Rural and Regional Adjustment (Variation of Primary Industry Productivity Enhancement Scheme) Amendment Regulation 2024

Explanatory Notes for SL 2024 No. 153

made under the

Rural and Regional Adjustment Act 1994

General Outline

Short title

Rural and Regional Adjustment (Variation of Primary Industry Productivity Enhancement Scheme) Amendment Regulation 2024

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

The objective of the *Rural and Regional Adjustment (Variation of Primary Industry Productivity Enhancement Scheme) Amendment Regulation 2024* (the Amendment Regulation) is to ensure that the Primary Industry Productivity Enhancement Scheme (PIPES) remains contemporary, appropriate and effective in providing concessional loan assistance to primary producers to strengthen the economy of Queensland regions and to facilitate the development of sustainable primary production in Queensland.

The Department of Agriculture and Fisheries (DAF) is the Program owner for PIPES. As the specialist administrator of financial assistance schemes, the Queensland Rural and Industry Development Authority (QRIDA) manages PIPES, from application to loan finalisation, on behalf of DAF.

A number of factors have recently seen lower than budgeted loan approvals including:

- lending activity as a result of the COVID-19 pandemic;
- banks and other institutions, such as the Regional Investment Corporation, offering varied lending programs as potential competitors to PIPES;
- the erosion of the margin between QRIDA's concessional interest rates and rates offered by other lending institutions;
- the terms and conditions that QRIDA offers potential borrowers; and

- rising interest rates and the increased costs of property and inputs.

In late 2022, QRIDA undertook an internal review of the scheme to ensure PIPES remains responsive, appropriate to market requirements and attractive to potential borrowers.

QRIDA accepted the recommendations arising from the review of PIPES and sought amendments to PIPES to increase the responsiveness of the loan term to changing market fluctuations, increase flexibility in loans in order to match production conditions and meet the expectations of clients for common features of loans.

Achievement of policy objectives

The Amendment Regulation achieves the objectives by amending PIPES to introduce a variable interest rate for loans and increase the potential interest only period from five to ten years.

It is desirable to have the proposed amendments commence as soon as reasonably practicable as they will increase the responsiveness of loan terms to changing market fluctuations, increase flexibility in loans in order to match production conditions and will represent the expectations of clients for common features of loans.

Consistency with policy objectives of authorising law

The Amendment Regulation is consistent with the objectives of the Act, which establishes QRIDA to administer assistance schemes that foster the development of a more productive and sustainable rural and regional sector in Queensland and to give assistance to primary producers, small businesses or other elements of the economy in periods when they are experiencing temporary difficulty.

Inconsistency with policy objectives of other legislation

The Amendment Regulation is not inconsistent with the policy objectives of other legislation.

Alternative ways of achieving policy objectives

There are no feasible alternative ways to achieve the objectives other than through amendments to the *Rural and Regional Adjustment Regulation 2011*.

The risks from not progressing these amendments include: a decrease in flexibility for current and potential clients (compared to other loans currently available in the market); reduction of the ability to assist existing clients in times of need; and having a loan product that no longer suits the market.

Benefits and costs of implementation

There are potential additional employment benefits for PIPES borrowers associated with the introduction of these proposed changes by providing greater flexibility to manage their loan repayments while growing their agricultural business especially during times of drought, disasters or commodity price fluctuations. These proposed changes will enable QRIDA to help borrowers to better navigate such challenges, retain and grow jobs in rural communities.

QRIDA is generally resourced for the administration of the PIPES scheme at its current activity level.

Consistency with fundamental legislative principles

This Amendment Regulation is consistent with fundamental legislative principles as stated in the *Legislative Standards Act 1992* and has no adverse impact on the rights and liberties of individuals or on the institution of Parliament.

Consultation

All major industry groups in Queensland were sent a discussion paper and invited to participate in the consultation on the proposed PIPES changes. Industry stakeholders expressed almost unanimous support for the proposed amendments.

The Deputy Premier, Treasurer and Minister for Trade and Investment was consulted and endorsed the proposed amendments to PIPES.

QRIDA consulted with Queensland Treasury officials in November 2022 and provided financial modelling on the proposals including the extension of interest only period which was found to have little or minimal impact on the PIPES loan book. Queensland Treasury officials were satisfied the proposal was reasonable, on the basis it is as a means of supporting applicants during periods of cash flow stress such as drought, climate, biosecurity issues etc, while at the same time ensuring no additional costs and no additional risks are borne by the State.

QRIDA further consulted Queensland Treasury Corporation (QTC) in August 2023 and the QTC officials saw no issues or impact of these proposed PIPES changes to their lending to QRIDA.

In accordance with *The Queensland Government Better Regulation Policy* (the Policy), an Impact Analysis Statement has been prepared which identifies that the proposed amendments are considered machinery in nature, do not add to the burden of regulation, are unlikely to result in significant adverse impacts and that no further regulatory impact analysis is required under the Policy.