WHEAT INDUSTRY STABILIZATION (REIMBURSEMENT OF BORROWING COSTS) BILL 1979

Date Introduced: 10 May 1979
House: House of Representatives
Presented by: Rt. Hon. I. Sinclair, M.P., Minister for Primary Industry

Short Digest of Bill

Purpose

To provide for the reimbursement of the Australian Wheat Board (AWB) for costs incurred by it in making certain commercial borrowings to assist in financing the first advance payment to growers and for marketing expenses of the 1978-79 season's wheat pool.

Background

Under the Wheat Industry Stabilization Scheme wheat growers receive an initial payment for their crop after delivery to the marketing authority, the AWB, leaving the AWB to negotiate sales at the highest commercial price over a reasonable time instead of at the price which the market would bear immediately.

Normally the AWB obtains the finance for the first payment from an advance from the Reserve Bank's Rural Credits Department. But this year the record crop would have required finance of about $1600 million. So as to avoid the possibly inflationary addition to the money supply which would result from Reserve Bank finance for such a large sum, the Government directed the AWB to raise part ($455m.) of its requirements by the issue of commercial bills. To facilitate this, the accompanying Wheat Industry Stabilization Amendment Bill 1979 specifies in more detail the borrowing powers of the AWB. (See Digest)

The Wheat Industry Stabilization (Reimbursement of Borrowing Costs) Bill 1979 is to ensure that the alternative financing arrangements requested by the Commonwealth do not penalise wheatgrowers.

To ensure that this Bill does not result in the Commonwealth, in effect, paying State stamp duty, the accompanying Wheat Industry Stabilization Amendment Bill 1979 also contains provision for the waiver of stamp duty.
Main Provisions

Clause 3 defines terms used in the Bill; the major terms are:

"expenses of borrowing" - which limits the expenses of borrowings that are reimbursable under other clauses to interest costs and other borrowing expenses that accrue up to 31 March 1980. (This is the date by which the AWB is required to have repaid its Reserve Bank borrowings for the 1978-79 crop).

"prescribed borrowing" - which confines reimbursable costs to those associated only with borrowings by the AWB in respect of wheat of the current (1978-79) season including the borrowings made by the Board before the commencement of the Act.

Clause 4 provides for the payment to the AWB of reimbursement of:

(i) the excess of interest paid on commercial borrowings for the purpose of

- repaying a loan obtained from the Reserve Bank, or,
- to meet the purpose for which loans may be obtained from the Rural Credits Department over the total amount of interest that would have been payable by the AWB if the borrowings had been Reserve Bank borrowings (Sub-clause 4(1))

(ii) the excess of expenses of commercial borrowings for purposes for which advances from the Rural Credits Department are normally made over those that would have been incurred had the borrowings been made through the Rural Credits Department (Sub-clause 4(2))

(iii) the amount of expenses incurred on borrowings made to repay Rural Credits Department loans (costs which the AWB would not normally have incurred).

Clause 5 allows for advances to be made to the AWB against amounts expected to become payable to it under the borrowing cost reimbursement arrangements.

Clause 6 allows for the appropriation from the C.R.F. of the funds to meet payments to the AWB under the Bill.