



20 July 2017

Committee Secretariat
Senate Standing Committees on Rural and Regional Affairs and Transport
PO Box 6100
Parliament House
Canberra ACT 2600
Via email: rrat.sen@aph.gov.au

RE: Regional Investment Corporation Bill 2017 (Provisions)

The National Farmers' Federation (NFF) welcomes the opportunity to make a submission to the Senate Standing Committees on Rural and Regional Affairs and Transport relating to the inquiry into the provisions of the Regional Investment Corporation Bill (2017) (hereafter referred to as the Bill).

The NFF is the peak national body representing farmers and, more broadly, agriculture across Australia. Operating under a federated structure, individual farmers join their respective state farm organisation and/or national commodity council. These organisations form the NFF. The NFF is committed to advancing Australian agriculture by developing and advocating for policies that support the profitability and productivity of Australian farmers.

The farming community is largely supportive of the proposed Regional Investment Corporation (RIC) and looks forward to furthering the agricultural sector through the administration of farm business loans and through a new mechanism for the delivery of funding for water infrastructure projects.

I have attached to this letter our feedback on specific provisions in the Bill. The amendments we seek to the Bill are largely to enhance the independence of the Corporation and to improve transparency of its establishment and operation.

TONY MAHAR
Chief Executive Officer

Attachment 1 – NFF response to proposed Bill

NFF is of the view that the RIC should be independent and not subject to undue political interference or Ministerial direction. Ministerial directions should be transparent and openly reported. NFF is of the understanding that there are independency and transparency provisions for the RIC's operation under the *Public Governance, Performance and Accountability Act 2013*. It is crucial that the right checks and balances are in place to ensure that the RIC is not left exposed to undue political interference in undertaking its day-to-day operations.

Where previous state-based organisations did not seemingly have the bandwidth to do so, the RIC should aim to react efficiently and effectively to the changing agricultural landscape to progress self-sufficiency and innovative thinking in regional and rural communities. Similarly, the RIC must be a non-partisan organisation, and we seek a commitment from all political parties to uphold an independent, regionally-focussed RIC for the long term.

In establishing the RIC, NFF and its members seek assurance from the Government that there will be no loss of capacity or local expertise to assess risks that are specific for regions or enterprise types. Applying the same assessment to live export enterprises in the Gulf to a strawberry farm in Tasmania is likely to result in either a lost opportunity (risk overestimated) or more risky loans provided (risks underestimated). For this reason, the NFF supports section 44(3) of the Bill, enabling the RIC to source local expertise. If implemented, this is likely to add significantly to the effectiveness of the RIC. Furthermore, we seek an assurance from the Government that RIC staff will receive the appropriate training to ensure that they have an understanding of the industries, businesses and regions that will be supported by the operation of the RIC.

While we acknowledge the need to ensure that the RIC is correctly established, it is our view that the operation of the RIC should be able to cater to all farmers, including those whose business it is to trade wholly within a particular state.

Assessment of loans

The NFF is supportive of having farm business loans controlled and operated out of a central location, as there is less scope for funds to be lost through administrative costs. Consequently, more revenue should be available for on-farm purposes, and, hopefully, this will release other streams of revenue that can be accessed to increase on-farm opportunities. There is hope in the farming community that the lag between political announcements about farm business loan programs and that the actual delivery will be significantly shortened. Thus, during tough seasons, a streamlined and centrally administered farm business loan program could prove vital to farmers across the nation. Paramount to a functional and useful RIC will be to eliminate unnecessary paperwork and to process applications in a timely manner.

NFF recommends that the Bill be amended to require the RIC to establish clear service standards, both in relation to the delivery of a program once announced and in relation to the processing of individual applications once a program has commenced.

Recommendation 1:

Amend the Bill to include a provision that requires the Corporation to specify timeframes for the assessment and determination of loan applications in the Operating Mandate. Our view is the legislation should enable the development of these rules rather than require the timeframes to be specified in the Bill.

Location of the Corporation

NFF supports the general decentralisation agenda of the current Government and is of the understanding that the RIC will be located in regional NSW. However, NFF would offer caution with regard to section 12(5) of the Bill. NFF would not in any way want to preclude the RIC Board from making commercial decisions about how and where RIC business operations should be located, especially noting that there might be opportunity for expansion of the RIC in the future.

The Board

NFF is of the view that a small Board of 3, as proposed, is too few in number to deal with unforeseen circumstances. As currently drafted, a quorum of two with a casting vote included for the Chair or acting Chair is a possibility, thus concentrating decision making with the Chair. NFF proposes to increase the number of Board members to avoid this possibility.

Recommendation 2:

Amend section 16 to increase the number of Board members from a Chair and 2 other members to a Chair and 4 other members.

NFF is concerned at the significant discretion provided to responsible Ministers regarding the termination of Board members. Section 26 (1)(c) enables Ministers to dismiss a Board member if responsible Ministers do not have confidence in them. Rather, NFF supports the responsible Ministers holding reasonable powers to dismiss a Board member where performance is unsatisfactory or other such provisions as described in Section 26 (1) (a-b) and Section 26 (2).

Recommendation 3:

Amend the Bill by deleting section 26 (1)(c) .

Operating Mandate

Section 11 of the Bill sets out the process for the establishment and the scope of the Operating Mandate of the RIC. This section does not require the responsible Ministers to consult with stakeholders when formulating the first mandate, or to receive advice from the Board of the RIC when revising the mandate in the future. NFF seeks amendment to the Bill to require the responsible Ministers to conduct an open and transparent consultation process to seek the views of stakeholders when developing the operating mandate.

Recommendation 4:

Amend Section 11 of the Bill to require the responsible Ministers to conduct public consultation on a draft operating mandate, prior to its finalisation.

Expanding the functions of the Corporation

NFF is of the view that it would be beneficial to provide the RIC with a specific function to advise the responsible Ministers on issues affecting the financial circumstances of the agricultural industry by clearly including this function in section 8(1)(e). This could include coordination with the national farm debt survey and responding to any financing or debt reconstruction needs. This would give the ability for the RIC to provide strategic forecasting information to Ministers about potential future issues and opportunities.

Moreover, NFF sees potential for the RIC to manage additional farm business finance schemes such as Farm Management Deposits in the future. NFF would like to see the RIC to be able to reinvest funds and deposits as this would enable it to become financially self-sufficient following initial financial support by the Government.

Recommendation 5:

Amend section 8(1)(e) to include advice to the responsible Ministers on issues affecting the financial circumstances of the agricultural industry.

Review of the Act

NFF recommends to change section 53, the Review of operation of Act, to ensure an independent and holistic review of the RIC. This review should:

- Include an assessment of the effectiveness and efficiency of the RIC;
- Be undertaken by appropriately qualified independent experts;
- Include opportunities for consultation with stakeholders; and
- Be made publicly available and tabled in the parliament.

NFF suggest independent reviews to be conducted every 5 years following establishment.

Recommendation 6:

Amend section 53 to require the Review of the operation of Act to:

- Assess the effectiveness and efficiency of the operation of the RIC;
- Be undertaken in consultation with stakeholders;
- Be conducted by an independent panel of experts;
- Provide a written report of the review to the responsible Ministers; and
- Require the responsible Ministers to cause a copy of the report to be tabled in each House of Parliament within 15 sitting days of that House after its receipt by the Minister.