Primary Industry Bank Amendment Bill 1978

Date Introduced: 11 May 1978
House: House of Representatives
Presented by: Hon. J.W. Howard, M.P., Treasurer

Short Digest of Bill

Purpose

To change the name of the Australian Rural Bank to the Primary Industry Bank of Australia (the Bank) and to provide that the terms and conditions as determined by the Treasurer of grants or loans by the Commonwealth to the Bank must be agreed to by the Bank.

Background

The Digest (No. 77/139) for the Australian Rural Bank Bill 1977 is relevant to this Bill.

The Australian Rural Bank Act 1977 provided for the establishment of the Australian Rural Bank. According to the Second Reading Speech of this Bill, the Treasurer expects the Bank to be established around mid-1978 with its lending operations to commence shortly after establishment. The major aim in establishing the Bank will be to increase the availability of longer term credit to the rural sector. The principal function of the Bank will be to conduct banking business in Australia and, in particular, the provision of finance to those banks and lenders considered appropriate by the Bank. The purpose of such provision will be to enable those banks and lenders to make loans (for periods up to 30 years) to primary producers. Such loans to primary producers are to be for capital expenditure and debt reconstruction in the conduct of production of a commercially sound nature, from agricultural, livestock, fishing and forestry pursuits. Thus, the Bank is not intended to be an institution which will lend directly to primary producers, but rather a 're-finance' institution meaning that it will borrow funds for lending to other existing financial institutions who will in turn on-lend the funds to individual primary producers.

In the establishment of the Bank there is no commitment to increase the availability of concessional credit to primary producers. However, under section 7 of the Principal Act, the Commonwealth may make grants or loans to the Bank on terms and conditions which include arrangements for the provision of finance by the Bank to banks and...
lenders to enable those banks and lenders to make loans to primary producers on terms more favourable to the borrowers than would otherwise be practicable. Also, such terms and conditions may fix, or otherwise make provision with respect to, rates of interest payable on such loans by primary producers. Furthermore, under section 4 of the Act, the Governor-General may, when granting an authority to the Bank to conduct a banking business, impose conditions which include general conditions to be imposed by the Bank on the banks and lenders to which it makes funds available, in regard to the on-lending of these funds by banks and lenders to primary producers (in particular, in regard to the purpose and period of such loans). However, no such conditions shall relate to a particular transaction of the Bank or of a bank or lender (using Bank finance).

The Bank may acquire funds from various sources such as its own equity capital (the Second Reading Speech states that the Bank will have a total initial capital of $5.625 million to be contributed in 9 equal amounts of $625,000 by each of the 7 major trading banks, the State Banks together and the Commonwealth), grants or loans from the Commonwealth, loans from the participating on-lending institutions (such as the trading banks), loans from the onshore commercial credit market, loans from the Income Equalisation Deposits Trust Account and, possibly, loans from overseas. However, the mix of funds has not been decided yet as it is a policy matter for the Bank's Board.

The Act provides for the directors of the Board to include 4 persons designated by the Treasurer, viz. a Chairman, a person representing the Commonwealth and 2 persons representing primary producers. According to the Second Reading Speech, it is proposed that there will be 8 other directors, viz. a representative from each of the 7 major trading banks and one to represent the State Banks.

Provisions

Clauses 3, 4, 5, 6, 7, 9 and 10 all relate to the change of name from Australian Rural Bank to Primary Industry Bank of Australia. The name 'Australian Rural Bank', could have been confused with the names 'Rural Bank of New South Wales' and 'The Rural and Industries Bank of Western Australia', both of which are well established banks.

Clause 8 of the Bill amends section 7 of the Principal Act so that the terms and conditions of grants or loans by the Commonwealth to the Bank (i.e. the Primary Industry Bank of Australia) as determined by the Treasurer, must be agreed to by the Bank. This is really making explicit that which was previously implicit because the Bank would have been under no obligation previously, to accept Commonwealth grants or loans on terms which it found unacceptable. However, the explicit requirement for agreement by the Bank is consistent with comparable provisions in other Acts as mentioned in the Second Reading Speech.

17 May 1978

Finance, Industries, Trade and Development Group

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