

1986-87
THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA
HOUSE OF REPRESENTATIVES

STATES (WORKS AND HOUSING) ASSISTANCE AMENDMENT BILL 1986

EXPLANATORY MEMORANDUM

(Circulated by the Authority of the Treasurer,
the Hon P.J. Keating, MP)

STATES (WORKS AND HOUSING) ASSISTANCE AMENDMENT BILL 1986

GENERAL OUTLINE AND MAIN PURPOSE OF BILL

The main purpose of the Bill is to obtain the approval of Parliament for the amendment of the States (Works and Housing) Assistance Act 1985 (the 'Principal Act'), in accordance with the new arrangements agreed at the 13 June, 1986 Loan Council Meeting, for:

- . the payment in 1986-87 of interest free capital grants to the States of \$429,426,000 as part of the 1986-87 State Governments' Loan Council programs; and
- . the payment in 1986-87 of amounts States may nominate from their Loan Council programs (and the Northern Territory from its equivalent general purpose capital advances) as being for the purpose of public housing and payable under the concessional loan terms and conditions of the Commonwealth State Housing Agreement (CSHA).

CAPITAL GRANTS

The grants for State works are being made in accordance with arrangements originally agreed at the June, 1970 Premiers' Conference as part of revenue assistance arrangements under which the Commonwealth Government provides a portion of the States' Loan Council programs as capital grants in lieu of loan raisings. The purpose of the capital grants is to relieve the States of debt charges they would otherwise have to pay and thus free funds for other purposes. In 1985-86 the capital grant increased in proportion from one-third of each State Government's Loan Council program to 35.7 per cent. This proportion is to continue to apply for 1986-87.

Accordingly, the Bill provides for grants amounting to \$429,426,000 in 1985-86 with the remainder (\$774,574,000) of the approved Loan Council programs for the States representing the loan portion of the programs. The Bill also authorises the payment of advances of capital grants in the first six months of 1987-88 pending passage of similar legislation in that year.

LOANS FOR PUBLIC HOUSING

The object of providing concessional loans for public housing of amounts nominated for that purpose by the States and the Northern Territory is to provide an incentive for the States and the Northern Territory to increase the amounts they direct to public housing. To be eligible to nominate amounts, a State or the Northern Territory must first be able to meet its matching requirement under the Housing Assistance Act 1984, which enacts the CSHA.

In accordance with the decisions of the 13 June, 1986 Loan Council meeting, the Bill permits the States to nominate up to 60 per cent of the loan portion of their Loan Council programs (and 100 per cent in the case of Western Australia and South Australia) in 1986-87 and the Northern Territory to nominate up to 60 per cent of the related general purpose capital assistance provided to it by way of loans in 1986-87, to be received as loans for public housing on the same concessional terms and conditions provided for under the CSHA. Loans continue to be made subject to the condition that the States and the Northern Territory will first be able to meet the matching requirements of the CSHA and that the States and the Northern Territory make nominations by 31 December of each year to the limits prescribed in the Bill. The provisions of the existing legislation which allow all States and the Territory to nominate up to 30 per cent of the loan portion of their programs in 1987-88 have not been changed.

NOTES ON CLAUSES

CLAUSE 1 - SHORT TITLE

Self explanatory

CLAUSE 2 - COMMENCEMENT

Self explanatory

CLAUSE 3 -

This clause provides for the insertion of sections 5A and 5B into the Principal Act, as follows:

GRANTS TO STATES DURING 1986-87 IN RESPECT OF CAPITAL EXPENDITURE

Section 5A, in conjunction with Column 2 of Schedule 3 of this Bill, sets out the amount which the Treasurer may pay to each State during 1986-87 as its share of the total grants of \$429,426,000 in that year. Under the Underwriting Agreement entered into between the Commonwealth and the States at the 13 June, 1986 Loan Council meeting, the Treasurer is obliged to pay to each State the full amount of the grant specified in the Bill unless a State fails to comply with the provisions of the Underwriting Agreement, which require the members of Loan Council to take all steps within their power to ensure the satisfactory observance of the arrangements agreed to by Loan Council for borrowings by semi-government and local authorities, government-owned companies and trusts, and to provide Loan Council with full, regular and timely information on such borrowings.

The grants are expressed as being 'in connection with expenditure of a capital nature' but there are no conditions imposed on the manner in which the States may apply them. The capital grants are distributed among the States in the same proportion as the total State Governments' Loan Council program approved at the 13 June, 1986 Loan Council meeting.

The section also provides (ie sub-paragraphs (a) and (b)) that any amounts paid in 1986-87 under the authority of section 5 of the Principal Act (which provided for advance payments in the first six months of 1986-87) shall have the effect of reducing the amounts payable under this Bill. The purpose of this provision is to ensure that the total capital grant paid to each State in 1986-87 is not greater than the amount payable to it as set out in Column 2 of Schedule 3 of this Bill.

ADVANCE PAYMENTS TO STATES FOR 1987-88 IN RESPECT OF CAPITAL EXPENDITURE

Section 5B authorises the Treasurer to make payments to the States of capital grants during the first six months of 1987-88 pending the enactment of corresponding legislation for that year.

Column 3 of Schedule 3 of the Bill sets out the maximum payments to be made to each State under section 5B in 1987-88, equal in each case to one-half of the grant paid in 1986-87.

CLAUSE 4 - LOANS TO STATES FOR PUBLIC HOUSING

This clause amends section 6 of the Principal Act to take account of revisions agreed to at the 13 June, 1986 Loan Council meeting to the arrangements whereby the States can nominate from within their 1986-87 Loan Council borrowing program funds for public housing purposes in that year.

Clause 4(a) amends sub-section 5(b)(i), to increase the maximum borrowing entitlement for Western Australia and South Australia from 60 per cent to 100 per cent in 1986-87.

Clause 4(b) amends sub-section 5(b)(ii), to increase the maximum entitlement for the remaining States from 30 per cent to 60 per cent in 1986-87.

CLAUSE 5 - LOANS TO NORTHERN TERRITORY FOR PUBLIC HOUSING

This clause amends section 10 of the Principal Act to reflect for the Northern Territory an analogous change in arrangements as is provided for the States under Clause 4 of this Bill. It varies the arrangements provided for in the Principal Act by providing that the Northern Territory may now nominate up to 60 per cent of the loan portion of the general purpose capital assistance provided to it by the Commonwealth in 1986-87.

CLAUSE 6 - SCHEDULE

This Clause inserts at the end of the Principal Act a third Schedule, providing details of the maximum aggregate amount of capital grants to be paid under the new sections 5A and 5B.

