

EDUCATION, SCIENCE AND TRAINING

SENATE LEGISLATION COMMITTEE – QUESTIONS ON NOTICE 2003-2004 SUPPLEMENTARY ESTIMATES HEARING

Outcome: CSIRO
Output Group: - CSIRO

DEST Question No. E559_04

Senator Carr asked on 5 November 2003.

Question:

- a) Note 15 is not as clear about the contingent liability for interest of Commonwealth government loans. These now stand at \$9.4 million. Is CSIRO obliged to repay the Commonwealth irrespective of AMC's future or is repayment of interest contingent on receiving royalty payments?
- b) Could you provide a copy of the terms of these loans dealing with interest repayments?
- c) In the event of AMC defaulting completely, who bears the cost of this unpaid interest?

Answer:

CSIRO has provided the following response.

Contingent liabilities – AMC Loan - liability for interest

- a) No. CSIRO's obligation to repay the loan and interest liability to the Australian Government is dependant on it receiving royalties from AMC on commencement of commercial magnesium production.
- b) In relation to the \$20 million loan, the 1992 letter from the then Minister for Science and Technology to CSIRO provides information regarding the terms of the loan dealing with interest repayments.

In relation to the \$50 million loan over the period 2001-02 and 2002-03, the following clauses extracted from the agreement between the Government of Australia and CSIRO provide the relevant terms of the loan relating to interest repayments:

8. INTEREST

8.1 Liability to pay interest

Subject to clause 10, CSIRO must pay to the Minister interest at the Interest Rate on the Principle Outstanding from Net Royalty Payments for the year ending on the immediately preceding Interest Calculation Date. Interest is payable in arrears on each Payment Date.

8.2 Calculation of interest

Interest will be calculated on the actual number of days from and including the first day of each Funding Period, on the principle outstanding, to the last day

of the Funding Period. The Minister will notify CSIRO of the amount of interest accrued to that date.

8.3 Capitalisation of interest

If any amount of Interest which is payable on a Payment Date is not paid on that date, the amount of the interest will be added to the Principle Outstanding and will itself attract interest in accordance with this clause 8.

10. NON-RECOURSE

Despite any other provision of this agreement, the obligation of CSIRO to repay the principle outstanding or to pay Interest or to pay the Money Owing is limited to the Royalty Payments received by CSIRO less the Costs.

c) The Government of Australia will bear the cost.