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1988

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA  
HOUSE OF REPRESENTATIVES

STATES AND NORTHERN TERRITORY GRANTS  
(RURAL ADJUSTMENT) BILL 1988

EXPLANATORY MEMORANDUM

(Circulated by authority of the Minister for  
Primary Industries and Energy, the Hon John Kerin, MP)

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GENERAL OUTLINE

This Bill gives effect to major changes to the Rural Adjustment Scheme (RAS) which were recommended following a review by consultants of the effectiveness of the present RAS and the subsequent endorsement by the Commonwealth and the States/Northern Territory of the consultants' recommendations. The Commonwealth Government's commitment to implement the changes was confirmed in the May Economic Statement.

2. The amendments are intended to define more precisely the purposes and objectives of the RAS, to give the States the maximum possible managerial and financial flexibility in administering RAS and to provide for accountability by the States as the basis for their effective achievement of the Scheme's objectives. It will also provide for a wider range of assistance measures to be employed under the Scheme. It is anticipated that once implemented, the new RAS will provide for a more focussed policy instrument to promote effective structural adjustment (including greater sensitivity to the human relations aspects) and more effective management in the public sector at both the Commonwealth and State levels.

FINANCIAL IMPACT STATEMENT

3. While the amendments involve significant changes in policy direction and administration, the existing financial arrangements will continue largely unchanged. The initiatives which will involve some financial impacts are:
  - . the introduction of an on-going allocation under the Scheme to aid in the diagnosis of farmers' adjustment problems and targetting of assistance
    - with \$1.2 million being allocated in 1988/89
  - . the one-off appropriation of \$0.6 million in 1988/89 to provide for the development of measures to enhance the capability of farm financial and management advice to appropriately counsel to their clients
  - . changing the basis on which the Commonwealth contributes towards the cost of administration of the Scheme from a proportion of Part A funds provided in any year to an indexation of the 1987/88 Commonwealth contribution
    - providing an initial saving of \$0.4 million in 1988/89
  - . the States assuming liability for bad debts arising from the operation of the Scheme, both in relation to loans made under the existing Agreement since 1985 and under the new Agreement.

4. On the basis of the on-going commitments and new funding allocations, incorporating the above costs and savings, the 1988/89 Commonwealth expenditure on the RAS is expected to be \$56 million, compared to \$43 million in 1987/88.

NOTES ON INDIVIDUAL CLAUSES

PART I - PRELIMINARY

Clause 1 : Short Title

5. Provides for the Act to be cited as the States and Northern Territory Grants (Rural Adjustment) Act 1988.

Clause 2 : Commencement

6. Provides that the Act shall come into operation on the day it receives Royal Assent.

Clause 3 : Interpretation

7. Stipulates that the term "State" is to be taken to include the Northern Territory.

Clause 4 : Approval of execution of the Agreement

8. Provides for the execution on behalf of the Commonwealth of the Agreement between the Commonwealth and participating States/Northern Territory.

Clause 5 : Appropriation of financial assistance

9. Provides for the Commonwealth to make payments to the participating States/Northern Territory for the provision of financial assistance to farmers under the Scheme on the terms and conditions set out in the Agreement.

THE SCHEDULE

I - INTRODUCTION

Clause 1 - Operation of Agreement

Sub-Clause 1(1)

10. Sets out the meaning of the term "State" in that it is taken to mean, either individually or collectively, all participating States and the Northern Territory.

Sub-Clause 1(2)

11. The purpose of this clause is to specify the date of commencement of Agreements under the Act and the cessation of previous Agreements between the Commonwealth and States/Northern Territory. The clause also provides for Agreements, once executed, to replace the previous Agreement of 26 September 1985 and amended Agreement of 8 December 1986.

Sub-Clause 1(3)

12. Specifies that the Agreement will operate fully and effectively between the Commonwealth and each of the respective signatories to the Agreement.

Sub-Clause 1(4)

13. Specifies that if a State withdraws from the Agreement, the Agreement will continue to operate between the Commonwealth and the other signatory States.

Clause 2 : Performance of Agreement

14. Provides for the Commonwealth and each State to meet its respective responsibilities under the Agreement.

Clause 3 : Interpretation

15. Defines how various terms and phrases used in the Agreement are to be interpreted.

II - THE SCHEME

Clause 4 : Purpose of the Scheme

16. This clause is designed to clearly state the purpose of the Scheme as being to assist in the process of improving the efficiency of the Australian rural industry and its role in contributing to the structural adjustment process.

Clause 5 : Objectives

17. This clause sets out the objectives the Commonwealth and States are seeking to achieve in providing assistance and services under the Scheme. These objectives offer incentives to farmers to adjust to changing circumstances so that individually and collectively they will be better able to meet international competition.

Clause 6 : Strategies

18. This clause describes the strategies to be employed in achieving the objectives for the Scheme outlined in clause 5. The major elements being:

- the provision of loans to allow farmers to
  - .. overcome financial difficulties arising from causes beyond their control
- the provision of grants or loans to allow farmers to improve farm performance
- the provision of grants or loans to permit farmers without prospects in the rural industry to make an orderly exit.

Clause 7 : Operations

19. This clause specifies the respective roles of the Commonwealth and the States in the operation of the Scheme. The Commonwealth's role is to provide policy guidelines for the strategies set out in clause 6 and to establish a management information system to monitor State performance in relation to the effectiveness and efficiency of the Scheme's operations. The States are to have sole

responsibility for developing implementing and maintaining managerial arrangements and will be accountable for the achievement of the Scheme's objectives.

Clause 8 : Eligibility

20. Defines those persons eligible for assistance under the Scheme.

III - ADMINISTRATION OF THE SCHEME

Clause 9 : State to Operate Scheme

21. This clause stipulates that Commonwealth financial assistance provided to the States under the Agreement can only be used to establish and operate the Scheme in accordance with the Agreement.

Clause 10 : Forms of Assistance to those Engaged in Rural Industries

22. Identifies the specific forms of assistance that can be used as elements of adjustment strategies outlined in clause 6.

Clause 11 : Conditions

23. Empowers the Minister to determine policy guidelines applicable to forms to assistance provided under the Agreement while noting that such determinations made by the Minister shall be preceded by consultations with relevant State Ministers.

Clause 12 : Terms of Loans by a State

24. Authorises the State to determine the rate of interest and duration of loans provided to farmers under the Agreement and to periodically review the terms and conditions applying to those loans.

IV - FINANCIAL ASSISTANCE

Clause 13 : Provision of Financial Assistance

25. Notes that the provision of financial assistance by the Commonwealth under the Agreement is generally subject to the provisions of the Agreement and specifically dependent upon the States satisfactorily fulfilling their responsibilities as set out in the Agreement.

Clause 14 : Amount of Financial Assistance

Sub-Clause 14(1)

26. Notes that the Commonwealth will determine separately the amounts of financial assistance to be made available to the States for Parts A and C of the Scheme after consulting the States and notes that these consultations will take place before the commencement of the financial year for which funding determinations are to be made. In addition, the

clause stipulates that consultations will take account of the purposes and objectives of the Scheme set in clauses 4 and 5 of the Agreement.

Sub-Clause 14(2)

27. The purpose of the clause is to define the amount payable by the Commonwealth under Part A of the Scheme in any year, in recognition of the fact that the annual funding determination by the Minister covers both on-going and new funding for the period.
28. On-going commitments arise because the provision of "new" funds in any year generates forward commitments of an equivalent amount in each of the subsequent six years.

Sub-Clause 14(3)

29. Enables the Commonwealth to provide, after consultation, additional amounts of assistance under Parts A and C of the Scheme by way of supplementary determinations by the Minister during a financial year.

Sub-Clause 14(4)

30. Establishes that the amount of financial assistance for Part B of the Scheme is to be determined at the time the Commonwealth and a State or States agree that the provision of Part B assistance is warranted (Part B being the provision of funds on a dollar-for-dollar basis to provide a source of carry-on finance to farmers in industries suffering a severe short term downturn as a result of factors other than natural disasters).

Clause 15 : Administration Expenses

31. Establishes that the Commonwealth will make monthly payments in advance to the States towards administration expenses incurred in operating the Scheme, the size of the payments being based on a formula agreed between the relevant Commonwealth and State Ministers.

Clause 16 : Provision for Losses

32. Provides for any losses arising from the operation of the Scheme to be borne by the States and authorises them to use funds provided by the Commonwealth, or interest earned thereon, to make provision for such losses.

Clause 17 : Payments of Financial Assistance

33. Establishes that payments by the Commonwealth to the States under the Agreement are to be provided on a monthly basis and authorises the Minister to make payments of money to the States under the Scheme by way of an advance.
34. The clause also provides for the Commonwealth to deduct from subsequent payments to the States the value of previous advances, or where there is to be no further payments, to require the value of advances to be refunded by the States to the Commonwealth.

Clause 18 : Use of Advances and Other Money

34. Stipulates that the State can only use Commonwealth funds provided under the Agreement for the operation of the Scheme. In this context, the concept of funds also includes money earned through the investment of funds advanced and money received by the State through the repayment of loans by farmers where Commonwealth funds have been used to provide the loans. Commonwealth payments towards administration costs are not used 'for the operation of the Scheme' as defined under the agreement and therefore are excluded. Provisions for bad debts under the Scheme made by the States are for the operation of the Scheme.

Clause 19 : Pre-commitment of Assistance

36. Provides for the Minister to authorise a State or States to enter into commitments in excess of the level of funds provided by the Commonwealth at that time on the basis of an assurance that funds to cover these commitments will be forthcoming in the next financial year and provides that such amounts committed by a State shall be inclusive of the amount of financial assistance provided by the Commonwealth in the next financial year.

Clause 20 : Supporting Financial Evidence

37. Establishes that, upon request, the States are to provide information to the Minister on the operation of the Scheme. Where the information requested involves details of particular accounts, it is to be provided in a manner that protects the identity of borrowers.

Clause 21 : Repayments of Part C Assistance

38. Provides for States to repay to the Commonwealth on a six monthly basis, ie each 15 January and 15 July, all funds recouped from recipients of assistance under Part C and any interest received on those funds.

Clause 22 : Audit

Sub-clause 22(1)

39. Provides for State records relating to the operation of the Scheme to be subject to an annual audit by an auditor approved by the State's Auditor-General.

Sub-Clause 22(2)

40. Provides for audits of documents and accounts relating to the operation of the Scheme to be carried out in accordance with Australian auditing standards by a properly qualified and authorised person and for audit reports to be presented to the Minister by no later than 31 December of the succeeding financial year.



Clause 23 : Other Financial Arrangements

41. Provides for the Commonwealth and State Ministers to agree to implement financial measures other than those provided for in the Agreement as appropriate to meet new and changed circumstances.

V - FINANCIAL ASSISTANCE FOR RELATED PURPOSES

Clause 24 : Conditions

42. Establishes that the Commonwealth can provide funds to the States specifically for improving the Scheme's effectiveness.

Clause 25 : Provisions Applicable

43. Provides that the level of funds provided under clause 24 is to be determined by the Commonwealth after consultation with the States and that these funds are to be subject to the same conditions as applying to funds provided under this Agreement.

VI - TRANSITIONAL

Clause 26

Sub-Clause 26(1)

44. Stipulates that any funds previously provided by the Commonwealth that have not been disbursed at the date of commencement of this Agreement or that subsequently may become available, plus any interest earned by the States on those funds, are only to be used by the States for the purposes of the Scheme.

Sub-Clause 26(2)

45. Establishes that the States are to be responsible for bearing the cost of any bad debts that may arise from the operation of the Scheme under this Agreement plus any losses that may arise out of the operation of the Scheme under earlier Agreements.
46. In addition, this clause provides for any money owed by the Commonwealth by way of its contribution to administration costs of the scheme at the time this Agreement comes into force to be paid in accordance with the provisions of this Agreement rather than those of earlier Agreements.

Sub-Clause 26(3)

47. This clause provides for a situation where the execution of this Agreement between the Commonwealth and a State occurs prior to 30 June 1989 and hence a full financial year has not elapsed at that date. In such cases the requirements of this Agreement in relation to repayment of Part C Assistance, reporting to Parliament and the preparation and presentation of Audit Reports as set down in the preceding Agreement are to apply as if a full financial year had elapsed.

VII - GENERAL

Clause 27 : Review

48. Provides for periodic reviews of the Scheme to be carried out by the Commonwealth and States as appropriate in light of experience gained in administering the Scheme.

Clause 28 : Exchange of Information

49. Provides for Commonwealth and State officials to meet at least annually and exchange information on pertinent matters relating to management of the Scheme, including trends in rural adjustment assistance.

Clause 29 : Provision of Information and Review

50. Specifies that the States will provide the Commonwealth with information to enable the Commonwealth to monitor and assess the State's management of the Scheme.

Clause 30 : Report to Parliament

51. Requires that the Minister report to Parliament by 31 December each year on the operation and effectiveness of the Scheme during the immediately preceding financial year.

Clause 31 : Loan Council

52. This clause provides for a situation where State borrowings for Parts A and B are brought within Loan Council control or oversight on terms and conditions that are considered to be unacceptable to a State, by stipulating that consultations shall be held between the Commonwealth and States to decide whether any amendments will need to be made to this Agreement.

Clause 32 : Cessation of Agreement by a State

53. This clause establishes the process by which a State may withdraw from the Scheme, ie upon giving sixty days notice in writing to the Commonwealth.











