

1989

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

QANTAS AIRWAYS LIMITED (LOAN GUARANTEE) BILL 1989

EXPLANATORY MEMORANDUM

(Circulated by authority of the Minister for Transport and Communications, the Hon Ralph Willis, MP)

QANTAS AIRWAYS LIMITED (LOAN GUARANTEE) BILL 1989

GENERAL OUTLINE

The purpose of this Bill is to enable the Treasurer, on behalf of the Commonwealth, to guarantee under certain terms and conditions the payment of amounts that Qantas Airways Limited is liable to pay with respect to money borrowed to assist in financing the purchase of three Boeing 747-400 aircraft and related spare parts and equipment.

It is proposed that the limit of any borrowings subject to guarantee should be \$US385 million or its equivalent. This represents 85% of the total project cost for these three aircraft.

It is proposed that the terms and conditions under which the monies are borrowed will be subject to the Treasurer's approval.

FINANCIAL IMPACT STATEMENT

The measures contained in this Bill involve a contingent liability only for the Commonwealth, and have no direct financial implications.

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NOTES ON CLAUSES

Clause 1 : Short Title

Clause 2 : Commencement

1. The provisions of the Bill shall come into operation on the day on which it receives the Royal Assent.

Clause 3 : Interpretation

Subclause 3(1)

2. Borrowing, for the purposes of this Bill, includes borrowing, or otherwise raising money, by dealing in securities.

Subclause 3(2)

3. For the purposes of the Bill, the obtaining of credit is taken to be a borrowing of an amount equal to the value of the credit obtained.

Clause 4 : Guarantee of certain loans

Paragraph 4(1)(a)

4. This paragraph allows the Treasurer, on behalf of the Commonwealth, to guarantee the payment of amounts borrowed by Qantas Airways Limited for the purchase of three Boeing 747-400 aircraft and related spare parts and equipment.

Paragraph 4(1)(b)

5. This paragraph provides for the guarantee to include the payment of interest (including any interest on that interest) on the money borrowed by Qantas.

Subclauses 4(2) and 4(4)

6. The Bill limits loan guarantees that can be given to \$US385 million or its equivalent in other currencies.

Subclause 4(3)

7. This sub-clause enables the Treasurer to carry out proceedings under the guarantee in courts outside Australia, and waive the Commonwealth's immunity from suit in such court proceedings.

Clause 5 : Conditions of guarantees

8. The Bill provides that the Treasurer shall not give a guarantee unless:
- (a) the terms and conditions of the borrowing are considered by the Treasurer to be reasonable;
 - (b) appropriate security is given to the Commonwealth by Qantas, to the satisfaction of the Treasurer, and the value of Qantas' interest in property offered as security is 85% of the value of the interest of Qantas in which immediately before the giving of that security is not less than the amount borrowed by Qantas;
 - (c) undertakings are given to the satisfaction of the Treasurer that the items provided as security for the Commonwealth's contingent liability:
 - (i) will be insured and kept insured against all risks against which it is customary to insure and to the full insurable value of that property;
 - (ii) will not be dealt with so as to prejudice the security to the Commonwealth in respect of the guarantee;
 - (d) such other conditions thought necessary by the Treasurer are fulfilled.

Clause 6 : Delegation

9. The Treasurer may delegate any of his powers or functions to an officer of the Department of the Treasury.