



RuddBank's scope widens

David Crowe and Paddy Manning

The Rudd government is seeking to extend its \$4 billion joint venture with the Big Four banks beyond lending to commercial property ventures by authorising loans in

any area of commercial activity.

The government also introduced legislation yesterday that would enable the investment partnership to replace local lenders in banking syndicates, going beyond its initial mission of filling the gaps left by

foreign banks that scale down their lending in Australia.

Opposition Leader Malcolm Turnbull attacked the venture in a strong signal the coalition would

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vote against the legislation, which has yet to gain the support of the independents and the Greens in the upper house.

Mr Turnbull's stance puts him at odds with the commercial property industry, which welcomed the details of the Australian Business Investment Partnership and urged the coalition to back the initiative.

"The opposition must support this legislation," Urban Taskforce chief executive Aaron Gadiel said.

The ABIP, led by former NAB executive Ahmed Fahour and known informally as RuddBank, will start with \$2 billion in federal funding and \$500 million each from Australia and New Zealand Banking Group, Commonwealth Bank of Australia, National Australia Bank and Westpac Banking Corporation.

The joint-venture company would have the authority to borrow another \$26 billion under a commonwealth guarantee, ensuring the debt was treated as a contingent liability in the federal budget rather than part of the commonwealth's net debt — a politically sensitive issue.

Mr Rudd announced the ABIP on January 24 as an intervention to protect up to 50,000 jobs and property projects put at risk when foreign banks withdrew from loan syndicates. "The partnership will be limited to the refinancing of existing Australian commercial property syndicated loans on commercial terms when the withdrawal of funding by a participant of the syndicate threatens the refinancing of the loan," he said in a statement that day.

But the government yesterday tabled legislation and a 40-page shareholders' agreement setting out objectives that go beyond that initial plan.

The first objective is to refinance loans for commercial property when finance is not available from other lenders and the assets would otherwise be financially viable.

The second objective in the legislation and shareholders agreement is to "provide finance in other areas of commercial lending through financing arrangements of a kind unanimously agreed by the shareholders".

Mr Turnbull said that would exceed the government's initial commitment and create an easy

source of finance that would distort the finance sector and make it easier for foreign banks and other lenders to leave the market.

The Greens said yesterday they had concerns about the legislation but had yet to decide their position. Independent senator Nick Xenophon and Family First's Steve Fielding have yet to declare their position. The legislation is likely to go to a Senate inquiry over the next week.

Property industry representatives yesterday called for bipartisan support for the ABIP bill.

Property Council of Australia chief executive Peter Verwer said RuddBank was "an essential mechanism to inject stability and confidence into commercial property lending".

The commercial property sector has bank debt totalling \$165 billion, according to Australian Prudential Regulation Authority figures, of which \$30 billion is provided by foreign banks.

with Sophie Morris

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