

**Senate Standing Committee on Economics**  
**ANSWERS TO QUESTIONS ON NOTICE**  
Industry, Innovation, Science, Research and Tertiary Education Portfolio  
Additional Estimates Hearing 2011-12  
15 February 2012

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**AGENCY/DEPARTMENT:** DEPARTMENT OF INDUSTRY, INNOVATION, SCIENCE, RESEARCH AND TERTIARY EDUCATION

**TOPIC:** Howe Automotive Limited

**REFERENCE:** Written Question –Senators Ryan

**QUESTION No.:** AI-218

Appropriation Bill 4 (2011-12) show a \$25m loan to Howe and Company Proprietary Limited and its parent company Howe Automotive Limited, to be fully repaid over 10 years with interest.

- a) What is the purpose of the loan?
- b) What is the loan terms and conditions?
- c) What is the interest?
- d) What if the loan is not repaid?

**ANSWER**

- a) In the 1990s, as part of the resolution of a long running trade dispute with the United States of America (US), Howe and Company Proprietary Limited and its parent company Howe Automotive Limited (collectively known as Howe Leather) were excluded from the automotive and textile, clothing and footwear (TCF) industry support schemes. Under the terms of an agreement between the Governments of Australia and the US, loans have been provided to Howe Leather since 1997 in recognition of its exclusion from industry specific programs. The latest loan is structured to ensure it is fully repaid over the life of the loan so there will be no requirement to provide a further loan at the end of this period. This loan will allow Howe Leather to continue its business which employs approximately 160 people in Australia.
- b) The loan is being provided on commercial terms and will require Howe Leather to make annual interest and principal repayments over its 10-year life. A condition of the loan was that the balances of two existing loans due to the Government were to be repaid before the new loan could be drawn upon. Howe Leather repaid these loans on 30 January 2012 and drew upon the new loan on 1 February 2012.
- c) The interest on the new loan is 425 basis points (4.25 per cent) above the ten-year government bond rate.
- d) The Government is a secured lender to Howe Leather. As a secured lender, the Government would take precedence over unsecured lenders when recovering funds.