

Rural and Regional Adjustment (COVID-19 Jobs Support Loan Scheme) Amendment Regulation 2020

Explanatory Notes for SL 2020 No. 36

made under the

Rural and Regional Adjustment Act 1994

General Outline

Short title

Rural and Regional Adjustment (COVID-19 Jobs Support Loan Scheme) Amendment Regulation 2020

Authorising law

Sections 3, 10, 11 and 44 of the *Rural and Regional Adjustment Act 1994* (the Act)

Policy objectives and the reasons for them

COVID-19 is a novel coronavirus strain that was first identified in Wuhan, Hubei Province, China, in December 2019. On 11 March 2020, following a rapid increase in cases globally, the World Health Organisation declared COVID-19 to be a pandemic.

Queensland businesses are being increasingly impacted by COVID-19 which has resulted in their incurring financial losses. Influential factors include, but are not limited to: reduced international demand for Australian products; federally-imposed restrictions on the numbers of people permitted to congregate at events; federally and internationally imposed travel restrictions impacting on global tourism and international student arrangements; mandatory self-isolation of members of the business community and general public; and increased rates of voluntary self-isolation in the general public. These impacts are anticipated to worsen with increasing restrictions due to the expected rise in COVID-19 cases in Queensland in the immediate future and over the next few months.

The amendment regulation will establish a new financial assistance scheme (COVID-19 Jobs Support Loan Scheme) under the Act which will provide up to \$500 million in assistance loans to assist eligible entities that are financially impacted by the rapidly evolving pandemic.

The policy objective of the scheme is to assist eligible entities financially impacted by COVID-19 to retain employees and maintain their operations by offering concessional loans.

Achievement of policy objectives

The subordinate legislation will achieve its objectives by enabling Queensland Rural and Industry Development Authority (QRIDA) to provide concessional loans to eligible entities which have one or more employees in Queensland and are financially impacted by COVID-19. Under the Act, QRIDA can only provide financial assistance under an approved scheme prescribed by regulation.

The concessional loans will be available for amounts up to 50 per cent of an eligible entity's average annual employee wage expense over the 2017-18 and 2018-19 financial years, to a maximum of \$250,000.

The maximum term for a concessional loan will be 10 years with the first year of the loan being interest free and principal payments in the first year being deferred. Principal repayments and interest payments will apply following the first year. However, QRIDA may grant an interest only period of up to two years following the initial one-year repayment free period.

Concessional loan assistance will be available to eligible entities to meet working capital expenses. Examples of working capital expenses that may be funded include paying employee wages, creditors, rent and rates and buying goods, including fuel, for the purpose of carrying on the entity.

Consistency with policy objectives of authorising law

The subordinate legislation is consistent with the policy objectives of the Act. The Act establishes QRIDA primarily to administer assistance schemes which foster the development of a more productive and sustainable rural and regional sector in Queensland. QRIDA may also support the State's economy by administering approved assistance schemes to assist primary producers, small business and other sectors during periods of temporary difficulty, or to otherwise benefit the Queensland economy.

Inconsistency with policy objectives of other legislation

This subordinate legislation is not inconsistent with the policy objectives of any other legislation.

Benefits and costs of implementation

The value of loans provided under the scheme has been capped at \$500 million dollars. The total cost to the Queensland Government will depend on the level of uptake, and the relevant interest rates during the loan period.

The scheme will assist eligible entities financially impacted by COVID-19 to retain employees and maintain their operations.

Consistency with fundamental legislative principles

The subordinate legislation is consistent with fundamental legislative principles.

Consultation

The Department of Agriculture and Fisheries has undertaken consultation with QRIDA, as the agency responsible for administering assistance under the proposed scheme.

The Office of Best Practice Regulation in the Queensland Productivity Commission advised that it considered the proposal does not add to the burden of regulation and is unlikely to result in significant adverse impacts; and that no further regulatory impact analysis was required under the Queensland Government Guide to Better Regulation.

Ongoing consultation is being undertaken with Queensland's business community as the COVID-19 situation evolves, and businesses and other entities have expressed general support for the subordinate legislation.