

REGIONAL INVESTMENT CORPORATION – OPENING STATEMENT – 23 OCTOBER 2018

David Foster – Chair of the Regional Investment Corporation and I am joined by Matt Ryan our Acting CEO.

The Regional Investment Corporation, the RIC, was established on 1 July 2018, under the *Regional Investment Corporation Act 2018*, to deliver low interest government-funded loans to farm businesses in need and State Governments for water infrastructure projects.

An independent board was appointed to the RIC in March 2018, with myself appointed as Chair. By the end of this week the board would have met 11 times to make decisions about the RIC, including entity establishment issues such as location, infrastructure and recruitment; business policies and guidelines, loan settings and service delivery options. We have also established our Audit Committee, it has met 2 times, and together with the board is the foundation for our governance framework.

The RIC Board appointed an acting Chief Executive Officer (CEO) on 25 May 2018. The selection process for the permanent CEO has been completed and in accordance with section 36(4) of the RIC Act, the appointment is currently being considered by government. The board was pleased with the high calibre of candidates and their depth of experience and capability relevant to our operations.

The board and acting CEO are currently supported by a dedicated team of staff seconded from the Department of Agriculture and Water Resources as well as a number of contractors. Recruitment to fill these positions permanently is currently underway.

Our operating budget for the next four years is \$52.5 million. In addition the department of Agriculture and Water Resources transferred an unspent amount of \$7.1 million to us at the end of last financial year to continue with establishment activity that was delayed in 2017-18.

To date, and into the future, we intend to be prudent and live within our means.

ESTABLISHMENT

The RIC is establishing our headquarters in Orange, NSW. The decision to locate in Orange was made by the RIC Board and was based on a number of factors including transport and accessibility, availability of commercial real estate, telecommunications, available workforce, amenities and services.

The board also considered Armidale and Wagga in NSW, Bendigo in Victoria and Toowoomba in Qld as potential locations for the RIC.

When assessing these locations it was noted that Armidale had limited commercial property available, limited air transport in Bendigo and higher housing costs in Toowoomba.

Positives for the Orange locations included, highest wellbeing index outcome for access to health, education, aged care and childcare. Good transport access. Good supply/cost of commercial property and a broad talent pool of agricultural expertise given the number and range of agricultural agencies based in Orange.

The board was aware of the Government's policy of Orange as the preferred location.

The RIC office accommodation has been selected and a 3 year lease has been signed by our acting CEO. Building fitout is currently underway.

We undertook an extensive search for existing properties in Orange and have managed to secure favourable commercial arrangements with the landlord. The base per square metre rate was more than 20% less than available and comparable properties.

Recruitment is underway for a range of positions including corporate services as well as lending services and business development and outreach. We are expecting a high degree of interest from candidates, we received 68 applications in the first week of advertising. Advertising closes at the end of this month. Interviews are scheduled to take place in early November, permanent staff are likely to start operating in Orange prior to Christmas, and into the New Year, subject to timing of release from existing engagements.

We've begun a wide range of marketing, communication and stakeholder engagement activities, targeting areas identified as most in need. We have attended 16 events and held 11 engagement activities since 1 July 2018. This has included face to face meetings at conferences, information sessions and field days.

Some of the places we have been are Roma, Injune, Toowoomba, Tamworth, Muswellbrook, Gunnedah, Henty, Shepparton, Narrogin and Tanunda. We have information sessions planned in Orange, Dubbo and Moree next week.

The sessions to date have been well received. Attendees have provided feedback that the information provided has been excellent and that their understanding of the RIC and our products and how they can assist, has increased significantly.

FARM BUSINESS LOANS

The RIC's Drought and Farm Investment loans offer farmers financial relief and the chance to improve the resilience and profitability of their business. RIC loans can be used to refinance existing debt, to free up cash flow or to fund a wide variety of on farm activities, including operating expenses, infrastructure projects or drought related activities.

Following the recent Government announcement, the RIC has worked with the Department of Agriculture and Water Resources to increase the maximum loan value from \$1 million to \$2 million.

The interest rate is currently 3.58%. This is tied to the 10 year government bond rate and is reviewed every six months. Adjustments to the interest rate are only made when the bond rate moves by more than 10 basis points.

Our loan terms are 10 years, the first five years are interest only. There is a requirement for the applicant to have 50% of their debt with a commercial lender at the time of application.

We will be administering these loans in a nationally consistent way, prudently and efficiently assessing loan applications to help farmers in need. The RIC is managing the loan book and balancing the needs of farm businesses with our obligation to manage the government's loan funds appropriately.

We have set our eligibility requirements as broad as possible within our mandate. As a result we expect that more farmers and farm business will be eligible than under previous schemes.

The RIC Board has procured specialist agribusiness and loan assessment services, through an open tender process in early 2018 to ensure seamless and professional service was available from 1 July 2018. Bendigo and Adelaide Bank Limited were the successful party and awarded a 3 year contract valued at \$16.1 million. This significant investment represents 41% of the RIC's \$38.9 million operating budget over that period and ensures that major part of our business has established and proven expertise from day 1 to deal with the expected steady stream of applications from eligible farm businesses.

There is a strong set of service levels attached to this contract. For example, 75% of assessments are to be completed in 20 days and 90% in 30 days. These benchmarks are industry competitive and consistent across Australia.

Bendigo and Adelaide bank are agents of the RIC. They identify themselves as RIC staff, follow all RIC policy and procedures. All farm loan decisions are taken by the RIC CEO. Under the contract the banking system is separate from all other Bendigo and Adelaide banking systems and staff are not permitted to move between the two arms of the organisation. Effectively creating a clear delineation between its normal business and the service provided to the RIC.

As at 15 October, the RIC has received 89 applications. 49 of these are incomplete and awaiting further information from the applicant before commencing assessment. 40 are complete applications which are at various stages of assessment. Of these 40, 4 have had the assessment completed and a decision taken. The majority of applications are from NSW.

We are working tirelessly to make sure farmers know there are loans available to assist and also move these existing applications through the assessment process.

We are pleased with progress to date considering the we only commenced operation from scratch less than 4 months ago; the myriad of drought and farm related assistance measures currently available at both the State and National level; the end of financial year rush for the former Commonwealth drought loans; and, the associated teething problems with any business start-up. For us, these teething issues are things like, working through deeds of priority with existing lenders and ensuring applicants and farm advisers are familiar with the RIC's products and provide all relevant information for assessment against eligibility.

Building awareness of the RIC is a challenge and will remain a key focus going forward.

NATIONAL WATER INFRASTRUCTURE LOAN FACILITY

The RIC also offers loans to state and territory governments for eligible water infrastructure projects. Helping fund projects that improve water security and support regional economic growth.

We will fund 'shovel ready' projects up to 49% of the total cost at a minimum borrowing amount of \$50 million. This means eligible projects would have to be a minimum of \$102 million in total cost. The term is 15 years and the first 5 years is interest only.

We're undertaking a range of stakeholder and consultation activities, having met or spoken to each state and territory. The RIC understands there are a number of projects being discussed at the state and territory level, ranging from waste water reuse for horticulture to stock and domestic pipeline systems developed in conjunction with mine water supply to managed aquifer recharge to support horticulture.

The RIC will provide independent advice to government on projects for consideration, and administer agreements with states and territories for an approved loan to allow the construction of priority water infrastructure.

FUTURE OF THE RIC

The RIC is working hard to bed down our current business. As with any new establishment there will always be teething issues to iron out. However, the building blocks put in place by the RIC Board, and acting CEO, I believe hold the RIC in good stead for the sound delivery of concessional farm and water loans, to assist Australian farmers and support regional economic growth.

An important role for the RIC is understanding and actively responding to the needs of stakeholders and to trends and emerging issues in the agriculture sector. As the RIC moves forward, we will further support rural and regional communities by working to improve our current products, finesse our service delivery, address eligibility gaps and seek to explore new offerings.