

QTON #8 -
28 Nov 14



LEGISLATIVE ASSEMBLY
FOR THE AUSTRALIAN CAPITAL TERRITORY

STANDING COMMITTEE ON PUBLIC ACCOUNTS

Brendan Smyth MLA (Chair), Mary Porter AM MLA (Deputy Chair), Nicole Lawder MLA,
Yvette Berry MLA

Inquiry into proposed Appropriation (Loose Fill Asbestos Insulation Eradication) Bill 2014-15
ANSWER TO QUESTION TAKEN ON NOTICE
[Public hearing of 28 November 2014]



Asked by Brendan Smyth **MLA**:

If we go back to the loan—I appreciate that the final detail has not been negotiated, but is it over 10 years?

Mr Nicol replied: Yes, that is correct.

Mr Smyth asked: And the option on the repayment is that you may hold off until the 10th year and pay it all back in a lump sum?

Mr Nicol replied: No; we expect to start repayments in year 5 and go on and make an annual payment—so probably \$50 million in year 5, \$100 million in years 6 to 9 and then the balance in year 10. That is probably what will happen.

Mr Smyth asked: Year 5 will be 2020-21 or 2019-20?

Mr Miners replied: Can I take that on notice and get back to you?

Andrew Barr MLA: The answer to the Member's question is as follows:—

The Year 5 referred to by Mr Miners is the fifth calendar year of the loan, ie the year commencing 1 January 2019, which is the 2018-19 financial year.

However, at the time of the PAC hearing, the agreement with the Commonwealth in relation to the terms and conditions of the loan had not been finalised. Therefore, although it was known at the time that repayment of the loan in instalments was a likely outcome, there was no firm agreement with the Commonwealth in relation to this and repayments commencing in 2018-19 was considered a potential scenario at this time.

Subsequently, the agreement with the Commonwealth was finalised in January 2015 and the first repayment of the principal of the loan will be \$50 million on 30 June 2018.

Approved for circulation to the Standing Committee on Public Accounts

Signature: *Andrew Barr*

Date: *31.3.2015*

By the Treasurer, Andrew Barr MLA

Asbestos Remediation/Buyback - Financial Modelling: Central Scenario; full take-up in 2014-15

Attachment A - Addendum

The timing of the actual impacts on cash and the Headline Net Operating Balance (HNOB) will depend on the take-up rate (both timing and proportion) of affected homeowners who accept the government's offer. For example, if half the take-up is settled in 2015-16 rather than in 2014-15 as assumed in this scenario, the HNOB impact will, in broad terms, fall equally in 2014-15 and 2015-16. This analysis excludes the impact of financing costs (interest).

Cash Analysis	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000	Total \$'000
NET CASH INFLOW / OUTFLOW (Excl Contingency)	-699,221	-1,090	40,307	94,492	95,351	50,918	53,172	-366,071
Interest Payments on Commonwealth Loan ¹	-12,031	-34,635	-35,000	-35,000	-35,000	-35,000	-35,000	-221,666
NET CASH INFLOW / OUTFLOW (Incl. Interest but Excl. Contingency)	-711,252	-35,725	5,307	59,492	60,351	15,918	18,172	-587,737
HNOB Analysis	2014-15 \$'000	2015-16 \$'000	2016-17 \$'000	2017-18 \$'000	2018-19 \$'000	2019-20 \$'000	2020-21 \$'000	Total \$'000
TOTAL HNOB Impact (Excl Contingency)	-480,330	-15,490	2,461	9,753	10,613	4,948	6,280	-461,765
Interest Payments on Commonwealth Loan ¹	-12,031	-34,635	-35,000	-35,000	-35,000	-35,000	-35,000	-221,666
TOTAL HNOB Impact (Incl. Interest but Excl. Contingency)	-492,361	-50,125	-32,539	-25,247	-24,387	-30,052	-28,720	-683,431

Note:

1. The interest shown in the table assumes no repayment of principal and does not take into account receipts for the sale of remediated properties. Actual interest would be determined by any repayments and would be charged until such point as the loan is fully repaid.