

1983-84

THE PARLIAMENT OF THE COMMONWEALTH OF AUSTRALIA

HOUSE OF REPRESENTATIVES

Loan Bill (No 2) 1983

EXPLANATORY MEMORANDUM

(Circulated by authority of the Minister for Finance,
the Hon J S Dawkins MP)

OUTLINE

Loan Bill (No 2) 1983

The purpose of the Bill is to enable the financing of the prospective 1983-84 Budget deficit which gives rise to an estimated shortfall of the same order in the amount of moneys legally available to the Consolidated Revenue Fund.

To overcome the estimated shortfall in the Consolidated Revenue Fund the Bill provides authority to charge to the Loan Fund defence expenditures which would otherwise be met from the Consolidated Revenue Fund, and to reimburse the Consolidated Revenue Fund from the Loan Fund in respect of certain non-defence expenditures. The Bill also provides borrowing authority to finance those expenditures from the Loan Fund.

This is a normal procedure for financing prospective deficits in the Consolidated Revenue Fund and has been used by successive governments over many years.

NOTES ON CLAUSES

CLAUSE 1 - SHORT TITLE

Loan Bill (No 2) 1983

CLAUSE 2 - COMMENCEMENT

The Act is to come into force on the day on which it receives the Royal Assent. This will enable 1983-84 expenditures of the Department of Defence and the Department of Defence Support incurred after that date to be financed by borrowings authorized by this Bill.

PART II - BORROWING AND EXPENDING OF MONEYS FOR DEFENCE PURPOSES

CLAUSE 3 - AUTHORITY TO BORROW

This clause authorizes the Treasurer to borrow through the issue of Treasury Bills or other Australian Government securities.

As this will be a borrowing for defence purposes, it is not within the jurisdiction of the Australian Loan Council.

The effective limit on the amount to be borrowed and expended from the Loan Fund for defence purposes will be the amount appropriated for such purposes under Appropriation Acts enacted for the 1983-84 financial year, less amounts expended under such Acts prior to the enactment of this Bill.

Borrowings under this clause may be made by the issue of securities to the public or to the Reserve Bank or by investment of Trust Fund balances in such securities. The choice of the particular instrument is largely a question of monetary policy and will be determined in the light of the situation at the time.

CLAUSE 4 - APPLICATION OF MONEYS BORROWED

The proceeds of the borrowing are to be used for defence purposes, namely, to finance expenditures by the Departments of Defence and Defence Support as specified in the Supply Act (No 1) 1983-84 or in any subsequent Appropriation Act for the service of the financial year ending on 30 June 1984, ie. in Appropriation Acts (Nos 1 and 3) 1983-84.

Inclusion of a provision enabling the use of proceeds of the borrowing to defray expenses of borrowing is customary in such Loan Acts.

PART III - SUPPLEMENTATION OF THE CONSOLIDATED REVENUE FUND

CLAUSE 5 - AUTHORITY TO BORROW

This clause authorizes the Treasurer to borrow moneys up to the amount necessary to overcome a shortfall in receipts of the Consolidated Revenue Fund to meet authorized expenditures, together with the costs of borrowing. The borrowings will be made through the issue of Treasury Bills or other Commonwealth securities and must be within the limit of the borrowing authority approved by the Loan Council.

The borrowings proposed in the clause may be made by the issue of securities to the public or to the Reserve Bank or by investment of Trust Fund balances in such securities.

The authority is designed to enable the supplementation of the Consolidated Revenue Fund by the amount necessary to meet any

remaining shortfall in that Fund after other authority has been utilised.

CLAUSE 6 - APPLICATION OF MONEYS BORROWED UNDER SECTION 5

The proceeds of any borrowings under clause 5 are to be used only for the purpose of supplementing the Consolidated Revenue Fund - thus ensuring that the moneys are available to meet only those expenditures which have been otherwise appropriated by Parliament - and to meet the expenses of the borrowings.

CLAUSE 7 - APPROPRIATION

Provides that the Loan Fund be appropriated for the purposes of this Act.

CLAUSE 8 - LIMITATION OF EXPENDITURE

SUB-CLAUSE (1)

Provides that total expenditure under this Act and under the Appropriation Act (No 1) 1983-84 and subsequent Appropriation Acts referred to in clause 3(a) in respect of the services of the

Departments of Defence and of Defence Support specified in those Acts, will not exceed the amounts specified therein.

SUB-CLAUSE (2)

Adds the qualification that sub-clause (1) does not limit the power of the Minister for Finance to make available additional moneys for defence purposes from moneys appropriated under the "Advance to the Minister for Finance" in the relevant Acts.

SUB-CLAUSE (3)

Limits expenditure under this Act (other than the expenses of borrowing) to the financial year 1983-84.

