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AUSTRALIAN LOAN IN WASHINGTON

Statement by the Prime Minister and Chairman of
the Australian Loan Council, Mr Harold Holt

The Prime Minister (Mr Holt) announced today that arrangements have been concluded in Washington for a loan of \$US25 million (\$A22.3 million) to the Commonwealth from the Export-Import Bank of America (Eximbank).

The loan agreement was signed on behalf of the Commonwealth in Washington by the Treasurer (Mr McMahon) following his arrival in the U.S., after attending the Annual Meeting of the International Monetary Fund and the International Bank for Reconstruction and Development in Rio de Janeiro.

Mr Holt said that he had discussed Australia's financing needs with President Johnson during his visit to Washington in June, 1967. Both he and Mr McMahon also went into this matter with Mr Henry H. Fowler (Secretary of the United States Treasury). They explained that Australia needed additional U.S. dollars to finance Australia's rising level of imports from the United States at a time when sinking fund and maturity payments of previous U.S. dollar loans were heavy.

These discussions opened the way for negotiation between Mr McMahon and Mr Linder, President and Chairman of the Export-Import Bank, which resulted in a loan agreement.

The purpose of the loan is to assist in financing the importation of capital equipment from the United States in the following categories - power generating machinery - agricultural machinery, implements and parts, metalworking machinery - excavating, levelling, boring machinery, etc. - electrical machinery, apparatus and equipment - and transport equipment.

Since the Export-Import Bank is an agency of the United States, the loan is not subject to the U.S. interest equalization tax.

The loan from Eximbank will carry an interest rate of 6.875 per cent and will be issued at par. It will finally mature in 1982. An annual sinking fund commencing in 1969 will reduce the average life of the loan to 10 years. Both Eximbank and the Commonwealth will have an option to shorten the final maturity date in certain circumstances.

As with other recent loans arranged with Eximbank, provision is made for Eximbank to sell the Commonwealth's obligations on the market if opportunities arise. In this case, the Commonwealth will reimburse Eximbank if the Notes are sold at a discount (within agreed limits) and Eximbank will pay to the Commonwealth the amount of any premium in the selling price.

Mr Holt said that this will be the third loan which the Commonwealth has arranged with Eximbank this year. The other two loans were for the purpose of financing aircraft purchased by Qantas and Trans-Australia Airlines, when Eximbank joined with the aircraft manufacturers to provide credits of \$US 68 million and \$US 13 million respectively.

He added that the U.S. Authorities had expressed their willingness to discuss the possibility of establishing further lines of credit for the Commonwealth with Eximbank in the future to assist in the financing of imports of capital equipment from the United States.

CANBERRA, 19th October, 1967