WHEAT INDUSTRY STABILIZATION AMENDMENT BILL 1979

Date Introduced: 10 May 1979
House: House of Representatives

Short Digest of Bill

Purpose

To specify that the powers of the Australian Wheat Board (AWB) include the issue of securities and to empower the Minister for Primary Industry to provide a Commonwealth guarantee of repayment in connection with those securities. Also to make provision for exemption from stamp duty or similar taxes on the Board's securities or borrowing transactions.

Background

The extremely high level of wheat deliveries for the 1978-79 season resulted in exceptionally large financing requirements for the AWB to meet its first advance obligations to growers and for marketing expenses. Almost 18 million tonnes of wheat, or nearly 4 million tonnes in excess of the previous record, was delivered following last summer's harvest. With the Government pre-harvest setting of the first advance at $75 per tonne (less individual growers' freight), an increase of $9 per tonne above the level of the previous season, the AWB's financing needs for the season escalated to approximately $1600 million.

Traditionally, the Government makes arrangements with the Rural Credits Department of the Reserve Bank to provide the AWB with the funds necessary to cover the first advance payments and marketing expenses of a season's pool; however, money advanced in this way directly contributes to the money supply in the Australian economy. The traditional method of financing the crop, due to the size of the first advance payout, was considered to have a damaging effect on the Government's money supply objective and the AWB was requested to finance some of its requirements through the issue of commercial bills.

The AWB has already refinanced $155 million of its Reserve Bank borrowings in this way and is proceeding with a further issue of bills to raise $300 million commercially for refinancing part of its indebtedness to the Reserve Bank.
Sub-section 36 (2) of the Wheat Industry Stabilization Act 1974 already provides a power for the AWB to borrow with a government guarantee, with exemption (under s.37) from State and Territory taxes. These amendments specify more clearly the provisions with respect to the issue of securities by the AWB and aim to improve the marketability of those securities.

The accompanying Wheat Industry Stabilization (Reimbursement of Borrowing Costs), Bill 1979, will ensure that the AWB is reimbursed for the extra costs of the commercial borrowings.

Main Provisions

Clause 4 amends section 36 of the Act as follows:

Sub-section (2) gives the Wheat Board power with the approval of the Minister to issue, or otherwise deal with securities, i.e. issue, draw, discount, etc. to enable the Board to raise funds. Securities are defined by Clause 3 to include bills of exchange, promissory notes or unsecured notes or any similar instrument or document. This overcomes the legal doubts as to whether the present borrowing power includes the use of securities.

Sub-section (3) provides that the securities dealt in by the Wheat Board may be of a class or classes approved by the Minister for Primary Industry. This saves the need for approval of each individual security.

Sub-section (4) retains the existing borrowing powers of the Board in respect of borrowings other than from the Reserve Bank of by the issue of securities now provided for under sub-clause 4(2) above, e.g. bank overdrafts, etc.

Sub-section (5) provides for the Minister to specify by a notice published in the Gazette that a Commonwealth guarantee of repayment of moneys attaches to securities in a specified class issued by the Board under Sub-clause 4(2) above. This ensures that the guarantee applies to any holders of the securities, not just the initial buyer.

Sub-section (6) retains the existing provision that the Minister may provide a Commonwealth guarantee of repayment of moneys borrowed under Sub-section 4(4)
above, e.g. by bank overdraft, and of the payment of interest on those borrowings.

Clause 5 amends Section 37 of the Act to make provision, as the Minister determines, for the exemption from stamp duty or similar taxes of securities issued by the AWB and transactions in those securities by subsequent holders, as well as other documents or transactions of the AWB relating to its borrowings or raising of money by other means.

This clause is necessary to exempt the Commonwealth from, in effect, paying State stamp duty as a result of the provisions of the Wheat Industry Stabilization (Reimbursement of Borrowing Costs) Bill 1979.

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