Airlines Equipment (Loan Guarantee) Bill 1981

Date Introduced: 2 April 1981
House: House of Representatives
Presented by: Hon. Ralph Hunt, M.P., Minister for Transport

Short Digest of Bill

Purpose

To enable the Commonwealth Government to provide guarantees for loans to Ansett Transport Industries Limited (Ansett) (or one of its wholly-owned subsidiaries), to enable it to purchase 21 Boeing aircraft for use on the trunk network. This Bill is necessary to enable Ansett to finalise the financial arrangements for the purchase of these aircraft.

Background

The present Bill is one of a series of Airline Equipment (Loan Guarantee) Acts administered by the Minister for Transport, whereby the Commonwealth Government provides guarantees for loans to the purchasers of aircraft and equipment. The present Bill enables guarantees to be made for loans to Ansett. Loan guarantees to enable TAA to purchase aircraft and equipment are made under separate legislation (Australian National Airlines Act).

One of the effects of giving loan guarantees is to provide an implicit interest subsidy equal to the difference between the actual rate of interest charged on the loan, and the rate that the borrower would have to pay if the loan were raised in the capital market at commercial rates. Commercial rates of interest reflect factors such as risk. By providing loan guarantees, the element of risk attached to default by the borrower is reduced or eliminated, enabling the borrower to pay a lower-than-commercial interest rate. The size of the implicit subsidy therefore depends on what a commercial rate of interest would be on a comparable loan.

Main Provisions

Clause 3 contains definitions of Ansett, borrowing, relevant subsidiary, and body corporate for the purposes of the Bill. It also contains a test of whether a body can be...
considered a body corporate.

Paragraphs 4(1)(c) and (d) contain the main provisions whereby the Treasurer, at the request of Ansett, can guarantee the repayment of principal and interest on loans to a relevant subsidiary of Ansett.

Sub-clause 4(2) states that the amount of the guarantee is not to exceed $US490,000,000. If any of the borrowing is made in currencies other than U.S. dollars, for the purposes of guaranteeing the loan, sub-clause 4(3) provides that that borrowing must be converted into its U.S. dollar equivalent.

Paragraphs 4(4)(a) and (b), provide for the inclusion in the power of the Treasurer to grant loan guarantees, power to extend legal proceedings under the guarantee and to waive the immunity of the Commonwealth, to courts other than Australian courts.

Paragraphs 5(a), (b) and (c), provide that the Treasurer must: be satisfied that the terms and conditions of the proposed loan are reasonable; approve the instruments of the loan; and obtain security for the loan.

Paragraph 5(d) contains various safeguards to ensure that the security offered for the loan guarantee remains good.

Paragraphs 5(e) and (f) are self-explanatory, and paragraph 5(g) extends the discretion of the Treasurer to any related matter as seen fit.

Clause 6 enables the Treasurer to delegate certain powers to officers of the Department of the Treasury to effect the loan guarantees.

For further information, if required, contact:

Finance, Industries, Trade & Development Group
LEGISLATIVE RESEARCH SERVICE

7 April 1981