



Queensland

Rural and Regional Adjustment Amendment Regulation (No. 5) 2013

Explanatory Notes for SL 2013 No. 157

made under the

Rural and Regional Adjustment Act 1994

General outline

Short title

Rural and Regional Adjustment Amendment Regulation (No. 5) 2013.

Authorising law

Sections 3, 10, 11 and 44 of the *Rural and Regional Adjustment Act 1994* (the Act)

Policy objectives and the reasons for them

Section 3 of the *Rural and Regional Adjustment Act 1994* (the Act) establishes QRAA to "administer assistance schemes that foster the development of a more productive and sustainable rural and regional sector in Queensland".

Section 10 of the Act provides that QRAA may only give assistance under an approved scheme and section 11 provides that an approved assistance scheme is one which is approved by regulation.

Consequently approved assistance schemes under which QRAA administers financial assistance are detailed in the *Rural and Regional Adjustment Regulation 2011* (the Regulation).

The subordinate legislation:

- a) approves a new scheme to allow QRAA to administer the Farm Finance Package: concessional loans scheme; and
- b) amends the closing date for assistance under the Tropical Cyclone Oswald Exceptional Disaster Assistance Scheme from 30 August 2013 to 29 November 2013.

Farm Finance Package: Concessional loans scheme

On 27 April 2013 the Australian Government announced a *Farm Finance Package* (the Package) to boost support and assistance to farmers. The Package consists of:

- concessional loans for debt restructuring,
- additional rural financial counsellors,
- a national approach to farm debt mediation; and
- enhancements to the Farm Management Deposit scheme.

The intent of the nationwide Package is to help otherwise viable farmers who are struggling with high debt. The Queensland Government has agreed to allow QRAA to administer the concessional loans component of the Package on behalf of the Australian Government. The concessional loans are the only aspect of the Package to be administered by a Queensland Government agency. Accordingly, only the concessional loans are the subject of the subordinate legislation. QRAA has had long experience in delivering both financial assistance schemes of the Queensland and Australian Governments and therefore is ideally suited to administer this Australian Government concessional loan scheme in Queensland.

These loans which are made available for debt restructuring purposes have the following principal conditions:

- maximum loan size of up to \$650,000 for eligible farm businesses to restructure existing farm business debt
- loan term of up to five years
- variable concessional interest rate initially set at 4.5 per cent per year

- interest only repayments may be available for up to five years
- full repayment of loans required at the end of five years.

For those extenuating circumstances where a loan recipient cannot refinance with a commercial lender, QRAA may, if the loan recipient demonstrates prospects for transitioning to a commercial lender, continue to manage that loan for a period of up to two years. In these circumstances commercial conditions will apply to the loan.

These conditions are contained in the Scheme guidelines known as the *Farm Finance: Concessional Loans Scheme-Scheme Guidelines for Queensland*. The guidelines have been developed in close consultation between QRAA, the Queensland Department of Agriculture, Fisheries and Forestry and the Australian Department of Agriculture, Fisheries and Forestry. The guidelines are available on QRAA's website at www.qraa.qld.gov.au.

Extension of the closing date for the Tropical Cyclone Oswald Exceptional Disaster Assistance Scheme

The Queensland Government has agreed to extend the closing date for applications for assistance under the Tropical Cyclone Oswald Exceptional Disaster Assistance Scheme (Schedule 24 of the Regulation) from 30 August 2013 to 29 November 2013. The Scheme is a grant and loan package of up to \$650,000 made available under Category D of the joint Commonwealth State Natural Disaster Relief and Recovery Arrangements (NDRRA). It was introduced in response to Tropical Cyclone Oswald to provide financial assistance for those businesses and primary producers that suffered extreme direct damage from that disaster.

The Queensland Government has also agreed to extend the closing date for the Tropical Cyclone Oswald Special Disaster Assistance Scheme (Schedule 23) to 29 November 2013 (a Category C NDRRA clean up and recovery grant scheme) however the wording of Schedule 23 is such that an extension can be done without recourse to a regulatory amendment.

The Tropical Cyclone Oswald Special Disaster Assistance Scheme and the Tropical Cyclone Oswald Exceptional Disaster Assistance Scheme (Scheme) are closely aligned in that an applicant for assistance under the Scheme must show that assistance under the Tropical Cyclone Oswald Special Disaster Assistance Scheme and the standard concessional loan

assistance (a Category B loan of up to \$250,000) would be insufficient to support recovery due to the severity of the damage incurred.

The closing date of these schemes is being extended as some primary producers are having difficulty organising necessary repairs and restoration activity (that would attract financial assistance under the Scheme) due to strong competition for available contractors/tradespersons and in some cases ongoing wet conditions which preclude machinery from getting onto paddocks. There are also some businesses in smaller regional centres that are also having difficulties in accessing contractors/tradespersons necessary to undertake repair work by the original closing date.

Therefore a failure to extend the closing date of these Schemes would mean that there would be some primary producers and businesses that would miss out on accessing this assistance and this may slow the economic recovery of the regions that were severely impacted by Tropical Cyclone Oswald.

In addition, the Honourable Mark Dreyfus MP, Attorney-General of Australia on 2 July 2013 agreed to a Queensland Government request to allow all primary producers in the Rockhampton Regional Council area that suffered direct damage from Tropical Cyclone Oswald to apply for Category C and Category D assistance. Most areas where Category C and D were activated have been eligible to apply for this assistance since February or March. Without an extension of time applicants in this area will only be able to apply for assistance under the Scheme for approximately 5 weeks compared to the 6 months enjoyed by the other regions eligible for this assistance. This would lead to a considerable inequity for primary producers in Rockhampton.

An extension of the closing date to 29 November 2013 which is prior to the commencement of the next wet season will allow all potential applicants to access this assistance should they need to do so to support their recovery.

Achievement of policy objectives

Farm Finance Package: Concessional loans scheme

The issue of high levels of farm debt has been the subject of considerable media attention with several meetings being held by producers looking to find solutions which will support farm viability. The Australian Government has stated that the Farm Finance Package and the loans that are the subject of the subordinate legislation are intended to address these

concerns. The Queensland Government's overall policy is to build agriculture as one of the Four Pillars of the Queensland economy. Accordingly, assistance which will support otherwise viable farmers in reducing their debt, is wholly consistent with Queensland Government policy.

Extension of the closing date for the Tropical Cyclone Oswald Exceptional Disaster Assistance Scheme

The purpose of NDRRA assistance programs such as this Scheme is to provide financial assistance with clean up, recovery and restoration activities which help community recovery after a natural disaster. Accordingly, an extension of the closing date to 29 November 2013 will allow all potential applicants to access this assistance and will deliver on the policy objectives of the NDRRA.

Consistency with policy objectives of authorising law

The financial assistance schemes that are the subject of the subordinate legislation achieve the policy objectives of the Act in that they will provide financial assistance to the rural and regional sector in Queensland. The Act was established to allow QRAA to administer schemes of both the Queensland and Australian Governments.

Inconsistency with policy objectives of other legislation

The subordinate legislation is not inconsistent with the policy objectives of any other legislation.

Benefits and costs of implementation

Farm Finance Package: Concessional loans scheme

The subordinate legislation is of a beneficial nature in that it will provide financial assistance to farmers struggling with high debt. This scheme is funded by the Australian Government with \$60 million over the next two years (\$30 million in 2013/14 and \$30 million in 2014/15). QRAA is administering this Scheme on behalf of the Australian Government. Accordingly, the administration costs of the Scheme will be met by the Australian Government.

Extension of the closing date for the Tropical Cyclone Oswald Exceptional Disaster Assistance Scheme

It is unknown with any certainty how many additional applicants for the Tropical Cyclone Oswald Exceptional Disaster Assistance Scheme will occur as a direct consequence of extending the closing date to 29 November 2013. QRAA estimate \$18.5m in loans and \$2.25m in grants, for a total of \$20.75m will be spent on this Scheme by the current closing date. When the Scheme is extended spending could increase to \$22 million (a \$1.25 million increase).

Consistency with fundamental legislative principles

No fundamental legislative principle issues have been identified in the preparation of the subordinate legislation.

Consultation

Farm Finance: concessional loans scheme

The Australian Government consulted closely with industry in the development of the policy measures contained within the Farm Finance Package. Industry is supportive of the Farm Finance Package and there has been strong interest expressed in the concessional loans component of the Package. In developing the scheme guidelines for the concessional loans the Australian Government consulted closely with QRAA and the Queensland Department of Agriculture, Fisheries and Forestry.

The Queensland Competition Authority (QCA) noted that a full Regulatory Impact Statement (RIS) does not need to occur for the introduction of the Farm Finance: Concessional Loans Scheme as it was excluded on the grounds that it is a 'regulation for the internal management of the public sector or statutory authority.

Extension of the closing date for the Tropical Cyclone Oswald Exceptional Disaster Assistance Scheme

The Queensland Government and QRAA received numerous requests to extend the closing date of the additional financial assistance measures offered in response to Tropical Cyclone Oswald from individual producers and their industry bodies.

The QCA noted that as the amendment of the closing date for the Tropical Cyclone Oswald Exceptional Disaster Assistance Scheme is not likely to impose significant adverse impacts a RIS was not required.

ENDNOTES

- 1 Laid before the Legislative Assembly on . . .
- 2 The administering agency is the Department of Agriculture, Fisheries and Forestry.

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