Industry, Technology and Commerce Legislation Amendment Bill 1989

Date Introduced: 11 May 1989
House: House of Representatives
Presented by: Hon. Barry Jones, M.P., Minister for Science, Customs and Small Business

Digest of Bill

Purpose
The main amendments contained in this Bill provide for the Australian Industry Development Commission (AIDC) to prepare corporate plans and allow the Minister to appoint either the Auditor-General or a private firm as auditor of the AIDC.

Background
The AIDC was established in 1970 as a statutory corporation to provide finance for, and make equity investments in, Australian industries. The activities are centred on promoting structural change within the economy. The AIDC’s activities include the provision of finance, underwriting, venture capital and financial advice. Currently, the AIDC is involved in companies in the following industries: food processing, manufacture, textiles, clothing and footwear, transport and construction.

There has been strong growth in the AIDC’s activities over recent years. For example, total assets grew by 27.7% in 1985, 43% in 1986 and 15% in 1987. Total assets fell by 0.3% in 1988. Similarly, profits grew by 6.1% in 1986, 24.1% in 1987 and 19.4% in 1988. Since 1983 the AIDC has paid 50% of its net profits to the Commonwealth, and this has contributed to a reduction in the amount that can be used to boost the AIDC’s capital. The growth in the AIDC’s capital and reserves has not matched the growth in activity, increasing from $159.4 million in 1985 to $201.6 million in 1988. This caused concern because if the capital and reserves fail to grow at a sufficient pace the future activities of the AIDC will be restricted as it approaches an unacceptable liability to capital ratio. For example, the AIDC’s borrowing have increased from $1290.2 in 1985 to $2029.9 million in 1988.1

In August 1988, the AIDC recommended to the government that private funds be raised through the market. The Australian Industry Development Corporation Amendment Act 1988, which implemented the recommendations, provided for an increase in the nominal capital of the AIDC from $150 million to $200 million and allowed the Minister to nominate a wholly owned subsidiary company, limited
by shares, and with a term in its articles of association that prohibits more that 30% of the shares being owned by the public. The proposed float is estimated to raise $50 million capital for the AIDC. The prospectus for the float is yet to be released.2

Main Provisions

Amendments to the Australian Industry Development Corporation Act 1970

The reasons why a Director may be dismissed will be widened to include that the Minister is satisfied that a Director has been performing unsatisfactorily for a significant period (clause 4).

A new Part IIIA (proposed sections 23B–23H) will be inserted into the Act by clause 11. The Board is to prepare three year corporate plans, which are to set out the objects of the AIDC and its subsidiaries, and outline the strategies and policies that it will follow to achieve those objectives. In addition, the corporate plan is to include a financial target, financial strategies, and a forecast of revenue and expenditure. The Minister may direct the AIDC to vary the financial target under a corporate plan (proposed sections 23B–23D, and 23G).

From 1 July 1989 the AIDC, unless otherwise prescribed, will be subject to State or Territory stamp duty or any similar tax (clause 12).

A new section 28A will be inserted into the Act by clause 13 to provide that the AIDC’s auditor (either the Auditor-General or a private firm) is to be appointed by the Minister and that the Minister may, at any time, terminate an appointment.

Amendments to the National Measurement Act 1960

Clause 27 provides that the maximum penalty for falsely representing that a measuring instrument is in accordance with Commonwealth standards will be a fine, for individuals, of $6000.

References


For further information, if required, contact the Economics and Commerce Group.

13 June 1989

Bills Digest Service
Legislative Research Service
This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

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