



**Hon Ken Baston MLC
Minister for Agriculture and Food**

Our ref: 47-02868-1

Senator David Bushby
Chairman
Senate Economics Legislation Committee
PO Box 6100
Parliament House
CANBERRA ACT 2600

By email: economics.sen@aph.gov.au

Dear Senator Bushby

**INQUIRY INTO RESERVE BANK AMENDMENT (AUSTRALIAN
RECONSTRUCTION AND DEVELOPMENT BOARD) BILL 2013**

Thank you for the opportunity to make a submission to the above-mentioned inquiry.

I have examined the Bill and note that, in essence, the Bill proposes that the Board be tasked with and empowered "...to take whatever action is necessary..." to:

- consider issues affecting the financial performance of agricultural industries;
- develop and offer alternate financial arrangements; and
- reduce or eliminate the debilitating impact of financial arrangements.

The Board would:

- be able to acquire, hold, deal with and dispose of property; and use the Reserve Bank's capital in giving effect to its policies;
- need to consider a wide range of causes of financial distress including inadequate evaluation of the financial arrangements by any party to those arrangements, seasonal conditions and "...any other adverse circumstances"; and
- need to ensure that whoever it assists is not saddled with responsibilities that are "...so onerous as to threaten the persons' ongoing enterprise in a reconstructed form or industry exit on reasonable and accepted terms."

The effect of the Bill would be to establish the Reserve Bank as a 'lender of last resort' with limited grounds for prudent economic decisions.

This approach is inconsistent with the Western Australian Government's policy decision made on 24 January 2011 for the Government of Western Australia not to provide a carry on loan scheme or other similar schemes designed to assist farmers via the Government acting as a 'lender of last resort'. Some of the issues that led to this policy position were:

- Government would be required to assume risk that commercial lenders have rejected, with financiers referring risky clients so as to both limit their own exposure and avoid adverse publicity of debt recovery;
- Level of arrears and bad debts are often substantial and can be exacerbated if future seasons are also adverse; and
- Last-resort loan schemes are distortionary and encourage unviable activity, artificially holding up land prices and delaying orderly restructure and adjustment.

The approach proposed in this Bill also appears inconsistent with the recent intergovernmental agreement signed by all States through Standing Council on Primary Industries (SCoPI) in May 2013 on national drought program reform. The reform program seeks to enable farmers to manage business risks and prepare for future challenges rather than their reliance on direct Government business support that includes the likes of previous Commonwealth exceptional circumstance (interest rate subsidy) assistance.

I have not seen sufficiently strong arguments to support this private members' Bill, which is inconsistent with the 'risk management and preparedness' approach reflected in recent decisions by the Western Australian and collective Australian governments via SCoPI. I would, of course, welcome receipt of logical arguments for support of such a Bill by state/territory governments.

Yours sincerely

KEN BASTON MLC
MINISTER FOR AGRICULTURE AND FOOD

31 JAN 2014