

Chapter 1

Introduction

1.1 On 6 December 2018, the Senate referred the Parliamentary Joint Committee on the Australia Fund Bill 2018 (the bill) to the Economics Legislation Committee (the committee) for inquiry and report by 3 April 2019.¹

Overview of the bill

1.2 On 14 November 2018, Senator Brian Burston introduced the bill in the Senate. The bill seeks to:

- establish a Parliamentary Joint Committee on the Australia Fund (the joint committee) to investigate the establishment of an Australia Fund to provide support and reconstruction for rural and manufacturing industries in times of crisis, and review bankruptcy and insolvency laws in relation to businesses in times of crisis;
- provide for the functions, powers and procedures of the committee;
- provides for the tabling of the committee's report; and
- provide that the committee ceases to exist after it presents its final report.

1.3 In his second reading speech, Senator Burston stated:

We all watched with great distress as the reports of drought-affected farmers filtered into our electorate inboxes and onto our televisions. The sight of dying cattle and desperate owners and staff touched all of us deeply. We have also seen fire and flood on a regular basis and endured the consequences of global financial crises.

...

The Parliamentary Joint Committee on the Australia Fund Bill 2018 calls for the creation of a cross-party joint committee to assist in the support and reconstruction of Australian rural and manufacturing industries in times of crisis. The Australia Fund would have the ability to provide emergency and ongoing drought, flood and bushfire relief. It could loan money to businesses, act as a guarantor for loans, capitalise or waive interest, purchase existing bank loans and assume control of relevant property of the business for a specified time. In this way, the fund would be designed to enable businesses to continue operations to earn revenue, employ workers and pay taxes, rather than being prematurely wound up. This would support communities affected by natural disasters for the long term.²

1 *Journals of the Senate*, No. 137, 6 December 2018, p. 4480.

2 Senator Brian Burston, *Senate Hansard*, 26 November 2018, p. 6.

1.4 Division 2, section 8 sets out the proposed functions for the joint committee as follows:

- (a) to investigate whether a body, to be known as the Australia Fund, should be established to support rural and manufacturing industries in Australia so that a business within those industries may continue to operate in times of crisis, and to provide the following kinds of assistance:
 - (i) emergency or ongoing financial relief;
 - (ii) a loan of money to such a business;
 - (iii) act as a guarantor for all or part of a loan or proposed loan to such a business;
 - (iv) purchase all or part of an existing loan to such a business;
 - (v) capitalise or waive interest owed by such a business;
 - (vi) assume control of such a business for a particular period;
 - (vii) grant money to an appropriate industry body;
 - (viii) grant money to such a business for the purpose of purchasing new technology to make it more economically viable and competitive or for the purpose of restructuring it; and
- (b) to assess whether:
 - (i) existing bankruptcy and insolvency laws should be modified or temporarily relaxed for businesses in times of crisis; and
 - (ii) any foreign bankruptcy or insolvency laws should be adopted as laws of the Commonwealth; and
- (c) to report to both Houses of Parliament on its recommendations on the matters mentioned in paragraphs (a) and (b) within 30 days of its final deliberations, and the reasons for those recommendations.

Former Joint Select Committee on the Australia Fund Establishment

1.5 On 23 September 2014, the former Parliamentary Joint Select Committee (the former joint select committee) on the Australia Fund Establishment was established when the House of Representatives agreed to the Senate resolutions establishing the committee. The committee was comprised of six Members and four Senators.

1.6 The former joint select committee concluded its inquiry when it tabled its report on 25 June 2015.³

1.7 The terms of reference for the inquiry were as follows:

- (1) That a joint select committee, to be known as the Joint Select Committee on the Australia Fund Establishment, be established to inquire into and report on:

3 Joint Select Committee on the Australia Fund Establishment, *Report*, June 2015.

The establishment of a fund to support rural and manufacturing industries, with particular reference to:

- (a) the need for a fund to assist rural and manufacturing industries in crisis and support communities affected by natural disasters, including the following assistance:
 - (i) emergency or ongoing financial relief,
 - (ii) a loan to such a business,
 - (iii) act as a guarantor for all or part of a loan or proposed loan to such a business,
 - (iv) purchase all or part of an existing loan to such a business,
 - (v) capitalise or waive interest owed by such a business,
 - (vi) assume control of such a business for a particular period,
 - (vii) grant funds to an appropriate industry body, and
 - (viii) grant funds to such a business for the purpose of purchasing new technology to make it more economically viable and competitive or restructuring it; and
- (b) whether:
 - (i) existing bankruptcy and insolvency laws should be modified or temporarily relaxed for businesses in times of crisis, and
 - (ii) any foreign bankruptcy or insolvency laws should be adopted as laws of the Commonwealth.

(2) That the committee deliver its final report on or before 30 June 2015.⁴

1.8 The former joint select committee did not recommend the establishment of an Australia Fund. The former joint select committee stated:

The inquiry's terms of reference sought responses to a number of issues related to natural disasters and how government can assist during such times. Unfortunately the committee did not receive any submission regarding many of these issues.

For example, the committee did not receive any evidence on how an 'Australia Fund' would be resourced or structured. Likewise, the committee received no evidence that a single fund would assist in filling the gaps in the current provision of support available for economic crisis and natural disasters. With regard to these gaps, the committee welcomes the emphasis on sustainability and self-reliance in the farming sector through concessional loans, but is of the view that more work needs to be done on how best these loans and their eligibility criteria are structured to ensure they provide the most benefit. Nevertheless, the committee supports the

4 Joint Select Committee on the Australia Fund Establishment, *Report*, June 2015, p. v.

expansion of the concessional loan model to the manufacturing sector where access to finance is proving a barrier to sustainability.

...

In the committee's view, targeted and comparable support for businesses is available at both a state and federal level.⁵

Legislative scrutiny

1.9 The Senate Standing Committee for the Scrutiny of Bills made no comment in relation to the bill.⁶ The Parliamentary Joint Committee on Human Rights found that the bill did not raise human rights concerns.⁷

Conduct of the inquiry

1.10 The committee advertised the inquiry on its website and wrote to relevant stakeholders and other interested parties inviting submissions. The committee received three submissions which are listed at Appendix 1.

1.11 The committee appreciates the efforts of all stakeholders who contributed to the inquiry.

5 Joint Select Committee on the Australia Fund Establishment, *Report*, June 2015, p. 44.

6 Senate Standing Committee for the Scrutiny of Bills, *Scrutiny Digest 14 of 2018*, p. 1.

7 Parliamentary Joint Committee on Human Rights, *Report 12 of 2018*, p. 50.