

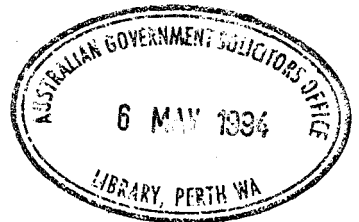
1986

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

AUSTRALIAN INDUSTRY DEVELOPMENT CORPORATION AMENDMENT BILL 1986

EXPLANATORY MEMORANDUM



(Circulated by authority of the Minister Assisting the Minister for Industry, Technology and Commerce, the Honourable Barry O. Jones, MP.)

Outline

The Bill proposes to amend the Australian Industry Development Corporation Act 1970 (the Principal Act) to provide for the Commonwealth guarantee of moneys payable by the Australian Industry Development Corporation, conferred by the Principal Act, to be optional at the Corporation's discretion.

The proposed amendments come about from the Government's intention of levying a charge in respect of the guarantee of borrowings or raisings by the Commonwealth's business enterprises. This would have had an adverse impact on the Corporation as a financial institution if the Commonwealth guarantee had continued to apply to all the Corporation's borrowings.

The Government therefore decided that all new borrowings or raisings made by the Corporation on or after 8 October 1986 will not generally be guaranteed by the Commonwealth. The Corporation will nevertheless have the option, at its discretion, for the Commonwealth guarantee to apply in respect of individual borrowings or raisings made on or after 8 October 1986.

The statutory guarantee of the Commonwealth will continue to apply to all borrowings, raisings and other liabilities of the Corporation entered into prior to 8 October 1986.

Financial Impact Statement

It has been estimated that without the optional guarantee the Corporation would be charged an estimated \$7.0 million on its borrowings and raisings in 1986/87. The optional guarantee from 8 October 1986 will reduce this estimate to about \$0.9 million as it is expected that the Corporation would normally borrow without benefit of the guarantee.

NOTES ON CLAUSES

Short Title

Clause 1(1)

is a formal machinery clause.

Principal Act

Clause 1(2)

is a technical drafting clause, which formally defines the Australian Industry Development Corporation Act 1970 as the Principal Act for the purposes of this legislation.

Commencement

Clause 2

provides for the Act to come into operation on the day on which it receives the Royal Assent.

Guarantee by Commonwealth

Clause 3(1)

amends Section 35 of the Principal Act by inserting seven sub-sections

- new sub-section 1 continues the current Commonwealth guarantee but makes it subject to sub-section (2)
- new sub-section 2 has the guarantee not applying in respect of borrowings or raisings unless the Chief Executive determines that the guarantee will apply
- new sub-section 3 provides that a determination under sub-section 2 may be made in relation to a particular transaction or class of transaction
- new sub-section 4 defines that a borrowing of money and a raising of money may be made
 - by dealing with securities
 - in whole or in part in a currency other than Australian currency
- new sub-section 5 defines securities as including:

2.

- stocks, debentures, debenture stocks, notes, bonds, promissory notes, bills of exchange and similar instruments or documents

- new sub-section 6 defines dealing with securities as including

- creating, executing, entering into, drawing, making, accepting, endorsing, issuing, discounting, selling, purchasing or re-selling securities

- creating, selling, purchasing or re-selling rights or options in respect of securities; and

- entering into agreements or other arrangements relating to securities

- new sub-section 7 deems that money taken as a deposit by the Corporation is a borrowing by the Corporation.

Clause 3(2)

has Section 35 of the Principal Act as amended by sub-section (1) applying in respect of borrowings and raisings of money undertaken by the Corporation on or after 8 October 1986. The previous general guarantee accorded by the unamended Section 35 of the Principal Act remains in force in respect of borrowings and raisings of money undertaken prior to 8 October 1986.

Clause 3(3)

A transitional provision allowing the Chief Executive to make, within one month after the day on which this Act receives Royal Assent a determination with effect from a day earlier than the day of determination but not being earlier than 8 October 1986.