NEW SOUTH WALES GRANT (CHRYSO TILE CORPORATION) BILL 1978

Date Introduced: 22 November 1978
House: House of Representatives
Presented by: Hon. E.L. Robinson, Minister for Finance

Short Digest of Bill

Purpose

To grant financial assistance to the New South Wales Government to assist in the continuation of the Barraba asbestos mining operations.

Background

Since Chrysotile Corporation of Australia Pty. Ltd. (CCA), a wholly owned subsidiary of Woodsreef Mines Ltd., commenced asbestos mining at Barraba in 1972, the company has incurred substantial operating losses. Profitability was only achieved during the period of mid 1975 to August 1977. This profitability was largely attributable to industrial disputes and natural disasters in the Canadian asbestos mines which are the world's main source of traded asbestos.

In 1973 due to the financial difficulties of CCA, the company's major creditor the Commercial Bank of Australia (CBA) appointed a receiver/manager. The receivership has continued with the value of outstanding loans extended by the CBA as at 31 October 1977 being $13.5m.

In June 1978, CCA applied to the Commonwealth Government for financial assistance to maintain the mine's operations. The company was not optimistic that alternative finance would be forthcoming owing to its inability to provide adequate security and its forecasted cash losses for the period 1 July to 31 December 1978.

The resultant Industries Assistance Commission interim report "Asbestos-Short Term Assistance", 20 August 1978, recommended that short-term assistance be not accorded the production of asbestos in Australia. This recommendation was made in the belief that the company's problems were not of a short-term nature and would not be overcome by short-term aid.
In a joint statement on 12 October 1978, the Minister for Trade and Resources, the Rt. Hon. J.D. Anthony and the Minister for Business and Consumer Affairs, the Hon. W.C. Fife announced that the Government did not consider it was justified in joining with the State Government in giving direct financial support to the mine. Mr. Anthony further stated in a television interview of the same day that it was doubtful that Woodsreef had a long-term future.

However, Mr. Anthony, in a media release dated 24 October 1978, announced that the Government had now decided to offer a loan of up to $1.4m. to CCA. The assistance is to enable the Barraba mine to continue in operation, and is to be provided by means of a repayable grant to the NSW Government under s.96 of the Constitution, paid progressively over the 15 months to the end of 1979. The funds are expected to bear a rate of interest of approximately 14% per annum, and are repayable if and when the company returns to profitability.

The assistance is being extended on the understanding that the NSW Government will provide matching funds of at least $1.4m. and waive its royalty entitlements, and that CBA will accrue interest on its loans during the period to the end of 1979.

Main Provisions

Clause 2 states that the Act will come into operation on the day on which it receives Royal Assent.

Clause 3 authorizes the Commonwealth to execute an agreement or agreements with New South Wales (either before or after the commencement of this legislation) for the payment by the Commonwealth to NSW, for the purpose of assisting the continuation of the operation of the CCA mine from 1 October 1978 to 31 December 1979. The total amounts to be paid are not to exceed in the aggregate $1,400,000.

Clause 4 authorizes the payments for the above purpose from the Consolidated Revenue Fund.

Finance, Industries, Trade & Development Group
LEGISLATIVE RESEARCH SERVICE