

Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Industry, Innovation, Science, Research and Tertiary Education Portfolio
Supplementary Budget Estimates Hearing 2012-13
17 October 2012

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

TOPIC: Alcoa Package

REFERENCE: Written Question – Senator Bushby

QUESTION No.: SI-96

1. On what date did deliberations begin on the Government's \$42m package for Alcoa that was announced publicly in June 2012, and why?
2. What was the nature and extent of the Department's work on the package – and on what date did that work commence?
3. How was the figure of \$42m specifically determined? And how will that spending specifically be broken down?
4. When was the contract signed, and how many different milestones are included in it for Alcoa to meet?
5. Is it a staggered payment, or a lump sum – and on what date is the final payment scheduled to be made?
6. What are, and where can the public see, the criteria for this deal and the requirements with which Alcoa needs to comply in spending the money?
7. On what date was the contract signed?
8. Was a formal cost benefit analysis undertaken for the Alcoa deal? If so, on what date did work on that analysis begin and on what date was it completed?

ANSWER

1. The package for Alcoa is \$40 million, not \$42 million. Deliberations began on 1 June 2012 following an approach from Alcoa for assistance and instruction from the Minister.
2. The Department developed the package. Work began on 1 June 2012.
3. The figure is \$40 million, not \$42 million. It was negotiated with Alcoa. Under the agreement, Alcoa can spend the funds on: capital investments; maintenance and repairs; energy efficiency or environmental projects; and workforce development.
4. The contract was signed on 28 June 2012. Alcoa is required to meet six different milestones.
5. It was a lump sum payment. It was made on 28 June 2012.
6. The Point Henry smelter must remain open until at least July 2014. Alcoa must maintain production at levels comparable to the recent past. Failure to meet these conditions will require Alcoa to make pro-rata repayments. Alcoa is also required to relinquish Energy Security Fund permits for the years 2015-2016 and 2016-17. Under the agreement, Alcoa can spend the funds

on: capital investments; maintenance and repairs; energy efficiency or environmental projects; and workforce development

Information on the grant can be found in the Minister Combet's press release and the transcript of the announcement. Both can be found on the Minister's website.

<http://minister.innovation.gov.au/gregcombet/MediaReleases/Pages/40millionfundingforPointHenryaluminiumsmelter.aspx>

<http://minister.innovation.gov.au/gregcombet/Transcripts/Pages/TranscriptPointHenryAluminiumSmelterFunding.aspx>

7. The contract was signed on 28 June 2012.
8. A formal cost benefit analysis was not undertaken.