COMMONWEALTH BANKS AMENDMENT BILL 1978

Date Introduced: 6 April 1978
House: House of Representatives

Short Digest of Bill

Purpose

To remove the present restrictions on the lending activities of the Commonwealth Development Bank to enable it to lend to all kinds of businesses.

Background

The Commonwealth Development Bank was formed in January 1960 under the banking legislation of 1959 which formed the Commonwealth Banking Corporation (Commonwealth Banks Act 1959) and the Reserve Bank (Reserve Bank Act 1959).

Until 1974 the main function of the Commonwealth Development Bank was to provide finance to assist primary production or to establish or develop industrial undertakings, particularly small undertakings. In 1974 the Labor Government, in the Commonwealth Banks Act 1974, extended the charter of the Development Bank to allow the Bank to provide finance for tourist development projects, especially smaller projects in selected areas.

This Bill widens the lending activities of the Bank further by allowing it to go outside the rural, industrial and tourist sectors into new sectors such as wholesaling, retailing, professional services, entertainment and the service industries generally.

As in the past the Bank will only provide finance that is not otherwise available on reasonable and suitable terms and conditions; it will supplement and not compete with other banks or sources of finance; and it will be primarily concerned with the prospects of an enterprise becoming or continuing to be successful and will not necessarily have regard to the value of the security available.

The sources of finance for the Development Bank have been the capital market, the Commonwealth Savings Bank and the Commonwealth Government. The Treasurer stated in the Second Reading Speech that
the extent of additional funds required for the wider operations of the bank is not yet known; none have been provided at this stage.

The amendments proposed in this Bill are part of a series of measures to assist small businesses, first announced in a Ministerial Statement of 13 October 1977 by the then Treasurer. The measures were announced following receipt of a report from a departmental task force enquiring into the availability of finance for small business, and following investigations by the Government Members' Small Business Committee. The Report of the departmental task force was not published.

Included amongst the other measures announced in October 1977 was the intention that the Development Bank be enabled to provide equity finance to small business. However, this Bill does not implement that decision as the matter is still under examination by the Government, as are other measures involving the A.I.D.C.

According to his second reading speech, the Treasurer expects to introduce amendments concerning the Bank's authority to borrow in s.84 and 111 of the Principal Act during the committee stages of the debate on this Bill.

Main Provisions

Section 72 of Part VII of the Commonwealth Banks Act 1959 describes the functions of the Development Bank. This Bill amends section 72 of that Act to enable the Bank to provide finance for the establishment or development of all types of business undertakings, particularly small undertakings (sub-clause 3(a)) and also to provide advice and assistance to the full range of business undertakings that will be eligible to borrow from it (sub-clause 3(b)).