AUSTRALIAN SHIPPING COMMISSION (ADDITIONAL CAPITAL) BILL 1985

Date Introduced: 8 May 1985
House: House of Representatives
Presented by: Hon. Peter Morris, M.P., Minister for Transport

Short Digest of Bill

Purpose

To increase the capital base of the Australian National Line by $70.5m.

Background

The Australian Shipping Commission was created as a statutory corporation in 1956. The Commission operates under the name of the Australian National Line (ANL) and is Australia's largest shipowner. There are currently 33 ships in the ANL fleet, ranging from international bulk cargo carriers and container ships to coastal traders. As well as its shipping operations, ANL runs a number of cargo and container terminals across Australia.

A downturn in world shipping in recent years has placed ANL's finances in a difficult position. Accumulated losses, which stood at $14.7m in 1982, rose to $40.9m in 1983 and $129.5m in 1984.[1] The jump in accumulated losses in 1984 was the result of accounting changes which were required to accurately reflect ANL's position.[2] During 1984, ANL made an operating profit of $3.3m.[3]

A previous crisis in ANL's finances led to a Government injection of $90m in 1983. At the same time, steps were taken to put ANL on a more commercial basis. It was given greater freedom of action. Industrial relations were improved and the management was reorganised. Although these changes have improved efficiency, they have not improved ANL's overall financial position. Following the jump in accumulated losses in 1984, ANL is again technically bankrupt with accumulated losses exceeding capital and reserves by $3.7m.[4] The Australian Shipping Commission has explained this position by stating:

"The negative capital and reserves revealed in the June 30th 1984 balance sheet is the result of more
than a decade of continuous erosion of those funds in real terms. Over that period the enterprise has been kept significantly undercapitalized by successive Governments and this undercapitalization has been a significant factor in the erosion of those funds."[5]

In its 1984 Annual Report, the Commission makes it clear that, in its opinion, ANL will not be able to successfully compete with other shippers until it is given a satisfactory capital base.[6] This Bill will increase ANL's capital base to enable it to compete on a more equal footing.

Main Provisions

The Bill will operate from the day it receives the Royal Assent (clause 2).

Additional capital of $70,541,000 is made available by clause 3.

For further information, if required, contact:

Economics and Commerce Group
LEGISLATIVE RESEARCH SERVICE

5 July 1985

References

2. See ibid, p.20.
3. Ibid, p.22.
6. Ibid, pp.6 and 8.