreach and Winton.

In order to better understand the business structures and cash flow of primary producers who are experiencing financial hardship due to the prolonged drought across the RAPAD region, the UQ researchers are taking into account the role that rural financial counsellors play in improving the financial position of primary producers in collaboration with RFCSNQ.



RAPAD Region in yellow

<sup>7</sup> TC Beirne School of Law, *Business structures and access to cash* (Pilot Study, 1 March 2019) 3.

<sup>8</sup> TC Beirne School of Law, *Business structures and access to cash* (Pilot Study, 1 March 2019) 3.

## How is the RAPAD community involved?

**The Pilot Study relies entirely on the participation of primary producers and small business owners in the RAPAD region.**

Operating under the strict constraints of the HREA ethics certificate, primary producers and small business owners provide our UQ researchers with access to:

- Their personal income tax returns
- The income tax returns for their business operations
- The financial statements prepared for their businesses
- Their cash flow projections
- Information related to their applications for concessional loans, the FHA and other grants.

From a leadership perspective, the RAPAD Board has endorsed and supports the research.

The RAPAD CEO, Mr David Arnold, was instrumental in shaping the research project so that it fits with what the RAPAD region strategic plans.

The research team also receives in-kind support – office space, internet access and accommodation support – from the two largest accounting firms in the RAPAD region, Ringrose Button and Walsh Accounting. Ringrose Button partners, Bill Ringrose and Elaine Jacobie, and Walsh Accounting partners Lionel and Tony Walsh, continue to provide advice and support to the researchers.

**Ringrose Button**  
chartered accountants



**Walsh Accounting**  
PROBLEM? SOLVED.

Mrs Ann Ballinger, a prominent retired grazier from Muttaborra, has also lent her support to the project.

Mrs Ballinger is patron and advisor to the researchers.

Mrs Ballinger's experience on the land and her knowledge of effective pasture management around Longreach and Barcardine, has provided the researchers with deep insights into farm business management in the sheep industry.

Mrs Ballinger is a Board member of the RNA Foundation, Director of Desert Channels Queensland, and North Executive member of AgForce.



*Mrs Ann Ballinger (right), pictured with Dr Thea Voogt, UQ Chief Investigator*

## Where do we provide more information about the Pilot Study?

The Pilot Study project description, dated 1 March 2019, is provided in the Appendix to this Briefing Note.

## What makes the Pilot Study unique?

- The trust relationship that exists between primary producers, small business owners and the researchers. Trust is the essential element to the project that works with personal and sensitive financial data
- The project does not consider taxation in isolation
  - We have taken a whole-of-business cash flow approach to better understand the application of income tax concessions for primary producers, including Farm Management Deposits, instant asset write-offs, and income tax averaging – all relevant under long-term drought conditions
  - Our study considers the cash flow requirements and cash flow implications of income tax drought concessions at the farm gate. No ATO data or industry statistics can achieve this. Primary producers do not report their cash position in their tax returns, but this aspect is nevertheless key to many drought-relevant tax concessions and tax policy tool
- We are able to map the consolidated debt position of primary producers in reference to:
  - Commercial debt, concessional loans and internal debt
  - The significance and consequences of inter-entity and inter-family debt had never been studied before. No other study has been able to do this, as data and statistics focus on single legal structures, not the combination of legal structures involved in operating farm businesses, and data about internal debt is private and not available in the public domain
- We compare the profitability of farms (in accounting terms), to taxable profit, and to the actual cash resources that primary producers and their family members have access to
  - Taxable income is entirely different to the cash farm families need to survive, when viewed in the context of the cash resources that go towards the repayment of debt and interest – key aspects of drought assistance to primary producers.
- We have been able to analyse data about the activities of rural financial counsellors in the north of Queensland in significant detail to:
  - Understand the role that rural financial counsellors play as change agents in primary production
  - Quantify the impact of debt mediation and debt restructuring that are relevant to concessional loans
  - Pinpoint what primary producers want from rural financial counsellors
  - Contextualise the day-to-day activities of rural financial counsellors against the national goals of rural financial counselling.



# National relevance of the Pilot Study

## Our initial focus

Pilot studies are inherently exploratory in nature.

The Pilot Study was initially designed to focus on the legal structures of farm businesses and family businesses in the RAPAD region.

Generally speaking, the legal structure of a business:

- Frames the three ways in which participants who bear business risk are able to benefit from the business. Firstly, through ownership interests. These may involve direct asset ownership as sole trader, partnership entitlement rights, or share ownership in a company. Secondly, through employment rights as employees, that may be linked to future ownership interests as part of a family firm succession plan. Thirdly, through discretionary entitlements if the business is operated using a trust or through a business structure that incorporates a trust
- Dictates the formality with which business decisions ought to be taken, and in some cases, the timing of these to be income tax effective
- Limits the extent to which firm participants who bear business risk are able to merge their personal finances with firm finances on the one hand, or necessitates a merging of the two on the other hand to collateralise firm debt with personal assets or to self-fund working capital
- Determines the legal nature of family member entitlements to cash generated by a family firm to fund their personal expenses, how these are recorded for accounting and income tax purposes, and their personal liability for firm debt
- Drives the taxation of economic business benefits, the availability of after-tax cash flow to fund working capital, springboard business growth and innovation, and to meet the personal financial needs of participants
- Provides the platform for new capital investments, and facilitates firm succession.

## How we expanded our view and focus

During the first months of the Pilot Study, researchers were present in Longreach to demonstrate the team's long-term commitment to the project. During this time, several initiatives were used to create momentum around the project in order to recruit participants.

Researchers were also able to gain insights into the role of rural financial counsellors and their day-to-day activities, by being present in the RAPAD region for long periods. It became clear that the data captured about the activities of rural financial counsellors are very important to research focused on:

- Farm debt management
- Government support for farm families
- The efficacy of drought-focused tax concessions.

Our findings and output in regard to rural financial counselling are unique, and relevant to the Agency's work.

## Why the Pilot Study became nationally important

The main objective of the Pilot Study has always been to study the legal structures of farm businesses and family businesses in the RAPAD region.

In 2019, ABARES identified that there is a lack of clarity about the structure of farms and farming in Australia, and highlighted that this is a matter of national importance at a policy level. It is for this reason that ABARES embarked on a review of the structure of farms and farming in Australia in 2019.

Relevant extracts from the ABARES website are provided below:

<https://www.agriculture.gov.au/abares/research-topics/surveys/structure-of-farms>

### The structure of farms and farming in Australia

#### Introduction

As part of its research program, ABARES is currently undertaking a review of the structure of farms and farming in Australia. By examining changes in the structure of agriculture we can better understand how and why this process takes place. Examples include: long term declines in the number of farm businesses; changes in farm business ownership arrangements; vertical coordination in the form of production contracts and/or vertical integration of businesses in some industries; and greater use of non-family labour.

This research will contribute to greater understanding amongst government and industry decision makers by clearly articulating trends and issues in the structure of farms and farm households. This project provides context for other work being conducted in ABARES, including farm survey industry reporting, productivity analysis, farm labour, and evaluation of impacts of the Murray–Darling Basin Plan. Knowledge of how the structure of farms has evolved helps us understand future responses.

Agriculture is continuously evolving through a process of ongoing change and adjustment. Resulting changes in distributions of ownership and control of resources influence the incentives faced by farm decision makers. From a policy perspective it is important to be able to examine the scope of impacts from any given change. Some changes have widespread social impacts at either regional or national scales, while others are of narrower significance.

There are many ways to describe the structure of agriculture. These are simultaneously concerned with farms and farm businesses, farm households, and agricultural resource use.

- **Farm businesses** combine the services of land, labour, capital and management in production of agricultural products.
- **Farm households** are concerned with the welfare of household members. They make separate, but related, decisions to farm businesses. The presence of more than one person involved in ownership or management complicates the link between farm businesses and farm households. Household dynamics also influence the behaviour of farmers and the operations of farms. An example is when long term investment decisions may be influenced by whether or not the farm operator has a successor.
- **Agricultural resources** are fundamental to the organisation of farm businesses and it is the quality, quantity and relative mix of land, labour, capital and management through which structural change occurs.

## Linking national knowledge about farm business structures to our Pilot Study

There is no accurate data about the legal structures that farm families use:

- There is no register of family businesses in Australia
- There is no one legal structure for family businesses
- Farm families can use a combination of legal structures to operate their business. Some of these structures may involve primary production, while others don't, making it difficult to track the inter-relationship between the structures in referencing to farm businesses.

For example, if farm land is owned by a partnership, and the farm operations are conducted through a discretionary family trust, the partnership won't have primary production income. It is likely that the partnership will charge the trust rent, and disclose the receipt as such in income tax returns, not as primary production income.

ATO data about the financial position of primary producers are a valuable source of data for policy makers. However, ATO data relates to businesses based on TFN/ABN numbers. Data are not collected about the number of legal business structures used by one farm family, nor how the financial position of each legal structure (which has its own TFN/ABN) relates to the operations of a farm family, and to their assets and liabilities.

This is where the Pilot Study plays a critical role in collecting data centred on business structures, and in explaining what it means in cash flow terms, generationally and in reference to income tax, and specifically in the RAPAD region where the climatic impact of drought on the beef and sheep industries means cash flow is a critical part of business planning.

The time investment required to collect this significant data about the legal structures that families use, and what the relationship and loans between the structures are, is significant. There is no easy fix or work-around.

**The Pilot Study is thus unique, takes time, and is built upon trust.**

When we have a clear picture of how the legal structures that farm families use interact with each other and with them as individuals, we will also be in a position to answer the critical question:

*In which legal structure is farm land held, particularly in the case of beef and sheep producers?*

Without this perspective, it is difficult to predict succession cash flow requirements or to influence policy in this space.

## What are some of the nationally relevant questions our Pilot Study seeks to answer?

Pilot studies are inherently exploratory in nature. Based on our preliminary data analysis and findings, the depth and breadth of data and analysis possible in the Pilot Study will allow us to answer a number of research questions that we did not anticipate given our initial focus which was on legal structures.

These include:

- What are the relative values of commercial debt and concessional loans across different legal structures that farm families use? How does this compare to internal loans, cash flow and interest payments? How can we use this to influence meaningful drought assistance policy?
- What is the relationship between cash generated by primary production, repayment of commercial debt, interest payments on concessional loans, and drawings across all business structures? What does this tell us about the efficacy and inherent risks in concessional loans?
- What has the impact of agistment been in the RAPAD region? What does that mean for the definition of 'farming'?
- In reference to the trust tax policies of some political parties in Australia: what might a 'farm trust' be? What are the risks with this definition for primary producers?
- What is the relationship between business income, taxable income, personal expenses, and practical access to cash due to working capital requirements? What does that mean for policy makers?
- What is the impact of successive assessed tax losses on Farm Management Deposits and instant asset write-offs? What does this tell us about the efficacy of these drought policy tools?

# Where are we now in the Pilot Study?

## Progress to date

The Pilot Study commenced in March 2019. With the assistance of RFCSNQ, our team has been able to collect relevant data from primary producers who are clients of RFCSNQ and who have given their written informed consent to participate in the Pilot Study.

The data sets are large, involve individuals and data about their personal financial position, and data about their business financial position, and over a number of years. These are the main groups of data we collect about individuals and the legal business structures they use:

- Profit and loss
- Balance sheet
- Livestock trading results
- Livestock numbers and changes in herd and flock size
- Family accounts and records of distributions
- Income tax return data.

To date, we have collected data about 19 different businesses and 31 primary individuals across all of the main groups of data.

These data have now been categorised and input were subjected to a 100% audit.

We have been able to incorporate our preliminary findings and case studies from that:

- In presentations to the RAPAD Board and at other fora
- In strategy and risk management-focused recommendations to the RFCSNQ PMC (Board)
- In operational reports prepared for RFCSNQ
- In four conference papers and one research paper.

## What is next?

In January 2020, the researchers met to discuss the composition of the data to map a way forward, with particular emphasis on publications.

Our immediate priority is to standardise the data sets. In some cases, we have data for two income years, and in others, as much as five years. Our aim is to have at least four years of data across all businesses and in reference to all of the individual participants.

Secondly, we will be seeking 2018–2019 income year data for all businesses and individuals. Participants who had an extension to lodge their 2018–2019 income tax returns would have likely had an extension until January 2020. Therefore, with the assistance of RFCSNQ, we should be able to get up to date data in most cases.

In parallel with this process, we will also continue with our publication output. In 2020, we will be focusing on academic journal publications and summary reports for RAPAD.

# Contributions to the Agency's work

This section of the Briefing Note sets out examples of some of the specific aspects and research questions where the UQ–RAPAD–RFCSNQ Pilot Study's evidence-based data and output can make a contribution to the Agency's work.

## Context

The Pilot Study, its data, findings, and output have a particular context. The most important of these:

### **The impact of prolonged long term drought conditions**

Compared to natural disasters such as floods, drought – *prolonged drought* – is very difficult to address at a policy level and at the farm gate

- The impact of prolonged drought is not sudden
- The efficacy of responses are not immediately apparent
- The legacy of drought never ends, **unless it rains.**

It is against this backdrop that the Pilot Study is able to provide evidence-based long-term insights into the long term national problem of drought at the farm gate.

## Features of the RAPAD region drought

The RAPAD region has been drought declared for nearly a decade. The region and the drought in Central Western Queensland have different features when compared to other regions of Australia, and to other geographical areas that are under drought conditions, and which may inform the Agency's work. In particular:

- All of the local government areas in the RAPAD region are classified as 'very remote' by Remoteness Area derived from the Accessibility and Remoteness Index of Australia (ARIA+): major cities, inner regional, outer regional, remote and very remote
- The region's geographical distance from larger centres and from the Eastern seaboard negatively impacts: diversification into other industries (including cropping), transport costs, and attracting manufacturing and new industries to the region
- The community has placed significant emphasis on the 'place value' of the region in developing its integrated RAPAD region economic development strategy to 'Bring back the sheep'. In developing this strategy, the inherent value of the land and pastures, knowledge of the land over decades, and the rich agricultural history of the region's sheep industry, have all been recognised and harnessed for the benefit of the community. Tried and tested success factors count
- The prolonged drought has been a key contributor to rural outmigration in the region. Distance and remoteness will likely make it difficult to turn this position around
- Another significant environmental factor that has negatively impacted agricultural prosperity in the region is the presence of wild dogs. The livestock losses that primary producers suffer as a result of wild dog attacks, the cost of wild dog management on their properties, and the emotional impact of the constant threat of wild dogs on landholders and their families, have been significant. The exclusion fencing schemes in the region have returned significant positive returns.

## Example 1: Concessional loans v Co-contribution grants as funding mechanisms for exclusion fences

Our team has prepared a comprehensive Research Paper about the RAPAD region's integrated economic development strategy to 'Bring back the sheep'.

The Research Paper was funded by a grant from the Rural Economies Centre of Excellence.



*The final Research Paper will be released on 6 March 2020.*

The Research Paper focuses on two different funding mechanisms for exclusion fences.

In January 2020, the Minister for Agriculture, Drought and Emergency Management, the Hon David Littleproud MP, announced another \$10 million for initiatives to combat feral animals and weeds.<sup>9</sup>

This is an extract from the draft Executive Summary of the Research Paper:

### The case studies

This Research Paper undertakes two case studies to explore different conceptions of partnerships, collaboration and cooperation in reference to the application of two policy tools – loans and grant funding – in very remote area development.

The setting of the case studies is the RAPAD region of Central West Queensland. The case studies are focused on the construction of exclusion fences as the essential element of the 'Bring back the sheep' economic development strategy. Wild dogs are pest animals and exclusion fences are an important tool in wild dog management. Exclusion fences are infrastructure that benefits landholders, communities and the government in the context of pest management.

The case studies are:

1. The loan-based Longreach Wild Dog Exclusion Fence Scheme (LES) and
2. The RAPAD Cluster Fencing Grant Scheme (RAPADCS).

The two exclusion fencing schemes employ different policy tools – a long term loan and grant funding – to facilitate the construction of exclusion fences on privately owned land. Overall, the net cost to the government of using the policy tools are low, but both have the potential to deliver high returns in very remote communities.

The LES and RAPADCS are characterised by a high level of cooperation between the state, local government, a regional body and landowners that extends to several areas:

- Funding
- Governance, accountability and reporting
- Pest management, and
- Facilitative infrastructure investments focused on region-wide economic growth.

<sup>9</sup> Department of Agriculture, Water and the Environment, Australian Government (Cth), '\$10 Million Extra to Combat Feral Animals and Weeds' (Media Release, 18 December 2019).

## The relevance of the case studies to other infrastructure investment projects

The case studies consider the nature of exclusion fences as infrastructure assets, the funding models applied, and the level of practical, social and financial cooperation required to achieve the desired outcomes. Furthermore, the case studies provide insights into the role and efficacy of loans and co-funding grants in infrastructure investments in remote and very remote areas.

The systematic approach used to analyse the application of long term loans and grant funding as policy tools in the context of 'partnerships, collaboration and cooperation', serves as a blueprint for the assessment of other privately-owned infrastructure investment projects that have the potential to drive economic growth in communities.

## Key risk areas explored

The case studies identify and explore key risk areas of government-funded or government-facilitate infrastructure investments.

Firstly, the Research Paper analyses the private benefits that arise from subsidised private infrastructure investments that are the inevitable result of grant funding. The paper contrasts the private benefits with the net public benefits that arise from exclusion fences and assesses alternative strategies to deal with the private benefits that arise from the two schemes in the case studies.

Secondly, the Research Paper pinpoints the financial risks present in the two schemes and explains how existing regulatory processes are able to limit the credit risk borne by local government authorities when they act as funding agent between the state and private enterprise.

Thirdly, time plays an important, but different role in the two case studies, and has different cost and time value of money implications for the different parties to the funding arrangement. The systematic analysis of 'time' reveals the advantages and disadvantages of loans and grant funding as policy tools.

The fourth key risk associated with fencing is freeriding. The case studies explore different forms of freeriding namely freeriding in the construction of a fence; monitoring and maintenance freeriding; and differential payment-based freeriding. The paper points out that there are extensive regulatory processes to deal with freeriding associated with dividing fences and contrasts this position to the higher risk of freeriding that is present in other infrastructure investment projects such as those associated with telecommunication and energy.

The fifth important aspect of the Research Paper is the process required to identify the most appropriate legal framework and business model for infrastructure investment projects that involve multiple stakeholders. The paper illustrates how important it is to understand:

- The nature of the asset
- What the asset does, and
- Who benefits from the asset, both directly and indirectly.

## Example 2: Concessional loans v Commercial debt

Concessional loans continue to be an important policy tool in the context of drought.

Traditionally, concessional loans have been made available to primary producers. In December 2019, the Federal Government announced that the concessional loan scheme, operated by the Regional Investment Corporation (RIC), would be expanded so that low-interest loans of up to \$500,000 would also be available to farm-dependent businesses.<sup>10</sup>

Our Pilot Study tracks the values of concessional loans, compared to commercial debt in the RAPAD region at the farm gate. In particular, our study documents:

- Who owns the land – this is relevant to loan security
- Who owns and operates the farming operations to determine where cash is generated, compared to the structure/s where loans are held. When mortgages and loans, and farming operations are in different entities, there is a knock-on effect on taxation and on cash flow that we are able to measure
- Estimates of the value of cash generated by the farming operations, and compares that to interest payable on loans
- Can predict whether primary producers will be able to pay interest on concessional loans after two years, and principle and interest after five years if their operations are to remain the same.

Below, we present an extract from four case studies of participants in our Pilot Study.

	Case study 1	Case study 2	Case study 3	Case study 4
<b>Land owned by</b>	Individuals	Individual	Partnership	Partnership
	Separate small properties			
<b>Farming operations conducted by</b>	Partnership of 3	Sole trader	Partnership	Discretionary trust
<b>Other legal structures</b>				Corporate trustee
<b>Total of commercial debt</b>	\$2,220,000	\$425,000	\$725,000	\$5,460,000
<b>Total of concessional loans</b>	\$1,345,000	\$345,000	\$0	\$0
<b>Estimate of cash generated by operations</b>	\$320,000	\$170,000	\$110,000	\$1,570,000
• <b>Rent pd to partnership</b>				(\$270,000)
<b>Interest paid</b>	\$160,000	\$40,000	\$40,000	\$160,000
• <b>Interest as % of cash generated</b>	50%	24%	36%	60%
<b># of livestock (S=sheep) (C=cattle)</b>	4,750 = S 400 = C	500 = C	3,600 = S	2,000 = C

<sup>10</sup> Department of Agriculture, Water and the Environment, Australian Government (Cth), 'Drought Loans for Farm-Dependent Small Businesses' (Media Release, 17 January 2020).



## Example 3: External v Internal debt

Loans between participants in family businesses are common. So too are loans between participants and the legal business structures they use to operate their family business.

It may be that participants regard these loans as equity. But these are loans nevertheless, that are presented as such in financial statements and which are thus relevant in:

- Assessing credit and loan applications
- Determining the selling price of the business when participants want to exit the business
- The investment decision of any external party who wants to invest equity in the business.

Our preliminary findings have revealed the presence of:

- Significant sizeable loans between family members and the legal structures they use to operate their businesses
- Drawings accounts in discretionary trusts and in sole trader and partnership businesses for participants other than the legal business owners.

From a legal perspective, these are not always justified in reference to the law of trusts and ownership rights, and there is currently uncertainty about the treatment of loan forgiveness from a tax perspective.

Below, we present an extract from two case studies of the relative values of external and internal debt to illustrate the significance of the potential risks and impact of internal debt.

	<b>Case study 1</b>	<b>Case study 4</b>
Total of commercial debt	\$2,220,000	\$5,460,000
Total of concessional loans	\$1,345,000	\$0
Loans that partners/trust owe the partnership	(\$600,000)	(\$850,000)
Loans that the partnership owes the partners	\$150,000	
Loans that the trust owes family members		\$1,800,000

Our conference papers have focused on internal debt and drawings from an accounting, tax law and cash flow perspective.

## Example 4: The impact of tax losses on instant asset write-offs and Farm Management Deposits

Instant asset write-offs remain an important tax policy tool to assist farmers generally, and to support farmers who want to invest in infrastructure and equipment as part of drought-proofing and in drought resilience strategies.

Instant asset write-offs enable primary producers to claim the full capital cost of assets as a tax deduction in the income year when they purchase the item. Instant asset write-offs are generous. For example, as at 1 July 2019, each individual asset purchased in a small business entity with a purchase cost of less than \$30,000 qualifies for the concession.

However, in the event that a primary producer returns an assessed loss in the year when they purchase the asset, there is no tax saving from the instant asset write-off in that year as the primary producer does not have taxable income in the first instance, against which to leverage the write-off.

In the case of primary producers with large carry forward assessed losses, it is unlikely that they will benefit from instant asset write-offs for many years, which reduces the benefits of instant asset write-offs as a tax policy tool.

Our data reveal the extent of this problem.

Secondly, Farm Management Deposits help farmers in smoothing their income and cash flow, but uptake appears low. In order to make deposits into Farm Management Deposit accounts, primary producers must:

- Have free cash flow available (that they do not need for working capital purposes or to pay for their personal expenses), and
- The value of a deposit into the FMD scheme may not exceed the value of the depositor's taxable primary production income for the year.

Below, we present an extract from four case studies to illustrate:

- The estimated level of cash that farming operations generate, that must be used to pay interest on debt in the first instance
- The presence of tax losses in the year
- The value of carry forward tax losses.

	Case study 1	Case study 2	Case study 3	Case study 4
<b>Estimate, cash generated by operations</b>	\$320,000	\$170,000	\$110,000	\$1,570,000
<b>Interest paid</b>	\$160,000	\$40,000	\$40,000	\$160,000
<b>Tax loss in this year</b>	Yes	Yes	Yes	No
<b>Value of tax loss</b>	\$410,000	\$10,000	\$110,000	
<b>Carry forward tax losses</b>	\$1,530,000	\$510,000	\$300,000	\$0
<b>Cash reserves? (Free cash flow estimate)</b>	No	No	No	Yes

## Example 5: What financial advice primary producers seek

Rural financial counsellors are an important resource for primary producers in financial distress.

Data about the activities of rural financial counsellors, in reference to the standardised reporting activities that all rural financial counselling services use across Australia, provide important insights into what matters for primary producers, and what financial advice they might seek.

Our research has delivered evidence-based findings that are relevant to the work of the Agency.

For example, in reference to the work of RFCSNQ as a whole (not only in the RAPAD region):

- Counsellors spend 50% of their time on activities associated with steps to put clients in a better financial position in the long terms – change drivers
- Leaving aside the February 2019 North QLD floods, counsellors spend around 15% of their time on other government support for their clients, noting that these support programs and grants often require the preparation of cash flows that are captured separately
- Debt restructuring and farm debt mediation take up around 15% of counsellor's client time, noting that these activities often require the preparation of cash flows that are captured separately
- Client cash flows and budgeting take up nearly 25% of counsellor's client time.

Working together with the RAPAD CEO and RFCSNQ counsellors, our team has contributed to organisational strategies that:

- Place greater emphasis on the valuable role that rural financial counsellors play as change drivers
- Recognise that clients must play an active role in the counselling process.

## Appendix

### Pilot Study flagship document

#### Business structures and access to cash



  
**RAPAD**  
REMOTE AREA PLANNING &  
DEVELOPMENT BOARD

  
**Rural  
Financial  
Counselling  
Service**  
North Queensland

***RAPAD region policy solutions and  
business innovation for farmers and small businesses***

**Pilot study**

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## Our collaboration

The **TC Beirne School of Law** at The University of Queensland (**UQ**), **RAPAD** and **Rural Financial Counselling Services North Queensland (RFCSNQ)** have joined forces in a three-year Pilot Study that will benefit farmers and small businesses across Central West Queensland.

The research will provide much needed **evidence-based findings** to inform policy and development of the RAPAD-region economy, and **valuable insights** into cash flow optimisation; the impact of income tax on small firms and their participants; the impact of rural financial counselling service; and firm succession in a regional economy dominated by small firms.

In doing so, the study will:

- **Benefit** businesses in Central West Queensland by developing integrated business and policy solutions that fit the unique features of the region
- **Make a contribution** to the rural financial counselling services delivered by RFCSNQ by building capacity and specialisation
- **Provide assistance** to firms experiencing financial hardship in the RAPAD-region by developing practical cash flow-focused optimisation strategies that meet the specific needs of small firms and small family firms in agriculturally dependent, climatically affected areas
- **Play an important role in the national debate** about the important role of rural financial counselling services in facilitating change
- **Express** the unique business narrative of innovation, resilience, connection to the land, and integration between farms, town businesses and communities in the council areas of Barcaldine, Barcoo, Blackall-Tambo, Boulia, Diamantina, Longreach and Winton.

**Set within the RAPAD-region**, the purpose of the Pilot Study is to investigate:

- i. the differences between the legal structures adopted to conduct farming and small business,
- ii. participants' practical access to business-generated cash,
- iii. the way capital is raised, and
- iv. how existing ownership is transferred in family firms.

The Pilot Study commences in February 2019, and forms part of a larger TC Beirne School of Law research project: **Small Australian firm business structures**.



*Mulla Mulla on the road to Windorah*

## Why are we working together to conduct the Pilot Study in the RAPAD-region?

The partnership between **UQ**, **RAPAD** and **RFCSNQ** provides a **comprehensive approach** to understanding small firms, small family firms, family farming, and businesses experiencing financial hardship across Central West Queensland that considers the unique economy and challenges in the region.

**UQ** is a **research intensive university** ranked among the world's top 50 universities.

The **TC Beirne School of Law** (UQ) is **ranked among the world's top 40 law schools**. Research at the TC Beirne School of Law is addressing national and global issues to make a significant and lasting contribution to the understanding and development of law, the effectiveness of law as a discipline, and to provide a better understanding of its interaction with other fields, and within communities.

**RAPAD** is a **peak regional economic development body**. RAPAD's **voice is heard** as it speaks up for communities in one of the most beautiful, but sparsely populated and remote regions of Australia. RAPAD-region-focused policy development will receive attention on national fora.

The services provided by **RFCSNQ** play a **pivotal role** in many farms and small businesses across the RAPAD-region. The confidentiality, professionalism and service excellence of RFCSNQ rural financial counsellors should be supported and showcased.

The research from this Pilot Study aims to provide evidence-based solutions to inform economic policy development; and develop strategies and tools that optimise prosperity for farmers and small businesses in the region.

Together, we recognise the important role that **trust** plays within businesses, financial counselling, and across communities. This Pilot Study safeguards privacy and confidentiality by adhering to ethics standards, privacy legislation, and formalised research protocols.

*'As we face challenging times, RAPAD's positive outlook and commitment to deliver vital programs for our communities and local businesses continues to prove invaluable.'*

– Cr Rob Chandler, RAPAD Chairman.<sup>1</sup>



*Hot air balloons over Birdsville*

## The *Small Australian firm business structures* research project in a nutshell

This Pilot Study forms part of a larger TC Beirne School of Law research project: **Small Australian firm business structures**.

Small businesses account for 97 per cent of all firms in Australia. It is estimated that 70 per cent of all Australian firms are family owned. Small firms and small family firms are extremely important to Australia's economic prosperity and exist within a legal framework of rights and obligations associated with the formal legal structure adopted to conduct the business. In Australia, there are four main business structures: sole trader, partnership, company, and trust.

These structures drive a number of interrelated aspects of the business, including: the ways in which participants are able to benefit from the business through ownership interests, employment rights or discretionary entitlements; the formality of business decision; the taxation of economic benefits; the reporting of business, tax and participant transactions; the extent to which a merging of firm and personal finances is appropriate; the availability of after-tax cash flow; participants' personal liability for firm debts; and methods to introduce new capital or transfer existing ownership rights.

This TC Beirne School of Law study investigates the differences between business structures, participants' practical access to business-generated cash, and the way capital is raised and existing ownership transferred in the context of small firms and small family firms in Australia.

Using a multi-faceted theoretical framework, four research themes are explored:

1. The factors that drive business structure selection.
2. Participants' understanding of the legal nature of their firm participation rights.
3. The merging of firm and participant personal finances.
4. Tools and strategies to plan for, manage and take advantage of the business structure adopted.

## Research project phases

The research project will be conducted over a five year period, starting in February 2019.

*Table 1: Research project phases*

Phase	Description	Period
Pilot Study	Longitudinal Pilot Study of small firms and small family firms in the local council areas of Barcaldine, Barcoo, Blackall-Tambo, Boulia, Diamantina, Longreach and Winton in Central West Queensland, commonly known as the RAPAD-region	3 Years, starting February 2019
Phase 2	A study of small firms and small family firms more generally across Australia	5 Years, starting February 2019

In phase 2, the research project will first focus on small firms and small family firms in remote, rural and regional Australia. This approach enables researchers to develop focused and appropriate policy that recognises the critically important contribution that small family firms make in the farming sector and in remote and rural economies.



## The rationale behind the research

By virtue of its sheer ubiquity, small firms are extremely important to economic prosperity in Australia. Yet, research on these firms typically focuses on start-ups, reasons for small firm failure, or on single aspects within small firms, such as marketing practices, brand identity, energy efficiency or information technology use (see ARC website detailing grant funding from 2001). Little integrated research exists about small firm structures in Australia. No in-depth research has been published about the whole-of-firm impact that any particular business structure has on Australian small firms.

Family owned businesses are an established and enduring feature of the Australian business landscape.<sup>2</sup> In the agriculture sector, data show that 99 per cent of farm businesses are family owned and operated.<sup>3</sup> Yet, there is very little research about family firms in Australia and little attention has been paid to this extremely important sector of the Australian economy from a policy perspective. This position is due to the lack of a definition of 'family firm', the focus of successive Australian governments on the promotion and support of small, medium and micro enterprises in which family firms are regarded as merely a subset of this population, and a lack of data about family firms and their business structures.<sup>4</sup>

Small firms and small family firms exist within a legal framework of rights and obligations associated with the formal legal structure adopted to conduct the business. In Australia, there are four main business structures: sole trader, partnership, company, and trust.<sup>5</sup>

The legal structure of a business:

- Frames the three ways in which participants who bear business risk are able to benefit from the business. Firstly, through ownership interests. These may involve direct asset ownership as sole trader, partnership entitlement rights, or share ownership in a company. Secondly through employment rights as employees, that may be linked to future ownership interests as part of a family firm succession plan. Thirdly, through discretionary entitlements if the business is operated using a trust or through a business structure that incorporates a trust.
- Dictates the formality with which business decisions ought to be taken, and in some cases, the timing of these to be income tax effective.
- Limits the extent to which firm participants who bear business risk are able to merge their personal finances with firm finances on the one hand, or necessitates a merging of the two on the other hand to collateralise firm debt with personal assets or to self-fund working capital.
- Determines the legal nature of family member entitlements to cash generated by a family firm to fund their personal expenses, how these are recorded for accounting and income tax purposes, and their personal liability for firm debt.
- Drives the taxation of economic business benefits, the availability of after-tax cash flow to fund working capital, springboard business growth and innovation, and to meet the personal financial needs of participants.
- Provides the platform for new capital investments, and facilitates firm succession.

It is undeniable that these aspects sit at the core of each firm's operations. But, the interrelationship between the factors are complex and difficult to understand without some legal background or training. Firm participants face significant challenges to take advantage of any particular business structure over the long term due to ongoing regulatory and income tax law changes in the small firm and small family firm sphere.<sup>6</sup> Determining the cash flow implications of business restructure from one legal form to another is equally complex.<sup>7</sup> Navigating the vastly different accounting rules and income tax models that apply to different business structures is likewise challenging. Keeping up to date with regulatory and tax changes takes time. Seeking professional advice costs money. Participants in small firms and small family firms can ill afford either.

The purpose of this study is therefore to investigate the differences between business structures, participants' practical access to business-generated cash, and the way capital is raised and existing ownership transferred in the context of small firms and small family firms in Australia. The study focuses particularly on cash flow as the life-blood of small firms, and on the position of participants who bear business risk, or will bear business risk in the future through family firm succession plans.

The study is timely due to:<sup>8</sup>

- The lack of integrated research into small firms and small family firms in Australia.
- The importance of small firms and small family firms to the Australian economy.
- Significant recent changes and proposed changes to income tax legislation and tax policy for small firms and small family firms, driven largely by contemporary Australian politics.
- The importance of business success and continuity in family farming in remote and rural areas of Australia to sustain rural economies.
- The lack of research about the differences between family firms and other firms, and the policy implications of these differences.

*'Small businesses are key to sustaining and generating jobs in regional economies. Regions with many small businesses are more likely to grow than those with a few large businesses. Understanding how regions create and support resilient business ecosystems are therefore key to their social and economic prosperity. Research into the barriers and enablers of small businesses can help to support business owners, but importantly, can provide the information needed for evidence based policies for regions.'*

- Prof Martie-Louise Verreyne

*Diamantina River at Birdsville*



## Why is small business research in the RAPAD-region relevant?

The economy of the RAPAD-region is almost entirely focused on small firms. In reference to current income tax legislation, one definition for a 'small business entity' is that it has an annual turnover below \$10 million.<sup>9</sup> In the RAPAD-region, nearly *all* businesses have a turnover of less than \$10 million – Table 2.<sup>10</sup>

Table 2: RAPAD-region total number of businesses by turnover

Turnover →	Zero to < \$50k	\$50k to < \$200k	\$200k to < \$2m	\$2m to < \$5m	\$5m to < \$10m	\$10m or more	Total
Longreach	153	216	219	22	5	0	<b>615</b>
Barcoo	17	19	26	3	0	0	<b>65</b>
Blackall-Tambo	80	121	139	13	0	0	<b>353</b>
Boulia	3	3	19	0	0	0	<b>25</b>
Barcaldine	108	149	233	25	5	3	<b>523</b>
Diamantina	3	4	15	3	0	0	<b>25</b>
Winton	57	72	98	15	0	0	<b>242</b>
<b>Total</b>	<b>421</b>	<b>584</b>	<b>749</b>	<b>81</b>	<b>10</b>	<b>3</b>	<b>1 848</b>

The RAPAD-region is agriculturally dependent.<sup>11</sup> Data also show that 99 per cent of farm businesses are family owned and operated.<sup>12</sup> The economy of the RAPAD-region is thus well-suited to study small family firm characteristics and behaviour compared to other small firms, and the impact of related policy development on family farming. Farming is historically important to Australia. Whether it is due to the fact that Australia's economy and history was 'built on the sheep's back', or because family farms remain the dominant form of farm organisation across Australia (as is the case across the economically developed world), there is more academic literature available on what constitutes a family firm in a farming context than in any other sector.<sup>13</sup>

It is only in respect of farming, that reliable country data is available about the preference for any particular business structure used to conduct a family business, allowing for meaningful comparisons to farming firms in the RAPAD-region. Australian Bureau of Agricultural Resource Economics and Sciences ('ABARES') data suggest that partnership structures are dominant in family farming, sole traders make up roughly 20 per cent of family farms, and trusts and corporate structures are used to a lesser extent.<sup>14</sup>

The RAPAD-region is also well suited to study small firm and small family firm behaviour using a cash flow perspective due to the fact that the RAPAD-region is suffering the worst droughts in the history of white settlement in Central West Queensland, leading to significant destocking and high stock feed costs. The impact of the prolonged drought in the RAPAD-region is not limited to agribusiness.<sup>15</sup> Town businesses have suffered reduced turnover and profitability, and population numbers have decreased dramatically. The cash drought of farming firms has thus spilt over into the rest of the RAPAD-region's business sector.<sup>16</sup>

The impact of unprecedented flooding in February 2019 across the north of the Winton shire will add to this dynamic. Having fewer people in the RAPAD-region is a community problem that takes a toll on the sustainable development of the region. Outmigration reduces spending in the local economy, reduces employment, depletes social resources, and causes a generational shift to an older population.<sup>17</sup> The outcomes of this project will help small firms to optimise their cash flow, which in turn holds benefits for the Central West Queensland region.

In this regard, the project is also aligned with federal government perspectives that strategies to retain families on farms must include establishing career paths that are financially sustainable for family firm participants to support strong and vibrant regional communities.<sup>18</sup>

The dominance of family farming across the agriculture sector means that firm succession may be studied more closely in the RAPAD-region. Studies have shown that family firm succession is negatively impacted by poor financial returns, especially as a result of drought conditions, which also has the knock on effect of increasing debt levels in firms.<sup>19</sup> In reference to the broader research question of the business structures most suited to conduct small firm and small family firm business, it is common for farm succession plans to be built around discretionary trusts. Discretionary trusts are also an attractive vehicle to minimise income tax across a family.<sup>20</sup> The wide adoption of discretionary trusts as a business structure more generally, stands in stark contrast to significant concerns that trust law is not well understood by business owners and that legal questions may arise if the trust is not administered according to trust law and the trust deed.<sup>21</sup>

Reflecting again on the agriculture dependence of the RAPAD-region, farmers are generally reluctant to seek professional advice.<sup>22</sup> Under severe drought conditions, farming firms often do not have the cash available to pay for professional advice even if they were to overcome the barriers to access advice.<sup>23</sup> It may be that small firm participants find themselves in a similar position. Across the RAPAD region, the stark reality is that 40 per cent of small business owners do not take a wage,<sup>24</sup> and an increasing number of farm families rely on the Farm Household Allowance to afford the necessities of life.<sup>25</sup> An ever-increasing number of farming firms and small businesses therefore have 'no viable alternative sources of impartial support',<sup>26</sup> and no viable alternative sources of financial advice and information, except to turn to the free services provided by federally and state funded rural financial counsellors,<sup>27</sup> This project seeks to make a meaningful contribution to the services provided by RFCSNQ. Working together with RAPAD, the project will build capacity and specialisation, and showcase and disseminate the best-practice used by RFCSNQ.

*'Small businesses, whether agricultural in nature, or town based, are the life blood of rural communities. At a time of significant natural disasters such as we are experiencing now, never has the need for support for these businesses, and our communities, been greater. This research being undertaken by Dr Thea Voogt has come at an opportune time. What we learn from Thea's work will be instrumental in supporting the individual client and whole communities, through the work we undertake through Rural Financial Counselling Service North Qld and RAPAD.'*

– Mr David Arnold, RAPAD CEO

*The TC Beirne School of Law project team acknowledges the generous in-kind support of office space, internet access and accommodation facilities, provided by the partners of Ringrose Button Chartered Accountants in Longreach.*

[www.rbca.com.au](http://www.rbca.com.au)

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## Who are the researchers?

**Dr Thea Voogt** is a chartered accountant and chief investigator on the project. She holds a doctorate in financial management and a Master's degree in International Commercial Law from The University of Queensland. She brings significant business experience to the team, gained from three extended breaks in her academic career as CEO (Principal Officer) of large superannuation and disability funds, as tender and contracts manager, and as institutional risk manager. Dr Voogt specialises in income tax law and corporate governance. Her integrated business experience, knowledge of the taxation of business income and of the law of trusts and corporations law, and her commitment to being present in the RAPAD-region to conduct the Pilot Study is key to the project.

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🔗 <https://researchers.uq.edu.au/researcher/12003>

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**Prof Martie-Louise Verreyne** is a world leader in her field of small firm strategy, innovation and resilience. Martie-Louise is currently the Deputy Dean of the UQ Business School. She is an experienced research project manager and data analyst, and currently holds two ARC grants. She has also completed three other Category 1 grants focused on agricultural firms. She is a regular contributor to leading entrepreneurship, strategy and interdisciplinary journals. She has also published in all three main small business journals, and serves as Associate Editor to the Journal of Small Business Management. She actively works with industry to create research impact and has received several awards in recognition of this work. Her significant expertise in business strategy and innovation is key to the project, as is her significant experience in developing web-based research instruments.

🔗 <https://researchers.uq.edu.au/researcher/1685>



**Prof Grantham** holds the degrees of Bachelor of Civil Law from Oxford University, and Master of Laws (Honours) from Auckland University and LLD from UQ. Prof Grantham is a leading private law scholar with significant court citations in the United Kingdom, Australia and New Zealand. His significant academic contributions extend to corporations, trusts, property law, and corporate governance, and regulatory theory. Prof Grantham's insights into trust law and his strong commentary on the negative impact that the proceduralisation of Australian corporations law has on business is key to the project's focus on the small firm regulatory environment.

🔗 <https://researchers.uq.edu.au/researcher/1421>



## Protecting participants' privacy and confidentiality

This study adheres to the Guidelines of the ethical review process of The University of Queensland and the National Statement on Ethical Conduct in Human Research.



Institutional Human Research Ethics Approval Number: **2019000030** [Duration to 28/2/2024].

The Pilot Study will involve interviews, case studies, document analysis and observation.

- Participation in the Pilot Study is **voluntary**
- Every potential participant will receive an **easy-to-understand information sheet**
- Every participant will **sign a consent form** before they participate
- Every participant **can withdraw** at any time before data analysis starts
- Participants and their businesses **will not be identified in any publications**, unless they give their express permission to be identified
- The project **will not collect personal data**, except age, gender, position in a firm and business-education background
- Every participant will get a copy of the findings report
- Every participant can **contact the chief investigator** at any time
- **Data will be de-identified**, summarised, combined, analysed and aggregated
- The privacy of **RFCSNQ clients is already legally protected** by a client confidentiality agreement
- The **project team is not allowed to share its data** with anyone, only its aggregated findings.

## Who can take part in the Pilot Study?

The Pilot Study is focused on small firms with a turnover of less than \$10 million per year. These firms can be owner-operated as a sole trader business, or as a partnership. They may also be registered as companies, or involve a family trust.

Invitations to participate in the Pilot Study will be advertised and communicated through RAPAD and the RFCSNQ.

The project team **values and respects the trust** that exists between community members and RAPAD and RFCSNQ. The project team is legally bound to protect the confidentiality and privacy of all participants.

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- <sup>1</sup> Rob Chandler, *RAPAD Chairman's 2017 Annual Report*, 4.
- <sup>2</sup> KPMG, Submission to the Board of Taxation, *Second Discussion Paper: Board of Taxation Post-Implementation Review of Division 7A of Part III of the Income Tax Assessment Act 1936*, 9 May 2014, 3; KPMG, *Family Business Survey 2018: Family Business – The Balance for Success* (KPMG, Family Business Australia and The University of Adelaide, May 2018) 3; Commonwealth, *Small Business Counts – Small Business in the Australian Economy* (Australian Small Business and Family Enterprise Ombudsman, Report, 2016) 34.
- <sup>3</sup> National Farmers' Federation, Submission to the Senate Select Committee on Lending to Primary Production Customers (July 2017) 4.
- <sup>4</sup> See, eg, Parliamentary Joint Committee on Corporations and Financial Services, *Family Businesses in Australia – Different and Significant: Why They Shouldn't be Overlooked* (March 2013) 1, 2, 15, 17, 23–7; Commonwealth, *Budget 2018–19: Budget Overview* (8 May 2018) 4; Commonwealth, *Re:think Better Tax System, Better Australia* (Treasury, Tax Discussion Paper, March 2015) 105–20; Commonwealth, *Budget: Budget Strategy and Outlook*, Budget Paper No. 1 (10 May 2011) 1–31; Australian Liberal Party, *Backing Small Business* (Issue No 2, 2018) <<https://www.liberal.org.au/our-plan/small-business>>.
- <sup>5</sup> See, eg, Nickolas James, *Business Law* (Wiley, 3<sup>rd</sup> ed, 2014) 503–4.
- <sup>6</sup> See, eg, Commonwealth, *Review of Small Business Tax Concessions* (The Board of Taxation, Consultation Guide, May 2018) 10.
- <sup>7</sup> See, eg, ALP, *A Fairer Tax System: Discretionary Trusts Reform* (30 July 2017) 1, 2; Commonwealth, *Review of Small Business Tax Concessions* (The Board of Taxation, Consultation Guide, May 2018) 9, 10, 12; Commonwealth, *Taxation of Discretionary Trusts: A Report to the Treasurer and the Minister for Revenue and Assistant Treasurer* (The Board of Taxation, November 2002) 6; Productivity Commission, *Business Set-up, transfer and Closure* (Productivity Commission Inquiry Report, No. 75, 30 September 2015) 84.
- <sup>8</sup> See, eg, ALP, *A Fairer Tax System: Discretionary Trusts Reform* (30 July 2017) 1, 3–5, 7, 10; Chris Bowen, 'ATO Confirms that Trusts are Being Used to Minimise Tax' (Chris Bowen, Shadow Treasurer, Member for McMahon, Australian Labor Party, Media Release, 1 August 2017) 1, 3; David Leyonhjelm, 'Trust Labor to Spend Too Much', *The Australian Financial Review*, 25 August 2017, 38; Commonwealth, *Parliamentary Debates*, House of Representatives, 8 August 2017, 7666–7 (Michael Sukkar, Assistant Minister to the Treasurer); Parliamentary Joint Committee on Corporations and Financial Services, *Family Businesses in Australia – Different and Significant: Why They Shouldn't be Overlooked* (March 2013) 40–2.
- <sup>9</sup> *Income Tax Assessment Act 1997* (Cth) s 328–110.
- <sup>10</sup> Australian Bureau of Statistics, *8165.0 Counts of Australian Businesses, Including Entries and Exits, 30 June 2017, Businesses by Local Government Area by Industry Division by Turnover Size Ranges* (Released at 11:30 am on 20 February 2018).
- <sup>11</sup> RAPAD, *2016 RAPAD Annual Report*, 4.
- <sup>12</sup> National Farmers' Federation, Submission to the Senate Select Committee on Lending to Primary Production Customers (July 2017) 4.
- <sup>13</sup> See, eg, John Hicks et al, 'Succession Planning in Australian Farms' (2012) 6(4) *Australasian Accounting Business and Finance Journal* 94, 96, 98; Productivity Commission, *Trends in Australian Agriculture: Productivity Commission Research Paper* (2005) 1; Commonwealth, *Agricultural Competitiveness White Paper: Stronger Farmers, Stronger Economy* (2015) 1; J Crockett, 'The Nature of Farm Succession in Three New South Wales Communities' (2004) 1(1) *Australian Farm Business Management Journal* 14, 14; Heike Fisher and Rob JF Burton, 'Understanding Farm Succession as Socially Constructed Endogenous Cycles' (2014) 54(4) *European Society for Rural Sociology* 417, 417; GW Kaine, EM Crosby and RA Stayner, *Succession and Inheritance on Australian Family Farms* (The Rural Development Centre, University of New England, August 1997) 1.
- <sup>14</sup> Parliamentary Joint Committee on Corporations and Financial Services, *Family Businesses in Australia – Different and Significant: Why They Shouldn't be Overlooked* (March 2013) 33–4.
- <sup>15</sup> RAPAD, *2016 RAPAD Annual Report*, 4.
- <sup>16</sup> Dana Kelly, *Beyond the Dust: Impact of Drought on Town Businesses in Central West Queensland and Some Solutions* (Western Queensland Drought Committee Report, March 2018) 6, 20, 25, 26, 39.
- <sup>17</sup> Evonne Miller, Kimberley van Megen and Laurie Buys, 'Diversification for Sustainable Development in Rural and Regional Australia: How Local Community Leaders Conceptualise the Impacts and Opportunities from Agriculture, Tourism and Mining' (2012) 22(1) *Rural Society* 2, 2–3.
- <sup>18</sup> Commonwealth, *Agricultural Competitiveness White Paper: Stronger Farmers, Stronger Economy* (2015) 2.
- <sup>19</sup> Olivia Falkiner et al, 'Current Practices in Australian Farm Succession planning: Surveying the Issues' (2017) 3(1) *Financial Planning Journal* 59, 61.
- <sup>20</sup> See, eg, Commonwealth, *Re:think Better Tax System, Better Australia* (Treasury, Tax Discussion Paper, March 2015) 62; Commonwealth, *Board of Taxation Post-Implementation Review of Division 7A of Part III of the Income Tax Assessment Act 1936* (A Report to the Assistant Treasurer, November 2014) 6; GE Dal Pont, *Equity and Trusts in Australia* (Thomson Reuters, 6<sup>th</sup> ed, 2015) 806; Barbara Trad and Brett Freudenberg, 'All Things Being Equal: Small

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<sup>21</sup> Commonwealth, *Taxation of Discretionary Trusts: A Report to the Treasurer and the Minister for Revenue and Assistant Treasurer* (The Board of Taxation, November 2002) 6.

<sup>22</sup> Olivia Falkiner et al, 'Current Practices in Australian Farm Succession planning: Surveying the Issues' (2017) 3(1) *Financial Planning Journal* 59, 62.

<sup>23</sup> See, eg, Commonwealth, *Re:think Better Tax System, Better Australia* (Treasury, Tax Discussion Paper, March 2015) 28, 48, 109, 112.

<sup>24</sup> Dana Kelly, *Beyond the Dust: Impact of Drought on Town Businesses in Central West Queensland and Some Solutions* (Western Queensland Drought Committee Report, March 2018) 63.

<sup>25</sup> Rural Financial Counselling Service, *Farm Household Allowance... Not Just for Drought Affected Producers* (Media Release, 30 August 2018).

<sup>26</sup> National Farmers' Federation, Submission to the *Review of the Rural Financial Counselling Service Program* (August 2014) 5.

<sup>27</sup> Mark Furner, Minister for Agriculture Industry Development and Fisheries, Queensland Government, 'Financial Counselling for Drought Affected Communities Continues' (Media Statement, 20 June 2018).



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## **Central Western Qld Remote Area Planning & Development Board submission:**

*on the Qld State Governments proposed amendments to the Regional Planning Interests Act 2014 as it relates to the Qld part of the Lake Eyre Basin*

The Central Western Qld Remote Area Planning and Development Board (RAPAD) is a regional organisation of councils and regional development agency owned by and representing the seven councils of Central Western Qld. Those councils, being Barcoo Shire Council, Barcaldine Regional Council, Blackall-Tambo Regional Council, Diamantina Shire Council, Boulia Shire Council, Longreach Regional Council and Winton Shire Council represent a significant portion of the Qld section of the Lake Eyre Basin.

The RAPAD region boasts one of the most dispersed populations in the country, with roughly 12,000 people spread across an area of more than 320,000 square kilometres. Despite unique challenges – from remoteness to variable climate, a declining population – the Regional Australia Institute (RAI) states the region has the potential to enter a period of high economic growth through to 2031.

As a whole, the region is expected to grow 2.8 per cent per annum compared to the 1.9 per cent per annum achieved over the last decade, with key strengths in industries like agriculture, tourism and services which are aligned to global growth trends. Overall, the RAI modelling indicates the RAPAD region has the potential to deliver an annual output of \$1.5 billion in Gross Value Added (GVA) by 2031.

Focusing on key strategic priorities and commitment to a long-term vision will be vital to achieving these gains and RAPAD understands the complexity in maintaining the health of the Lake Eyre Basin while maximising the economic viability of the region. The region's industry strengths of agriculture, in particular beef and sheep production, including organic, will be a major driver of this growth. Similar to other Rangeland regions, the agriculture industry dominates the employment share for the region, and its annual output is expected to be \$0.6 billion more in 2031 than it was in 2013. Increasing demand from Asian markets for clean, green meat coupled with strong brand recognition of the regions, and Northern Australia's high-quality produce puts the RAPAD region in a strong position. Strategies to increase sheep meat and wool production to supply international markets for example, will be an important priority. Nevertheless, agriculture alone will not deliver the region's full potential. The RAPAD region's economy has the potential to deliver \$1.5 billion in regional output in 2031. This builds on its strong productivity, 28 per cent higher than the Australian average, and competitive specialisation in the fast-growing industries of agriculture and tourism. To reach this potential, the region must overcome its challenges and focus on key priorities and commitment to a long term sustainable economic vision and it is the role of Government – State and Federal to support the growth of our region.

Collectively, industries like tourism, public services (education, health, and public administration), construction and IT will contribute the biggest share to future economic growth. The resource industry while relatively small may offer significant contributions to the region if effectively managed and regulated. Upskilling and developing greater capacity across these industries, for example in agriculture and tourism, but also health and digital

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skills, will be key to these industries reaching their full potential. Enhancing the capability and capacity of the region will help to build on its already highly productive workforce. In both 2008 and 2013, the average productivity of the RAPAD region was more than 28 per cent higher than the Australian average. Traditionally low levels of unemployment and specialisations in agriculture, wholesale, civil engineering construction and recreation services jobs have formed the basis for a healthy labour force.

RAPAD, and its member councils understand the community's desires and aspirations and the balance required to achieve economic, social and environmental sustainability.

RAPAD has previously led facilitation on past iterations of this present discussion about the Lake Eyre Basin, through the Wild Rivers and Western Rivers policy approaches under both the then Labor and LNP governments respectively. The approach RAPAD took was one of leading multi-stakeholder negotiation amongst all stakeholder groups.

In 2018 RAPAD became aware of the changes proposed by the present State Government as a result of lobbying from various interest groups as far back as 2015, which in turn brought about a State Government commitment to progress these changes. In late 2018 we wrote offering to be a partner in discussions. In November 2019 we again wrote to the State Government requesting the release of a discussion paper, more openness from Government on this matter and our desire to partner with the State to facilitate discussions about meeting the environmental needs of the region while maximising our economic potential. To date this has been ignored.

As is now well documented and reported the Government took the approach of releasing a 6-page power point presentation with minimum detail, a week before Christmas, asking then for a 4-week turnaround for feedback. As one media outlet reported, it takes a special type of consultation to bring together disparate stakeholder groups, to voice their collective distaste for the Governments approach.

RAPAD is providing the following advice based on several input processes;

- The Boards – Mayors – intimate knowledge of their councils and community's views, including the Boards own current strategic plan - <https://www.rapad.com.au/assets/Uploads/RAPAD-Strategic-Plan-2018-20-print.pdf>
- Meetings with groups such as the Western Rivers Alliance, AgForce, and as a part of the stakeholder collective formed in response to this consultative process,
- Past consultations undertaken for RAPAD by Professor John Cole in his 'Pathways to Futures' regional consultation - <https://www.rapad.com.au/assets/Documents/Pathways-to-Futures/RAPAD-CWQ-Synthesis-Report-2016.pdf>
- Recent consultation undertaken for the Department of Environment and Science funded 'Realising the Big Vision' project - <https://www.rapad.com.au/assets/Uploads/Consultation-Report-WOW-Final-Realising-the-RAPAD-Big-Vision.pdf>
- RAPADs Pathfinder report undertaken by the Regional Australia Institute - <https://www.rapad.com.au/assets/Documents/Media-Releases/RAPAD-Pathfinder-Report-July-2017.pdf>
- Consultation with Desert Channels Qld, the regions peak natural resource management organisation for the Qld section of the Lake Eyre Basin, and here we draw on, in this submission, the extensive technical that DCQs possess regarding the Lake Eyre Basin,

- Our involvement in the Federal Governments Department of Environment and Energy – User Panel, Geological & Bioregional Assessment Program, and finally,
- acquired knowledge from RAPADs leadership, facilitation and secretariat roles of past Wild Rivers and Western Rivers consultative processes.

As a result of those past Wild Rivers and Western Rivers policy approaches RAPAD formed a set of principles which have been altered through the last few years however essentially, they remain constant.

#### RAPAD:

- Agrees that there is community wide support for 'long term sustainability', and the existing, economic, social and conservation values of the Lake Eyre Basin (LEB) and its river systems. RAPAD understands the LEB is one of the world's great inland river systems although its integrity remains under threat from a range of factors, none more so than from invasive pest animal and plant species, and here Government must commit to long term funding to Desert Channels Qld, the agricultural industry and local government to ensure this threat can be minimised,
- Agrees that rivers, permanent & semi-permanent waterholes offer important cultural and environmental, as well as economic and social significance, and should be protected in some form,
- Agrees that the balance is complex between the community desire for long term sustainability, a desire by many to protect the rivers and landscape, landholders' agricultural activities (including organic producers), local government operational needs, resource industry (e.g. mining, petroleum, gas & unconventional gas exploration and development) needs,
- Agrees that where there has been significant development surrounding the rivers and adjacent waterways within the LEB any 'protection area status' should not be declared. Significant development is defined as intervention to change the landscape surrounding the river or waterway such that the system does not have all, or nearly all, its natural values intact. That is, the landscape surrounding the river or waterway, can no longer be described as being undisturbed or as being in near its natural condition,
- Agrees that resource industry activities such as but not limited to, mining, petroleum, conventional and unconventional gas exploration and development activities are activities that can create value economically and socially, however for the same economic, social and also environmental reasons, they should be:
  - regulated in the Queensland rivers of the Lake Eyre Basin, and that that regulation extends to the headwaters of the Cooper, Georgina and Diamantina systems. Protection may be required to extend up into the low order streams at the very top of these headwater areas where extensive mining and high rainfall may occur, producing significant risk of pollution events,
  - required to provide adequate financial guarantees for all remediation costs of pollution should it occur,
  - only allowed to proceed to development, notwithstanding all legal development approvals, where a demonstrated tangible economic and social benefit is realised by the communities of the LEB,
- Agrees that other industry activities, such as, but not limited to, agriculture and tourism are not adversely impacted by resource industry activities,

- Agrees that industries such as tourism and agriculture existing and operating as it is at present in the LEB be allowed to operate without interference and that Government commit to ongoing extension for agriculture through, and with the agricultural industry, to facilitate adoption of best practice grazing and environmental stewardship,
- Agrees that water license holders have a legally obtained license and that they be entitled to retire it at their leisure or receive an appropriate commercial compensation if the Government orders such a license be surrendered,
- Agrees that local government should not be adversely impacted by legislation pertaining to such things as access to sand and gravel, road maintenance, land for commercial development, access to urban water,
- Agrees that local government shall support good water management practices relating to water sharing (waterholes) between producers and local governments, and any legislation should recognise these good practices,
- Agrees that water should be provided for local government, residential and small to medium business growth, any current activities, stock and domestic, road construction and maintenance, and for indigenous & cultural use,
- Agrees that a landholder with riparian rights to water in the strategic environmental area of the LEB be allowed to build a dam or earth tank for stock and domestic purposes, the total size of which needs however to be determined to be consistent with pervious points,
- Agrees that cognisant to the above relevant dot points, agricultural activities in general be able to develop; e.g. blade ploughing, fodder harvesting, regrowth thinning and vegetation management,

As indicated, these are principles and, in some cases, they may be in alignment with proposed changes however with little detail provided by Government it is difficult to establish.

On the issue of unconventional gas RAPAD has no fixed position other than as stated in our principles.

Boulia Shire Council advise that in their consultation with the Pitta Pitta traditional owners, the Pitta Pitta were not a part of the TO meeting held in Longreach. Furthermore, on behalf of the Pitta Pitta, BoSC have asked they request that there be no *'them and us'*; everyone needs to agree on future legislation pertaining to the LEB.

In relation to specific proposed changes:

1. **SEA:** RAPAD does not support the expansion of the Strategic Environmental Area (SEA) to cover the Georgina, Diamantina and Cooper catchments. This proposed change will increase the area of the SEA to approximately 51 063 803 ha an increase of 773%.
2. **Environmental attributes definition:** RAPAD is open to discussion on widening the attributes although with little detail provided, we cannot offer further comment. In principle we accept that activities that impact negatively on beneficial flooding and natural flows for example are unacceptable.
3. **Unacceptable land use within a 'Designated Precinct' to include high impact petroleum and gas activities:** Consistent with our principles RAPAD believes all high impact activities are in need of strong regulation in sensitive areas.

4. **Increase the extent of the Designated Precinct:** RAPAD is open to discussion although with limited detail on how this applies in practical terms, we are not in a position to support or not support.

**General commentary:**

RAPAD would like to know:

How amendments may or may not affect certain land management activities such as fencing, specifically cluster or exclusion fencing?

How amendment may or may not affect tourism operations and or potential related infrastructure?

How is a wildlife corridor defined and mapped?

How these amendments may or will impact our grazing industry and the opal (open cut and underground) industry?

How would amendments affect everyday local government operational functions such as road repair and maintenance?

What are impacts if any on water use present and future?

The board of RAPAD requests that Government undertake further consultation throughout the region. We always understood this was a first round of consultation and once these submissions were collected, there would be a second round.

For further information please contact me, the undersigned on 0428583301.

Yours Sincerely

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

David Arnold  
CEO

## **MEDIA RELEASE**

23 February 2020

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### **Outback Queensland united on the road to the 2020 State Budget**

Outback Queensland communities have united to lobby the Queensland Government for a single spending priority ahead of the 2020 State Budget - roads.

North West Queensland Regional Organisation of Councils (NWQROC), Remote Planning and Development Board (RAPAD) and South West Queensland Local Government Association (SWQLGA) acting as the Western Queensland Alliance of Councils is appealing to the State Government to increase investment in roads to provide the most beneficial and far reaching impact on the entire region.

The Western Queensland Alliance of Councils covers almost 60% of the state's land mass and generates \$9.35 billion of the State's Gross Product from 1.3 per cent of Queensland's population – 2.2 times above the Queensland average.

NWQROC Chair, Councillor Jack Bawden says roads act as enabling infrastructure, which supports economic growth as well as social connection and development.

“Given our regions are vast and, in many instances, geographically isolated, roads are critical for industry, for the community and for being able to continue to contribute to Queensland's economy,” Cr Bawden said.

The Alliance is requesting three clear actions:

1. Reverse the long-term trend of declining funding allocations to the region from the lowest in the state.
2. Build on the success of Transport Infrastructure Development Scheme (TIDS)
3. Review TIDS to adjust the current 50/50 matching component to 80 / 20, similar to many National Partnership Agreements between the Australian and Queensland Governments..

SWQLGA Chair, Councillor Richard Marsh says funding allocations through the Queensland Transport Roads Investment Program (QTRIP) to the north/central/south west Department of Transport and Main Roads districts are the lowest allocations in the state at 2.7/2.5/2.0 per cent.

“At a very minimum the (QTRIP) allocations should be maintained at not less than 10% across the entire region which would be less than a 3 per cent increase,” Cr Marsh said.

RAPAD Chair, Councillor Rob Chandler says the region needs TIDS to be increased immediately and matching arrangements need to change from 50/50 to 80 per cent from State Government to 20 per cent from Local Government.

“We love TIDS, it is an excellent scheme, but we still have to find half the money for the projects to go ahead All of our councils have very constrained budgets with a low rate base and few opportunities to raise additional own source revenue. The scheme needs to be adapted to be more like many of the National Partnership Agreements between the Australian Government and State,” he said.

## Case Studies of Roads that will be assisted by an increase in funding

### Normanton to Burketown link

About \$50M is required to seal the remaining 104 km of the Normanton to Burketown link. This road is part of the Savannah Way which joins Cairns to Broome in WA. Locally it's the direct connection between Normanton and Burketown. Currently the unsealed sections are significant deterrent to tourists and during the wet season it closes access to locals and heavy vehicles carting livestock and freight, like groceries. The entire TIDS allocation for the whole of the North West is just under \$5.5M which shows why this relatively flat road is an uphill battle under current funding arrangements.

### Birdsville Developmental Road

The Birdsville Developmental Road is a state-controlled road which supports both the cattle industry and oil and gas operators to move heavy vehicles throughout the entire year. It also serves as a tourist route during winter. The road provides access to both the Strzelecki and Birdsville Tracks connecting Queensland to South Australia. This road to Birdsville becomes extremely busy twice a year when the Birdsville Races and the Big Red Bash Music Festival are held attracting thousands to the corner of the state. At this time the gravel road becomes high risk where sections decrease in width from 8m to 4m. While this road requires high capital investment, it's improvement will deliver high economic yield.

### Charleville to Bollon Road through Murweh and Paroo Shire Councils

Road widening upgrades to the Charleville to Bollon Road in Murweh and Paroo Shires are a priority for our region. Without them our heavy vehicle transport operators face increased operating costs due to time delays associated with inadequate road widths and poor pavement conditions. In effect, for this industry, time is money and a big variable in their daily operations is the quality of our regional roads network.

- ENDS -

## Contacts for interview

### NWQROC

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### RAPAD

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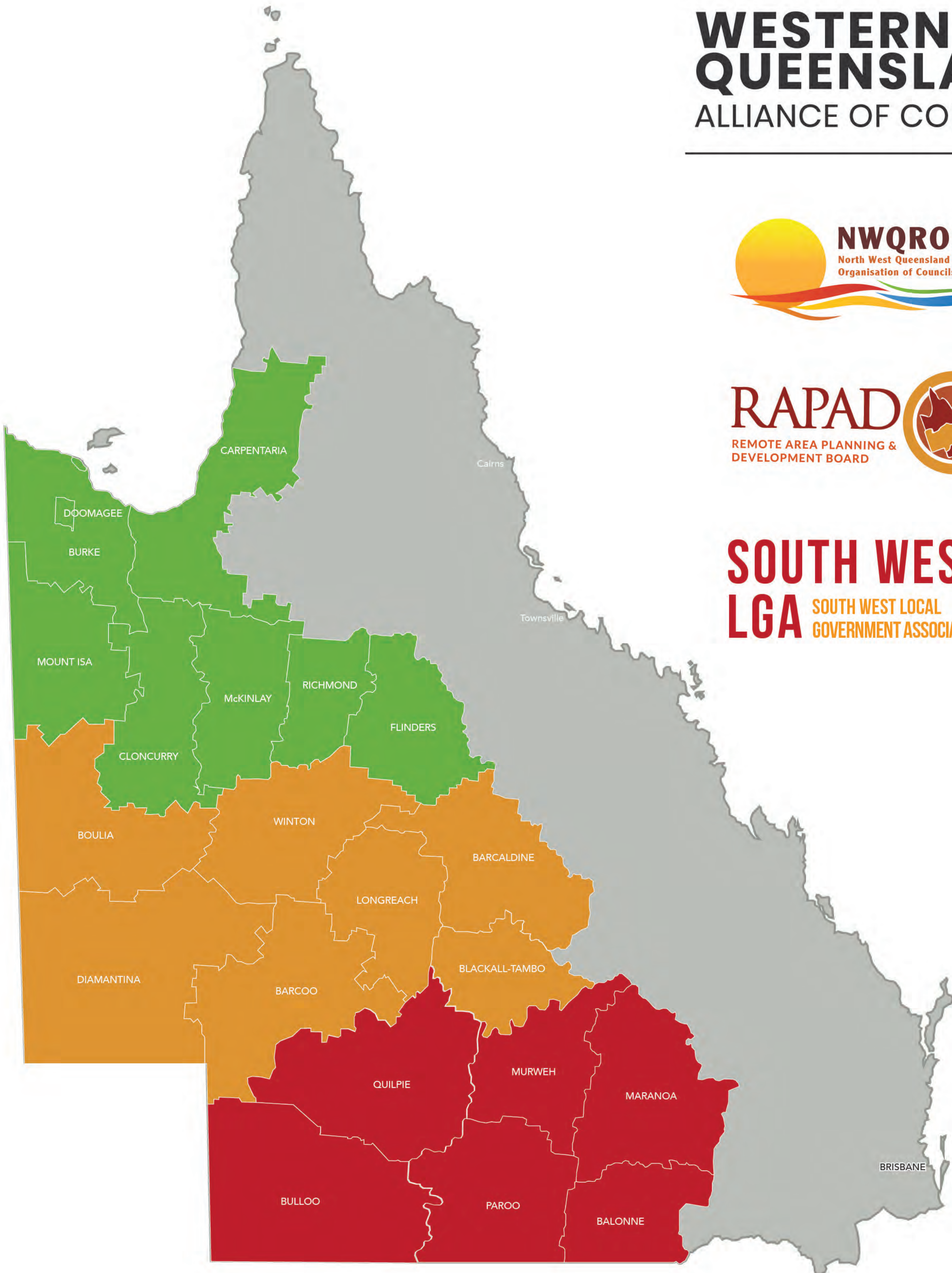
# WESTERN QUEENSLAND

## ALLIANCE OF COUNCILS

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**SOUTH WEST**  
**LGA** SOUTH WEST LOCAL  
GOVERNMENT ASSOCIATION.



## More time and better stakeholder engagement needed on Lake Eyre Basin laws

MEDIA RELEASE: 09/01/2020

An organisation representing seven local government areas of outback Queensland is calling on the Queensland Government for more time and better consultation on potential changes to laws which could affect outback waterways and land use in the Lake Eyre Basin.

The State Government provided Remote Area Planning and Development Board with a presentation on proposed amendments to the Regional Planning Interests Act on the 18<sup>th</sup> of December 2019 requesting feedback by the 24<sup>th</sup> of January 2020.

RAPAD is calling on the State Government to provide more detail on proposed amendments and extend the feedback period.

"We feel it is more than reasonable to expect an extension of the feedback period until at least the end of February to allow proper consideration of the material presented to RAPAD Directors before Christmas," RAPAD CEO David Arnold said.


"Mayors need to take what information they have back to their councils and community for consideration before they can provide an informed position on a process which could have a significant impact on their region," he said.

RAPAD is also calling on the State Government to conduct a multi-stakeholder discussion, to enhance the consultation process.

"It's our strong desire for the government to adopt a collective stakeholder process similar to the previous Wild Rivers Advisory Panel and Wild Rivers Advisory Panel under both the former Labor and Liberal governments," he said.

"We feel we can get the best outcome for the communities and environment of the Lake Eyre Basin if local government, environmentalists, traditional owners and industry work together to provide guidance and feedback on the governments proposed changes to the act," Mr Arnold said.

--ENDS--

 To arrange an interview or for more information contact:  
(07) 4652 5600

 [info@rapad.com.au](mailto:info@rapad.com.au)

 100 Galah Street | PO Box 592  
Longreach Q 4730



#RAPADCWQ

Nicole Bond  
Media and Communications Manager RAPAD  
0417 199 369

## First step towards new future for Longreach Pastoral College

**MEDIA RELEASE EMBARGOED until 5:30am 19/02/2020**

An economic development body representing the seven local government areas of central western Queensland will start the interim management of a former state government agricultural education campus in Longreach.

The Remote Area Planning and Development Board has signed a Licence to Occupy the Longreach Pastoral College until November 2020.

RAPAD Chairman Councillor Rob Chandler says the licence allows the community to start utilising the facilities while a longer-term plan is developed in conjunction with the State Government.

“The community is hungry to get some certainty about access to the facilities, such as the accommodation so it can be utilised for planned events, this agreement allows us to breathe life back into the campus,” he said.

The Queensland Government will fund RAPAD to administer the development of an in-depth business plan which will consider all opportunities for sustainable future.

“We will continue to work with the State Government to transition the college into a local entity in the next five years that can meet the needs of the community, employers and industry,” Councillor Chandler said.

“RAPADs approach going forward is to work in partnership with all levels of government and industry to develop a sustainable college of international standard in an agricultural region,” he said.

We pay tribute to the hard work carried out by the consultative committee over the past year, particularly Charles Burke and Alison Mobbs.

“Thanks also goes to the North West and the South West local government regions for their support which shows that 60% of Queensland is behind the future of this facility,” said Cr Chandler.

--ENDS--

To arrange an interview or for more information contact:  
Nicole Bond  
Media and Communications Manager RAPAD  
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#RAPADCWQ

## **One Year On Help Still Available for Flooded Farmers and Small Businesses**

**MEDIA RELEASE 10/02/2020**

One year after flooding washed through homes and businesses in north Queensland - help is still available for rural operations and small businesses struggling to get back to full operation.

The Rural Financial Counselling Service North Queensland has dedicated rural and small business counsellors based in North Queensland who can help rural and non-rural businesses to access State and Federal Government funding, loans and grants as well as assist in looking closely at the state of your finances to come up with options for you to improve your situation.

The service has helped more than 200 people who have been flood affected in the region from Townsville, west to the Northern Territory border over the past year.

### **Small Business Support**

One of those is Townsville based panel beater, Shannon Pope who says he's still playing catch up since floodwaters inundated his home, flooded his office and the humidity damaged his machinery, costing his business more than \$150 000.

"I'm still waiting for my house to be fixed but my business has bounced back since I got in touch with small business financial counsellor, Gerard Byrne," Mr Pope said.

Since working with RFCSNQ the father of two has replaced equipment with a Queensland Rural and Industry Development Authority (QRIDA) grant, is getting assistance to submit the paperwork for a resilience grant and has received tailored mentorship and support.

"The assistance from the small business counsellor has been instrumental in getting back on our feet, finally we are starting make up some ground on what we have lost," he said.

What made all the difference in the "worst year of his life" was being able to meet with Mr Byrne face to face on an ongoing basis.

"The pop ins, the catch ups, having someone who listened, and you could talk to was and continues to be a great support. Gerard knew who to contact and what assistance was available, and as my situation changed, he was able to help provide more options for me to consider," Mr Pope said.

There are two dedicated small business counsellors based in Townsville, any small businesses impacted by the flooding are urged to get in contact as a priority.

“Some small businesses may be eligible to apply for existing Disaster Funding that closes in February. It is essential that they contact us at the earliest opportunity to determine if they are eligible for assistance,” Small Business Counsellor Gerard Byrne said.

“It is important that small businesses take full advantage of the services and opportunities available. Often, small businesses aren't always aware of the opportunities. For example, the Queensland Government offers Small Business Digital Grants, and businesses should be preparing now to apply for future rounds,” Mr Byrne said.

### **Rural Business Support**

Since the flooding, Rural Financial Counsellor Glenn Budden has clocked up more than three and a half thousand kilometres a month to make sure any primary producer who needs help with their financial recovery can get it, but he says there's more work to be done.

“Additional financial stress will be felt by producers, especially those who have accumulated higher debts levels than normal during the drought years,” Mr Budden said.

“Most grazing operations will have a cashflow deficit over the next year, some the next 2 to 3 years, mainly because they lost cows and calves so don't have cattle to sell this year,” he said.

The Rural Financial Counselling Service is independent of QRIDA, Regional Investment Corporation (RIC) and lending institutions so we can assist you in getting the best outcome with these organisations.

“My greatest concern for struggling producers is for them to not follow through with the recovery assistance that has been made available.

“Producers may self-assess based on poor information or simply be struggling to get started on an application because it looks daunting and too hard to complete,” Mr Budden said.

RFCSNQ counsellors can provide assistance to complete the applications and to locate or provide the additional assistance that may be requested.

Contact details for RFCSNQ can be found at [www.rfcsnq.com.au](http://www.rfcsnq.com.au) .

-- ENDS--

For further information or interview contact:

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Shannon Pope, SP Panel Beating	0403 510 033
Nicole Bond Media and Communications Manager	0417 199 369