Date Introduced: 29 February 1984
House: House of Representatives
Presented by: Hon. John Kerin, M.P., Minister for Primary Industry

Short Digest of Bill

Purpose

To broaden the powers of the Australian Wool Corporation to borrow funds and invest moneys standing to the credit of the Wool Research Trust Fund.

Background

The Australian Wool Corporation (AWC) was established by the Wool Industry Act 1972. Section 26 presently provides for borrowing by the AWC. It permits borrowing by overdraft from an approved bank to purchase equipment and materials and maintain facilities in Australia. Moneys may also be borrowed for purposes of wool marketing, including support for a reserve price scheme, the operation of wool stores, and the promotion of wool-selling centres.

In the first half of the current selling season, the AWC had been purchasing some 30 per cent of wool offered for sale. Although the floating of the Australian dollar assisted clearance of wool, the AWC began to borrow funds both domestically and internationally to support the reserve price, for the first time since 1978[1].

The Reserve Price Scheme has been in operation for over a decade, fulfilling the function of counter-cyclical stock-holding. Present high AWC stocks have been identified as approaching the third peak since 1970 of an observable stock accumulation cycle[2]. The reserve price is quoted in Australian currency and therefore affected by the recent float of the dollar. The Wool Council of Australia has indicated scope for review of the scheme's operation in a floating currency regime[3].

The Market Support Fund is established by section 28A of the Wool Industry Act 1972, and is funded by
marketing levies collected under wool tax legislation. The balance of the Fund has grown rapidly in recent years to $660 million at 30 June 1983[4]. The size of the Fund would justify greater borrowing than has hitherto been undertaken.

Main Provisions

The Bill would commence with Royal Assent.

Clause 3 amends section 6 to define "securities" in wide terms, and further define references to "dealing in securities".

Clause 4 substitutes section 26 of the Wool Industry Act 1972 as a full statement of the AWC's borrowing powers.

The new section 26 does not distinguish funds according to the particular function of the AWC to which they are allocated. Funds may be raised by the AWC by dealing in securities or, where necessary to the performance of the AWC's functions, by other means. The approval of the Minister is required (subsections 26(1),(2),(3)). Payment of principal, interest and charges may be guaranteed by the Treasurer on behalf of the Commonwealth (subsections 26(5),(6)), or by a security over AWC property (subsection 26(8)).

Clause 5 repeals section 72 which limited investment of the Market Support Fund to bank deposits, and Commonwealth and State government securities.

For further information, if required, contact:

Economics and Commerce Group
LEGISLATIVE RESEARCH SERVICE

2 March 1984

References