

LEGISLATIVE RESEARCH SERVICE
DEPARTMENT OF THE PARLIAMENTARY LIBRARY

COMMONWEALTH GUARANTEES (CHARGES) BILL 1986

Date introduced: 14 November 1986
House: House of Representatives
Presented by: Hon. Chris Hurford, M.P., Minister
Assisting the Treasurer

DIGEST OF BILL

Purpose

To impose a charge on Commonwealth enterprises that borrow subject to a guarantee.

Background

The measures to be introduced by this Bill were announced by the Treasurer in the 1986 Budget Speech and are estimated to raise approximately \$7 million in 1986-87. A Commonwealth guarantee ensures that if the business borrowing the money is unable to repay, the obligation will be met by the Commonwealth. As a result of this certainty the risk of lending to such enterprises is reduced and this is reflected in the lower interest rates applicable to Commonwealth guaranteed loans.

There are generally three types of provision relating to guarantees. Automatic guarantees apply to a number of Commonwealth bodies, particularly financial institutions such as the Commonwealth Bank, and the body in question has no option about the use of the guarantee. The second type, discretionary guarantees, give the Treasurer the discretion to guarantee borrowings while the third, optional guarantees, enables the body to determine if it is to borrow subject to the guarantee.

Main Provisions

The Bill will apply to borrowings, other than borrowings from the Commonwealth, and the issue of securities, on or after 1 July 1986 by bodies listed in the Schedule to the Bill which will be capable of amendment by regulation (clause 4).

Where a body listed in Part A of the Schedule (i.e. bodies that the Treasurer has a discretion to guarantee) borrows money or issues securities subject to a guarantee, the Treasurer may determine that the body will be subject to a charge that is not to exceed 0.5 per cent per annum of the amount that the guarantee relates to. The same provision will apply to borrowings by the Australian Industry Development Corporation where it uses a guarantee (clause 5).

For bodies in Parts C and D of the Schedule (i.e. bodies that must use a guarantee for part or all of their borrowings), the Treasurer will again be able to determine that a charge is payable at the same maximum rate. For the Commonwealth Bank of Australia, the Commonwealth Development Bank of Australia and the Commonwealth Savings Bank of Australia, the charge will only be payable on overseas borrowings (clause 6).

Clause 7 will allow the Governor-General to make regulations under the Bill.

For further information, if required, contact the Economics and Commerce Group.

19 February 1987

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This Digest does not have any official legal status. Other sources should be consulted to determine the subsequent official status of the Bill.

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