

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates – 25–26 February 2009

Question: aet 41

Topic: SPV Legislation

Hansard Page: E58 (25 February 2009)

Senator ABETZ asked:

Senator Sherry—Just before we go on, there are a couple of points that we can take on notice. Firstly, when we identify the 30 to 40 entities that would draw down, we would then be in a position to ascertain the number of jobs, for obvious reasons: we can look at the number of employees. I am happy to take that on notice. Secondly, when the interest rate is struck I am happy to take that on notice and provide it to the committee. I am also willing to go further. I believe it would not be too much for Treasury to give a list of the leading lenders and the rates they are lending in the market as a comparator against the rate when it is struck. We will provide that on notice to you.

Senator ABETZ—Can you also tell me when legislation is going to be prepared?

Senator Sherry—As soon as the legislation is ready to be introduced into the parliament I will inform the committee and I will personally ensure my office informs you.

Senator ABETZ—You are most kind. I thank my colleagues for their forbearance in that.

Answer:

As there have not yet been any draw downs on the OzCar SPV, it is not possible to identify the employment impact of the OzCar initiative, except to note that the existence of the OzCar SPV has bolstered confidence in the sector, which contributes to employment in the sector.

Finance provided by the OzCar facility will be priced at 4.25 per cent.

Following the departure of GE Money Motor Solutions and GMAC, the major providers of wholesale floorplan finance for car dealers in the Australian market will be the ANZ through its Esanda operation; Westpac through its ownership of St George, as well as Ford Credit and Capital Finance which is wholly owned by HBOS Australia and the Lloyds Banking Group in the UK.

The interest rates charged by the financiers vary and reflect the assessed risk profiles of the various dealerships. However, non SPV finance will be priced below OzCar financing, in some case by more than 200bp.

Although this is a significant variation, it is important that OzCar financing be more expensive so as to ensure that only those who really need it actually get it, and to

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ensure that those who do access the OzCar facility only do so for as long as it takes to secure independent financing.

Legislation to support the Commonwealth Guarantee of the OzCar facility is expected to be prepared and introduced for the 2009 Budget Sitings of Parliament.