

Division 19: Rural Business Development Corporation, \$233 000 —

Ms J.M. Freeman, Chair.

Mr D.A. Templeman, Minister for Local Government representing the Minister for Agriculture and Food.

Mr R. Addis, Director General.

Mr N. Grazia, Deputy Director General, Industry and Economic Development.

Dr M. Sweetingham, Acting Director General, Primary Industries Development.

Mr C. Binning, Managing Director, Capability and Performance.

Dr B. Mullan, Director, Livestock Research and Industry Innovation.

Ms A. Taylor, Chief Financial Officer.

Mr G. Hamley, Chief of Staff, Minister for Local Government.

Mr C. Thurley, Chief of Staff, Minister for Agriculture and Food.

[Witnesses introduced.]

The CHAIR: This estimates committee will be reported by Hansard. The daily proof *Hansard* will be available tomorrow. The Chair will ensure that as many questions as possible are asked and that both questions and answers are short and to the point. If an adviser needs to answer from the lectern, will they please state their name prior to their answer. The estimates committee's consideration of the estimates will be restricted to discussion of those items for which a vote of money is proposed in the consolidated account. Questions must be clearly related to a page number, item, program or amount in the current division. Members should give these details in preface to their question. If a division or service is the responsibility of more than one minister, a minister shall only be examined in relation to their portfolio responsibilities.

The minister may agree to provide supplementary information to the committee, and I ask the minister to clearly indicate what supplementary information will be provided. I will then allocate a reference number. Supplementary information should be provided to the principal clerk by Friday, 30 October 2020. I caution members that if a minister asks that a matter be put on notice, it is up to the member to lodge that through the online questions system.

I give the call to the member for Moore.

Mr R.S. LOVE: I refer to the fourth item under “Significant Issues Impacting the Agency” on page 277 of budget paper No 2, which deals with the critical water deficiency situation across Western Australia. The last sentence states —

The declaration is generally made as a last resort when on-farm and community water supplies are at a critically low level. The Water Corporation will monitor the assistance being provided by the Western Australian Government.

What effect will the monitoring of the assistance being provided by the Western Australian government be? How will that monitoring be carried out and how will it be communicated to the Western Australian government?

Mr D.A. TEMPLEMAN: Member, can you clarify the question.

Mr R.S. LOVE: Again, I refer to “Significant Issues Impacting the Agency” on page 277. The fourth paragraph says that water supplies are at a low level, and states —

The Corporation will monitor the assistance being provided by the Western Australian government.

What form of monitoring is being done, and how will that manifest as advice or any sort of action?

Mr D.A. TEMPLEMAN: Mr Addis, I will ask you to respond.

Mr R. Addis: Are you looking at the first point, farm business development?

Mr R.S. LOVE: I am looking at the fourth paragraph under “Significant Issues Impacting the Agency” under the section relating to the Rural Business Development Corporation.

Mr R. Addis: Thank you. I think we have some problems with our page numbering.

Mr R.S. LOVE: It is page 277.

Mr R. Addis: Sorry for the confusion. It is showing as 276 on our document. The RBDC is closely monitoring the adverse climatic conditions that are impacting on the WA agricultural zone. As you well know, the last few years have seen drought-like conditions, very dry seasonal conditions experienced across large parts of the agricultural and pastoral regions of WA. I was driving back from the south coast through Narrogin and Brookton on Sunday and, while things have improved, certainly the dams remain very, very low. Fortunately for WA producers, demand for feed, grain and live animals in the east coming out of their drought has boosted WA farm incomes when they

would otherwise be facing some extreme challenges but, nonetheless, they remain significant. The RBDC, together with the department's climate and weather unit, provides regular updates both to industry and to senior leadership in the department and the minister to make sure that we are across it. You see that driving initiatives like the on-farm desal pilot projects, some of the water deficiency declarations that have happened through the Department of Water and Environmental Regulation in recent months, unfortunately. We know that there are significant challenges out there. We are hoping with the apparent shift in El Nina conditions, we might get a bit of turnaround on that front. We know we have some continuing challenges.

Mr R.S. LOVE: Just getting back to the idea that the corporation will monitor the assistance being provided by the Western Australian government, are you suggesting that the RBDC is in some way able to influence the decisions of the Western Australian government in terms of providing assistance to the farmers? How does that translate on the ground to helping the farmers?

Mr R. Addis: The way the department and the RBDC are working these days—it has been similar for a number of years—the RBDC has become more of an advisory and a connecting organisation. It provides a number of services, including the farm debt mediation scheme and the embedded rural financial counselling that goes with that. Essentially, their primary role in dry times is to both give us advice about where are the pain points, what sorts of initiatives might work, but also to help us to connect into the commonwealth's evolving response approaches. You would be familiar with the commonwealth's drought fund—the correct name escapes me—which works with us to help tailor our response and position in relation to those sorts of opportunities to convert that to solutions on the ground for WA farmers.

[7.50 pm]

Mr R.S. LOVE: When we talk about discussions with the commonwealth throughout the funding, why is it, as claimed by the commonwealth, that Western Australia seems to be the only jurisdiction that does not actually declare a place to be in drought? That seems to be an issue in terms of accessing funding from the commonwealth. Can you explain that please?

Mr R. Addis: It has been fairly well established in WA that we do not declare droughts, as is the case in some states in the east.

Mr R.S. LOVE: Is that all states?

Mr R. Addis: I could not confirm that. Certainly, my sense from involvement in the national discussions about drought response and drying climate is that Western Australia's farmers have done an extremely good job of adapting and innovating to deal with drying conditions. To a great extent, I think we are the envy of some of our east coast industry stakeholders. They look to us as a state that has managed that resilience piece extremely well. It does not mean there are not challenges, of course, but I think we have certainly shifted the focus to how we can help to be prepared and able to withstand dry conditions rather than responding the way that some east coast states have in recent years.

Mr R.S. LOVE: I am reading from that that there is a philosophical disinclination to use the word "drought" and to instead the words "drying climate". Is that behind that?

Mr R. Addis: I do not perceive there is anything ideological about it, but I do know that it has been a fairly consistent way of thinking about our adaptation and resilience building for certainly over 10 to 15 years, starting from the early 2000s, so it has not been a political thing; it has been a pretty consistent and concerted effort.

Dr D.J. HONEY: At the bottom of page 278, which sets out the business development costs, the table shows a 50 per cent increase in the cost of administering loans. The bottom line shows the administrative cost as a percentage of loan advanced amount. It was 1.2 per cent in 2018–19, 1.2 per cent in 2019–20 and is forecast to be 1.8 per cent in 2020–21. I am aware of discussions that more loans would close. I am trying to understand what has changed. I am that assuming loans have been closed along the way. What is different about 2020–21 from the previous two financial years in relation to the number of loans being closed and the cost of doing that?

Mr D.A. TEMPLEMAN: The efficiency indicator was aligned with the RBDC's activities as an agent for the commonwealth farm finance concessional loans and drought concessional loans schemes. This indicator has changed from the proportion of expenditure as administrative expenditure to the administrative cost per loan advanced amount. This indicator relates only to the administration expenses incurred on the loan schemes. The increase in the 2020–21 budget target, which is shown as \$6.296 million, to the 2019–20 actual of \$4.074 million reflects that the cost to discharge a loan is higher than to manage the loan during its term. During 2020–21, a considerable number of loans will be discharged. Therefore, the cost of loan administration will be higher. There is also considerable administrative cost associated with loans that go into a default situation. The deteriorating seasonal conditions have increased the risk of default.

Dr D.J. HONEY: Is this a scheme that was introduced or will the scheme come to a conclusion after its introduction? How long has the scheme been going? I still cannot understand why there is a sudden spike in the number of loans

being discharged. It sounds as though there is a 50 per cent increase in the number of loans being discharged. I am interested in why we are suddenly seeing a large number of loans discharged.

Mr D.A. TEMPLEMAN: I will ask Mr Addis to comment on that.

Mr R. Addis: The concessional loan schemes have run in separate schemes, depending on seasonal conditions from year to year. There was a scheme for 2014, another in 2015 and another in 2017. That is when you get new loans into the scheme. I understand that loan schemes have not run in the last three years.

Dr D.J. HONEY: So it is lumpy?

Mr R. Addis: Yes, that is right. You are probably aware that the commonwealth has initiated the regional investment corporation, which is essentially a national concessional loans scheme that supplants the previous state-based schemes.

Dr D.J. HONEY: If we look above that, on the same page 278, under “Outcomes and Key Effectiveness Indicators”, we see a fairly significant drop in the satisfaction rating, from 89 per cent and then down to 77 per cent. I am wondering if that can be explained. I see that that is due to the amount of information required to be submitted online. Was there a change? What was the factor that caused that?

Mr D.A. TEMPLEMAN: To ascertain a response, an annual survey is conducted with the current loan account clients to assess customer satisfaction. That satisfaction is rated on a range of issues, including information requirements and the, processing and staff helpfulness. The target is to attempt to maintain at least a 90 per cent level of satisfaction. At the request of the Auditor General, the method of determining the level of satisfaction changed from 2018. In the past, applicants rated satisfaction on a scale of 1 to 5 on four questions relating to their satisfaction with responses aggregated into a weighted average. Although the RBDC views results of 3 and above as a satisfied result, the Office of the Auditor General determines “satisfied” would be 4 and above, so there has been a change in the actual mechanism of aggregating the response averages. This change ultimately contributed to the reduction in satisfaction levels in the years since 2018 compared with previous years.

Dr D.J. HONEY: In relation to the loans, what percentage of the loans end up being bad, as a matter of interest? I am just intrigued. Is there a fairly consistent repayment of the loans or we do see a reasonable percentage unable to be repaid?

Mr D.A. TEMPLEMAN: Our understanding is that it is a very low figure. I will give Mr Addis the last word.

Mr R. Addis: We work very closely with clients to make sure that any opportunity to avoid default is taken.

The appropriation was recommended.