

Statement 8: Statement of Risks

A range of factors may influence the actual budget outcome in future years. The *Charter of Budget Honesty Act 1998* requires these factors to be disclosed in a statement of risks in each Budget and Mid-Year Economic and Fiscal Outlook. This Statement outlines general fiscal risks, specific contingent liabilities and specific contingent assets that may affect the budget balances.

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Statement 8: Statement of Risks

Risks to the Budget – Overview

The forward estimates of revenue and expenses in the 2022-23 Budget incorporate assumptions and judgments based on the best information available at the time of publication, together with a range of economic assumptions and other forecasts and projections.

Events that could affect fiscal outcomes include:

- changes in economic and other parameters, including the continuing uncertainty posed by the evolving COVID-19 pandemic and implications of international disputes
- matters not included in the fiscal forecasts because of uncertainty about their timing, magnitude or likelihood
- the realisation of contingent liabilities or assets.

The revenue and expense estimates and projections published in the 2022-23 Budget are based on a range of economic and other parameters that are consistent with the domestic and international outlook detailed in *Statement 2: Economic Outlook*. Economic outcomes that differ from the parameters used in the Budget represent a material risk to the Budget estimates. *Part 5: Forecast Uncertainties and Sensitivity Analysis* examines the impact on receipts and payments of altering some of the key economic assumptions underlying the Budget estimates.

A significant portion of government expenditure is for demand-driven programs. Outcomes for these programs could differ from the estimates and projections due to changes in economic circumstances and other factors. For example, differing levels of unemployment will mean expenditure for related social services payments will vary. Similarly, a number of other support programs, including the National Disability Insurance Scheme, are demand-driven and outcomes for these programs may differ from the estimates in the Budget.

In addition, revenue forecasting relies heavily on the observed relationships between the economy, tax bases and tax revenues. Such relationships may shift over time as the economy changes, presenting further risk to the estimates. For example, the ability of entities to utilise tax losses to offset future profits may continue to pose heightened challenges in estimating the profile for tax receipts in the short term. Revenue forecasts also incorporate costings for new policies that typically involve a degree of uncertainty.

The estimates and projections of revenue are also subject to a number of general risks that can affect taxation collections. These general pressures include the ability of the tax system to keep pace with changes in the business environment, tax avoidance, court decisions and Australian Taxation Office rulings, and the outcome of compliance programs. These pressures may result in a shift in the composition of taxation collected from the various tax bases and/or a change in the size of the tax base.

Many agencies rely on external revenue to underpin their delivery of a range of outputs. Estimates included in the Budget for these agencies reflect the best and most up-to-date information regarding the likely scale of external revenue. However, outcomes in relation to external revenue are not certain and are subject to risks. In some cases, these risks are common to a number of agencies and the aggregate impact on the Budget can extend beyond a single entity.

The forward estimates in the Budget include the impact of all policy decisions, including those that remain unlegislated. Where legislation is not passed in time to enable commencement of the measure at the anticipated commencement date, the legislation is passed with amendments to the original decision, or is rejected, there is a risk of a variation to the fiscal position outlined in the Budget.

Specific risks to the Budget

The Budget is subject to a number of contingent liabilities. A large number of these reflect indemnities, including those relating to the Department of Defence, the Future Fund Management Agency and Future Fund Board of Guardians, and the Reserve Bank of Australia. The Australian Government has also issued a number of guarantees, such as those relating to guarantee schemes for the banking and financial sector, payments by Export Finance Australia, and the superannuation liabilities of the Commonwealth Bank prior to its sale to the private sector. Other significant contingent liabilities relate to uncalled capital subscriptions and credit facilities to international financial institutions and legal cases concerning the Australian Government. The Government has robust and conservative strategies in place to reduce its potential exposure to these contingent liabilities.

Fiscal risks comprise general developments or specific events that may affect the fiscal outlook. Some developments or events raise the possibility of a fiscal impact. In other cases, the likelihood of a fiscal impact may be reasonably certain, but will not be included in the forward estimates because the timing or magnitude is not known.

Table 6.1 outlines how fiscal risks, assets and liabilities, and contingent assets and liabilities, are disclosed in the Budget.

Contingent liabilities, contingent assets and other fiscal risks with a possible impact on the forward estimates greater than \$20 million in any one year, or \$50 million over the forward estimates period, are summarised in Table 6.2. Risks that are new or that have materially changed are detailed by portfolio following Table 6.2. Some financial information in the text may not add to totals due to rounding. Information on contingent liabilities and contingent assets is also provided in the Australian Government’s annual consolidated financial statements, and in the annual financial statements of departments and other Government entities.

The Government makes loans for policy purposes. All loans contain some element of credit risk that they will not be repaid in full, although in many cases this risk is small. Details of Government loans estimated to exceed \$200 million at 30 June 2022 are included at the conclusion of this Part.

Table 6.1: Disclosure of fiscal risks, contingent assets and contingent liabilities, and assets and liabilities in the Budget papers

Category	Type ^(a)	Disclosure
Fiscal Risks	Fiscal Risks	Statement of Risks
Contingent assets and contingent liabilities	Significant contingent assets and liabilities considered remote	Statement of Risks
	Unquantifiable contingent assets and liabilities that are improbable but not remote	Statement of Risks
	Quantifiable contingent assets and liabilities that are improbable but not remote	Statement of Risks
	Contingent assets and liabilities excluded on the basis of immateriality ^(b)	None
Assets and liabilities	Assets and liabilities that are probable and can be reliably measured	Balance sheet ^{(c)(d)}
	Assets and liabilities that are probable but have an uncertain timing or amount (provisions)	Balance sheet

(a) Items that are described as probable have a 50 per cent or higher chance of occurrence.

(b) Only risks with a possible impact on the forward estimates greater than \$20 million in any one year, or \$50 million over the forward estimates period, are considered material and disclosed in this Statement.

(c) Unearned income from charging guarantee fees is shown as a liability in the balance sheet.

(d) Additional disclosure to increase transparency on loans over \$200 million is included in this Statement.

Table 6.2: Summary of contingent liabilities and contingent assets in the Statement of Risks^(a)

Agriculture, Water and the Environment	Status
Fiscal Risks	
Murray Darling Basin Reform – risk assignment	Modified
Remediation of Jabiru Township	Unchanged
Contingent liabilities – unquantifiable	
Commonwealth liabilities in respect of matching payments to industries for research and development contributions	Unchanged
Emergency pest and disease response arrangements	Modified
Attorney-General's	Status
Contingent liabilities – unquantifiable	
Native Title costs	Unchanged
Prospective investor-State claim against Australia	Unchanged
Defence	Status
Fiscal Risks	
Acquisition of nuclear-powered submarine technology	Modified
Cancellation of the diesel-powered Attack class submarine program	Removed
Major operations of the Australian Defence Force in 2022-23	Modified
Significant but remote contingencies	
ADI Limited – Officers' and Directors' Indemnities	Unchanged
Litigation cases	Unchanged
Remote contingencies	Unchanged
Contingent liabilities – unquantifiable	
Cockatoo Island Dockyard	Unchanged
Land decontamination, site restoration and decommissioning of Defence assets	Unchanged
Contingent liability – quantifiable	
Claims against the Department of Defence	Unchanged
Education, Skills and Employment	Status
Fiscal Risk	
Recovery of inappropriately claimed VET FEE-HELP payments from VET providers	Unchanged
Contingent liabilities – quantifiable	
jobactive	Modified
ParentsNext program	Modified
Finance	Status
Fiscal Risk	
Commonwealth rent-free housing – superannuation	New
Significant but remote contingency	
Australian Naval Infrastructure Pty Ltd – Termination of the Equity Funding Agreement	Unchanged
Contingent liabilities – unquantifiable	
ASC Pty Ltd – Directors' and Executives' Indemnities	Unchanged
ASC Pty Ltd – Guarantee of Indemnity from ASC in favour of ASC Shipbuilding Pty Limited	Unchanged
Australian Government general insurance fund – Comcover	Unchanged
Australian Naval Infrastructure Pty Ltd – Guarantee in favour of Naval Group Australia	Unchanged

Table 6.2: Summary of contingent liabilities and contingent assets in the Statement of Risks^(a) (continued)

Finance (continued)	Status
Contingent liabilities – unquantifiable	
Commonwealth Superannuation Corporation – Immunity and Indemnity	Unchanged
Finance Owned Estate	Unchanged
Future Fund Management Agency and Future Fund Board of Guardians – Indemnity	Unchanged
Googong Dam	Unchanged
Indemnities for the Reserve Bank of Australia and private sector banks	Unchanged
Indemnities relating to other former asset sales, privatisations and information technology outsourcing projects	Unchanged
Foreign Affairs and Trade	Status
Fiscal Risk	
Export Finance Australia – National Interest Account (NIA)	Modified
Contingent liability – quantifiable	
Export Finance Australia	Modified
Health	Status
Contingent liabilities – unquantifiable	
Accommodation Payment Guarantee Scheme	Unchanged
Advance Purchasing Agreements for COVID-19 treatments	Modified
Advance Purchasing Agreements for COVID-19 vaccines	Unchanged
Australian Red Cross Society – Indemnities	Unchanged
Blood and blood products liability cover	Unchanged
CSL Ltd	Unchanged
Indemnities relating to vaccines	Unchanged
Indemnity Coverage for the COVID-19 Vaccination Rollout Program (Vaccine Claims Scheme)	Modified
Major Sporting Events	Modified
Medical Indemnity Exceptional Claims Scheme	Modified
mRNA Manufacturing Facility – indemnities	New
New South Wales Health Administration Council – Indemnity	Unchanged
Contingent asset – unquantifiable	
Legal action seeking compensation	Unchanged
Home Affairs	Status
Fiscal Risk	
Regional Processing Arrangements	Modified
Significant but remote contingency	
Indemnities relating to the Air Security Officer Capability	Modified
Contingent liabilities – unquantifiable	
Australian Victims of Terrorism Overseas Payment	Unchanged
Garrison, welfare and health services at regional processing countries – liability limit	Unchanged
Immigration detention services by state and territory governments – liability limit	Unchanged

Table 6.2: Summary of contingent liabilities and contingent assets in the Statement of Risks^(a) (continued)

Home Affairs (continued)	Status
Immigration detention services contract – liability limit	Unchanged
Contingent asset – unquantifiable	
Civil penalty relating to the Anti-Money Laundering and Counter-Terrorism Financing Act 2006	New
Industry, Science, Energy and Resources	Status
Fiscal Risk	
Snowy Hydro Limited	Unchanged
Significant but remote contingencies	
Liability for damages caused by space and certain high-power rocket activities	Unchanged
Operations and Maintenance of the Northern Endeavour and Associated Infrastructure	Modified
Snowy Hydro Limited – Board Members' Indemnity	Unchanged
Snowy Hydro Limited – Termination of the Equity Subscription Agreement	Unchanged
Contingent liabilities – unquantifiable	
Australian Nuclear Science and Technology Organisation – asbestos contamination	Unchanged
Australian Nuclear Science and Technology Organisation – Indemnity	Unchanged
Australian Nuclear Science and Technology Organisation – Legacy Waste Management to Final Disposal	Unchanged
Former British atomic test site at Maralinga	Unchanged
Gorgon liquefied natural gas and carbon dioxide storage project – long-term liability	Unchanged
Land decontamination and site restoration for CSIRO property	Unchanged
Liability for costs incurred in a national liquid fuel emergency	Unchanged
Snowy Hydro Limited – water releases	Unchanged
United States Strategic Petroleum Reserve (US SPR) Lease Agreement – Indemnity under certain conditions	Unchanged
Contingent liability – quantifiable	
Underwriting of Transmission Projects	Unchanged
Contingent asset – quantifiable	
CSIRO insurance claim – hailstorm	Unchanged
Infrastructure, Transport, Regional Development and Communications	Status
Fiscal Risk	
Inland Rail – Delivery	Modified
Significant but remote contingencies	
Inland Rail – Termination of the Equity Financing Agreement	Unchanged
Maritime Industry Finance Company Limited – Board Members' Indemnity	Unchanged
Moorebank Intermodal Project – Glenfield Waste Site Easement	Unchanged
National Intermodal Corporation Limited – Termination of the Equity Funding Agreement	Modified
Optus Financial Guarantee	Modified
Telstra Financial Guarantee	Modified
Tripartite deeds relating to the sale of federal leased airports	Unchanged
WSA Co Limited – Board Members' Indemnities	Unchanged
WSA Co Limited – Sydney Metro-Western Sydney Airport Indemnity	Unchanged
WSA Co Limited – Termination of the Equity Subscription Agreement	Unchanged

Table 6.2: Summary of contingent liabilities and contingent assets in the Statement of Risks^(a) (continued)

Infrastructure, Transport, Regional Development and Communications (continued)	Status
Contingent liabilities – unquantifiable	
Australian Maritime Safety Authority incident costs	Unchanged
Aviation rescue and firefighting potential per- and poly-fluoroalkyl substances contamination	Modified
Indemnity provided to the New South Wales Rural Fire Fighting Service in relation to the Jervis Bay Territory	Unchanged
Moorebank Intermodal Project – Georges River rail crossing	Unchanged
National Intermodal Corporation Limited – Board Members' Indemnity	Modified
Service Delivery Arrangement Indemnities – Indian Ocean Territories and Jervis Bay Territory	Modified
Contingent liabilities – quantifiable	
Australian Government contribution to the East West Link project	Unchanged
Australian Government contribution to the extension of the Roe Highway	Modified
Prime Minister and Cabinet	Status
Contingent liabilities – unquantifiable	
<i>Basil Dawson and Ors v Commonwealth of Australia</i> (Community Development Program Class Action)	Removed
Disaster Recovery	Modified
<i>McDonald v Commonwealth</i> (Stolen Wages Class Action)	Unchanged
Northern Territory Stolen Generations Class Action	Unchanged
Contingent liability – quantifiable	
Indigenous Land and Sea Corporation – Voyages Indigenous Tourism Australia	Modified
Social Services	Status
Fiscal Risk	
COVID-19 Social Welfare Debt Pause for Affected Lockdown Areas	Modified
Contingent asset – quantifiable	
National Redress Scheme	Modified
Treasury	Status
Significant but remote contingencies	
Asbestos Injuries Compensation Fund	Unchanged
Financial Claims Scheme	Modified
Guarantee for the National Housing Finance and Investment Corporation	Modified
Guarantee of state and territory borrowing	Modified
Guarantees under the <i>Commonwealth Bank Sale Act 1995</i>	Modified
Reserve Bank of Australia – Guarantee	Modified
Contingent liabilities – unquantifiable	
Establishment of a Cyclone and related flooding reinsurance pool	Unchanged
Government Guarantees for Housing	Modified
Indemnities for specialised external advisers during the COVID-19 pandemic	Unchanged
International Monetary Fund – Poverty Reduction and Growth Trust	Modified
Small and Medium Enterprise Guarantee Scheme and SME Recovery Loan	Modified
Terrorism insurance – commercial cover	Unchanged

Table 6.2: Summary of contingent liabilities and contingent assets in the Statement of Risks^(a) (continued)

Treasury (continued)	Status
Contingent liabilities – quantifiable	
Australian Taxation Office – tax disputes	Modified
Historical Interest on Early Payment entitlements	Modified
International financial institutions – uncalled capital subscriptions	Modified
International Monetary Fund – New Arrangements to Borrow & Bilateral Borrowing Agreement	Modified
Veterans' Affairs	Status
Fiscal Risk	
Defence Service Homes Insurance Scheme	Modified

(a) Detailed descriptions of these items are in the following text.

Agriculture, Water and the Environment

Fiscal Risks

Murray Darling Basin Reform – risk assignment

The Australian Government has committed to bridge the gap between the Baseline Diversion Limit (BDL) and the Sustainable Diversion Limits (SDLs) in the Basin Plan through water recovery. On 1 July 2019, the SDLs took effect. The *Water Act 2007* provides a risk assignment framework whereby entitlement holders with reductions in water allocations, or changes in the reliability of water allocations (where the gap has not been bridged and an accredited water resource plan is in place), may be eligible for a payment from the Commonwealth.

The total cost of the operation of the risk assignment framework is not able to be quantified at this time and remains a fiscal risk until the gap between the BDL and SDLs is fully bridged.

Remediation of Jabiru Township

On 26 June 2021, the Australian Government officially returned ownership of Jabiru to the Traditional Owners. A Memorandum of Understanding was signed in 2019 between the Australian Government, the Northern Territory Government, and Energy Resources Australia which underpins the transfer of ownership of Jabiru to traditional owners and related make good and rehabilitation arrangements. Rehabilitation work includes renewal of some essential services infrastructure, managing contamination in Jabiru Lake, management or removal of hazardous materials and chemicals, replacing asbestos tiled rooves, and ecological remediation. Expenditure for the rehabilitation work will be shared across all parties to the arrangements.

The Australian Government provided \$35.0 million toward the remediation of contaminants and hazards in Jabiru as part of its Securing Tourism and Jobs in Kakadu measure in the 2019-20 Budget.

Contingent liabilities – unquantifiable

Commonwealth liabilities in respect of matching payments to industries for research and development contributions

Under several Acts, the Commonwealth provides matching contributions to encourage expenditure on research and development (R&D) and to increase the competitiveness and sustainability of industries within Australia. Matching contributions on eligible R&D are subject to an annual limit that is calculated based on the determined gross value of production (GVP cap) for the industries. There will be a R&D excess, which can be claimable in future years, where the cumulative R&D expenditure is more than the GVP cap. The Commonwealth's future liability in respect of the matching contributions is contingent on the GVP cap and is therefore unquantifiable.

Emergency pest and disease response arrangements

National emergency response arrangements for animal, plant and environmental pest and disease incursions are largely funded through cost-sharing agreements between Australian governments and affected agricultural industry bodies. Under the terms of the emergency response agreements, the Australian Government is typically liable for 50 per cent of the total government funding for a nationally agreed response to a pest or disease incursion. Funding is provided in the forward estimates for the Australian Government's contributions under the emergency response agreements, which are paid to the state or territory governments undertaking relevant activities.

Recent concurrent incursions have placed considerable pressure on this funding which may be insufficient to meet the costs of any additional large-scale pest or disease responses. There are currently 13 national cost-shared emergency responses. Until 2026-27, more than half of this funding has been allocated to an eradication program for red imported fire ants in Queensland. This program is under review and the outcome of the review and subsequent deliberations with affected jurisdictions may result in financial implications for the Australian Government.

Governments have agreed to develop an Aquatic Emergency Animal Disease Deed (the Deed) covering aquatic emergency animal diseases. Final consultation has been undertaken with prospective industry signatories and the Deed will be presented to jurisdictions and potential industry signatories in early 2022. If the Deed is finalised, potential liabilities for the Australian Government will be increased, the extent of which will depend on which parties sign the Deed and what emergency aquatic incursions occur that would be subject to deed arrangements.

The Australian Government may provide financial assistance to an agricultural industry body by funding its share of an emergency response. These contributions are recovered from the industry over a period of up to 10 years, usually through an emergency response levy. The Australian Government may also contribute in situations where an incursion is not covered by a cost-sharing agreement or where the affected industry body/bodies is/are not party to an emergency response agreement, depending on the circumstances of the incursion.

Attorney-General's

Contingent liabilities – unquantifiable

Native Title costs

The Australian Government will likely be liable for any compensation found to be payable under the *Native Title Act 1993* in respect of compensable acts for which the Australian Government is responsible. While the High Court's decision in the *Timber Creek* litigation (*Northern Territory v Griffiths et al* [2019] HCA 7) provides guidance on the principles for calculating compensation under the *Native Title Act*, the

Australian Government's liability cannot be quantified owing to uncertainty about the number and effect of compensable acts and the value of Native Title affected by those acts.

Prospective investor-State claim against Australia

The Commonwealth has received requests for consultation in relation to a dispute pertaining to the *Iron Ore Processing (Mineralogy Pty Ltd) Agreement Amendment Act 2020 (WA)*. These consultations are a pre-condition to the formal commencement of investor-State dispute settlement proceedings.

If proceedings are commenced and Australia is unsuccessful, Australia would be liable for any compensation found to be payable to the claimant. Any such potential liability cannot be quantified at this stage.

Defence

Fiscal Risks

Acquisition of nuclear-powered submarine technology

On 16 September 2021, the Australian Government announced the formation of AUKUS, an enhanced security agreement between Australia, the United Kingdom (UK) and the United States of America (USA). The first program committed to under AUKUS is a nuclear-powered submarine program for Australia. Through AUKUS, Australia has commenced a period of consultation with the UK and USA to determine the optimal pathway to achieve this capability. The costs of consultation will be met from within the existing Defence budget. The costs associated with the acquisition of a nuclear-powered submarine capability will be assessed as part of this process and are not fully reflected in the Budget estimates for Defence.

Major operations of the Australian Defence Force in 2022-23

The 2022-23 estimates for the Department of Defence (Defence) include the cost of major operations of the Australian Defence Force in 2022-23 in the Middle East region and to protect Australia's borders and offshore maritime interests. Funding for major Defence operations is considered and provisioned on a year-by-year basis.

Significant but remote contingencies

ADI Limited – Officers' and Directors' Indemnities

Under the sale agreements for ADI Limited, the Australian Government agreed to indemnify the Directors, officers and employees of ADI Limited for claims and legal costs associated with assistance related to the sale of the Australian Government's shares in the company. The Australian Government has also provided an indemnity to ADI Limited for uninsured losses relating to specific heads of claims.

Litigation cases

The Department of Defence (Defence) is involved in a wide range of litigation and other claims for compensation and/or damages that may result in litigation where the matters are not able to be finalised by negotiation. The litigation includes common law liability claims, including for personal injury and property damage, investigations of Defence by Comcare and active prosecutions in relation to alleged breaches of the *Work Health and Safety Act 2011*. A number of claims have been received seeking compensation for alleged loss or damage arising from Defence use of aqueous film forming foam (AFFF) that contained man-made per- and poly-fluoroalkyl substances (PFAS). A number of claims have also been received following reviews into the Australian Defence Force and Defence culture. Claims may also arise from the disposal of assets to third parties where such assets contain hazardous materials or components that have the potential to cause injury.

Remote contingencies

As at 30 June 2021, the Department of Defence carried 183 instances of quantifiable remote contingent liabilities valued at \$5.0 billion and 1,546 instances of unquantifiable remote contingent liabilities.

These significant but remote contingent liabilities are restricted in nature and details are not given due to commercial and/or national security sensitivities.

Contingent liabilities – unquantifiable

Cockatoo Island Dockyard

On 13 October 2001, Cockatoo Island Dockyard (CODOCK) commenced proceedings against the Australian Government (Department of Defence) in the New South Wales (NSW) Supreme Court seeking full reimbursement from the Australian Government for personal injury claims costs incurred by CODOCK after 31 October 1995 in relation to asbestos exposure. Following decisions in the NSW Supreme Court on 17 December 2004 and 4 February 2005, and the NSW Court of Appeal on 23 November 2006, CODOCK was awarded a complete indemnity from the Australian Government for its uninsured exposure to asbestos damages claims, plus profit of 7.5 per cent. Defence continues to manage reimbursement of claims costs incurred by CODOCK.

Land decontamination, site restoration and decommissioning of Defence assets

The Department of Defence has made a financial provision for the estimated costs involved in restoring, decontaminating and decommissioning Defence assets where a legal or constructive obligation has arisen. For cases where there is no legal or constructive obligation, the potential costs have not been assessed and are unquantifiable contingencies.

Contingent liability – quantifiable

Claims against the Department of Defence

The Department of Defence (Defence) has 13 instances of non-remote, quantifiable contingent liabilities in respect of claims on Defence valued at \$45.8 million. The estimated figure is determined by conducting an objective analysis of the probable amount payable for all matters managed by firms engaged by Defence through the Attorney-General's Whole of Australian Government Legal Services Panel and those being handled in-house by Defence Legal Division. However, the exact amount payable under those claims is uncertain. Defence is defending the claims or trying to resolve them through alternative dispute resolution measures.

Education, Skills and Employment

Fiscal Risk

Recovery of inappropriately claimed VET FEE-HELP payments from VET providers

The Australian Government is undertaking compliance action, including court action, to recover VET FEE-HELP payments from VET providers where loans were issued inappropriately to students by providers. The Government has legislated a remedy, which commenced 1 January 2019, for VET FEE-HELP students who incurred debts under the VET FEE-HELP loan scheme following inappropriate conduct by VET providers. The Government will undertake recovery activities against VET providers in cases where the student was ineligible for a VET FEE-HELP loan.

There are potential financial risks to the Commonwealth in the event that it is unable to recover payments from VET providers where they have closed or entered into administration or liquidation.

The financial risk to the Commonwealth is currently unquantifiable as it depends on the receipt and assessment of applications from students, as well as outcomes from the Government's investigations into VET providers' conduct.

Contingent liabilities – quantifiable

jobactive

jobactive supports job seekers to access support, tailored to their individual circumstances, to help them find work. Under the Program, providers accumulate one-off credits which accrue to their Employment Fund on commencement of a job seeker. Providers have been spending less than the value of the available credits, creating an accumulated surplus of credits. As at 31 January 2022, there was \$195.8 million in unspent Employment Fund credits in the Employment Fund notional bank. The current outstanding credits accumulated from years prior to 2021-22 represent a contingent liability for the Budget. The program terminates on 30 June 2022.

ParentsNext program

ParentsNext supports parents to identify their education and employment related goals, to build their work readiness and plan and prepare for employment by the time their youngest child starts school.

Under the program, providers accumulate one-off credits which accrue to their provider's Participation Fund on commencement of a participant.

Currently providers are forecast to spend less than the value of the available credits, creating an accumulating surplus of credits that present a contingent liability.

The current outstanding credits accumulated from years prior to 2021-22 represent a contingent liability for the Budget.

Finance

Fiscal Risk

Commonwealth rent-free housing – superannuation

Court proceedings against the Commonwealth have commenced which claim that, in certain circumstances, the value of Commonwealth rent-free housing provided to certain employees should be a superannuable allowance under Commonwealth superannuation legislation (*Brendan Peace & Ors v Commonwealth of Australia and Anor*). Depending on the outcome of the case, there may be broader implications that represent a fiscal risk to the Budget.

Significant but remote contingency

Australian Naval Infrastructure Pty Ltd – Termination of the Equity Funding Agreement

The Australian Government will provide sufficient funding to enable Australian Naval Infrastructure Pty Ltd (ANI) to meet the direct costs of termination that may be incurred by ANI in the event that the Commonwealth terminates the Equity Funding Agreement between the Commonwealth and ANI.

Contingent liabilities – unquantifiable

ASC Pty Ltd – Directors' and Executives' Indemnities

The Australian Government has provided former Directors of the then Australian Submarine Corporation Pty Ltd (now known as ASC Pty Ltd – ASC) with indemnities in relation to any claim against them as a result of complying with the ASC's obligations under the Process Agreement between the Electric Boat Corporation (EBC), the Australian Government and the ASC; any claim against them as a result of complying with the ASC's obligations under the Service Level Agreement between the ASC, the Department of Defence, EBC and Electric Boat Australia; and any claims and

legal costs arising from the Directors acting in accordance with the Board's tasks and responsibilities, as defined under the indemnity.

The Australian Government has provided Directors and senior executives of ASC with indemnities to mitigate personal risk and provide coverage for legal costs related to any legal proceedings that may arise in relation to the transaction to separate ASC Shipbuilding Pty Limited from ASC.

ASC Pty Ltd – Guarantee of Indemnity from ASC in favour of ASC Shipbuilding Pty Limited

The Australian Government has agreed to provide a guarantee of an indemnity from ASC Pty Ltd (ASC) in favour of ASC Shipbuilding Pty Limited (ASC Shipbuilding).

ASC provided an indemnity in favour of ASC Shipbuilding prior to ASC Shipbuilding being separated from ASC Pty Ltd. This indemnity is intended to cover any liabilities unknown at the time of separation which may arise after separation. The indemnity is time limited to seven years.

The guarantee will only be called on in the event that ASC is no longer owned by the Commonwealth and ASC can no longer meet its obligations under the terms of the indemnity. It is Government policy to retain ASC as a Government Business Enterprise.

Australian Government general insurance fund – Comcover

The Department of Finance (Finance) provides insurance and risk management services to Australian Government general government sector entities. Insurance liabilities are subject to potential revisions as the total number and size of claims covered is subject to unforeseen future events.

Finance takes all reasonable steps to ensure it has appropriate information regarding its claims exposures, including regularly updating estimates and parameters based on historical analysis of experience, actuarial calculations and other relevant factors.

Australian Naval Infrastructure Pty Ltd – Guarantee in favour of Naval Group Australia

Under the commercial arrangements for the Attack class future submarine program and the Submarine Construction Yard, the Australian Government entered into a Deed of Guarantee and Indemnity with Naval Group Australia Pty Limited and Naval Group S.A (Société Anonyme). This guarantee remains in place notwithstanding the Government's announcement on 16 September 2021 that it would not proceed with the Attack class submarine program and will be reviewed in the context of closing out the agreements with Naval Group.

Commonwealth Superannuation Corporation – immunity and indemnity

The *Governance of Australian Government Superannuation Schemes Act 2011* (the Governance Act) provides specific immunities for activities undertaken in good faith by Directors and delegates of the board of the Commonwealth Superannuation Corporation (CSC), provided these activities relate to the performance of their functions.

Under the Governance Act, other than in cases where the *Superannuation Industry (Supervision) Act 1993* or regulations under that Act do not so permit, any money that becomes payable by CSC in respect of an action, liability, claim or demand that relates to the superannuation schemes or funds for which it is responsible, is to be paid out of the relevant superannuation fund or if there is no fund, the Consolidated Revenue Fund (CRF). Amounts paid from a superannuation fund are reimbursed to the fund from the CRF.

Finance Owned Estate

The Department of Finance owns and is responsible for managing a number of properties within the Australian Government's domestic non-Defence portfolio. A small number of properties may require remediation and are currently the subject of further investigation. Except for properties at Lucas Heights in New South Wales and Cox Peninsula in Northern Territory, none of the properties with potential remediation issues have had a provision recognised, as neither the conditions for legal nor constructive obligations have been met, nor is a reliable estimate of the obligation currently possible.

Future Fund Management Agency and Future Fund Board of Guardians – indemnity

The Australian Government has provided certain staff members of the Future Fund Management Agency (the Agency) and the members (Board members) of the Future Fund Board of Guardians (the FFBG) with deeds of indemnity. The indemnities are intended to cover liabilities in excess of the insurance cover (including Comcover) of the FFBG, its subsidiary entities and the Agency. Board members are indemnified for liabilities incurred arising out of an act, omission or breach of statutory duty by the Board or a Board member that relates to the performance of the FFBG's functions or the exercise of the FFBG's powers or that relates to any act, omission or breach of statutory duty by a Board member as a director or officer of a wholly owned Australian subsidiary of the FFBG. Certain Agency staff members are indemnified in connection with the performance of functions or the exercise of powers in their capacity as a director or officer of investee companies or subsidiaries of the FFBG. Subject to certain exceptions or qualifications, Board members and Agency staff members are indemnified for amounts up to the value of the relevant funds.

Board members are not indemnified in respect of any liability owed by them to the FFBG or its subsidiary, or which results from a contravention of a civil penalty provision of

the *Future Fund Act 2006* or the *Corporations Act 2001*. Agency staff members are not indemnified to the extent they are indemnified by the relevant investee company or subsidiary, in respect of any liability owed to the FFBG or the Commonwealth, or to the extent that they are granted and receive financial assistance under Appendix E of the Legal Services Directions 2017. Both Board members and Agency staff members are not indemnified for any liability resulting from conduct they engage in other than in good faith, to the extent they recover a liability under a Directors and Officers insurance policy (including Comcover) or in respect of legal costs incurred by them in unsuccessfully defending or resisting criminal proceedings or proceedings regarding a contravention of a civil penalty provision.

Googong Dam

On 4 September 2008, a 150-year lease for Googong Dam was signed between the Australian Government and the Australian Capital Territory (ACT) Government. The Australian Government is liable to pay just terms compensation if the terms of the lease are breached by introducing new legislation or changing the *Canberra Water Supply (Googong Dam) Act 1974* in a way that impacts on the rights of the ACT. The lease includes a requirement for the Australian Government to undertake rectification of easements or any defects in title in relation to Googong Dam, and remediation of any contamination it may have caused to the site. It also gives an indemnity in relation to acts or omissions by the Australian Government.

Indemnities for the Reserve Bank of Australia and private sector banks

In accordance with Government entities' contracts for transactional banking services, the Australian Government has indemnified the Reserve Bank of Australia and contracted private sector banks against loss and damage arising from error or fraud by an entity, or transactions made by a bank with the authority of an entity.

Indemnities relating to other former asset sales, privatisations and information technology outsourcing projects

Ongoing indemnities have been given in respect of a range of asset sales, privatisations and information technology (IT) outsourcing projects that have been conducted by the Department of Finance (Finance), and the former Office of Asset Sales and Commercial Support and its predecessors. The probability of an action being made under one of these indemnities diminishes over time.

Details of indemnities in respect of the other asset sales and privatisations have been provided in previous Budget and MYEFO papers, and previous Annual Reports of Finance and the Office of Asset Sales and Commercial Support.

Indemnities are listed below. Apart from instances noted elsewhere, Finance does not currently expect any other action to be taken in respect of these indemnities.

Indemnified body	Year(s) raised
ADI Ltd	1998
Albury–Wodonga Development Corporation	2014
Australian Airlines	1991
Australian Industry Development Corporation	1996
Australian Multimedia Enterprise	1997
Australian National Rail Commission and National Rail Corporation Ltd	1997 and 2000
Australian River Co Ltd	1999
Australian Submarine Corporation Pty Ltd	2000
Bankstown Airport Ltd	2002
Camden Airport Ltd	2002
ComLand Ltd	2004
Commonwealth Accommodation and Catering Services	1988
Commonwealth Bank of Australia	1993 to 1996
Commonwealth Funds Management and Total Risk Management	1996 to 1997
Employment National Ltd	2003
Essendon Airport Ltd	2001
Federal Airports Corporation's Airports	1995 to 1997
Health Insurance Commission	2000
Housing Loans Insurance Corporation Ltd	1996
Hoxton Park Airport Limited	2002
Medibank Private Limited	2014
National Transmission Network	1999
Sydney Airports Corporation Ltd	2001
Telstra	1996, 1999 and 2006
Wool International	1999

Foreign Affairs and Trade

Fiscal Risk

Export Finance Australia – National Interest Account (NIA)

There are four financing facilities under the NIA as detailed below.

The Australian Infrastructure Financing Facility for the Pacific (AIFFP) became operational on 1 July 2019. The AIFFP will provide up to \$3.5 billion in facilities, including up to \$500 million in grants and the balance in loans and guarantees, to support high priority infrastructure development in Pacific countries and Timor-Leste. To date, the Government has agreed to provide loan, guarantee and grant contracts to support the development of six infrastructure projects in Fiji, Palau, the Solomon Islands and Papua New Guinea. As at 28 February 2022, the maximum exposure is \$95.5 million, of which \$52.1 million has been drawn down. The fiscal impact of the loans and guarantees are reflected in the Budget estimates.

The Defence Export Facility (DEF) was established to grow Australia's defence exports by helping overcome difficulties in accessing private sector finance. The DEF has a maximum aggregate exposure of US\$3.0 billion. As at 28 February 2022, three loans

under the DEF had been agreed for a total signing value of \$228 million. Currently \$171.1 million is outstanding and \$24.0 million is undrawn. The Fiscal impact of the loans is reflected in the Budget estimates.

The COVID-19 Export Capital Facility (COVID-19 Facility) was announced on 15 April 2020, with a maximum aggregate exposure of \$500 million. The COVID-19 Facility expired in April 2021. As at 28 February 2022, the COVID-19 Facility has an outstanding amount of \$40.9 million and the fiscal impact of these loans are reflected in the Budget estimates.

The Critical Minerals Facility (the Facility) was established on 28 September 2021 to provide finance to critical minerals projects in Australia where private sector finance is unavailable. The Facility has a maximum aggregate exposure of \$2.0 billion. On 2 February 2022, the Australian Government announced two loans under the Facility with a total maximum value of \$239 million. The Government has also commenced negotiations on financing an additional project. As of 28 February 2022, no funds have been drawn down.

Contingent liability – quantifiable

Export Finance Australia

The Australian Government guarantees the due payment of money that is, or may at any time, become payable by Export Finance Australia to anybody other than the Government. As at 28 February 2022, the Government's total contingent liability was \$2.7 billion. The \$2.7 billion contingent liability comprises Export Finance Australia's liabilities to third parties (\$2.4 billion) and Export Finance Australia's overseas investment insurance, contracts of insurance and guarantees (\$0.3 billion). Of the total contingent liability, \$2.2 billion relates to Export Finance Australia's Commercial Account and \$0.5 billion relates to the National Interest Account.

Health

Contingent liabilities – unquantifiable

Accommodation Payment Guarantee Scheme

The Accommodation Payment Guarantee Scheme (the Guarantee Scheme) guarantees the repayment of aged care residents' refundable accommodation payments (including refundable deposits and accommodation bonds) if the approved provider becomes insolvent or bankrupt and defaults on its refund obligations. In return for the payment, the rights that the resident had to recover the amount from their approved provider are transferred to the Australian Government so it can pursue the approved provider for the funds. In cases where the funds are unable to be recovered, the Australian Government may levy all approved providers holding bonds, entry contributions and refundable accommodation deposits to meet any shortfall.

Advance Purchasing Agreements for COVID-19 treatments

The Australian Government has entered into Advance Purchase Agreements for the supply of COVID-19 treatments. The Australian Government has provided indemnities to Pfizer Australia to cover certain liabilities that could result from the use of the treatments.

Advance Purchasing Agreements for COVID-19 vaccines

The Australian Government has provided indemnities to the suppliers of potential COVID-19 vaccines, for which the Australian Government has entered into Advance Purchasing Agreements, covering certain liabilities that could result from the use of the vaccines. This comprises the University of Oxford vaccine which is sponsored by AstraZeneca, the Pfizer vaccine, the Moderna vaccine, and the Novavax vaccine.

The Australian Government has also entered into the Gavi-led COVAX Facility and has made an upfront payment towards Australia's purchase of future COVID-19 vaccine doses through the Facility.

The Australian Government has also entered into risk-sharing arrangements with Pfizer and Novavax to limit financial exposure to the Commonwealth.

Australian Red Cross Society – indemnities

Deeds of Agreement between the Australian Red Cross Society (the Red Cross) and the National Blood Authority in relation to the operation of Australian Red Cross Lifeblood and the development of principal manufacturing sites in Sydney and Melbourne, include certain indemnities and a limitation of liability in favour of the Red Cross. These indemnities cover defined sets of potential business, product and employee risks and liabilities. Certain indemnities for specific risk events that operate within the term of the Deed of Agreement are capped, and must meet specified pre-conditions. Other indemnities and the limitation of liability only operate in the event of the expiry and non-renewal, or the earlier termination, of the Deed of Agreement relating to the operation of the Red Cross or the cessation of funding for the principal sites, and only within a certain scope. All indemnities are also subject to appropriate limitations and conditions, including in relation to mitigation, contributory fault, and the process of handling relevant claims.

Blood and blood products liability cover

The National Managed Fund (NMF) was established by a memorandum of understanding between the Australian Government, Australian Red Cross Lifeblood (Lifeblood) and state and territory governments to cover potential future claims in relation to the supply of blood and blood products by Lifeblood. The NMF provides for liabilities incurred by Lifeblood where other available mitigation or cover is not available. Under certain conditions, the Australian Government and the state and territory governments may jointly provide indemnity for Lifeblood through a

cost-sharing arrangement for claims, both current and potential, regarding personal injury and loss or damage suffered by a recipient of certain blood products. If there are insufficient funds in the NMF to cover claim costs, the Jurisdictional Blood Committee will consider a report provided by the National Funds Manager to determine the level of additional funds required. The Australian Government's share of any additional liability is limited to 63 per cent of any agreed net cost.

CSL Ltd

CSL Ltd (CSL) is indemnified against claims made by individuals who contract specified infections from specified products and against employees contracting asbestos-related injuries. CSL has unlimited cover for most events that occurred before the sale of CSL on 1 January 1994, but has more limited cover for a specified range of events that occurred during the operation of the Plasma Fractionation Agreement from 1 January 1994 to 31 December 2004. Where alternative cover was not arranged by CSL, the Australian Government may have a contingent liability.

The Australian Fractionation Agreement with CSL Behring (Australia) Ltd (a subsidiary of CSL), which operated from 1 January 2010 to 31 December 2017, and the National Fractionation Agreement for Australia with CSL Behring (Australia) Ltd, which has operated since 1 January 2018, both include a requirement that the National Blood Authority make a defined payment to CSL Behring (Australia) Ltd, in certain circumstances only, in the event that the volume of plasma supplied annually to CSL Behring (Australia) Ltd is less than a specified amount.

Indemnities relating to vaccines

The Australian Government has provided an indemnity to a manufacturer of smallpox vaccine held by the Australian Government, covering possible adverse events that could result from the use of the vaccine in an emergency situation. Indemnities have also been provided to a particular manufacturer of pandemic and pre-pandemic influenza vaccines for the supply or future supply of influenza vaccines under certain conditions (including H1N1 and H5N1).

Indemnity Coverage for the COVID-19 Vaccination Rollout Program (Vaccine Claims Scheme)

The Australian Government has established the COVID-19 Vaccine Claims Scheme (the Scheme). Under the Scheme the Commonwealth assumes responsibility for paying 100 per cent of all claims, for which compensation is payable above the \$1,000 threshold, from patients who suffer a significant adverse event following a TGA approved COVID-19 Vaccination or its administration. Successful claimants would need to provide evidence that:

- a TGA-approved COVID-19 vaccine was received
- administration of the vaccine was linked in medical documentation to the injury or harm related to a condition identified by the TGA
- they received inpatient hospital treatment (with limited exemptions)
- they met the threshold for accessing the Scheme of at least \$1,000 in losses (such as out of pocket medical costs and lost income)

The Scheme will also provide compensation where the injury or harm caused or materially contributed to death.

Claims of \$20,000 or more will be assessed by a panel of independent experts and compensation paid based on its recommendations.

Major sporting events

2032 Brisbane Olympic and Paralympics Games – On 21 July 2021, the International Olympic Committee (IOC) selected Brisbane to host the 2032 Olympic and Paralympic Games. The Australian Government has committed to fund half the costs of critical infrastructure for the Games. The support is subject to shared governance arrangements with the Queensland Government. The Commonwealth has also provided a range of guarantees to the IOC for provision of government services in support of Brisbane hosting the Games at no cost to the Organising Committee for the Olympic Games. The costs of these arrangements are yet to be determined.

2026 Commonwealth Games – The Australian Government has provided a commitment to support the hosting of the Commonwealth Games 2026 in Victoria, should Commonwealth Games Australia and the Victorian Government's bid be successful. The Commonwealth has provided a commitment relating to the provision of government services to support the bid. The detail and cost of these arrangements are yet to be determined.

Rugby World Cup 2027 (Men's) and Rugby World Cup 2029 (Women's) – The Australian Government has committed support to Rugby Australia's bid to host the Rugby World Cup 2027 (Men's) and the Rugby World Cup 2029 (Women's). In addition to the financial assistance provided in the 2022-23 Budget to support event delivery and legacy programs, the Government has committed to provide services and support (such as security commitments and visa processing for participants and support staff) should Rugby Australia's bid be successful. The financial implication of this additional support is not quantifiable at this time.

Medical Indemnity Exceptional Claims Scheme

Under the Medical Indemnity Exceptional Claims Scheme, the Australian Government assumes liability for 100 per cent of any damages payable against practitioners practising in a medical profession that exceeds a specified level of cover provided by the practitioner's medical indemnity insurer (currently \$20 million). These arrangements apply to payouts either related to a single large claim or to multiple claims that in aggregate exceed the cover provided by the practitioner's medical indemnity insurer, and would apply to claims notified under contract-based cover since 2003. From 1 July 2020, the *Medical and Midwife Indemnity Legislation Amendment Act 2019* provides transferred eligibility for allied health professionals (including registered only midwives) into the Allied Health High Cost Claims Scheme and Allied Health Exceptional Claims Scheme within the *Medical Indemnity Act 2002*.

mRNA manufacturing facility – indemnities

The Australian Government has agreed to provide certain indemnities to Moderna in relation to the Moderna mRNA Partnership for onshore end-to-end population scale mRNA manufacturing capability. These indemnities cover certain liabilities that could result from implementation of the Partnership. These indemnities are also mutual in nature, reflecting risk-sharing arrangements with Moderna to limit financial exposure to the Australian Government.

New South Wales Health Administration Council – indemnity

The New South Wales Government is indemnified by the Commonwealth against liabilities or claims arising in relation to the operation of the National Health Funding Body (NHFB) in two respects:

- (i) liabilities or claims arising from acts or omissions of NHFB staff as users of State Pool account information
- (ii) liabilities or claims arising from unauthorised access to the banking services or system from NHFB premises.

Contingent asset – unquantifiable**Legal action seeking compensation**

The Department of Health is engaged in legal action against certain pharmaceutical companies to recover savings denied to the Commonwealth because interim injunctions granted to these companies in unsuccessful patent litigation delayed generic versions of drugs being listed on the Pharmaceutical Benefits Scheme, thereby delaying statutory and price disclosure related price reductions for these drugs.

Home Affairs**Fiscal Risk****Regional Processing Arrangements**

Effective 1 January 2022, the Australian Government supports regional processing arrangements in Nauru, assisting the Government of Nauru to provide support and services to transferees residing in Nauru. Any significant changes in the number of transferees, the arrangements that underpin the provision of those services, relevant litigation or legislative changes, may incur a cost or generate cost reductions which are unquantifiable at this time.

Significant but remote contingency**Indemnities relating to the Air Security Officer Capability**

The Australian Government has indemnity agreements with Australian airlines that agree to allow Air Security Officers on board their aircraft. The indemnity agreements limit the Government's exposure to a maximum of \$2 billion per incident. The indemnity applies to the extent that any loss is not covered by existing relevant insurance policies held by the airline(s) and only applies where action on the part of an Air Security Officer under or in connection with the Air Security Officer program caused a loss.

Contingent liabilities – unquantifiable**Australian Victims of Terrorism Overseas Payment**

The *Social Security Amendment (Supporting Australian Victims of Terrorism Overseas) Act 2012* inserted Part 2.24AA into the *Social Security Act 1991* to create a scheme for providing financial assistance to Australian residents who are victims of an overseas terrorist act that has been declared by the Prime Minister. The scheme commenced on 22 January 2013. Under the scheme, Australian residents harmed (primary victims) or whose close family members die as a direct result of a declared terrorist act (secondary victims) are eligible to claim one-off payments of up to \$75,000. As acts of terrorism are unpredictable, and the declaration of overseas terrorists acts discretionary, the cost of the scheme is unquantifiable.

Garrison, welfare and health services at regional processing countries – liability limit

The Department of Home Affairs (Home Affairs) entered into a contract with Canstruct International Pty Ltd (Canstruct), which commenced on 1 November 2017, for the provision of garrison and welfare services on Nauru in relation to regional processing arrangements. The contract includes a provision that limits Canstruct's liability to Home Affairs to a maximum of \$20 million for any single occurrence and \$50 million in aggregate for the term of the contract. The limitation of liability does not apply to personal injury, breach of third-party intellectual property rights, damage to third-party property or malicious acts or omissions attributable to Canstruct.

Immigration detention services by state and territory governments – liability limit

The Department of Home Affairs (Home Affairs) has negotiated arrangements with a number of state and territory governments for the provision of various services (including health, education and policing services) to immigration detention facilities and people in immigration detention. Some jurisdictions sought indemnification by the Australian Government for the provision of those services. These agreements, as listed below, provide unquantifiable indemnities relating to any damage or loss incurred by state and territory governments arising out of, or incidental to, the provision of services under these agreements.

Jurisdictions	Service streams		
	Health	Education	Police
WA	\$5 million per claim or event	Uncapped liability	\$5 million per claim or event
NSW	N/A	\$5 million per claim or event	\$5 million per claim or event
VIC	Uncapped liability	Uncapped liability	\$5 million per claim or event
QLD/TAS/ACT/NT	N/A	\$5 million per claim or event	\$5 million per claim or event
SA	\$5 million per claim or event	\$5 million per claim or event	\$5 million per claim or event

Home Affairs negotiates arrangements as necessary for the provision of corrective services. The indemnity provided to states and territory governments under these arrangements is no more than \$30 million per event.

Immigration detention services contract – liability limit

The Department of Home Affairs (Home Affairs) entered into a contract with Serco Australia Pty Ltd (Serco), which commenced on 11 December 2014, to deliver immigration detention services in Australia on behalf of the Australian Government at immigration detention facilities. The contract term limits Serco's liability to Home Affairs to a maximum of any insurance proceeds recovered by Serco up to a value

of \$330 million for the term of the contract. Serco's liability is unlimited for specific events defined under the contract.

Contingent asset – unquantifiable

Civil penalty relating to the Anti-Money Laundering and Counter-Terrorism Financing Act 2006

On 1 March 2022, AUSTRAC applied to the Federal Court of Australia for civil penalty orders against Crown Casino for alleged serious contraventions of the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006* (AML/CTF Act).

AUSTRAC alleges Crown Casino failed to comply with its obligations under the AML/CTF Act, including failures to properly assess its money laundering and terrorism financing risks, and failures to undertake appropriate customer due diligence. The outcome of this matter is unknown, including whether any penalty is imposed by the Court and, if so, the quantum of such penalty.

Industry, Science, Energy and Resources

Fiscal Risk

Snowy Hydro Limited

The Australian Government has committed to provide additional equity to Snowy Hydro Limited to support the delivery of the Snowy 2.0 pumped hydro project and the Hunter Power Project. These projects will improve the security and reliability of the National Electricity Market by providing reliable, dispatchable power and large-scale energy storage. Project risks for both projects include potential construction delays, cost pressures and cash flow forecasts.

These pressures are being mitigated through close management of the delivery program and engagement with key stakeholders.

Significant but remote contingencies

Liability for damages caused by space and certain high power rocket activities

Under the United Nations Convention on International Liability for Damage Caused by Space Objects, the Australian Government may be liable to pay compensation for damage caused to nationals of other countries by space objects launched from Australia, or by Australian nationals overseas. For activities approved under the *Space (Launches and Returns) Act 2018* (the Act), the Government also accepts liability for damage suffered by Australian nationals, to a maximum value of \$3 billion above an insured level.

To address this risk, in order to have a space or high-power rocket activity approved under the Act, the responsible party is required to insure against, or take financial

responsibility for, damage to third parties. The amount of insurance or financial responsibility is capped at \$100 million.

The Act provides for amounts lower than \$100 million depending on the risk profile of the activity. A maximum probable loss methodology is also available to calculate the amount of insurance or financial responsibility.

Operations and Maintenance of the Northern Endeavour and Associated Infrastructure

The Government has engaged Upstream Production Solutions (Upstream PS) to maintain, operate and prepare the Northern Endeavour Floating Production Storage and Offtake facility (FPSO) for disconnection. Under the contract, the parties release one another for damage to their own property or injury to their own personnel, to the extent that the harm is not caused by the other party's gross negligence or wilful misconduct. Generally, each party's liability to the other is limited to 7.5 per cent of the contract budget (although this limit does not apply in some circumstances, as specified in the contract), but this limit may be adjusted by 10 per cent if the contract budget is increased by 10 per cent or more. The Government has also agreed to indemnify Upstream PS against claims made by third parties for damage to property or personal injury, where the loss or damage was caused by the Commonwealth's performance of the contract (or its negligence or failure in performing the contract), or the condition of the FPSO and associated subsea and subsurface infrastructure. The Government has also provided an indemnity against any pollution or loss of well control related to the FPSO, except to the extent caused by Upstream PS's gross negligence or wilful misconduct. The liability cap does not apply to these indemnities.

The Government has obtained Protection and Indemnity, Facility Damage and Control of Well Insurance, and also taken out membership with oil spill response agencies. These will limit the Government's risk and financial exposure.

The risk of an incident is remote. The FPSO is being maintained with safety critical maintenance carried out, limited oil in storage and no further oil production taking place. The additional works to prepare the FPSO for disconnection are not considered to materially increase the risk.

The secured creditor of Timor Sea Oil & Gas Australia Pty Limited (TSOGA) and Northern Oil & Gas Australia Pty Limited (NOGA), Castleton Commodities Merchant Asia Co. Pte. Ltd., has commenced legal proceedings in the Supreme Court of New South Wales (NSW) against the Commonwealth, TSOGA and NOGA seeking orders for the delivery of the FPSO, the appointment of a receiver to realise the value of the property and a declaration that it is entitled to a first charge over the proceeds.

The Australian Government has committed to decommission the Northern Endeavour floating production storage and offtake facility (FPSO) and remediate the

Laminaria-Corallina oil fields. The cost to deliver Phase One of the decommissioning, including the disconnection of the FPSO, is taken into account in the forward estimates. However, cost estimates for the subsequent phases of the decommissioning: the permanent plug and abandonment of the wells (Phase Two); and the removal of subsea infrastructure (Phase Three), which are estimated to commence over the forward estimates period, are not able to be fully quantified until procurement activities for those Phases has been conducted. Actual costs associated with Northern Endeavour decommissioning will be recovered through the Government's proposed Laminaria and Corallina Decommissioning Cost Recovery Levy.

Snowy Hydro Limited – Board Members' Indemnity

The Australian Government has provided an indemnity for each of the Directors of Snowy Hydro Limited (SHL) to protect them against certain claims relating to their employment as Directors. Until the indemnity agreements are varied or ceased, they will remain as contingent and unquantifiable liabilities.

Snowy Hydro Limited – Termination of the Equity Subscription Agreements

The Australian Government will provide sufficient funding to cover costs and liabilities incurred by Snowy Hydro Limited (SHL) for the delivery of Snowy 2.0 and the Hunter Power Project, capped to the total remaining undrawn equity, in the event that the Commonwealth terminates the Equity Subscription Agreements between the Commonwealth and SHL.

Contingent liabilities – unquantifiable

Australian Nuclear Science and Technology Organisation – asbestos contamination

The Australian Nuclear Science and Technology Organisation (ANSTO) site contains asbestos in a number of buildings and in the soil at the Lucas Heights campus. Although there is potential for claims being made in relation to asbestos related diseases, the potential costs have not been assessed and are unquantifiable contingencies.

Australian Nuclear Science and Technology Organisation – indemnity

On 21 April 2016, the then Minister for Industry, Innovation and Science signed a Deed of Indemnity between the Commonwealth Government, ANSTO and ANSTO Nuclear Medicine Pty Ltd (ANM), under which the Government formally agreed to indemnify ANSTO and ANSTO Officers, and ANM and ANM Officers, from any loss or liability arising from claims caused by ionising radiation. This Deed will remain in place until April 2026.

Australian Nuclear Science and Technology Organisation (ANSTO) – Legacy Waste Management to Final Disposal

ANSTO has accumulated, and will continue to accumulate, nuclear waste, the final disposal of which is unfunded. The majority of this waste has arisen from the production of nuclear medicine and will require characterisation in order to determine the nature, and therefore the costs and timing required to manage the waste to final disposal. It is anticipated that the long-term storage of the nuclear waste will be the responsibility of the planned National Radioactive Waste Management Facility. If this changes ANSTO may need to meet the costs of the future management of the waste.

Former British atomic test site at Maralinga

The Australian Government is responsible for 14 unlimited indemnities relating to the Maralinga Rehabilitation Project (1995-2000). In November 2009, the Australian Government agreed to the handback of the former nuclear test site – Maralinga section 400 – to the site's Traditional Owners, Maralinga Tjarutja. Under the terms of the *Maralinga Nuclear Test Site Handback Deed*, the Australian Government has indemnified the Maralinga Tjarutja people and the South Australian Government in respect of claims arising from test site contamination.

Gorgon liquefied natural gas and carbon dioxide storage project – long-term liability

The Australian and Western Australian (WA) Governments have provided an indemnity to the Gorgon Joint Venture Partners (GJV) against independent third-party claims (relating to stored carbon dioxide) under common law following closure of the carbon dioxide sequestration project. The claims are subject to conditions equivalent to those set out in the *Offshore Petroleum and Greenhouse Gas Storage Act 2006*.

The WA Government has indemnified the GJV, and the Australian Government has indemnified the WA Government for 80 per cent of any amount determined to be payable under that indemnity.

Land decontamination and site restoration for CSIRO property

The Commonwealth Scientific and Industrial Research Organisation (CSIRO) has made a financial provision for the estimated costs in restoring and decontaminating land where a legal or constructive obligation has arisen. For cases where there is no legal or constructive obligation, the potential costs have not been assessed and are unquantifiable contingencies.

Liability for costs incurred in a national liquid fuel emergency

The Australian Government has responsibility for the *Liquid Fuel Emergency Act 1984* (the Act). In addition, the Australian Government and state and territory governments have entered into an inter-governmental agreement in relation to a national liquid fuel emergency (IGA 2006). Under the IGA, the Australian Government agrees to consult

IGA parties on a likely shortage and, if necessary after those consultations, to advise the Governor-General of the Commonwealth of Australia to declare a national emergency under the Act.

The IGA also contains three areas where the Australian Government may incur expenses in the unlikely event of a national liquid fuel emergency. These relate to the direct costs of managing a liquid fuel emergency and include the possibility of the Australian Government reimbursing the state and territory governments for costs arising from their responses, and potential compensation for industry arising from Australian Government directions under the Act.

Snowy Hydro Limited – water releases

On 29 June 2018, Snowy Hydro Limited became a wholly Commonwealth owned company following the Commonwealth’s acquisition of the New South Wales (NSW) and Victorian Governments’ shares. At the time of corporatisation of Snowy Hydro Limited on 28 June 2002, the Australian, NSW and Victorian Governments, as the then owners, indemnified the company for liabilities arising from water releases in the Snowy River below Jindabyne Dam, where these releases are in accordance with the Snowy Water Licence and related regulatory arrangements agreed between the three governments, including the Snowy Water Inquiry Outcomes Implementation Deed (SWIOID) 2002. The indemnity applies to liabilities for which a claim is notified within 20 years from 28 June 2002.

As the sole owner, the Commonwealth is now wholly liable for the indemnity. However, NSW must pay 100 per cent of the amount claimable where the liability is a result of the Snowy Water Licence being inconsistent with the SWIOID or with a direction from NSW that is inconsistent with principles for managing water releases from Jindabyne Dam, as agreed by the Australian, NSW and Victorian Governments.

United States Strategic Petroleum Reserve (US SPR) Lease Agreement – indemnity under certain conditions

On 3 June 2020, the Australian Government entered into a commercial leasing agreement with the United States (US) Department of Energy (DoE). This agreement facilitates the storage of Australia’s first-ever government-owned strategic fuel reserve in the US Strategic Petroleum Reserve (SPR).

Under the lease agreement, the Australian Government indemnifies the US SPR for any liabilities incurred (subject to certain exceptions) arising from or related to: the transportation of crude oil to the SPR; third-party claims made in connection with the drawdown or delivery of the oil; and customs duties, fees or other charges which may arise from the Australian Government’s non-compliance with US Customs Law.

Contingent liability – quantifiable

Underwriting of Transmission Projects

The Australian Government is working with the New South Wales (NSW) and Victorian Governments to provide early works underwriting support to the HumeLink and the Victoria to NSW Interconnector West (VNI West) projects.

The Australian Government and NSW Government have committed to underwrite early works for HumeLink (up to a total of \$65.7 million). The Australian Government and Victorian Government have committed to jointly underwrite early works for VNI West (with a preferred route known as KerangLink). The specific terms and conditions of the underwriting arrangements associated with this project are not yet finalised.

The Australian Government will provide up to \$181.5 million in underwriting support under an agreement secured with the NSW transmission provider TransGrid to enable transmission lines being built from south of Coleambally to Wagga Wagga as part of enabling Project EnergyConnect to be constructed at a larger capacity, which would reduce the future construction cost of the VNI West project.

Conditions for the underwritings to be called upon are likely to relate to the projects not achieving regulatory and approval requirements, but are also dependent on the final underwriting arrangements negotiated.

Contingent asset – quantifiable

CSIRO insurance claim – hailstorm

The Commonwealth Scientific and Industrial Research Organisation (CSIRO) has an outstanding insurance claim for business interruption and costs incurred from a natural disaster (hailstorm) that occurred at the CSIRO Black Mountain site on 20 January 2020. A recent review of the value of the CSIRO's insurance claim suggested it is likely to exceed \$20 million (the threshold for inclusion in the Statement of Risks), and it has not been reflected in CSIRO's Budget estimates.

Infrastructure, Transport, Regional Development and Communications

Fiscal Risk

Inland Rail – delivery

The Australian Government has committed up to \$14.5 billion in equity for the Australian Rail Track Corporation (ARTC), enabling ARTC to deliver the Inland Rail project which provides a direct, high-performance freight rail corridor between Melbourne and Brisbane, as well as a new freight corridor between Brisbane and Perth (via Parkes).

The ARTC will finance Inland Rail with a combination of Commonwealth equity investment, private debt and internal cash flows. A Public Private Partnership will be established to design, build, finance and maintain the complex Toowoomba to Kagaru (Brisbane) section of the project, including major tunnelling works.

Project risks include securing jurisdictional support, construction delays, cost pressures, pre-existing land contamination and realising revenues. These pressures are being mitigated through close management of the delivery program and engagement with key stakeholders and jurisdictions. Project costs will be settled through the completion of procurements for all sections of Inland Rail following all final design, planning and environmental approvals.

The Australian Government has also agreed in-principle to the extension of Inland Rail from Toowoomba to the Port of Gladstone, subject to the outcomes of the business case demonstrating the project is economically beneficial.

The business case is expected to identify a preferred route, delivery approach, benefits and costs in order to optimise network connectivity through regional Queensland to the Port of Gladstone. The business case will also explore commercial development and private sector funding opportunities, which may reduce the potential level of Australian Government funding. The cost of extension has not been quantified at this time and is not reflected in the estimates.

Significant but remote contingencies

Inland Rail – Termination of the Equity Financing Agreement

The Australian Government will provide sufficient funding to cover all costs and liabilities incurred by the Australian Rail Track Corporation (ARTC) for delivery of Inland Rail in the event the Commonwealth terminates the Equity Financing Agreement between the Commonwealth and the ARTC.

Maritime Industry Finance Company Limited – Board Members’ Indemnity

Indemnities for Maritime Industry Finance Company Limited (MIFCO) board members were provided to protect them against civil claims relating to their employment and conduct as Directors. MIFCO was placed into voluntary liquidation in November 2006 and was deregistered on 24 April 2008. The indemnity is not time-limited and continues even though the company has been liquidated. Until the indemnity agreements are varied or brought to an end, they will remain as contingent and unquantifiable liabilities.

Moorebank Intermodal Project – Glenfield Waste Site Easement

The Australian Government has provided an indemnity to cover all costs and liabilities that may be incurred by the Grantor (the private sector owner of the Glenfield Waste Site) of any easement for the rail spur going across the Glenfield Waste Site, to the extent such costs or liabilities are caused or contributed to by the Commonwealth or its agents.

National Intermodal Corporation Limited – Termination of the Equity Funding Agreement

The Australian Government has provided an indemnity to cover all costs and liabilities that may be incurred by the National Intermodal Corporation Limited (National Intermodal) in the event that the Commonwealth terminates the Equity Funding Agreement between the Commonwealth and National Intermodal.

Optus Financial Guarantee

The Australian Government has provided a guarantee in respect of NBN Co's financial obligations to Optus Networks Pty Ltd, Optus Internet Pty Limited, Optus Vision Media Pty Limited and SingTel Optus Pty Ltd (collectively, Optus) under the Optus HFC Subscriber Agreement (the Agreement). An amended version of the Agreement came into effect on 22 January 2019. The Guarantee continues to apply to that Agreement. The Agreement extends for the period of the National Broadband Network roll-out in Optus Hybrid Fibre Coaxial (HFC) areas. The Australian Government is only liable in the event NBN Co does not pay an amount when due under the Agreement. As at 31 January 2022, NBN Co had generated liabilities covered by the Optus Agreement which are estimated at an amount less than \$76.0 million. There is a low risk that a claim would be made under the Guarantee.

Telstra Financial Guarantee

The Australian Government has provided Telstra Corporation Limited (Telstra) a guarantee in respect of NBN Co's financial obligations under the Definitive Agreements. The Agreements were amended on 14 December 2014. The Guarantee was not amended at that time and it continues in force in accordance with its terms in respect of the amended Definitive Agreements. The liabilities under the Definitive Agreements between Telstra and NBN Co arise progressively during the roll-out of the National Broadband Network as Telstra's infrastructure is accessed and Telstra's customers are disconnected from its copper and Hybrid Fibre Coaxial cable networks. The Government is only liable in the event NBN Co does not pay an amount when due under the Definitive Agreements. As at 31 January 2022, NBN Co had liabilities covered by the Guarantee estimated at \$10.54 billion. The Guarantee will terminate when NBN Co achieves specified credit ratings for a period of two continuous years, and:

- the company is capitalised by the Commonwealth to the agreed amount
- the Communications Minister declares, under the *National Broadband Network Companies Act 2011*, that, in his or her opinion, the National Broadband Network should be treated as built and fully operational.

Tripartite deeds relating to the sale of federal leased airports

The tripartite deeds between the Australian Government, the airport lessee company and financiers, amend airport (head) leases to provide for limited step-in rights for

financiers in circumstances where the Australian Government terminates the head lease to enable the financiers to correct the circumstances that triggered such a termination event. The tripartite deeds may require the Australian Government to pay financiers compensation as a result of terminating the (head) lease, once all Australian Government costs have been recovered. The Australian Government's contingent liabilities are considered to be unquantifiable and remote.

WSA Co Limited – Board Members’ Indemnities

The Australian Government has provided an indemnity for each of the Directors of WSA Co Limited (WSA Co) to protect them against certain claims relating to their employment as Directors. Unless the indemnity agreements are varied or brought to an end, they cease to apply from the date the Commonwealth has fully satisfied its obligations to subscribe for equity in WSA Co pursuant to the WSA Co Equity Subscription Agreement.

WSA Co Limited – Sydney Metro-Western Sydney Airport Indemnity

The Australian Government will provide an indemnity to cover liabilities that may be incurred by WSA Co Limited related to the integration of the Sydney Metro-Western Sydney Airport project (delivered by the New South Wales Government) with the Western Sydney International (Nancy-Bird Walton) Airport, to the extent such liabilities are established in the Airport-Rail Integration Deed.

WSA Co Limited –Termination of the Equity Subscription Agreement

The Australian Government is required to cover all costs and liabilities that may be incurred by WSA Co in the event that the Commonwealth terminates the Equity Subscription Agreement between the Commonwealth and WSA Co.

Contingent liabilities – unquantifiable

Australian Maritime Safety Authority incident costs

In the normal course of operations, the Australian Maritime Safety Authority (AMSA) is responsible for the provision of funds necessary to meet the clean-up costs arising from ship-sourced marine pollution and, in all circumstances, is responsible for making appropriate efforts to recover the costs of any such incidents. The Australian Government meets costs that cannot be recovered from such incidents. It is not possible to estimate the amounts of any eventual payments that may be required in relation to these incident costs. AMSA has established a pollution response financial capability of \$50 million, backed by liquid investment funds, to provide funding should the overall clean-up costs exceed the liability limit of the ship-owner.

Aviation rescue and firefighting potential per- and poly-fluoroalkyl substances contamination

The Department of Infrastructure, Transport, Regional Development and Communications (the Department) has identified a number of sites in Australia potentially contaminated with per- and poly-fluoroalkyl substances (PFAS) previously contained in firefighting foams.

The identified contaminants do not naturally break down in the environment and several have been listed on the Stockholm Convention as persistent contaminants.

Australian health and environmental agencies have set a range of standards for environmental protection and precautionary health measures.

Up to 37 airport sites are potentially contaminated with PFAS (20 federally leased airports and 17 regional airports) relating to the Commonwealth provision of fire-fighting services. The Department is undertaking PFAS investigations at these airports to understand the risks and develop corresponding management plans for any identified PFAS contamination. Airservices Australia (Airservices) is also implementing a national PFAS management program, which includes PFAS investigations at 21 airport sites. The costs of potential long-term management options cannot be quantified at this time.

For federally leased airports, Airport Lessee Companies (ALCs) are responsible for environmental management of their airport sites. Airport leases indemnify the Commonwealth in relation to damages or injury to the environment, including in respect of costs and claims arising due to such damages or injury.

A number of ALCs have requested that the Airport Environment Officer (AEO) issue remedial orders to Airservices for PFAS contamination under the Airports (Environment Protection) Regulations 1997. AEOs are actively considering regulatory action at Brisbane, Launceston, Moorabbin and Melbourne Airports. Brisbane Airport Corporation has also commenced legal proceedings in the Queensland Supreme Court against Airservices in relation to legacy PFAS contamination from Airservices' firefighting activities at the airport.

Indemnity provided to the New South Wales Rural Fire Fighting Service in relation to the Jervis Bay Territory

The Department of Infrastructure, Transport, Regional Development and Communications (the Department) engages the New South Wales Rural Fire Service (NSW RFS) to provide fire management in the Jervis Bay Territory (JBT). To provide these services, the NSW RFS requires the Australian Government to provide an uncapped indemnity against any actions or claims resulting from the actions of the NSW RFS while providing fire management services in the JBT. The indemnity covers the same period of time for which NSW RFS is engaged to provide the fire management services. The likelihood of an event occurring that may result in a liability for the Australian Government is assessed as remote. The risk of a liability is mitigated through a range of risk management measures, including the Jervis Bay Territory Rural Fires Ordinance 2014, the establishment of a JBT Emergency Management Committee (EMC), a fire management plan prepared and implemented by the EMC, NSW RFS staff training and professional qualifications and the Department actively managing the Service Level Agreement with the NSW RFS.

Moorebank Intermodal Project – Georges River rail crossing

The Australian Government has provided an indemnity to cover costs and liabilities that may be incurred by the State of New South Wales arising under the *Native Title Act 1993 (Cth)* associated with the construction of a rail bridge over the Georges River to the Moorebank Intermodal Terminal. The likelihood of costs being incurred is considered remote and potential costs are unquantifiable.

National Intermodal Corporation Limited – Board Members' Indemnity

The Australian Government has provided certain indemnities for the Directors and Officers of the National Intermodal Corporation Limited to protect them against civil claims relating to their employment and conduct. These indemnities were provided to Directors when the Board was first established, however not to subsequent Directors. The indemnities apply to the period of appointment as Directors or Officers of the company. Until the indemnity agreements are varied or brought to an end, they will remain as contingent and unquantifiable liabilities.

Service Delivery Arrangement Indemnities – Indian Ocean Territories and Jervis Bay Territory

Since 1992, the Australian Government has been entering into Service Delivery Arrangements with the Western Australian (WA) Government for the provision of services to the Indian Ocean Territories of Christmas Island and the Cocos (Keeling) Islands. The Australian Government has provided certain indemnities for the WA Government, their respective officers, agents, contractors and employees against civil claims relating to their employment and conduct as officers.

The Australian Capital Territory (ACT) provides a number of services to the Jervis Bay Territory under Memoranda of Understanding. The Australian Government has provided certain indemnities for the ACT Government authorities and officials in respect of the delivery of services to the Jervis Bay Territory.

The likelihood of an event occurring that may result in a liability for the Australian Government has been assessed as remote and the risks are currently mitigated through the training and professional qualifications of the staff of these agencies.

Contingent liabilities – quantifiable

Australian Government contribution to the East West Link project

The Australian Government remains committed to the construction of the East West Link despite the decision of the Victorian Government not to proceed with the project.

To this end, the Australian Government will provide \$4 billion to the first Victorian Government willing to build the East West Link and is therefore recording this commitment as a contingent liability in the Budget.

Australian Government contribution to the extension of the Roe Highway

The Australian Government remains committed to the extension of the Roe Highway, despite the decision of the Western Australian (WA) Government not to proceed with the project.

To this end, the Australian Government will provide \$1.2 billion to the first WA Government willing to construct the Roe 8 and 9 extensions and is therefore recording this commitment as a contingent liability in the Budget.

Prime Minister and Cabinet

Contingent liabilities – unquantifiable

Disaster Recovery

The Australian Government provides funding to states and territories (states) through the jointly funded Commonwealth-State Disaster Recovery Funding Arrangements (DRFA) to assist with natural disaster relief and recovery costs. States may claim DRFA funding if a natural disaster occurs and states' relief and recovery expenditure for that event meets the thresholds set out in the arrangements.

The current forward estimates for the DRFA include preliminary estimates for past events, based on the best information available at the time of preparation. Preliminary estimates of the cost of a disaster and the timing of expenditure are subject to change. The total cost of relief and recovery from these past events may not be completely realised for some years.

For the flooding affecting NSW and Queensland from February 2022 onwards, there have been a number of measures and packages activated under the DRFA to provide assistance to communities impacted, for which expenditure has not yet been forecast. The recovery process, including restoring community wellbeing and rebuilding assets is not instantaneous, with support for flood-affected communities released over time. As the cost of providing assistance to disaster affected communities increases, so too does the level of financial support from the Commonwealth Government.

For major disasters, the Australian Government may approve payments to individuals under the *Social Security Act 1991*. These include the Australian Government Disaster Recovery Payment and Disaster Recovery Allowance. As disasters and their impacts are unpredictable, the cost relating to these payments from future disasters is unquantifiable and therefore not included in the forward estimates.

The Government also maintains an Emergency Response Fund (ERF) to provide additional resourcing to assist with the preparation for, and response to, natural disasters. The limits outlined in the *Emergency Response Fund Act 2019* allow the Government to access up to \$200 million from the fund each financial year under

specified conditions. Consistent with the unpredictability of natural disasters the cost of any payments from the ERF are unquantifiable and not included in the Budget estimates, except where decisions for release of funding have been made.

McDonald v Commonwealth (Stolen Wages Class Action)

A class action against the Commonwealth has been filed in the Federal Court Victorian Registry on behalf of all Aboriginal and Torres Strait Islander persons who lived and worked in the Northern Territory during the period 1 June 1933 to 12 November 1971, and whose wages were allegedly unjustly withheld, inadequate or not paid as a result of wage control legislation. Costs associated with this litigation (if any) and any potential related future litigation are not quantifiable until the matter is determined by the Court or otherwise resolved.

Northern Territory Stolen Generations Class Action

A class action against the Commonwealth has been filed in the NSW Supreme Court seeking compensation for Stolen Generations survivors who were removed from their families in the Northern Territory prior to self-government, and family members living with them at the time who were affected by the removals. Costs associated with this litigation (if any) and any potential related future litigation are not quantifiable until the matter is determined by the Court or otherwise resolved.

Contingent liability – quantifiable

Indigenous Land and Sea Corporation – Voyages Indigenous Tourism Australia

Voyages Indigenous Tourism Australia Pty Ltd (Voyages), the owners of the Ayers Rock Resort, have debt facilities with ANZ (\$112.5 million) and the Northern Australia Infrastructure Facility (\$27.5 million). The Indigenous Land and Sea Corporation is the guarantor for each of these facilities.

A sharp decline in occupancy rates associated with the COVID-19 pandemic has eroded the financial position of Voyages and raised additional risks regarding its viability.

Social Services

Fiscal Risk

COVID-19 Social Welfare Debt Pause for Specified Areas

The Government implemented a temporary pause on a range of debt activities from 4 August 2021 in New South Wales, Victoria, the Australian Capital Territory and 11 Local Government Areas (LGA's) in South East Queensland. This was undertaken to help ease pressure on people subject to stay at home orders. Consistent with the easing of COVID-19 restrictions, the temporary pause on Centrelink debt activities was lifted on 9 January 2022, with repayments to recommence from 1 July 2022.

There is currently an unquantifiable financial risk as the debt pause (and the arrangements lifting the debt pause) may reduce the value of debts raised and the amount of funds recovered by Services Australia, which also has flow on impacts on Social Security payments expenditure.

Contingent asset – quantifiable

National Redress Scheme

The *National Redress Scheme for Institutional Child Sexual Abuse Act 2018* aims to support people who experienced institutional child sexual abuse from institutions participating in the National Redress Scheme (the Scheme) to gain access to counselling and psychological services, a direct personal response from the responsible institution, and a monetary payment. The Department of Social Services (DSS) administers the Scheme. In this capacity, DSS makes the monetary payment to the survivor and then recovers the costs from the institution determined to be responsible for the abuse.

As at 31 December 2021, DSS has an administered quantifiable contingent asset of \$121.1 million in relation to the probable recovery from responsible institutions of monetary payments that may be made to survivors under the Scheme. The value is based on applications that have been referred to an Independent Decision Maker for assessment and the payment values.

As at 31 December 2021, DSS also has an administered quantifiable contingent liability of \$56.0 million in relation to applications made under the Scheme that have been referred to an Independent Decision Maker for assessment. The amount is based on the number of applications and the payment values.

The difference between the contingent asset and the contingent liability represents the net risk to the Budget from the Scheme.

Treasury

Significant but remote contingencies

Asbestos Injuries Compensation Fund

In February 2016, the Commonwealth agreed to assume one-third of the default risk associated with a \$320 million New South Wales (NSW) Government loan to the Asbestos Injuries Compensation Fund (AICF), contingent on all states and territories agreeing to assume the remaining default risk. States and territories agreed to assume the remaining default risk in the period following the publication of the 2016-17 Budget.

The AICF provides compensation to Australian asbestos disease related claims against former subsidiaries of the James Hardie Group and is funded on an ongoing basis through contributions from the James Hardie Group. NSW provided a \$320 million loan facility in 2010 to enable AICF to continue to pay compensation as lump sums, rather than on an instalment basis.

Financial Claims Scheme

The Financial Claims Scheme provides depositors of authorised deposit-taking institutions (ADIs) and claimants of general insurers with timely access to their funds in the event of a financial institution failure.

Under the *Banking Act 1959*, the scheme provides a mechanism for making payments to depositors under the Australian Government's guarantee of deposits in ADIs. Payments are capped at \$250,000 per account holder per ADI. Deposits eligible for coverage under the Financial Claims Scheme were estimated at \$1.2 trillion of 31 December 2021.

Under the *Insurance Act 1973*, the scheme provides a mechanism for making payments to eligible beneficiaries with a valid claim against a failed general insurer. It is not possible to estimate the amounts of any eventual payments that may be required in relation to general insurance claims.

In the very unlikely event of an ADI or general insurer failure, any payments made under the Financial Claims Scheme would be recovered through the liquidation of the failed institution. If there was a shortfall in the amount recovered through the liquidation of the failed institution, a levy could be applied to the relevant industry to recover the difference between the amount expended and the amount recovered in the liquidation.

The Australian Prudential Regulation Authority (APRA) is responsible for the administration of the Financial Claims Scheme. Under the Financial Claims Scheme, any payments to account holders with eligible protected accounts or eligible claimants would be made from APRA's Financial Claims Scheme Special Account. Under the legislation, upon activation, up to \$20 billion per institution would be available to meet

Financial Claims Scheme payments and up to \$100 million for administration costs per institution.

Guarantee for the National Housing Finance and Investment Corporation

The Australian Government guarantees the due payment of money payable by the National Housing Finance and Investment Corporation (NHFIC) to anybody other than the Government.

The NHFIC Board must not allow NHFIC to enter into a transaction that would result in the total guaranteed liabilities of the NHFIC, and any outstanding amount which NHFIC has borrowed from the Government, to exceed \$3.5 billion unless approved by the Government. In the 2022-23 Budget, the Government agreed to increase the liability cap by a further \$2.0 billion to bring the total cap to \$5.5 billion.

Guarantee of state and territory borrowing

The Australian Government announced on 25 March 2009 that a voluntary, temporary guarantee would be put in place over state and territory borrowing. The Guarantee of state and territory borrowing commenced on 24 July 2009 and closed on 31 December 2010. New South Wales and Queensland were the only states that chose to participate in the Guarantee.

Securities covered by the Guarantee will continue to be guaranteed until these securities either mature or are bought back and extinguished by the issuer.

The expected liability under the Guarantee is remote and unquantifiable. Australian Government expenditure would arise under the Guarantee only in the unlikely event that a state failed to meet its obligations with respect to a commitment that was subject to the Guarantee and the Guarantee was called upon. In such a case, the Government would likely be able to recover any such expenditure through a claim on the relevant state at a future date. The impact on the Budget would depend on the extent of the default and the state's ability to meet the Government's claim.

As at 31 December 2021, the face value of state and territory borrowings covered by the Guarantee was \$0.5 billion, the same as at 31 August 2021.

Guarantees under the *Commonwealth Bank Sale Act 1995*

Under the terms of the *Commonwealth Bank Sale Act 1995*, the Australian Government guarantees various superannuation and other liabilities: \$137.7 million is attributable to liabilities of the Commonwealth Bank of Australia as at 31 December 2021; and \$4.9 billion is attributable to liabilities of the Commonwealth Bank Officers' Superannuation Corporation as at 31 December 2021.

Reserve Bank of Australia – Guarantee

The Australian Government guarantees the liabilities of the Reserve Bank of Australia, measured as the Bank's total liabilities excluding capital, reserves, and Australian Government deposits. The principal component of the Bank's liabilities is exchange settlement balances. As at 9 February 2022, exchange settlement balances amount to \$444.7 billion, and the total Guarantee is \$567.2 billion.

Contingent liabilities – unquantifiable

Establishment of a Cyclone and related flooding reinsurance pool

The Government will provide a \$10 billion annually reinstated Government guarantee to the Australian Reinsurance Pool Corporation (ARPC), to support a reinsurance pool for the impact of cyclones and related flooding on eligible insured properties. Subject to the passage of legislation, the guarantee will take effect from 1 July 2022 and may be called upon in the event of a large cyclone and related flooding, or in a year with a high number of cyclones and related flooding, to ensure the ARPC can pay any liabilities.

The reinsurance pool is designed to be cost-neutral to Government over time, based on the predicted cost and frequency of cyclone events. The estimated value and range of calls on the guarantee is unquantifiable due to significant uncertainty in the frequency and severity of cyclones and the resulting losses.

Government Guarantees for Housing

The Australian Government has a number of programs to support individuals to enter the housing market sooner.

The **First Home Guarantee** (FHG – formerly the First Home Loan Deposit Scheme) is designed to support eligible first home buyers to build or purchase a first home sooner by providing a guarantee to participating lenders for up to 15 percent of the property purchase price. The FHG began on 1 January 2020.

The **New Home Guarantee** is designed to support eligible first homes buyers seeking to build a new home or purchase a newly built home by providing a guarantee to participating lenders for up to 15 percent of the property purchase price. A second tranche of 10,000 New Home Guarantees was made available from 1 July 2021.

The **Family Home Guarantee** is designed to support single parents with dependants seeking to enter, or re-enter, the housing market. The Family Home Guarantee will commence on 1 July 2021.

The **Rural Home Guarantee** is designed to support eligible citizens and permanent residents who have not owned a home for five years to purchase a new home in a regional location by providing a guarantee to participating lenders for up to 15 percent

of the property purchase price. The Rural Home Guarantees will commence in 2022-23 subject to passage of legislation.

For the four programs listed above, the Australian Government guarantees the liabilities as they arise. Guaranteed liabilities arise where a lender's loss is covered by the guarantee. The lender then makes a claim against the guarantee and the National Housing Finance and Investment Corporation (NHFIC) accepts the claim. Given liabilities under the Scheme are met by a standing appropriation, the NHFIC is not required to maintain capital and reserves to meet the liabilities associated with these programs.

Indemnities for specialised external advisers during the COVID-19 pandemic

The Government has provided indemnities for certain specialised external advisers engaged to provide advice on emerging markets issues related to COVID-19. Indemnities were provided to mitigate personal risk and provide coverage for costs related to any legal proceedings that may arise in relation to the provision of that advice.

The indemnities apply for the period of engagement as advisers and for claims that are notified within 12 years after cessation of the adviser's engagement. Until the indemnity agreements are varied or expire, they will remain as contingent and unquantifiable liabilities.

International Monetary Fund – Poverty Reduction and Growth Trust

On 26 October 2020, the Australian Government entered into an agreement to make a line of credit available to the International Monetary Fund (IMF) under the Poverty Reduction and Growth Trust (PRGT) through to 31 December 2029. The PRGT provides concessional financial support to low-income countries to help them achieve, maintain, or restore a stable and sustainable macroeconomic position. PRGT funds are drawn upon by the IMF as needed and will be repaid in full with interest.

Through this agreement, the Government made available Special Drawing Rights (SDR) 500 million (approximately A\$953.2 million estimated as at 30 June 2021) to loan to the IMF under the PRGT. As at 21 February 2022, SDR 210.6 million (approximately A\$401.4 million) has been drawn down, leaving SDR 289.4 million (approximately A\$551.8 million) remaining available to the IMF under the PRGT.

On 13 October 2021, the Government announced that it intended to provide an additional SDR 250 million (approximately A\$476.6 million estimated as at 30 June 2022) to the PRGT.

Small and Medium Enterprise Guarantee Scheme and SME Recovery Loan Scheme

The Australian Government will guarantee 50 per cent of loans issued under the Coronavirus Small and Medium Enterprises (SME) Guarantee Scheme and has guaranteed 100 per cent of loans issued under the Show Starter Loan Scheme provided by eligible lenders.

On 11 March 2021, the Australian Government announced a range of initiatives as part of a new \$1.2 billion support package targeting the businesses, workers and regions still impacted by COVID-19. This includes an expansion and extension of the Coronavirus SME Guarantee Scheme. The SME Recovery Loan Scheme is designed to support the economic recovery of, and to provide continued assistance to, firms that were recipients of JobKeeper Payments in the March quarter of 2021 or were affected by the floods in March 2021 and were located or operating in eligible Local Government Areas. The Government is working with lenders to ensure that eligible firms continue to have access to finance to maintain and grow their businesses.

On 25 August 2021, the Government announced that the SME Recovery Loan Scheme would be expanded to provide support to SMEs adversely economically affected by the Coronavirus pandemic. This change was effective from 1 October 2021.

Loans under the SME Recovery Loan Scheme were available from 1 April 2021 until 31 December 2021. The Australian Government guaranteed 80 per cent of loans issued under the SME Recovery Loan Scheme provided by eligible lenders to SMEs.

The Government has agreed to extend the existing SME Loan Recovery Scheme for SMEs that have been adversely economically affected by the Coronavirus pandemic, with a guarantee of 50 per cent. The extension commenced on 1 January 2022 and end on 30 June 2022.

Terrorism insurance – commercial cover

The *Terrorism Insurance Act 2003* established a scheme for terrorism insurance covering damage to commercial property, including associated business interruption and public liability (extended in 2017 to mixed-use and high-value residential buildings). The Australian Reinsurance Pool Corporation (ARPC) uses reinsurance premiums paid by insurers to meet its administrative expenses, to maintain a pool of funds and to purchase reinsurance to help meet future claims. The Australian Government guarantees to pay any liabilities of the ARPC, but the responsible Minister (or delegate) must declare a reduced payout rate to insured entities if the Government's liability would otherwise exceed \$10 billion.

Contingent liabilities – quantifiable**Australian Taxation Office – tax disputes**

At any point in time the Australian Taxation Office is involved in a range of dispute resolution processes, including litigation, relating to tax disputes.

Details of the outcome of dispute resolution processes are uncertain until a court ruling is made and/or an agreement is reached with the taxpayer. As a result, in most cases it is not possible to estimate with any reliability the likely financial impact of current disputes. The estimated aggregate value of tax in dispute as at 21 February 2022, for which a provision has not been made is \$5.6 billion.

Outcomes of dispute resolution processes are included in the Commissioner of Taxation's Annual Report each year. This may include disputes resolved through objections, settlements and court and tribunal decisions. It may also include amounts owed by taxpayers that are subject to dispute but not finalised.

Historical Interest on Early Payment entitlements

Interest on early payments (IEP) is payable by the Commissioner of Taxation on payments made by a taxpayer towards an applicable liability where the payment is made more than 14 days before the relevant due date. As at 21 February 2022, historical entitlements are estimated to be \$221 million and are not recognised in the Budget estimates.

The ATO is designing system functionality to automatically identify, calculate and pay interest on early payment entitlements to taxpayers. If successfully deployed, the ATO may expand the system, to include payment of historical amounts.

International financial institutions – uncalled capital subscriptions

The Australian Government has held an uncalled capital subscription in the International Bank for Reconstruction and Development (IBRD) since 1947.

Australia's current uncalled capital subscription to the IBRD totals approximately US\$4.4 billion (estimated value A\$5.8 billion as at 30 October 2021).

The Australian Government has also held an uncalled capital subscription in the European Bank for Reconstruction and Development (EBRD) since 1991. Australia's uncalled capital subscription to the EBRD totals around EUR237.5 million (estimated value A\$367.1 million as at 30 October 2021).

The Australian Government has further held an uncalled capital subscription in the Asian Development Bank (ADB) since 1966. Australia's uncalled capital subscription to the ADB totals around US\$7.0 billion (estimated value A\$9.3 billion as at 30 October 2021).

The Australian Government has further held an uncalled capital subscription in the Multilateral Investment Guarantee Agency of US\$26.5 million (estimated value A\$35.1 million as at 30 October 2021).

The Asian Infrastructure Investment Bank (AIIB) was established on 25 December 2015. The Australian Government has subscribed to shares in the AIIB, which includes an uncalled capital subscription. Australia's uncalled capital subscription to the AIIB totals around US\$3.0 billion (estimated value A\$4.0 billion as at 30 October 2021).

None of these international financial institutions has ever drawn on Australia's uncalled capital subscriptions.

International Monetary Fund – New Arrangements to Borrow & Bilateral Borrowing Agreement

Australia has made a line of credit available to the International Monetary Fund (IMF) under its New Arrangements to Borrow (NAB) since 1998. This is a contingent loan to help ensure that the IMF has the resources available to maintain stability in the global economy. The value of Australia's NAB credit arrangement stands at around SDR 4.4 billion (estimated value A\$8.5 billion at 30 June 2022). On 8 October 2020, the Treasurer advised the IMF that Australia consented to the new NAB Decision and on 26 January 2020, the IMF Executive Board approved amendments to the NAB decision, including increasing the credit arrangements of all participants and extending the arrangement from 1 January 2021 to 31 December 2025.

In addition, Australia has made available approximately SDR 2.0 billion (estimated as approximately A\$3.8 billion at 30 June 2022) via a contingent bilateral loan to the IMF, known as a Bilateral Borrowing Agreement (BBA). This contingent bilateral loan is on terms consistent with other bilateral loans and note purchase agreements between the IMF and other contributing countries. The contingent bilateral loan will be drawn upon by the IMF only if needed to supplement the IMF's quota and NAB resources and any drawings on loans would be repaid in full with interest. The BBA is made available to the IMF through to 31 December 2023 with the possibility of a one-year extension.

Veterans' Affairs

Fiscal Risk

Defence Service Homes Insurance Scheme

The Defence Service Homes Insurance Scheme (the Scheme) was established in 1919 under the *Defence Service Homes Act 1918*. The Scheme offers personal insurance products to eligible serving Australian Defence Force members, veterans and widow(er)s. It underwrites home building insurance and offers a range of personal insurance products (such as contents and motor vehicle insurance) underwritten by QBE Insurance (Australia) Limited.

DSH Insurance is funded by premiums collected from policy holders, commissions from QBE and returns on investments. Due to the nature of insurance, DSH Insurance's financial performance can be volatile from year to year. The last three years have been challenging for DSH Insurance, due to increases in claims from extreme weather events (including bushfires, hailstorms and floods) combined with low investment returns and increased pricing on reinsurance premiums. These are industry wide challenges affecting all general insurers.

The Scheme manages the volatility of the insurance cycle by holding an appropriate level of capital (that is, reserves) consistent with the obligations placed on insurers through the relevant regulatory regime. The Scheme also has a comprehensive reinsurance program in place, reducing the exposure to loss by passing part of the risk of loss to a group of reinsurers. Nevertheless, there remains a risk that additional Government contributions could be required should these reserves be insufficient to cover the liabilities of the scheme.

Government loans

Loans are recorded as financial assets and accordingly the amounts advanced and repaid do not normally affect the budget aggregates of fiscal balance and underlying cash balance. Loans that are concessional (lower than market interest rate) or are agreed to be written off, result in an impact on the fiscal balance.

The Government makes loans for policy purposes. All loans contain some element of credit risk that they will not be repaid in full, although in many cases this risk is small. Table 6.3 summarises Government loans estimated to exceed \$200 million at 30 June 2022.

Table 6.3: Summary of Australian Government loans exceeding \$200 million

Entity	Loan amount ^(a) (\$m)	Borrower	Interest rate	Term	Status ^(b)
Agriculture, Water and the Environment					
Drought related and farm finance concessional loans – Agriculture	283	State Governments (that through their delivery agencies, on-lend to eligible farm businesses)	Various	Various	Modified
Farm Investment Loans, Drought Loans, AgriStarter Loans, AgBiz Drought Loans and AgRebuild Loans	2,831	Eligible Australian farm businesses and related small businesses, via Regional Investment Corporation	1.89 per cent for Plantation Loans 2.31 per cent for all other loans	Up to 20 years for plantation loans Up to 10 years for all other loans	Modified
Education, Skills and Employment					
Higher Education Loan Program and VET Student Loans Program	56,400	Eligible tertiary education students	Consumer Price Index (CPI) growth	9.4 years*	Modified
Trade Support Loans Program	929	Eligible Australian Apprentices	CPI growth		Modified
Foreign Affairs and Trade					
Papua New Guinea Liquefied Natural Gas	178	Entities associated with the Papua New Guinea Liquefied Natural Gas project	Commercial-in-confidence	Until 2026	Modified
Telstra acquisition of Digicel Pacific ^(c)	0	Telstra	Commercial-in-confidence	Not yet finalised	Modified
Health					
Zero Real Interest Loans	226	Residential aged care providers	CPI growth	Up to 22 years	Unchanged
Industry, Science, Energy and Resources					
Clean Energy Finance Corporation	2,960	Approved entities undertaking clean energy technology projects	3.9 per cent weighted average	5-15 years	Unchanged

Table 6.3: Summary of Australian Government loans exceeding \$200 million (continued)

Entity	Loan amount ^(a) (\$m)	Borrower	Interest rate	Term	Status ^(b)
Infrastructure, Transport, Regional Development and Communications					
NBN Co Loan	7,375	NBN Co Limited	3.96 per cent	30 June 2024	Modified
Northern Australia Infrastructure Facility Loans	675	Northern Australia jurisdictions (Western Australia, Queensland or the Northern Territory) for on lending to project proponents. The NAIF Investment Mandate Direction 2021 additionally allows for provision of financial assistance directly to other entities	Various (circa. 5 per cent)	Various	Modified
WestConnex stage 2 Concessional loan	1,750	WCX M5 Finco Pty Ltd	3.36 per cent	November 2015 to July 2034	Unchanged
Prime Minister and Cabinet					
Indigenous Home Ownership, Business Development and Assistance	998	Eligible Indigenous persons	2.5-6.9 per cent	Up to 30 years	Unchanged
Voyages Indigenous Tourism Australia Pty Ltd	292	Voyages Indigenous Tourism Australia Pty Ltd	90 Day bank bill swap reference rate + 5 per cent	9 years, 11 months	Modified
Social Services					
Student Financial Supplement Scheme	339	Eligible recipients of Youth Allowance (student), Austudy and ABSTUDY recipients	CPI growth	Various	Modified
Student Start up Loan	733	Eligible Youth Allowance (student), Austudy and ABSTUDY Living Allowance recipients	CPI growth	Various	Modified

Table 6.3: Summary of Australian Government loans exceeding \$200 million (continued)

Entity	Loan amount ^(a) (\$m)	Borrower	Interest rate	Term	Status ^(b)
Treasury					
Affordable Housing Bond Aggregator	57	National Housing Finance and Investment Corporation	Commonwealth cost of borrowing	Various	Unchanged
Commonwealth State financing arrangements – Housing and Specific Purpose Capital	1,333	State and Northern Territory Governments	4.0 per cent – 6.0 per cent	Up to 30 June 2042	Unchanged
International Monetary Fund – New Arrangements to Borrow	87	International Monetary Fund	0.1 per cent	10 years	Modified
International Monetary Fund – Poverty Reduction and Growth Trust	381	International Monetary Fund	IMF SDR interest rate	10 years	Modified
Loan Agreement between the Government of Australia and the Government of Indonesia	1,350	Government of Indonesia	Commonwealth cost of Borrowing plus 0.5 per cent	15 years	Unchanged
Loan to the Government of Papua New Guinea	547	Government of Papua New Guinea	Commonwealth cost of Borrowing plus 0.5 per cent	15 years	Unchanged
2021 Loan to Government of Papua New Guinea	637	Government of Papua New Guinea	Commonwealth cost of Borrowing plus 0.5 per cent	20 years	New

* Average.

(a) Loan amount is the estimated loan program amounts outstanding as at 30 June 2022 in \$ millions.

(b) Status of loan items are considered 'unchanged' unless there are modifications to respective interest rates and/or loan term.

(c) As at 31 January 2022, the Telstra acquisition of Digicel Pacific loan had not been drawn down. Loan Item

Agriculture, Water and the Environment

Drought related and farm finance concessional loans – Agriculture

As at 30 June 2022, the fair value of farm business, drought and dairy farm related loans is estimated to total \$283.5 million. This includes:

Drought Concessional Loans Scheme: This scheme provided loans to drought-affected farm businesses for debt restructuring, operating expenses and drought recovery and preparedness activities. The scheme commenced in June 2014 as a loans scheme available for two years and operated in Queensland, Victoria, New South Wales, South Australia, Western Australia, Tasmania and the Northern Territory. The Government extended the application period until 31 October 2016 to cover the period until the new 10-year Farm Business Concessional Loans Scheme was able to commence on 1 November 2016. The Government also extended the Western Australian application period for the Drought Concessional Loans Scheme until 30 June 2017.

As at 1 February 2022, the interest rate was 1.56 per cent, reviewed on a six-monthly basis and revised in accordance with material changes in the five-year Commonwealth bond rate. Loans have a maximum term of five years, with an extenuating circumstances clause in some jurisdictions, which allows a maximum two-year extension to the loan at commercial rates.

Drought Recovery and Dairy Recovery Concessional Loans Scheme(s): The drought recovery component of this scheme provided loans to farm businesses affected by unprecedented drought or, where applicable, Queensland farm businesses directly impacted by the combined effects of drought and the mid-2011 disruption to live cattle exports to Indonesia. The loans funded planting and restocking activities and associated expenses, when seasonal conditions allowed. The loans were available from January 2015, and in 2014-15 operated in Queensland and New South Wales. In 2015-16, drought recovery concessional loans were available in Queensland, New South Wales, South Australia and Tasmania.

The dairy recovery component of this scheme provided concessional loans to dairy farm businesses affected by the 2016 reduction in farm gate milk prices by Murray Goulburn, Fonterra and National Dairy Products. Loans were available for debt restructuring, providing new debt for operating expenses or productivity enhancement activities, or a combination of these purposes. Dairy recovery concessional loans became available in Victoria, New South Wales, South Australia and Tasmania from June 2016. Applications closed on 31 October 2016. A dairy recovery concessional loan product was available under the Farm Business Concessional Loans Scheme until 30 June 2018.

As at 1 February 2022, the interest rate was 1.41 per cent, reviewed on a six-monthly basis and revised in accordance with changes in the 10-year Australian Government bond rate. Loans have a maximum term of 10 years with interest-only payments

required for the first five years. Principal and interest repayments will be made in the remaining five years of the loan term.

Farm Business Concessional Loans Scheme: This scheme provided three types of concessional loans – drought assistance, dairy recovery and business improvement. This scheme was designed to cover a farmer’s short-term needs when income was tight and to supplement, rather than replace, commercial finance. Loans under the scheme were first available in November 2016. Applications for loans under the scheme closed on 30 June 2018.

Drought assistance concessional loans were available in Queensland, New South Wales, Victoria, South Australia, Tasmania and the Northern Territory. Loans were available for debt restructuring, operating expenses, drought preparedness activities or drought-recovery activities or a combination of these purposes.

Business improvement concessional loans were available in Queensland, New South Wales, Victoria, South Australia, Tasmania and the Northern Territory. Loans were available for eligible Farm Household Allowance (FHA) recipients who were recovering from financial hardship and had exhausted, or would exhaust their FHA 1,095-day income support entitlement by 30 June 2018. These loans were for debt restructuring only.

Dairy recovery concessional loans were available in New South Wales, Victoria, South Australia and Tasmania to eligible suppliers of Murray Goulburn, Fonterra and National Dairy Products. Loans were available for debt restructuring, providing new debt for operating expenses, productivity enhancement activities or a combination of these purposes.

As at 1 February 2022, the interest rate was 1.81 per cent, reviewed on a six-monthly basis and revised in accordance with changes in the 10-year Australian Government bond rate. Loans have a maximum term of 10 years.

Farm Finance Concessional Loans Scheme: This scheme provided concessional loans to eligible farm businesses experiencing financial difficulties that were considered commercially viable in the long term, and were for productivity enhancements and debt restructuring. Applications for Farm Finance Concessional Loans closed on 30 June 2015.

As at 1 February 2022, the interest rate was 2.06 per cent, reviewed on a six-monthly basis and revised in accordance with material changes in the five-year Commonwealth bond rate. Loans have a maximum term of five years, with an extenuating circumstances clause in some jurisdictions, which allows a maximum two-year extension to the loan, on commercial terms.

Farm Investment Loans, Drought Loans, AgriStarter Loans, AgBiz Drought Loans, AgRebuild Loans and Plantation Loans

The Regional Investment Corporation commenced operations on 1 July 2018.

There are four loan products currently available to farm businesses — Farm Investment Loans, Drought Loans, AgriStarter Loans and Plantation Loans (launched on 6 December 2021). In addition, AgBiz Drought Loans are available for small businesses. AgRebuild Loans (North Queensland flood) closed on 30 June 2020.

The Farm Investment Drought, AgriStarter and AgBiz Drought loan products provide concessional loans to eligible businesses that are experiencing financial difficulties and are considered financially viable in the long term (additional criteria apply for each product and terms and conditions may vary). All products are for farm businesses, except for AgBiz Drought Loans which are for small businesses that provide primary production related goods and services for drought affected farm businesses.

Plantation loans provide concessional loans to eligible farmers and commercial growers to develop or establish plantations or replant existing bushfire-damaged plantations resulting from the 2019-20 Black Summer Bushfires. Additional criteria apply, including the requirement to have insurance for managing natural disaster risks.

As at 1 February 2022, the variable interest rate is 2.31 per cent for the Farm Investment, Drought, AgriStarter and AgBiz Drought loan products. The variable interest rate for Plantation Loans is 1.89 per cent. Interest rates are revised on a six-monthly basis in line with any material changes to the Australian Government 10-year bond rate, where a material change is taken to be a movement of more than 10 basis points (0.1 per cent). The next update will be on 1 August 2022.

Interest was not payable during the first two years of the AgRebuild Loan, or on the Drought Loans and AgBiz Drought Loans for loan applications that were received before 30 September 2020.

Loans have a maximum term of 10 years, except Plantation Loans which have a maximum term of 20 years.

Education, Skills and Employment

Higher Education Loan Program and VET Student Loans Program

The Higher Education Loan Program (HELP) and the VET Student Loans (VSL) Program are income-contingent loan programs that assist eligible tertiary education students with the cost of their fees. As at 30 June 2022, the combined fair value of HELP and VSL debt outstanding is estimated to be \$56.4 billion. The fair value takes into account the concessional nature of HELP and VSL loans and makes an allowance for debt not expected to be repaid.

Debts outstanding for more than 11 months are indexed annually using the Consumer Price Index. The Australian Taxation Office collects repayment of these debts through the tax system. Repayment of debts commence when an individual debtor's income reaches the repayment threshold.

There were 2,901,607 HELP debtors as at 30 June 2021. The repayment term of a HELP debt can only be determined for people who have fully repaid their debt. As at the end of June 2021 the average time taken to repay HELP debts was 9.4 years.

Trade Support Loans Program

The Trade Support Loans Program is an income-contingent, concessional loan program that assists eligible Australian Apprentices by providing financial support of up to \$21,779 (2021-22) to assist with the costs of living, learning and undertaking an apprenticeship, and helping apprentices to focus on completing a trade qualification.

Eligible Australian Apprentices can access up to \$725.97 per month in the first year of their apprenticeship, \$544.48 per month in the second year, \$362.99 per month in the third year and \$181.49 per month in the fourth year.

The loan amounts provided are higher in the early years of training to compensate for lower wages. The lifetime limit of \$21,779 was indexed on 1 July 2021 using the Consumer Price Index and will continue to be indexed annually on 1 July to maintain its real value.

As an incentive to encourage completion of training, apprentices who successfully complete their apprenticeships are eligible for a 20 per cent discount on their loan. The loans become repayable at the same thresholds as the Higher Education Loan Program, which is \$47,014 for the 2021-22 income year. This is a demand-driven program.

Foreign Affairs and Trade

Papua New Guinea Liquefied Natural Gas

A loan in support of the Papua New Guinea Liquefied Natural Gas (PNG LNG) project involves the development, construction, operation and maintenance of a LNG liquefaction plant, gas production and processing facilities, onshore and offshore pipelines, associated ancillary facilities and infrastructure. As at 30 June 2022, the fair value of the loan amount outstanding is estimated to total \$172.9 million.

Telstra acquisition of Digicel Pacific

The Government will provide a financing package of USD1.33 billion through Export Finance Australia to Telstra for its acquisition of Digicel Pacific. Telstra will own and operate Digicel Pacific, contributing to secure and reliable infrastructure in the Pacific region, which is critical to economic growth and development. This package will include

debt and equity like securities designed to secure the Government a long-term return. As at 31 January 2022, no funds have been drawn down.

Health

Zero Real Interest Loans

The Zero Real Interest Loans program provided loans to assist aged care providers to build or extend residential aged care services in areas of high need. Loans provided under the program attract an interest rate equivalent to the change in the All Groups Consumer Price Index (updated quarterly). Four funding rounds were completed, with the final round of offers finalised in 2013. No further loans will be allocated under the program. The total amount owing to the Commonwealth as at 30 June 2022 is \$225.9 million.

Industry, Science, Energy and Resources

Clean Energy Finance Corporation

The Clean Energy Finance Corporation (CEFC) has developed a portfolio of loans and investments across the spectrum of clean energy technologies, as required by the *Clean Energy Finance Corporation Act 2012*. This portfolio has an acceptable but not excessive level of risk relative to the sector, as required under the Clean Energy Finance Corporation Investment Mandate Direction 2020.

The CEFC's loan portfolio consists of predominantly senior-ranking, secured loans, and secured project finance facilities, typically secured against energy-generating assets such as wind or solar farms or biogas facilities or energy efficiency assets. The CEFC has predominantly made loans as a co-financier either jointly or in consortiums with private sector financial institutions. Interest rates vary with a current average expected return of approximately 3.9 per cent. Loans have various maturity dates, typically in the range of 5 to 15 years. As at 30 June 2022, loans contracted and outstanding are expected to total \$2.96 billion.

Infrastructure, Transport, Regional Development and Communications

NBN Co Loan

The Australian Government has provided a loan of \$19.5 billion to NBN Co, on commercial terms, which was fully drawn in July 2020. The loan was established in December 2016 and must be repaid in full by 30 June 2024. NBN Co commenced repaying the loan in December 2020, and as at 28 February 2022 has made repayments of \$12.1 billion. The outstanding balance of the loan is \$7.4 billion. The loan has a fixed interest rate of 3.96 per cent per annum, with interest payable monthly over the life of the facility.

Northern Australia Infrastructure Facility Loans

The Northern Australian Infrastructure Facility (NAIF) is a lending facility established by the Commonwealth Government under the *Northern Australia Infrastructure Facility Act 2016* and will operate until 30 June 2026. The primary purpose of the NAIF is to provide loans or alternative financing mechanisms to infrastructure projects. The infrastructure that NAIF is able to finance is wide ranging and includes assets that facilitate the establishment or enhancement of business activity or increase economic activity in a region.

To be eligible for a loan from the NAIF, including up to 100 per cent of the project's debt, project proponents must meet the mandatory criteria outlined in the NAIF Investment Mandate of 30 June 2021. Since its establishment, the NAIF has been amended to:

- expand the eligibility for NAIF financing to include non-construction activities associated with the development of economic infrastructure
- provide NAIF with expanded debt tools, including the ability to provide letters of credit, guarantees and lend in foreign currency, finance smaller loans through working with financing partnerships and in certain circumstances provide financing directly to proponents rather than via the States or Northern Territory
- make equity investments subject to a cap of \$50 million and a minimum of \$5 million per investment, for non-controlling interest
- enhance the potential to deliver significant public benefit to northern Australia by removing the prohibition against the Commonwealth assuming the majority risk in any project. The new requirement is that the financial risk be acceptable but not excessive.

Further changes were announced in the 2020-21 MYEFO context to simplify the NAIF's use of debt tools other than loans, such as guarantees and the purchase of bonds, and to permit the NAIF to make equity investments.

The Commonwealth Government has introduced legislation to give effect to these changes.

WestConnex Stage 2 Concessional Loan

The WestConnex concessional loan is a \$2 billion loan facility provided to deliver WestConnex Stage 2. The concessional loan enabled Stage 2 to be brought forward, allowing Stages 1 and 2 to proceed in parallel. This resulted in significant time savings, compared to the original approach where these stages progressed in sequence.

WestConnex Stage 2 includes the King Georges Road Interchange Upgrade (completed in 2016) and construction of new twin tunnels from Kingsgrove to a new St Peters

interchange, providing motorway connections to Alexandria and Mascot, the future Sydney Gateway and the M4-M5 Link.

The concessional loan agreement requires that the loan be repaid between September 2029 and July 2034.

Prime Minister and Cabinet

Indigenous Home Ownership, Business Development and Assistance

Indigenous Business Australia (IBA) delivers flexible loans with concessional interest rates to improve Indigenous home ownership across Australia, including in remote Indigenous communities. IBA also provides concessional interest rate business loans and business support to increase Indigenous ownership of small to medium sized enterprises, and support their sustainability and growth. As at 30 June 2021, the fair value of outstanding loans for Indigenous Home Ownership and Business Development and Assistance will total \$1.0 billion.

Voyages Indigenous Tourism Australia Pty Ltd

The Indigenous Land and Sea Corporation (ILSC) purchased Ayers Rock Resort (ARR) for \$291.2 million in May 2011 and immediately on-sold it to its wholly owned subsidiary, Voyages Indigenous Tourism Australia Pty Ltd (Voyages), creating an intercompany loan that is partly funded by borrowings. The interest rate is set at the 90-day bank bill swap reference rate plus 5 per cent, and is reset six-monthly. As at 30 June 2021, the outstanding loan balance was \$292.2 million.

Social Services

Student Financial Supplement Scheme

The Student Financial Supplement Scheme (SFSS) commenced in January 1993 and closed on 31 December 2003. It was a voluntary income-contingent loan scheme for tertiary students (primarily Austudy and ABSTUDY) to help cover their living expenses while studying. Under the scheme, eligible students were able to trade one dollar of income support entitlement for two dollars in loans. Debtors are required to start repaying their SFSS loan once they earn \$47,014 for 2021-22 and only after they have repaid any HELP and Vocational Education Training (VET) student loan debt. As at 30 June 2022, the fair value of SFSS loans outstanding was valued at \$339.0 million.

Student Start-up Loan

The Student Start-up Loan (SSL) is a voluntary income-contingent loan for student payment (Youth Allowance (student), Austudy and ABSTUDY Living Allowance) recipients undertaking higher education. Introduced on 1 January 2016, the SSL is paid a maximum of twice a year and each SSL payment is valued at \$1,132 (in 2022). The SSL is repayable under similar arrangements to Higher Education Loan Program (HELP) debts. Students are required to start repaying their SSL once they earn over

\$47,014 for 2021-22 and only after they have repaid any HELP and Vocational Education Training (VET) student loan debt. When it commenced, the SSL was initially for new student payment recipients undertaking higher education. From 1 July 2017, with the closure of the Student Start-up Scholarship, the SSL has become available to all eligible student payment recipients undertaking higher education. As at 30 June 2022, the fair value of the Student Start-up Loan was valued at \$732.9 million.

Treasury

Affordable Housing Bond Aggregator

The Australian Government, through the Treasury, has made available a line of credit for the National Housing Finance and Investment Corporation's (NHFIC) Affordable Housing Bond Aggregator (AHBA). The provision of funds will be in accordance with appropriations under the *National Housing Finance and Investment Corporation Act 2018*. The line of credit is ongoing, and funds borrowed will be repaid with interest. The Treasury manages the receipt of interest and principal repayments from the NHFIC.

Commonwealth-State financing arrangements – Housing and Specific Purpose Capital

From 1945 to 1989, the Australian Government made concessional advances to the state and Northern Territory Governments under Commonwealth-State financing arrangements for housing and for specific purpose capital. The advances were concessional fixed-rate loans to be repaid over 53 years, with the last loans maturing in 2042. Annual payments, comprising both interest and principal repayment, are made to the Commonwealth Government. As at 30 June 2021, the amortised value of the advances was \$1.414 billion (and principal value of \$1.554 billion).

The Australian Office of Financial Management manages the receipt of interest and principal repayments from the state and Northern Territory Governments to the Commonwealth Government.

International Monetary Fund – New Arrangements to Borrow

Australia has made a line of credit available to the International Monetary Fund (IMF) under its New Arrangements to Borrow (NAB) since 1998. On 26 January 2020, the IMF Executive Board agreed to a new NAB period from 1 January 2021 to 31 December 2025. The NAB helps ensure that the IMF has the resources available to maintain stability and support recovery in the global economy. NAB funds are drawn upon by the IMF as needed to supplement the IMF's usual quota resources and will be repaid in full with interest. It is estimated that the value of loans outstanding to Australia is SDR 45.7 million (approximately A\$86.8 million) as at 30 June 2022.

International Monetary Fund – Poverty Reduction and Growth Trust

On 26 October 2020, the Australian Government entered into an agreement to make a line of credit available to the International Monetary Fund (IMF) under the

Poverty Reduction and Growth Trust (PRGT) through to 31 December 2029. The PRGT provides concessional financial support to low-income countries to help them achieve, maintain, or restore a stable and sustainable macroeconomic position. PRGT funds are drawn upon by the IMF as needed and will be repaid in full with interest.

It is estimated that the value of loans outstanding to Australia was SDR 210.6 million (approximately A\$401.4 million) as at 30 June 2022.

Loan Agreement between the Government of Australia and the Government of Indonesia

On 12 November 2020, Australia entered into a A\$1.5 billion loan agreement with Indonesia. This agreement is part of a multilateral action to support Indonesia led by the Asian Development Bank (ADB) and includes the Asian Infrastructure Investment Bank, the Japan International Cooperation Agency (JICA) and the German state-owned development bank (KfW).

The funds will be used to support Indonesia's COVID-19 response, including social protection initiatives and health system development.

Loan to the Government of Papua New Guinea

On 23 November 2020, the Government entered into a loan agreement for US\$400 million (approximately A\$558 million) in 2020-21 to the Government of Papua New Guinea. The loan refinances the US\$300 million short-term loan made in 2019-20 and a further A\$140 million loan for budget support, including PNG's response to COVID-19. The previous short-term loan was made to support budget sustainability, assist in the delivery of core government services, support longer term economic reforms, and increase the availability of foreign exchange in the country. The Australian Government has agreed with PNG to temporarily suspend principal and interest repayments for the loan consistent with the Debt Service Suspension Initiative of G20 nations to support low-income nations during the COVID-19 pandemic.

2021 Loan to Government of Papua New Guinea

On 10 December 2021, the Australian Government entered into a loan agreement for AU\$650 million in 2021-22 to the Government of Papua New Guinea. The loan was provided in response to a request from the PNG Prime Minister for further support to enable the PNG Government to meet required expenditure in their 2021 Budget, including on the health and economic response to the COVID-19 pandemic. The loan is also provided to help PNG continue progress on economic reforms under the second International Monetary Fund Staff-Monitored Program.