THE GOVERNMENT HAS COMPLETELY FAILED TO JUSTIFY ITS DECISION TO ESTABLISH AN AGIO. THERE IS EVERY JUSTIFICATION FOR A NATIONAL DISASTER FUND BUT THIS IS AN ENTIRELY DIFFERENT CONCEPT FROM THE IDEA THAT THE GOVERNMENT SHOULD COMPETE WITH PRIVATE INSURANCE COMPANIES. IT WILL BE AN UNNECESSARY EXPENSE FOR AUSTRALIAN TAXPAYERS TO ESTABLISH AN OFFICE WHICH WILL NOT BE ABLE TO PROVIDE THE PUBLIC WITH ANY LOWER PREMIUMS OR ANY BETTER SERVICE IF IT IS TO COMPETE FAIRLY WITH PRIVATE INDUSTRY. THIS HAS BEEN DEMONSTRATED BY THE VARIOUS STATE GOVERNMENT INSURANCE OFFICES WHICH GENERALLY RUN AT A HEAVY LOSS AND WHICH CANNOT OFFER BETTER TERMS TO PRIVATE INSURANCE HOLDERS THAN PRIVATE COMPANIES. THE GOVERNMENT SAYS IT WILL ENSURE THAT THE AGIO COMPETES FAIRLY WITH PRIVATE INSURANCE COMPANIES. THE BILL, HOWEVER, CONTAINS MANY EXAMPLES OF SUBSTANTIAL ADVANTAGES WHICH ARE CONFERRED UPON THE AGIO AND WHICH WILL ENSURE THAT PRIVATE INSURANCE COMPANIES WILL SUFFER AS A RESULT OF THE ESTABLISHMENT OF THE AGIO.

IN THIS SHORT TALK, I MUST LIST SOME OF THESE EXAMPLES BRIEFLY.

(1) THE BILL DOES NOT MAKE THE AGIO SUBJECT TO THE TRADE PRACTICES ACT (WHICH THE INSURANCE COMPANIES ARE SUBJECT TO). THE AGIO COULD, THEREFORE, ENGAGE IN EXCLUSIVE AGENCY AREAS (PERHAPS WITH THE POST OFFICE OF THE COMMONWEALTH BANK) WITHOUT BEING ANSWERABLE TO THE TRADE PRACTICES TRIBUNAL IN THE WAY IN WHICH INSURANCE COMPANIES WOULD BE ANSWERABLE. SIMILARLY, IT IS EXEMPT FROM THE PROVISIONS WHICH RELATE TO MONOPOLISATION (EXCLUDING ITS POWER TO ACQUIRE OTHER COMPANIES), CONSUMER PROTECTION REQUIREMENTS AND RESTRICTIONS UPON ADVERTISING. THE MANAGERS OF THE AGIO'S
INVESTMENT FUND WOULD ALSO APPEAR TO BE EXEMPT FROM THE CONTROLS IMPOSED OVER PRIVATE FUND MANAGERS IN THE CORPORATIONS AND SECURITIES INDUSTRY BILL.

(2) SIMILARLY, THE AGIO IS EXEMPT FROM COMPLIANCE WITH THE STATE COMPANIES ACT - A COSTLY AND EXPENSIVE OBLIGATION OF PRIVATE INDUSTRY.

(3) IT IS ALSO EXPRESSLY EXEMPT FROM THE OPERATION OF THE INSURANCE ACTS WHICH LAY DOWN THE TERMS UNDER WHICH INSURANCE COMPANIES MUST OPERATE. WITH INFLATION AND COMPETITION WITHIN THE INSURANCE INDUSTRY, A NUMBER OF THESE COMPANIES WILL FIND IT INCREASINGLY DIFFICULT TO SATISFY THE OBLIGATIONS IMPOSED BY THE INSURANCE ACTS. AND BEING IN THAT ALIEN CONDITION IT WOULD BE DIFFICULT FOR OTHER COMPANIES TO TAKE THEM OVER WITHOUT THEMSELVES BEING IN BREACH OF THE INSURANCE ACTS. THE AGIO COULD, THEREFORE, TAKE OVER SUCH COMPANIES CHEAPLY AND YET BE EXEMPT FROM THE MONOPOLY PROVISIONS OF THE TRADE PRACTICES ACT.

(4) THE BILL PROVIDES THAT THE BOARD OF THE AGIO MAY DEEM CERTAIN THINGS TO BE IN THE NATIONAL INTERESTS MERELY BECAUSE THE AGIO CANNOT UNDERTAKE CERTAIN CLASSES OF INSURANCE ACCORDING TO ORDINARY COMMERCIAL PRINCIPLES. IF COMPETITION WERE TO BE STRICTLY FAIR, IT SHOULD ONLY BE ABLE TO CLASSIFY A CERTAIN CLASS OF INSURANCE AS BEING IN THE NATIONAL INTEREST IF NO INSURANCE COMPANY COULD HANDLE SUCH INSURANCE ACCORDING TO ORDINARY COMMERCIAL PRINCIPLES.

(5) THE BILL GIVES A CAPITAL GRANT OF $800,000, INTEREST FREE, A LUXURY WHICH NO PRIVATE INSURANCE COMPANY HAS, AND ALSO PROVIDES
that the treasury may make further advances without being obliged to charge commercial rates of interest and impose other terms which would be imposed by the market place upon insurance companies.

(6) The government contemplates that the AGIO will take over the housing loan insurance corporation for a minimal figure of $200,000 with its reserve of over $7,000,000.

These are examples of some of the unfair advantages which are being conferred upon the AGIO. The government is, therefore, being quite deceitful in saying that the AGIO will compete fairly with private industry, it is no wonder that employees of the insurance industry are convinced that this is part of a package of proposals aimed at nationalising the insurance industry and placing the huge private sector investment of private industry under the control of the government.

There is no justification for this bill; it would be a huge burden for the Australian taxpayer and will not be allowed to operate at a profit and will be able to call upon the government to bail it out whenever it makes a loss - and if the example of other government enterprises is any guide, it will make a heavy loss all the time.

The opposition is currently considering the bill and its possible ramifications to decide whether the bill can be amended in order to make the AGIO compete on a fairer basis or whether the bill should be rejected entirely, but with some alternative arrangement being made to establish a national disaster fund.

(As Mr. Fraser knows precisely what he wants to say about the options open to him, I have not dealt with this at length)