

EXPLANATORY STATEMENT

Issued by Authority of the Minister for Agriculture, Fisheries and Forestry
and the Minister for Finance

Regional Investment Corporation Act 2018

Regional Investment Corporation Legislation Amendment (Interest Rates) Instrument 2025

Legislative Authority

The *Regional Investment Corporation Act 2018* (the Act) establishes the Regional Investment Corporation (the Corporation). Section 8 of the Act prescribes the Corporation's functions.

Paragraph 8(1)(a) of the Act provides that it is a function of the Corporation to administer farm business loans. Paragraph 8(1)(d) of the Act provides that it is a function of the Corporation to set and adjust interest rates applicable to loans and financial assistance. Paragraph 8(1)(g) of the Act provides that it is a function of the Corporation to administer programs prescribed by the rules. Subsection 11(1) of the Act provides that the responsible Ministers must give directions, by legislative instrument, to the Corporation about the performance of the Corporation's functions.

The *Regional Investment Corporation (Operating Mandate) Direction 2018* (the Operating Mandate), among other things, directs the Corporation in the administration of farm business loans under subsection 11(1) of the Act.

Subsection 8(5) of the Act allows the responsible Ministers to make rules prescribing programs for the purpose of paragraph 8(1)(g). Paragraph 8(5)(b) of the Act sets out some matters that the rules may prescribe and subparagraph (iii) of that section allows for the responsible Ministers to give written directions to the Corporation in relation to a program. Section 54 of the Act provides that the responsible Ministers may, by legislative instrument, make rules prescribing matters required or permitted by the Act to be prescribed, or necessary or convenient to be prescribed for carrying out or giving effect to the Act.

The following rules prescribe the details of certain loans programs established under section 54 of the Act:

- the *Regional Investment Corporation (Drought Loans Expansion) Rule 2020* (the Drought Loans Expansion Rule); and
- the *Regional Investment Corporation (Small Business Drought Loans) Rules 2020* (the Small Business Drought Loans Rules).

Purpose

The purpose of the *Regional Investment Corporation Legislation Amendment (Interest Rates) Instrument 2025* (the Amendment Instrument) is to amend the provisions that set out the requirements for the methodology by which the Corporation sets the interest rate for loans provided by the Corporation under the Operating Mandate, the Drought Loans Expansion Rule and the Small Business Drought Loans Rules. The amendments introduce flexibility in the requirements for the interest rate methodology to support adjustments to the relevant

interest rates in response to prevailing market conditions that would otherwise diminish the concessional nature of the loans or other conditions adversely affecting farmers and farm related businesses.

Background

The legislative framework requires the Corporation to set a variable interest rate for the loans that it administers in accordance with a methodology that is agreed by the responsible Ministers that covers only:

- the Corporation's administrative costs on a cost-neutral basis; and
- the Commonwealth's borrowing costs calculated by reference to the Commonwealth 10-year bond rate.

Whilst these requirements aim to provide for cost-neutrality for the Corporation, there is no scope to adjust the interest rate parameters in response to economic conditions that diminish the effectiveness of the concessional loan scheme that assists farmers.

Impact and Effect

The effect of the amendments is to allow for the interest rate to cover "some or all of" the Corporation's administrative costs. This change continues to support cost-neutrality whilst providing some flexibility to provide interest rate relief to farmers.

The amendments are expected to have a positive impact on those with loans from the Corporation, including in circumstances where farmers face particular hardships, and market conditions have resulted in an interest rate that is less concessional than commercial interest rates.

Because the Corporation's administrative costs are funded by the Commonwealth, any decrease to the agreed interest rates will not result in a shortfall in funding required for the Corporation to operate.

No change is made to the requirement that the interest rate cover the Commonwealth's borrowing costs by reference to the Commonwealth 10-year bond rate.

Consultation

The policy was informed by feedback from farmers, industry groups and regional communities received by the Minister for Agriculture, through community engagement in 2025. The Department of Agriculture, Fisheries and Forestry consulted the Department of the Prime Minister and Cabinet, the Treasury, the Department of Finance, and the Corporation on the Amendment Instrument.

Details/ Operation

Details of the Amendment Instrument are set out in Attachment A.

The Amendment Instrument is compatible with the human rights and freedoms recognised or declared under section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*. A full statement of compatibility is set out in Attachment B.

The Amendment Instrument is a legislative instrument for the purposes of the *Legislation Act 2003*.

Details of the *Regional Investment Corporation Legislation Amendment (Interest Rates) Instrument 2025*

Section 1 – Name

This section provides that the name of the instrument is the *Regional Investment Corporation Legislation Amendment (Interest Rates) Instrument 2025* (the Amendment Instrument).

Section 2 – Commencement

This section provides for the Amendment Instrument to commence on the day the instrument is registered on the Federal Register of Legislation. Although the Amendment Instrument commences on the day of registration, the amendments apply to matters after the commencement day.

Section 3 – Authority

This section provides that the Amendment Instrument is made under subsection 11(1) and section 54 of the *Regional Investment Corporation Act 2018* (the Act).

Section 4 – Schedules

This section provides that each instrument that is specified in a Schedule to this Amendment Instrument is amended as set out in the applicable items in the Schedule concerned, and any other item in a Schedule to the Amendment Instrument has effect according to its terms.

Schedule 1 – Amendments

Part 1 – Amendment of the Operating Mandate

Regional Investment Corporation Operating Mandate Direction 2018

Item 1 – Subsections 8(1) and 8(2)

This item amends subsections 8(1) and 8(2) of the *Regional Investment Corporation Operating Mandate Direction 2018* (the Operating Mandate) to omit references to “Board” and to substitute “Corporation”. This amendment aligns subsections 8(1) and 8(2) of the Operating Mandate with subsection 11(1) of the Act, which authorises the responsible Ministers to give directions to the Corporation.

Item 2 – Paragraph 8(2)(a)

This item amends paragraph 8(2)(a) of the Operating Mandate after “only” to insert “some or all of” to allow the interest rate methodology to cover some or all of the Corporation’s administrative costs. This is intended to provide some flexibility for responsible Ministers and the Corporation to agree to adjust the interest rate charged for farm business loans.

Item 3 – Paragraph 8(2)(a)

This item amends paragraph 8(2)(a) of the Operating Mandate to omit “concessional loans and” and substitute “farm business loans and all of” to ensure consistency with the terminology used in the Act.

Item 4 – At the end of paragraph 8(2)(a)

This item adds “to fund the Corporation to make such loans” at the end of paragraph 8(2)(a) of the Operating Mandate. This amendment clarifies the nature of the Commonwealth’s borrowing costs to be recouped from interest rates.

Item 5 – Paragraph 8(2)(b)

This item amends paragraph 8(2)(b) of the Operating Mandate to omit all words after “and May”. Before this amendment, paragraph 8(2)(b) required that the interest rate be reviewed every six months and revised in line with material changes to the Commonwealth 10-year bond rate.

Together with the amendment made by item 6 below, the requirement to review the interest rate every six months is retained in paragraph 8(2)(b) and new paragraph 8(2)(ba) clarifies that it is the proportion of the interest rate referable to the Commonwealth’s borrowing costs that is to be revised on review in line with material changes to the Commonwealth 10-year bond rate.

Item 6 – After paragraph 8(2)(b)

This item inserts new paragraph 8(2)(ba) after paragraph 8(2)(b) of the Operating Mandate. New paragraph 8(2)(ba) provides that the proportion of the interest rate referable to the Commonwealth’s borrowing costs is to be revised on review in line with material changes in the Commonwealth 10-year bond rate.

Together with the amendment made to paragraph 8(2)(b) by item 5 above, this amendment confirms that it is only the portion of the interest rate referable to the Commonwealth’s borrowing costs that must be reviewed every six months and adjusted in line with the Commonwealth 10-year bond rate.

Item 7 – At the end of subsection 8(2)

This item inserts a note at the end of paragraph 8(2)(ba) of the Operating Mandate to explain that in practice, a material change to the Commonwealth 10-year bond rate under new paragraph 8(2)(ba) may not result in an increase to the overall interest rate.

Item 2 of the Amendment Instrument amends paragraph 8(2)(a) of the Operating Mandate to allow the interest rate to cover “some or all of” the Corporation’s administrative costs. Items 5 and 6 of the Amendment Instrument amend the Operating Mandate to confirm that it is only the portion of the interest rate referable to the Commonwealth’s borrowing costs that must be reviewed every six months and adjusted in line with material changes to the Commonwealth 10-year bond rate.

The note to new paragraph 8(2)(ba) therefore explains that a material change to the Commonwealth 10-year bond rate may not result in an increase to the interest rate for a program if the proportion of the interest rate referable to the Corporation's administrative costs is reduced proportionally.

The amendments to section 8 of the Operating Mandate made by Part 1 of Schedule 1 to the Amendment Instrument will affect the operation of subsection 10(4) of the *Regional Investment Corporation (Agristarter Loans) Rule 2019* and subsection 10(4) of the *Regional Investment Corporation (Agribusiness Natural Disaster Loans – 2019 North Queensland Flood) Rule 2019*. These provisions refer to section 8 of the Operating Mandate. The Operating Mandate is a disallowable legislative instrument under subsection 11(4) of the Act and these rules are also disallowable legislative instruments.

Item 8 – At the end of Part 3

This item inserts new section 22 at the end of Part 3 of the Operating Mandate. New section 22 provides an application provision for amending items in Part 1 of this Schedule.

New section 22 of the Operating Mandate provides that the amendments made by the Amendment Instrument apply to the setting of interest rates as mentioned in section 8 of the Operating Mandate after the commencement day.

Part 2 – Amendment of the Rules

Regional Investment Corporation (Drought Loans Expansion) Rule 2020

Item 9 – Subparagraph 29(a)(i)

This item amends subparagraph 29(a)(i) of the *Regional Investment Corporation (Drought Loans Expansion) Rule 2020* (the Drought Loans Expansion Rule) to insert “some or all of” after “cover” to allow the interest rate methodology for loans under that instrument to cover some or all of the Corporation's administrative costs. This is intended to provide some flexibility to adjust the interest rate charged for loans under the Drought Loans Expansion Rule to maintain the concessionality of the interest rate for those loans as compared to market interest rates.

Item 10 – Subparagraph 29(a)(i)

This item inserts “all of” after “drought loans and” in subparagraph 29(a)(i) to clarify that the interest rate must cover all of the Commonwealth's borrowing costs.

Item 11 – Subparagraph 29(a)(ii)

This item amends subparagraph 29(a)(ii) to omit “, and, if necessary, revising it in line with changes of more than 0.1% in the Commonwealth 10-year bond rate”. Subparagraph 29(a)(ii) formerly required the responsible Ministers to agree on a methodology for setting variable interest rates that was reviewed each November and May, and, if necessary, revise it in line with changes of more than 0.1% in the Commonwealth 10-year bond rate.

It was not clear that former subparagraph 29(a)(ii) applied only to the portion of the interest rate referable to the Corporation's administrative costs.

Together with the amendment made by item 12 below, the requirement to review the interest rate each November and May is retained in subparagraph 29(a)(ii) and new subparagraph 29(a)(ii) clarifies that it is the proportion of the interest rate referable to the Commonwealth's borrowing costs that is to be revised on review in line with material changes to the Commonwealth 10-year bond rate.

Item 12 – At the end of paragraph 29(a)

This item inserts new subparagraph 29(a)(iii) after subparagraph 29(a)(ii) of the Drought Loans Expansion Rule. New subparagraph 29(a)(iii) provides that the proportion of the interest rate referable to the Commonwealth's borrowing costs is to be revised on review in line with material changes in the Commonwealth 10-year bond rate.

Together with the amendment made to subparagraph 29(a)(ii) by item 11 above, this amendment confirms that it is only the portion of the interest rate referable to the Commonwealth's borrowing costs that must be reviewed every six months and adjusted in line with the Commonwealth 10-year bond rate.

Item 13 – At the end of section 29

This item inserts a note at the end of subparagraph 29(a)(iii) of the Drought Loans Expansion Rule to explain that in practice, a material change to the Commonwealth 10-year bond rate under new subparagraph 29(a)(iii) may not result in an increase to the overall interest rate.

Item 9 of the Amendment Instrument amends subparagraph 29(a)(i) of the Drought Loans Expansion Rule to allow the interest rate to cover "some or all of" the Corporation's administrative costs. Items 11 and 12 of the Amendment Instrument amend the Drought Loans Expansion Rule to confirm that it is only the portion of the interest rate referable to the Commonwealth's borrowing costs that must be reviewed every six months and adjusted in line with material changes to the Commonwealth 10-year bond rate.

The note to new subparagraph 29(a)(iii) therefore explains that a material change to the Commonwealth 10-year bond rate may not result in an increase to the interest rate for a program if the proportion of the interest rate referable to the Corporation's administrative costs is reduced proportionally.

Item 14 – At the end of Part 4

This item inserts new section 32 at the end of Part 4 of the Drought Loans Expansion Rule.

New section 32 of the Drought Loans Expansion Rule provides that the amendments made by the Amendment Instrument apply to the setting of interest rates as mentioned in section 29 of the Drought Loans Expansion Rule after the commencement day.

Regional Investment Corporation (Small Business Drought Loans) Rules 2020

Item 15 – Subparagraph 25(a)(i)

This item amends subparagraph 25(a)(i) of the *Regional Investment Corporation (Small Business Drought Loans) Rules 2020* (the Small Business Drought Loans Rules) to insert “some or all of” after “cover” to allow the interest rate methodology to cover some or all the Corporation’s administrative costs. This is intended to provide some flexibility to adjust the interest rate charged for loans under the Small Business Drought Loans Rules to maintain the concessionality of the interest rate for those loans as compared to market interest rates.

Item 16 – Subparagraph 25(a)(i)

This item inserts “all of” after “drought loans and” in subparagraph 25(a)(i) of the Small Business Drought Loans Rules to clarify that the interest rate must cover all of the Commonwealth’s borrowing costs.

Item 17 – Subparagraph 25(a)(ii)

This item amends subparagraph 25(a)(ii) of the Small Business Drought Loans Rules to omit “, and, if necessary, revising it in line with changes of more than 0.1% in the Commonwealth 10-year bond rate”. Prior to its amendment by the Amendment Instrument, subparagraph 25(a)(ii) required the responsible Ministers to agree on a methodology for setting variable interest rates that was reviewed each November and May, and, if necessary, revise it in line with changes of more than 0.1% in the Commonwealth 10-year bond rate.

Together with the amendment made by item 18 below, the requirement to review the interest rate each November and May is retained in subparagraph 25(a)(ii) and new subparagraph 25(a)(iii) clarifies that it is the proportion of the interest rate referable to the Commonwealth’s borrowing costs that is to be revised on review in line with material changes to the Commonwealth 10-year bond rate.

Item 18 – At the end of paragraph 25(a)

This item inserts new subparagraph 25(a)(iii) after subparagraph 25(a)(ii) of the Small Business Drought Loans Rules. New subparagraph 25(a)(iii) provides that the proportion of the interest rate referable to the Commonwealth’s borrowing costs is to be revised on review in line with material changes in the Commonwealth 10-year bond rate.

Together with the amendment made to subparagraph 25(a)(ii) by item 17 above, this amendment confirms that it is only the portion of the interest rate referable to the Commonwealth’s borrowing costs that must be reviewed every six months and adjusted in line with the Commonwealth 10-year bond rate.

Item 19 – At the end of section 25

This item inserts a note at the end of subparagraph 25(a)(iii) of the Small Business Drought Loans Rules to explain that, in practice, a material change to the 10-year Commonwealth bond rate under new subparagraph 25(a)(iii) may not result in an increase to the overall interest rate.

Item 15 of the Amendment Instrument amends subparagraph 25(a)(i) of the Small Business Drought Loans Rules to allow the interest rate to cover "some or all of" the Corporation's administrative costs. Items 17 and 18 of the Amendment Instrument amend the Small Business Drought Loans Rules to confirm that it is only the portion of the interest rate referable to the Commonwealth's borrowing costs that must be reviewed every six months and adjusted in line with material changes to the Commonwealth 10-year bond rate.

The note to new subparagraph 25(a)(iii) therefore explains that a material change to the Commonwealth 10-year bond rate may not result in an increase to the interest rate for a program if the proportion of the interest rate referable to the Corporation's administrative costs is reduced proportionally.

Item 20 – At the end of Part 4

This item inserts new section 32 at the end of Part 4 of the Small Business Drought Loans Rules. New section 32 of the Small Business Drought Loans Rules provides that the amendments made by the Amendment Instrument apply to the setting of interest rates as mentioned in section 25 of the Small Business Drought Loan Rules after the commencement day.

Statement of Compatibility with Human Rights

Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011

Regional Investment Corporation Legislation Amendment (Interest Rates) Instrument 2025

This Legislative Instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

Overview of the Legislative Instrument

The *Regional Investment Corporation Legislation Amendment (Interest Rates) Instrument 2025* amends the *Regional Investment Corporation (Operating Mandate) Direction 2018*, the *Regional Investment Corporation (Drought Loans Expansion) Rule 2020* and the *Regional Investment Corporation (Small Business Drought Loans) Rules 2020* to allow the interest rates for concessional loans provided by the Regional Investment Corporation (the Corporation) to be adjusted in response to prevailing market conditions that diminish the concessional nature of the loans or other conditions adversely affecting farmers and farm-related businesses.

Human rights implications

This Legislative Instrument does not engage any of the applicable rights or freedoms.

Conclusion

This Legislative Instrument is compatible with human rights as it does not raise any human rights issues.

The Hon. Julie Collins
Minister for Agriculture, Fisheries and Forestry

Senator the Hon. Katy Gallagher
Minister for Finance