



Australian Government



REGIONAL INVESTMENT CORPORATION – OPENING STATEMENT – 19 FEBRUARY 2019

Good evening. I'm Bruce King, the new CEO of the Regional Investment Corporation, and I am joined by David Foster – our Chair. This is my first appearance before the committee, and I would like to thank you for allowing me the indulgence of an opening statement. I'm pleased to see there's at least one other person here who can pronounce the name of the small town near Rockhampton where I come from - Gogango.

The board and my team's collective focus is unlocking the full potential of Australia's regions. We do this by providing smart finance options for farmers in need, and state and territory governments for transformative water projects. It's true our farm loans provide breathing space for farmers hit by events outside their control, but they also present an opportunity to modernise, diversify and head in a new direction.

As a new organisation, I'm focused on getting our business right, delivering a high level of service to those who need our loans, and in the longer term looking to the opportunities where our affordable finance can drive further investment and growth in rural and regional communities.

Much has changed since we appeared before the committee in October last year. In December I was appointed as the inaugural CEO. The acting CEO Matt Ryan stayed on as special advisor for a month to ensure a thorough handover. Both the Board and I would like to thank Matt for his considerable effort in establishing the RIC and ensuring we were operational by 1 July 2018.

I've had a busy time since starting in the role. Late last year and into the New Year, we finalised the recruitment of 16 employees. The team has now started, and while most of them will be based fulltime in Orange, we are also drawing on other regional communities like Wagga Wagga via flexible working arrangements. Our permanent workforce is supported by a dedicated team seconded from the Department as well as several contractors. This will aid in the smooth transition across to our full-time team and we expect the extra support will taper off in the next few months.

We received over 340 job applications for the roles advertised. From these we've drawn people from Brisbane, Sydney, and Canberra as well as Orange and the regional communities surrounding it like Cowra, Blayney and Millthorpe. While several staff and their families have made the move to Orange, those who are yet to relocate will do so over the coming months.

The RIC is funded for up to 32 employees and while we don't have that many yet, we expect that additional positions will be filled on an 'as needs' basis. We remain encouraged by the high caliber of these applicants, the excitement they expressed for an opportunity to work in Orange and for the RIC – we hold no fear of being able to fill roles into the future.

In December we took possession of our new head office – a modern, and modest, fit-for-purpose workspace in the heart of Orange. Our smooth and timely transition into the city would not have been possible without the assistance of many local businesses. The RIC has been embraced by Orange and we feel very welcomed by the local community. We are holding the official opening of our head office next week.

During our recruitment and move to Orange it's important to note that our loan assessment has continued as usual with the external service provider in Bendigo continuing to conduct

the initial assessments and provide recommendations to us.

Since we opened for business, there's been solid demand for our finance from farm businesses.

We've targeted our awareness raising activities at farmers and their trusted financial advisors in NSW and Queensland – predominately due to the acute drought conditions being experienced in the central and western areas of those states.

The difficult conditions farmers are facing, combined with the success of our communication activities means application numbers have grown strongly since we opened. To the end of January, we've had interest from over 260 farmers. At the same time, we've also faced challenges building our Bendigo loan assessment team as quickly as we'd hoped. As a result, we've got a backlog of applications waiting to be processed and processing times are not within our target service levels.

Getting through these applications and staying in regular communication with our customers is my absolute priority. We've more than doubled the number of loan assessors between December and February and expect to get through the applications awaiting assessment in the next few months.

We recognise that the application process hasn't been easy, and we know how frustrating it can be for the farmers who are in need and are waiting to hear the outcome of their application. We are making regular phone contact with our customers about where their applications are up to. In addition to increasing our resources and making phone calls we are focused on making improvements to the systems, processes and policies that we work within. To be clear, as we ramp up, we are working to make the process smoother and shorter for our customers. Please bear with us.

To the end of January, we've approved 21 loans to the value of \$18.9 million and we expect to increase our rate of approvals every month. Based on the applications ready for assessment, we estimate delivering a further \$235 million in loans this financial year, putting us in line to deliver a minimum of \$250m in loans this financial year.

Of these applications, approximately 80 percent of the requests are to assist with recovery from drought and 69 percent are from Queensland and New South Wales.

In operational terms, we are tracking on budget having spent \$7.085 million of our \$12.588 million dollar annual appropriation. We expect to fully expend our budget.

In recent weeks we have turned our attention to the catastrophic impact of the floods in north west Queensland. It is gut wrenching. We are hearing cattle losses in the order of 85 per cent and for some producers, this may mean no income for two to five years. Understandably, the immediate need is emergency assistance and grant payments. We will continue to keep in close communication with our networks on the ground and stand ready to help graziers restock, rebuild and recover when they are ready.

As the committee knows we also offer loans to state and territory governments for eligible water infrastructure projects – innovative projects that get maximum value from our water resources.

Our Board provided advice to the government on options for making the loan facility more effective. As part of MYEFO the government announced a number of changes to the policy settings. This included reducing the loan from \$50m to \$10m, increasing the loan term from 15 years to 30 years and increasing the scope for a broader range of works.

These changes make our water loans more flexible and attractive. We know of a number of projects that will seek funding under the adjusted criteria. These projects are primarily focused on reusing waste water for horticulture and stock and domestic pipeline systems developed in conjunction with new water supply pipelines.

The implementation of these changes to our operating mandate is being managed by the Department.

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

Finally, we've considered the outcomes of the Banking Royal Commission and while many of the recommendations are not directly applicable to the RIC, there are some related to agribusiness lending that are relevant.

Our products have been developed to ensure fair treatment of customers and generally align with the relevant recommendations outlined in the commission's report. We will continue to review and refine our lending policies and provide clearer direction to staff, as required.

Happy to take your questions.