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.

CONTENTS

STATEMENT 8: STATEMENT OF RISKS

The forward estimates of revenue and expenses in the 2016-17 Budget incorporate assumptions and judgments based on the best information available at the time of publication. A range of factors may influence the actual budget outcome in future years. The disclosure of these factors in this Statement increases the transparency of the fiscal projections.

Events that could affect fiscal outcomes include:

- changes in economic and other parameters, particularly global economic developments;
- matters not included in the fiscal forecasts because of uncertainty about their timing, magnitude or likelihood; and
- the realisation of contingent liabilities or assets.

RISKS TO THE BUDGET — OVERVIEW

The revenue and expense estimates and projections published in the 2016-17 Budget Papers are based on a range of economic and other parameters. If the economic outlook were to differ from that presented in the Budget, the revenue and expense estimates and projections would also change. The sensitivity of budget estimates to changes in economic assumptions is discussed in *Statement 7: Forecasting Performance and Scenario Analysis.*

To the extent that unanticipated changes in economic conditions occur, their impact will flow through to government expense and revenue forecasts. For example, over the past year weaker than expected growth in wages has been reflected in weaker forecasts for tax revenue and higher than expected social services payments.

In addition, revenue forecasting relies on the observed historical relationships between the economy, tax bases and tax revenues. Such relationships may shift as conditions change and present a further risk to the estimates. For example, losses incurred during the global financial crisis have posed particular challenges in estimating both the quantum and timing of loss utilisation. Revenue forecasts also incorporate costings for new policies which also typically have a margin of uncertainty.

The Budget is subject to a number of contingent liabilities. A large number of these contingent liabilities 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 the Export Finance and Insurance Corporation 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.

There have been several changes to both the quantifiable and unquantifiable risks since the *2015-16 Mid-Year Economic and Fiscal Outlook (MYEFO)*. General revaluations of securities and deposits have led to certain risks such as the Guarantee of State and Territory Borrowings and the Financial Claims Scheme being modified. Several new risk items have also arisen since the MYEFO.

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 listed in this Statement. 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.

Table 1 outlines how fiscal risks, assets and liabilities and contingent assets and liabilities are disclosed in the Budget.

Table 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 has been included in the Statement of Risks since the 2014-15 Budget.

ECONOMIC AND OTHER PARAMETERS

Changes in economic parameters represent a risk to the estimates included in the Budget. The realisation of any of the domestic or internationally based risks discussed in *Statement 2: Economic Outlook* could potentially affect the budget estimates. Statement 7 examines the impact on receipts and payments of altering some of the key economic assumptions underlying the Budget estimates.

FISCAL RISKS

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. Specific fiscal risks to the budget and forward estimates are detailed below.

The 2016-17 estimates for the Department of Defence include the cost of major operations of the Australian Defence Force in 2016-17 in Afghanistan, Iraq, Syria, the broader Middle East region, and the protection of Australia's borders and offshore maritime interests. Funding is considered on a year-by-year basis and the forward estimates do not provide for extensions of currently approved operations beyond 2016-17. This is consistent with past practice. The Department of Defence will likely have additional funding requirements for major operations beyond 30 June 2017.

The Australian Government has supported the Gold Coast's bid to host the 2018 Commonwealth Games through the provision of commitments in areas such as immigration, customs, work permits, taxation, security, protection of commercial rights, and communications and information technology. Not all costs associated with delivery of the commitments are available at this time.

The introduction in the 2014-15 Budget of a 1500 gigalitre (GL) cap on Australian Government water purchasing under the Basin Plan comes with a potential, but currently unquantifiable, fiscal risk for the Government. If there is a substantial shortfall in sustainable diversion limit (SDL) adjustments from supply measures, then the cap on water purchases may be reached and other potentially more expensive means of water recovery will need to be used to meet SDLs. It will not be possible to identify whether this risk will be realised, and what the financial implications are, until the SDL adjustment mechanism commences in 2016-17.

In February 2016 the Commonwealth agreed to assume one-third of the default risk associated with a $320 million New South Wales Government loan to the Asbestos Injuries Compensation Fund (AICF), contingent on all States and Territories agreeing to assume the remaining default risk. 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 the $320 million loan facility in 2010 to enable AICF to continue to pay compensation as lump sums, rather than on an instalment basis. As at 31 March 2016, not all States and Territories have confirmed their agreement to this arrangement.

The Australian Government has confirmed that the site for a Western Sydney Airport will be Badgerys Creek. The Government has been progressing its obligations under the Right of First Refusal contained in the 2002 Sydney (Kingsford Smith) Airport Sale Agreement and is considering options for an airport proposal to meet Sydney's future aviation capacity needs. The Government may then make a decision to enter a contractual phase, which would involve issuing a Notice of Intention (setting out the detailed terms for the development and operation of the airport) to Sydney Airport Group. Sydney Airport Group would have the opportunity to exercise its option to develop and operate the proposed airport. Should Sydney Airport Group decline the opportunity, the Government may approach the market, or choose to develop and/or operate the airport itself. When the terms for developing and operating the airport are finalised and the party that will develop and operate the airport identified, financial support from the Government may be required. Government financial support for the project would have implications for the fiscal position, for example by increasing assets and liabilities on the balance sheet, and depending on the nature of support, could have positive or negative impacts on the underlying cash balance.

The Australian Government has committed $29.5 billion in equity to NBN Co Limited (nbn), which is expected to be fully utilised by the end of the 2016-17 financial year. Consistent with nbn's 2016 Corporate Plan, nbn is expected to raise debt from external markets of between $16.5 billion and $26.5 billion (with a base case of $19.5 billion) to complete the rollout of the network. nbn is currently undertaking the necessary preparatory work on the proposed debt raising. In the event that nbn is initially unable to raise the necessary debt on acceptable terms, interim funding support may be required. Were it required, additional Government financial support for nbn would have implications for the fiscal position, for example by increasing assets and liabilities on the balance sheet and, depending on the nature of support, could have positive or negative impacts on the underlying cash balance.

The Australian Government has committed to build the Inland Rail project through the Australian Rail Track Corporation (ARTC) to provide a direct, high-performance freight rail corridor between Melbourne and Brisbane as well as creating a new freight corridor between Brisbane and Perth (via Parkes). The Government has committed $594 million in equity for land acquisition for the Inland Rail corridor and further due diligence activities. Decisions on financing arrangements and delivery options will take into account the results of a market testing process. The full cost of Inland Rail is expected to be up to $10.7 billion with the possibility of significant private sector involvement in project delivery. Any further Government financial support for the project would have implications for the fiscal position, for example by increasing assets and liabilities on the balance sheet, and depending on the nature of support, could have positive or negative impacts on the underlying cash balance.

The Australian Government funds the care and management of asylum seekers in Regional Processing Centres (RPCs) to support host governments' management, removal and resettlement of these people. Any significant changes in the number of asylum seekers managed under these arrangements, the operations of the facilities, or to estimates of the number of refugees being resettled may incur a cost or generate cost reductions which are unquantifiable at this time.

There are a significant number of measures that impact on the Budget aggregates and remain subject to the legislative process. If legislation is not passed by Parliament as proposed, this may affect the estimates and projections of the Budget.

CONTINGENT LIABILITIES AND ASSETS

Contingent liabilities and contingent assets of the Australian Government are listed below by portfolio. These contingent liabilities and assets are a specific category of fiscal risks. Broadly, they represent possible costs or gains to the Australian Government arising from past events or decisions which will be confirmed or otherwise by the outcome of future events that are not within the Government's control.

Contingencies reported in this statement include loan guarantees, non-loan guarantees, warranties, indemnities, uncalled capital and letters of comfort, together with those contingencies considered remote. These contingencies are in addition to the liabilities and assets already recognised in the consolidated financial statements of the Australian Government general government sector in Statement 9.

In general, information on contingent liabilities and assets is based on information provided by Australian Government departments and entities and is current to 31 March 2016. In some cases, other dates are used and those are noted in the relevant section.

Table 2: Summary of contingent liabilities and contingent assets in the Statement of Risks since the 2015-16 Budget and the 2015-16 MYEFO[(a)]

Significant but remote contingencies	Status	Category [(b)(c)(d)]
Communications and the Arts		
NBN Co Limited — Equity Agreement	Modified	Guarantee
Optus financial guarantee	Modified	Guarantee
Telstra Financial Guarantee	Modified	Guarantee
Termination of the funding agreement with OPEL Network Pty Ltd	Unchanged	Other
Defence		
ADI Limited — Officers' and Directors' indemnities	Unchanged	Indemnity
Remote contingencies	Modified	Indemnity
Litigation cases	Unchanged	Other
Employment		
jobactive — Employment Fund	Removed	Other
Industry, Innovation and Science		
Liability for damages caused by space activities	Unchanged	Other
Infrastructure and Regional Development		
Maritime Industry Finance Company Limited — Board Members' Indemnity	Unchanged	Indemnity
Moorebank Intermodal Company Limited — Board Members' Indemnity	Unchanged	Indemnity
Moorebank Intermodal Company Limited — Glenfield Waste Site Easement	New	Indemnity
Moorebank Intermodal Company Limited — Termination of the Equity Funding Agreement	New	Indemnity
Tripartite deeds relating to the sale of federal leased airports	Unchanged	Other
Treasury		
Financial Claims Scheme	Modified	Guarantee
Guarantee of State and Territory Borrowing	Modified	Guarantee
Guarantees under the *Commonwealth Bank Sale Act 1995*	Modified	Guarantee
Reserve Bank of Australia — guarantee	Modified	Guarantee
Contingent liabilities — unquantifiable		
Agriculture and Water Resources		
Compensation claims arising from suspension of livestock exports to Indonesia	Modified	Other
Compensation claims arising from equine influenza outbreak	Modified	Other
Emergency pest and disease response arrangements and funding	Modified	Other
Attorney-General's		
Native Title agreements — access to geospatial data	Removed	Indemnity
Australian Victims of Terrorism Overseas Payment	Modified	Other
Disaster Recovery	Unchanged	Other
Native Title costs	Unchanged	Other
Communications and the Arts		
NBN Co Limited — Board Members' Insolvency Indemnity	Modified	Indemnity

Table 2: Summary of contingent liabilities and contingent assets in the Statement of Risks since the 2015-16 Budget and the 2015-16 MYEFO[(a)] (continued)

Contingent liabilities — unquantifiable (continued)	Status	Category
Defence		
Cockatoo Island Dockyard	Unchanged	Indemnity
Land decontamination, site restoration and decommissioning of Defence assets	Modified	Other
Non-remote contingent liabilities	Modified	Other
Finance		
ASC Pty Ltd — Directors' indemnities	Unchanged	Indemnity
Commonwealth Superannuation Corporation — immunity and indemnity	Unchanged	Indemnity
Future Fund Management Agency and Future Fund Board of Guardians — indemnity	Unchanged	Indemnity
Googong Dam	Unchanged	Indemnity
Indemnities for the Reserve Bank of Australia and private sector banks	Unchanged	Indemnity
Indemnities relating to other former asset sales, privatisations and information technology outsourcing projects	Unchanged	Indemnity
Australian Government general insurance fund — Comcover	Modified	Other
Australian Government domestic property	Modified	Other
Health		
Australian Medical Association — Private Mental Health Alliance	Unchanged	Indemnity
Australian Red Cross Society — indemnities	Modified	Indemnity
Blood and blood products liability cover	Unchanged	Indemnity
CSL Ltd	Unchanged	Indemnity
Indemnities relating to vaccines	Unchanged	Indemnity
Medical Indemnity Exceptional Claims Scheme	Unchanged	Indemnity
New South Wales Health Administration Council — indemnity	Unchanged	Indemnity
Tobacco plain packaging litigation	Unchanged	Other
Immigration and Border Protection		
Immigration detention services by State and Territory governments — liability limit	Modified	Indemnity
Immigration detention services contract — liability limit	Unchanged	Indemnity
Garrison and welfare services at Regional Processing Countries contract — liability limit	Modified	Indemnity
Industry, Innovation and Science		
Australian Nuclear Science and Technology Organisation — indemnity	Modified	Indemnity
British atomic test site at Maralinga	Unchanged	Indemnity
Gorgon liquefied natural gas and carbon dioxide storage project — long-term liability	Unchanged	Indemnity
Snowy Hydro Limited — water releases	Unchanged	Indemnity
Liability for costs incurred in a national liquid fuel emergency	Unchanged	Other
Infrastructure and Regional Development		
Indemnity provided to the New South Wales Rural Fire Service in relation to the Jervis Bay Territory	Unchanged	Indemnity
Aviation Rescue & Fire Fighting potential Polyfluorinated Chemical Contamination	Modified	Other
Australian Maritime Safety Authority incident costs	Unchanged	Other
Service Delivery Arrangement Indemnities — External Territories	Modified	Indemnity

Table 2: Summary of contingent liabilities and contingent assets in the Statement of Risks since the 2015-16 Budget and the 2015-16 MYEFO[(a)] (continued)

Contingent liabilities — unquantifiable (continued)	Status	Category
Social Services		
Business Services Wage Assessment Tool	Modified	Other
National Disability Insurance Scheme	Modified	Other
Treasury		
Terrorism insurance — commercial cover	Unchanged	Guarantee
Contingent assets — unquantifiable		
Defence		
Non-remote contingent assets	Unchanged	Other
Health		
Legal action seeking compensation from Sanofi	Modified	Other
Legal action seeking compensation from Wyeth	Modified	Other
Industry, Innovation and Science		
Wireless Local Area Network	Modified	Other
Contingent liabilities — quantifiable		
Defence		
Claims against the Department of Defence	Unchanged	Other
Employment		
Indemnity provided to the Administrator and the Assistant Administrators of the Health Services Union	Unchanged	Indemnity
Environment		
Low Carbon Australia Limited — Board of Directors' and senior management indemnities	Unchanged	Indemnity
Foreign Affairs and Trade		
Export Finance and Insurance Corporation	Modified	Guarantee
Health		
Accommodation Payment Guarantee Scheme	Modified	Guarantee
Infrastructure and Regional Development		
Australian Government contribution to the East West Link project	Unchanged	Other
Virgin Australia Airlines Pty Ltd Confidentiality and Non-Disclosure Agreement	Unchanged	Indemnity
Treasury		
Australian Taxation Office — tax disputes	Modified	Other
International financial institutions — uncalled capital subscriptions	Modified	Other
International Monetary Fund	Modified	Other
Contingent assets — quantifiable		
Defence		
Claims by the Department of Defence	Unchanged	Other

(a) Detailed descriptions of these items are in the following text.
(b) Guarantees — a guarantee is where one party promises to be responsible for the debt or performance obligations of another party should that party default in some way.
(c) Indemnities — an indemnity is a legally binding promise whereby a party undertakes to accept the risk of loss or damage another party may suffer.
(d) Other — contingent liabilities and assets which are not guarantees or indemnities.

SIGNIFICANT BUT REMOTE CONTINGENCIES

Communications and the Arts

NBN Co Limited — Equity Agreement

The Australian Government has entered into an Equity Funding Agreement with NBN Co Limited (nbn). The Agreement formalises the Australian Government's intention to provide equity to fund the roll-out of the National Broadband Network, with such funding being conditional on the annual appropriation processes. In addition, it commits the Australian Government, in the event of a termination of the National Broadband Network roll-out, to provide sufficient funds to nbn to meet its costs arising from that termination. Although the nbn Equity Funding Agreement will end in 2019, the Commonwealth would retain obligations to meet nbn's costs arising from a termination of the roll-out. As at 29 February 2016, nbn's termination liabilities were estimated at $9.4 billion.

Optus financial guarantee

The Australian Government has provided a guarantee in respect of the NBN Co Limited'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 (Guarantee). An amended version of that Agreement came into effect on 19 September 2015 and 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 areas. As at 29 February 2016 it is estimated that the Australian Government's liability under the Guarantee will not exceed $50 million. There is a low risk that a claim would be made under the Guarantee. The Guarantee will terminate in 2021.

Telstra Financial Guarantee

The Australian Government has provided a guarantee to Telstra Corporation Limited (Telstra) in respect of NBN Co Limited's (nbn) financial obligations to Telstra 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 agreements between Telstra and nbn 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 Australian Government is only liable in the event nbn does not pay an amount when due under the Definitive Agreements. As at 29 February 2016, nbn had generated liabilities covered by the guarantee estimated at $4.3 billion. The guarantee will terminate when nbn achieves specified credit ratings for a period of two continuous years and either:

- the company is capitalised by the Commonwealth to the agreed amount; or

- 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.

Termination of the funding agreement with OPEL Network Pty Ltd

As at 31 March 2016, the Australian Government is a party to legal action brought by OPEL Networks Pty Ltd (in Liquidation) (OPEL) and Optus Networks Pty Ltd (Optus) in relation to an agreement under the Broadband Connect Infrastructure Programme. OPEL is a joint venture between Optus and Elders Telecommunications Infrastructure Pty Ltd. The outcome of that litigation is unknown as the proceedings are ongoing.

Defence

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.

Remote contingencies

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

As at 31 March 2016, the Department of Defence carried 1,520 instances of quantifiable remote contingent liabilities valued at $5.5 billion and 529 instances of unquantifiable remote contingent liabilities, of which 520 relate to Foreign Military Sales. Defence also had three instances of quantifiable remote contingent assets valued at $0.3 million.

Litigation cases

The Department of 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 use of negotiation. The litigation includes common law liability claims, including for personal injury and property damage. A number of claims have been received seeking compensation for loss, injury or damage caused by the use of a Defence Practice Area. A number of claims have also been received following reviews into Australian Defence Force and Defence culture. There is potential for claims to arise from the disposal of assets to third parties where such assets contain hazardous materials or components that have the potential to cause injury.

Industry, Innovation and Science

Liability for damages caused by space activities

Under the United Nations Convention on International Liability for Damage Caused by Space Objects, the Australian Government is liable to pay compensation for damage caused to nationals of other countries by space objects launched from, or by, Australia or Australian nationals. The Government requires the responsible party for a space activity approved under the *Space Activities Act 1998* (the Act) to insure against, or take financial responsibility for, damage to third parties for an amount not less than the maximum probable loss or a minimum amount of insurance determined by an insurance analyst, up to a maximum of $750 million indexed for inflation. Under the Act, the Government also accepts liability for damage suffered by Australian nationals, to a maximum value of $3 billion above the insured level.

Infrastructure and Regional Development

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 on 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 Company Limited — Board Members' Indemnity

The Australian Government has provided certain indemnities for the Directors and Officers of the Moorebank Intermodal Company Limited (MIC) to protect them against civil claims relating to their employment and conduct. 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.

Moorebank Intermodal Company Limited — 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.

Moorebank Intermodal Company 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 Moorebank Intermodal Company Limited (MIC) in the event that the Commonwealth terminates the Equity Funding Agreement between the Commonwealth and MIC, for reasons other than a breach by MIC.

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 its termination of the (head) lease, once all Australian Government costs have been recovered. The Australian Government's contingent liabilities are considered to be unquantifiable and remote.

Treasury

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 Government's guarantee of deposits in ADIs. Payments are capped at $250,000 per account holder per ADI. As at 31 December 2015, deposits eligible for coverage under the Financial Claims Scheme were estimated to be $810 billion, compared to an estimated $777 billion as at 30 June 2015, reflecting overall deposit growth in the financial system.

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 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 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.

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 or Territory 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 or Territory at a future date. The impact on the Government's budget would depend upon the extent of the default and the State or Territory's ability to meet the Government's claim.

As at 31 March 2016, the face value of State and Territory borrowings covered by the guarantee was $9.3 billion, down from $10.8 billion at 30 September 2015.

Guarantees under the Commonwealth Bank Sale Act 1995

Under the terms of the *Commonwealth Bank Sale Act 1995*, the Australian Government has guaranteed various superannuation and other liabilities: $180 million is attributable to liabilities of the Commonwealth Bank of Australia, as at 31 March 2016; and $4.3 billion is attributable to liabilities of the Commonwealth Bank Officers' Superannuation Corporation, as at 31 March 2016.

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 major component of the Bank's liabilities is Australian banknotes on issue. Notes on issue amount to $70.1 billion, as at 16 March 2016, and the total guarantee is $110.0 billion ($101.9 billion at the 2015-16 Budget).

CONTINGENT LIABILITIES — UNQUANTIFIABLE

Agriculture and Water Resources

Compensation claims arising from suspension of livestock exports to Indonesia

Proceedings have commenced in the Federal Court of Australia seeking compensation for alleged losses due to the temporary suspension of exports of live animals to Indonesia that was put in place on 7 June 2011.

The final quantum of any damages sought cannot be predicted. The Department of Finance, which has responsibility for Comcover (the Australian Government's general insurance fund), has assumed responsibility for the potential claims under its insurance arrangements with the Department of Agriculture and Water Resources. The Commonwealth has denied liability.

Compensation claims arising from equine influenza outbreak

The Australian Government may become liable for compensation should it be found negligent in relation to the outbreak of equine influenza in 2007.

Proceedings have commenced in the Federal Court of Australia by Maurice Blackburn Lawyers with Attwood Marshall Lawyers who represent a closed class of 586 applicants claiming damages as a result of the 2007 equine influenza outbreak. No final quantum of damages sought can be calculated. The Department of Finance, which has responsibility for Comcover (the Australian Government's general insurance fund), has assumed responsibility for the potential claims under its insurance arrangements with the Department of Agriculture and Water Resources. The Commonwealth has denied liability.

Emergency pest and disease response arrangements and funding

National emergency response arrangements for animal, plant and environmental pest and disease incursions are largely funded through cost sharing agreements between Australian governments and, where relevant, 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 disease or pest incursion. Limited funding is provided in the forward estimates for the Australian Government's contribution under the emergency response agreements to pay the relevant State or Territory government. This funding is unlikely to be sufficient to meet the unquantifiable costs of a major pest or disease incursion, additional and multiple responses (noting there are currently 12 national cost shared emergency responses) or a large scale emergency response exercise.

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

Attorney-General's

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.

Disaster Recovery

The Australian Government provides funding to States and Territories through the Natural Disaster Relief and Recovery Arrangements (NDRRA) to assist with natural disaster relief and recovery costs. A State or Territory may claim NDRRA funding if a natural disaster occurs and State or Territory relief and recovery expenditure for that event meets the requirements set out in the NDRRA Determination. For major disasters, payments to individuals may be approved under the *Social Security Act 1991.* These include the Disaster Recovery Payment and Disaster Recovery Allowance. As natural disasters and their impacts are unpredictable, the cost of future disasters is unquantifiable and not included in the forward estimates.

Further, while current forward estimates for the NDRRA are 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 and the total cost of relief and recovery from these events may not be completely realised for some years. Estimates of all natural disasters are regularly reviewed and revised by the States and Territories as new information becomes available, and this, or the occurrence of future natural disasters, can in turn significantly affect the estimated NDRRA liability and payments.

Native Title costs

The Commonwealth can assist State and Territory governments in meeting certain Native Title costs pursuant to the *Native Title Act 1993* (the NTA), including compensation costs. A National Partnership Agreement was executed in 2010 between the Australian Government and Victoria, under which the Commonwealth provided a contribution towards the settlement of two native title claims. No other agreement has been entered into to date.

The Australian Government will also be liable for any compensation found to be payable under the NTA (and potentially also the Constitution) in respect of compensable acts for which the Australian Government is responsible. The Australian Government's liability in both scenarios cannot be quantified owing to uncertainty about the number and effect of compensable acts and the value of Native Title affected by those acts.

Communications and the Arts

NBN Co Limited — Board Members' Insolvency Indemnity

The Australian Government has provided each Director of NBN Co Limited (nbn) with an indemnity against liability as a result of the Government failing to meet its funding obligations to nbn. The liabilities covered by this indemnity would be no greater than those covered by the nbn Equity Agreement, with the exception of any legal expenses incurred by individual Directors arising from this indemnity.

Defence

Cockatoo Island Dockyard

On 13 October 2001, Cockatoo Island Dockyard (CODOCK) commenced proceedings against the Australian Government (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.

Land decontamination, site restoration and decommissioning of Defence assets

The Department of Defence (Defence) has made a financial provision for the estimated costs involved in restoring, decontaminating and decommissioning 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.

Non-remote contingent liabilities

The Department of Defence has 26 instances of unquantifiable non-remote contingent liabilities. There is potential for claims to arise from legacy contamination at various Defence locations.

Finance

ASC Pty Ltd — Directors' 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; for 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 for any claims and legal costs arising from the Directors acting in accordance with the Board's tasks and responsibilities, as defined under the indemnity.

Commonwealth Superannuation Corporation — immunity and indemnity

The *Governance of Australian Government Superannuation Schemes Act 2011* (the Governance Act) provides for 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. These immunities do not prevent CSC from being subject to any action, liability, claim or demand. 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.

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 2005. 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 the entity, or transactions made by the bank with the authority of the 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 (including the year they were raised) are still current for: ADI Ltd (1998), 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), ComLand Ltd (2004), Bankstown Airport Limited (2002), Camden Airport Ltd (2002), 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), Housing Loans Insurance Corporation Ltd (1996), Health Insurance Commission (2000), Hoxton Park Airport Limited (2002), Medibank Private Limited (2014) — these indemnities cease after 30 June 2022, National Transmission Network (1999), Sydney Airports Corporation Ltd (2001), Telstra (1996, 1999 and 2006), Wool International (1999), and the Albury Wodonga Development Corporation (2014). Apart from instances noted elsewhere, Finance does not currently expect any other action to be taken in respect of these indemnities.

Australian Government general insurance fund — Comcover

The Department of Finance through Comcover, the Australian Government's general insurance fund, provides insurance and risk management services to the Australian Government general government sector entities. The Department takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures, with estimates and judgements regularly evaluated and updated based on historical experience and other factors.

Australian Government domestic property

The Australian Government's domestic property portfolio managed by the Department of Finance has approximately 170 properties. This number has reduced from approximately 190 reported at the 2015-16 MYEFO due to the ongoing implementation of the measure — *Smaller Government – Surplus Commonwealth Properties – divestment*. A small number of properties have had potential remediation issues identified, which are currently the subject of further investigation. Except for the properties at Lucas Heights, New South Wales; and Cox Peninsula, Northern Territory, none of the remaining 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.

Health

Australian Medical Association — Private Mental Health Alliance

An agreement has been entered into between the Australian Medical Association Ltd (AMA), the Commonwealth, the Australian Private Hospitals Association Ltd and Private Healthcare Australia for participation in, and support of the Private Mental Health Alliance. Each party has agreed to indemnify each other in respect of any loss, liability, cost, claim or expense, misuse of confidential information, or breach of the *Privacy Act 1988* in respect of identified information collected, held or exchanged by the parties in connection with the National Model for the Collection and Analysis of a Minimum Data Set with Outcome Measures in Private, Hospital based Psychiatric Services. The AMA's liability to indemnify the other parties will be reduced proportionally to the extent that any unlawful or negligent act or omission of the other parties or their employees or agents contributed to the loss or damage. The indemnity survives the expiration or termination of the agreement.

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 the Australian Red Cross Blood Service 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 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

A National Managed Fund (NMF) has been established between the Australian Government, the Australian Red Cross Blood Service (the Blood Service) and the State and Territory governments which spreads the liability risks associated with the supply of blood and blood products by the Blood Service. The NMF provides for liabilities incurred by the Blood Service 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 the Blood Service 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 has operated since 1 January 2010, includes 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 the 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. Further, under certain conditions, certain indemnities have been provided to particular manufacturers of pandemic and pre pandemic influenza vaccines for the supply or future supply of influenza vaccines (including H1N1 and H5N1).

Medical Indemnity Exceptional Claims Scheme

In May 2003, the Australian Government announced that the Medical Indemnity Exceptional Claims Scheme was to assume liability for 100 per cent of any damages payable against a doctor that exceeds a specified level of cover provided by that doctor's medical indemnity insurer (currently $20 million). These arrangements would apply to payouts either related to a single large claim or to multiple claims that in aggregate exceed the cover provided by the doctor's medical indemnity insurer, and would apply to claims notified under contracts based cover since 1 January 2003.

New South Wales Health Administration Council — indemnity

The National Health Funding Body (NHFB) provided an indemnity to the New South Wales government through the New South Wales Health Administration Council (NSW HAC), in relation to a state funding pool account with the Reserve Bank of Australia. The indemnity includes liabilities or claims arising in relation to the NHFB in two respects:

(i) liabilities or claims arising from acts or omissions of NHFB staff as users of pool account information; and

(ii) liabilities or claims arising from unauthorised access to the banking services or system from NHFB premises.

NSW HAC has provided a reciprocal indemnity for the actions of staff of the NHFB to the Reserve Bank of Australia.

Tobacco plain packaging litigation

The Australian Government will continue to fund the defence of legal challenges to the tobacco plain packaging legislation in international forums. Further information about these cases has not been disclosed on the grounds that it may prejudice the outcomes of these cases or may relate to commercial information.

Immigration and Border Protection

Immigration detention services by State and Territory governments — liability limit

The Department of Immigration and Border Protection (DIBP) 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, contain 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 the proposed agreements.

	Service streams		
Jurisdictions	**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

DIBP negotiates arrangements as necessary for the provision of correction 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 Immigration and Border Protection (DIBP) 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 DIBP to a maximum of any insurance proceeds recovered by Serco up to a value of $330 million. Serco's liability is unlimited for specific events defined under the contract.

Garrison and welfare services at Regional Processing Countries contract — liability limit

The Department of Immigration and Border Protection (DIBP) entered into a contract with Broadspectrum Limited (BRS), formerly known as Transfield Services Ltd, which commenced on 24 March 2014, for the provision of garrison and welfare services at Regional Processing Countries on behalf of the Australian Government. The contract terms limit BRS' liability to DIBP to a maximum of any insurance proceeds recovered by BRS up to a value of $50 million.

Industry, Innovation and Science

Australian Nuclear Science and Technology Organisation — Indemnity

A Deed of Indemnity between the Commonwealth Government and ANSTO, under which the government has formally agreed to indemnify ANSTO and ANSTO Officers from any loss or liability arising from claims caused by ionising radiation, remains in place until August 2018. This indemnity does not specify that subsidiaries are included.

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

The Western Australian Government will indemnify the GJV, and the Australian Government will indemnify the Western Australian Government for 80 per cent of its liability to the GJV, for 15 years following the site closure certificate, for any amount determined to be payable under that indemnity. The formal agreement between the Australian and Western Australian Governments in relation to the indemnity was signed by the Prime Minister and the Premier of Western Australia on 13 February 2015.

Snowy Hydro Limited — water releases

The Australian, New South Wales and Victorian Governments have indemnified Snowy Hydro Limited for liabilities arising from water releases in the Snowy River below Jindabyne Dam, where these releases are in accordance with the water licence and related regulatory arrangements agreed between the three governments. The indemnity applies to liabilities for which a claim is notified within 20 years from 28 June 2002.

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 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.

Infrastructure and Regional Development

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

The Department of Infrastructure and Regional Development is required to engage the New South Wales Rural Fire Service (NSW RFS) to provide fire management support for the volunteer brigade located in the Jervis Bay Territory (JBT). To provide this service, the NSW RFS requires the Australian Government to provide an uncapped indemnity whereby the Australian Government would be liable for any damage caused as a result of the actions of the NSW RFS in the JBT while fighting a fire. The likelihood of an event occurring that may result in a liability for the Australian Government has been assessed as very remote and the risks are currently mitigated through the training and professional qualifications of the NSW RFS staff.

Aviation Rescue & Fire Fighting potential Polyfluorinated Chemical Contamination

Airservices Australia has identified a number of sites around the country that potentially have been contaminated with polyfluorinated chemicals (PFC) that were contained in firefighting foams. The foams containing these chemicals were widely used internationally and were used by Airservices Australia's predecessors from 1980 until 1995 and then by Airservices Australia from 1995 until 2010. The identified contaminants do not breakdown in the natural environment. Testing and assessment of the fire training grounds commenced in 2008-09 with some additional site assessments conducted in the years following. The amount for potential long-term remediation costs cannot be quantified at this time.

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 reserve of $10 million supported by a commercial line of credit of $40 million to provide funding should the overall clean up costs exceed the liability limit of the ship owner.

Service Delivery Arrangement Indemnities — External Territories

A range of services are delivered to the Indian Ocean Territories through arrangements that are in place with the Western Australian (WA) Government (referred to as Service

Delivery Arrangements or SDAs). There are 40 WA Government agencies delivering services to the Indian Ocean Territories.

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.

Commencing 1 July 2016, the New South Wales (NSW) Government will provide a range of services to the Norfolk Island community through an SDA. The Australian Government will provide certain indemnities for the NSW Government, their respective officers, agents, contractors and employees against civil claims relating to their employment and conduct as officers. A short term Memorandum of Understanding between NSW and the Australian Government to cover transitional activities to 30 June 2016 will also provide indemnities similar to that to be provided in the SDA.

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.

Social Services

Business Services Wage Assessment Tool

The Australian Government may become liable for a significant range of costs following the Full Federal Court ruling (21 December 2012) that the use of the Business Services Wage Assessment Tool to assess the wages of two intellectually disabled employees constituted unlawful discrimination under the *Disability Discrimination Act 1992*.

The Australian Government's potential liability cannot be quantified at this time. A representative proceeding against the Commonwealth continues in the Federal Court. Parties in the representative proceeding signed a settlement agreement on 9 February 2016. The settlement agreement requires approval of the Federal Court, which will be sought in the latter half of 2016.

National Disability Insurance Scheme

In bilateral negotiations to establish the National Disability Insurance Scheme (NDIS), the Australian Government committed to provide temporary, untied financial assistance to some jurisdictions that expected to have their GST entitlements adversely affected during the transition to the NDIS.

Under this commitment, the expected liability will depend on a range of factors including when participating jurisdictions achieve full rollout of the scheme, whether Western Australia signs up to the NDIS, and any impact resulting from the Commonwealth Grants Commission's treatment of the NDIS.

Treasury

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. 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 Treasurer must declare a reduced payout rate to insured entities if the Government's liability would otherwise exceed $10 billion.

CONTINGENT ASSETS — UNQUANTIFIABLE

Defence

Non remote contingent assets

The Department of Defence has 17 instances of unquantifiable non-remote contingent assets.

Health

Legal action seeking compensation from Sanofi

The Department of Health has initiated legal action to seek compensation from Sanofi, the original patent owner of clopidogrel (Plavix®), for additional costs to the Pharmaceutical Benefits Scheme (PBS) resulting from a delay in listing a generic version of clopidogrel. The first generic version of this medicine was listed in 2010 and the first price disclosure-based reduction occurred in 2012. Listing a generic form of clopidogrel on the Australian market earlier than 2010 would have triggered an automatic reduction to the price paid by the Government for clopidogrel through the PBS and would have resulted in further price disclosure reductions.

Legal action seeking compensation from Wyeth

The Department of Health has initiated legal action to seek compensation from Wyeth, the original patent owner of venlafaxine (Efexor®), for additional costs to the Pharmaceutical Benefits Scheme (PBS) resulting from a delay in listing a generic version of venlafaxine. The first generic version of this medicine was listed in 2012 and the first price disclosure-based reduction occurred in 2013. Listing a generic form of venlafaxine on the Australian market earlier than 2012 would have triggered an automatic reduction to the price paid by the Government for venlafaxine through the PBS and have resulted in further price disclosure-based reductions.

Industry, Innovation and Science

Wireless Local Area Network

The Commonwealth Scientific and Industrial Research Organisation (CSIRO) has ongoing patent infringement proceedings in the United States of America and Europe against one defendant. The patents cover CSIRO's invention of a wireless local area network. CSIRO expects to receive additional revenue which would exceed the associated legal costs.

CONTINGENT LIABILITIES — QUANTIFIABLE

Defence

Claims against the Department of Defence

The Department of Defence (Defence) has 19 instances of non-remote, quantifiable contingent liabilities in respect of claims on Defence valued at $25 million. The estimated figure is determined by conducting an objective analysis of the probable amount payable for all matters managed by the members of Defence's 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 is trying to resolve them by recourse to alternative dispute resolution measures.

Employment

Indemnity provided to the Administrator and the Assistant Administrators of the Health Services Union

The Australian Government continues to provide the Administrator and the Assistant Administrators of the Health Services Union with indemnities associated with their performance, pursuant to section 323 of the *Fair Work (Registered Organisations) Act 2009* (Cth).

The Commonwealth will irrevocably indemnify the indemnified parties against any and all demands, claims, suits, actions, liabilities, losses, costs and expenses which may be made or brought against or suffered or incurred by the indemnified parties in respect of the indemnified event or as a direct or indirect result of any claim made or purported to be made in respect of the indemnified event as evidenced in writing up to $20 million.

There are three indemnities, each of which is to the value of $20 million.

Environment

Low Carbon Australia Limited — Board of Directors' and senior management indemnities

The Australian Government has provided indemnities to directors and company officers of the former Low Carbon Australia Limited (LCAL). A total of seven indemnity deeds were executed in 2014. Each indemnity covers liability incurred by a director or officer arising from the implementation of the merger of LCAL with the Clean Energy Finance Corporation. An aggregate cap of $100 million to cover all claims has been established, and the indemnities will operate for seven years from execution (to 2020).

Foreign Affairs and Trade

Export Finance and Insurance Corporation

The Australian Government guarantees the due payment of money that is, or may at any time become, payable by the Export Finance and Insurance Corporation (EFIC) to anybody other than the Government. The Government also has in place a $200 million callable capital facility available to EFIC on request to cover liabilities, losses and claims. As at 31 March 2016, the Government's total contingent liability was $3.5 billion, which represents a $0.3 billion reduction compared with the figure reported at the 2015-16 MYEFO. The $3.5 billion contingent liability comprises EFIC's liabilities to third parties ($2.8 billion) and EFIC's overseas investment insurance, contracts of insurance and guarantees ($0.7 billion). Of the total contingent liability, $2.9 billion relates to EFIC's Commercial Account and $0.6 billion relates to the National Interest Account.

Health

Accommodation Payment Guarantee Scheme

The Accommodation Payment Guarantee Scheme (the Guarantee Scheme) guarantees the repayment of aged care residents' accommodation bond, entry contribution balances and, from 1 July 2014, refundable accommodation deposits and contributions 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. On 30 June 2015, the maximum contingent liability, in the unlikely event that all providers defaulted, was approximately $18.3 billion.

Infrastructure and Regional Development

Australian Government contribution to the East West Link project

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

To this end, the Australian Government will provide $3 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.

Virgin Australia Airlines Pty Ltd Confidentiality and Non-Disclosure Agreement

Under the 2002 Sydney (Kingsford-Smith) Airport Sale Agreement, the owners of Sydney Airport have a Right of First Refusal, which gives them first opportunity to develop and operate a second major airport within 100 kilometres of Sydney's centre. The Australian Government must seek the views of major airlines during the consultation phase.

When establishing the industry consultations, Virgin Australia Airlines Pty Ltd sought a capped indemnity whereby they could seek damages for any financial loss they may suffer in the event of unauthorised disclosure by the Australian Government of confidential information. Until the information becomes publicly available (not through a breach of confidentiality by the Commonwealth) the contingent liability remains capped at a maximum cumulative liability of $20 million. The risk of an event occurring that may result in a liability for the Australian Government is currently mitigated through the training of staff and compliance with a comprehensive information management plan.

Treasury

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 31 March 2016, for which a provision has not been made, is $4.4 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.

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 uncalled capital subscription to the IBRD totals US$3.6 billion (estimated value A$4.7 billion as at 31 March 2016).

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 EUR237.5 million (estimated value A$351.1 million as at 31 March 2016).

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 US$7.0 billion (estimated value A$9.2 billion as at 31 March 2016).

The Australian Government has further held an uncalled capital subscription in the Multilateral Investment Guarantee Agency of US$26.5 million (estimated value A$34.6 million as at 31 March 2016).

The Asian Infrastructure Investment Bank (AIIB) was established on 25 December 2015. The Australian Government is purchasing shares in the AIIB, which includes an uncalled capital subscription. Australia's uncalled capital subscription to the AIIB will total US$3.0 billion (estimated value A$3.9 billion as at 31 March 2016).

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

International Monetary Fund

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 and support recovery in the global economy. The IMF's 14th General Review of Quotas, which became effective on 26 January 2016, resulted in a doubling of the IMF's quota resources and a corresponding rollback in the size of the NAB facility. The value of Australia's NAB credit arrangement now stands at Special Drawing Rights (SDR, the IMF's unit of account) 2.22 billion (estimated value A$4.08 billion at 31 March 2016).

In addition to the NAB credit line, as part of a broad international effort to increase the resources available to the IMF, Australia has made available a SDR4.61 billion (approximately A$8.47 billion at 31 March 2016) contingent bilateral loan to the IMF. The contingent loan is on terms consistent with separate bilateral loan and note purchase agreements between the IMF and all contributing countries. It will be drawn upon by the IMF only if needed to supplement the IMF's quota and NAB resources and any loans would be repaid in full with interest. The increase in the IMF's resources will help ensure that it has the capability to address any potential vulnerability facing the global economy.

CONTINGENT ASSETS — QUANTIFIABLE

Defence

Claims by the Department of Defence

The Department of Defence has 25 instances of non-remote, quantifiable contingent assets in respect of claims by the Department valued at $7.2 million. Defence is expecting to succeed in its claims. The estimated figure is determined by conducting an objective analysis of the probable amounts owing to Defence.

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 may result in an impact on fiscal balance in some circumstances.

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 3 summarises Government loans estimated to exceed $200 million at 30 June 2016.

Table 3: Summary of Australian Government loans exceeding $200 million[(a)(b)(c)]

Entity	Loan amount[(e)] ($m)	Borrower	Interest rate	Term	Status
Department of Education and Training					
Higher Education Loan Programme	37,080	Eligible tertiary education students	Consumer Price Index (CPI)	8.7 years*	Modified
Australian Office of Financial Management					
Commonwealth-State financing arrangements — Housing and Specific Purpose Capital	1,958	State and Northern Territory governments	3.5-6 per cent	Up to 30 June 2042	Unchanged
Department of Infrastructure and Regional Development					
Concessional Loan for Asbestos removal in the ACT — Mr Fluffy loose fill asbestos remediation	981	Australian Capital Territory Government	Commonwealth Government 10-year bond rate	Up to 30 June 2024	Modified
Clean Energy Finance Corporation					
Clean Energy Finance Corporation[(d)]	800	Eligible entities undertaking clean energy technology projects	4.5 per cent	5-10 years	Modified
Department of the Treasury					
International Monetary Fund New Arrangements to Borrow	734	International Monetary Fund	0.05 per cent at 31 March 2016	10 years	Modified
Indigenous Business Australia					
Indigenous Home Ownership, Business Development and Assistance	713	Eligible Indigenous persons	4.41per cent*	28.9 years*	Modified

Table 3: Summary of Australian Government loans exceeding $200 million[(a)(b)(c)] (continued)

Entity	Loan amount[(e)] ($m)	Borrower	Interest rate	Term	Status
Department of Social Services					
Student Financial Supplement Scheme	483	Eligible recipients of Youth Allowance (student), Austudy and ABSTUDY	CPI	Various	Unchanged
Department of Education and Training					
Trade Support Loans Programme	332	Eligible Australian apprentices	CPI	—[#]	Modified
Export Finance and Insurance Corporation					
Papua New Guinea Liquefied Natural Gas	332	Entities associated with the Papua New Guinea Liquefied Natural Gas project	Commercial-In-Confidence	Until 2026	Modified
Department of Agriculture and Water Resources					
Drought Concessional Loans	331	State governments	3.05 per cent	5 years	Modified
Department of Health					
Zero Real Interest Loans	311	Residential aged care providers building or extending residential aged care facilities in areas of high need	CPI	12-22 years	Modified

Table 3: Summary of Australian Government loans exceeding $200 million[(a)(b)(c)] (continued)

Entity	Loan amount[(e)] ($m)	Borrower	Interest rate	Term	Status
Indigenous Land Corporation					
Voyages Indigenous Tourism Australia Pty Ltd	277	Voyages Indigenous Tourism Australia Pty Ltd	90 Day bank bill swap reference rate + 5 per cent	9 years, 11 months	Modified
Export Finance and Insurance Corporation					
Development Import Finance Facility	272	The Republic of Indonesia acting through its Ministry of Finance	Various	Various	Modified

* Average

#To be determined after sufficient numbers of compulsory repayments commence.

(a) The Government will establish a concessional financing facility of up to $5 billion, with the objective of increasing private sector investment in infrastructure in northern Australia. The facility is being established through legislation and will commence operation from 1 July 2016 or after the legislation receives royal assent (if this has not occurred by 1 July 2016). Further details are provided in Budget Paper No. 2, *Budget Measures 2015-16* and Budget Paper No.2 *Budget Measures 2016-17*.

(b) The *National Water Infrastructure Loan Facility* will be available from 1 July 2016 to support major water infrastructure projects. The loan facility will make available $2 billion over ten years in loans directly to the States and Territories. Further details are provided in Budget Paper No. 2, *Budget Measures 2016-17.*

(c) From 1 July 2016, the Government will implement a New Drought Concessional Loans Scheme that will provide up to $250 million in loans per year over 10 years ($2.5 billion in total), to assist drought-affected farm business across Australia. This loan scheme will replace the current Drought Concessional Loans and Drought Recovery Concessional Loans schemes that cease on 31 October 2016. Further details are provided in 2015-16 MYEFO Appendix A (*Stronger Farmers Stronger Economy — new drought management framework*).

(d) A Clean Energy Innovation Fund will be established as a subsidiary fund under the Clean Energy Finance Corporation (CEFC), with $100 million a year for 10 years to be made available for investment from within the CEFC's legislated funds. Further details are provided in Budget Paper No. 2, *Budget Measures 2016-17*.

(e) Loan amount is the estimated loan program amounts outstanding as at 30 June 2016 in $ million.

Higher Education Loan Programme

The Higher Education Loan Programme (HELP) is an income contingent loan program that assists eligible tertiary education students with the cost of their fees. As at 30 June 2016, the fair value of debt outstanding is estimated to be $37.1 billion. The fair value takes into account the concessionality of HELP loans and makes an allowance for debt not expected to be repaid.

Debts are indexed annually by the Consumer Price Index. The repayment term depends on individual circumstances including the amount borrowed and each debtor's income. There were 2,223,041 HELP debtors as at 30 June 2015. 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 2015, the average time taken to repay HELP debts was 8.7 years.

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 are 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 by the States and the Northern Territory. As at 30 June 2016, the estimated amortised value of the advances is $1.96 billion.

The Australian Office of Financial Management manages the receipt of interest and principal repayments from the State and Northern Territory governments.

Concessional Loan for Asbestos removal in the ACT — Mr Fluffy loose fill asbestos remediation

On 27 January 2015, the Australian Government provided the ACT Government with a $1.0 billion concessional loan to deliver a program to buy-back and demolish houses in the ACT affected by Mr Fluffy loose fill asbestos.

The ACT Government will make annual repayments to the Australian Government from 2017-18 up to 2023-24.

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 2015 (No.2)* (Investment Mandate). As at 30 June 2016, loans contracted and outstanding loans are estimated to total $800 million.

The CEFC's 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 other assets such as building or council rates.

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 4.5 per cent. Loans have various maturity dates, typically in the range of 5-10 years. On 23 March 2016, the Government announced that it will retain the CEFC.

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. The NAB is a contingent loan to help ensure that the IMF has the resources available to maintain stability and support recovery in the global economy. The 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 expected that loans outstanding will be approximately $734 million as at 30 June 2016.

The total value of Australia's NAB credit arrangement is Special Drawing Rights (SDR, the IMF's unit of account) 2.22 billion (estimated value A$4.08 billion at 31 March 2016).

Indigenous Home Ownership, Business Development and Assistance

Indigenous Business Australia delivers flexible loans with concessional interest rates to improve Indigenous home ownership across Australia, including in remote Indigenous communities. Indigenous Business Australia 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.

Student Financial Supplement Scheme

The Student Financial Supplement Scheme (SFSS) was a program whereby student income support recipients could trade one dollar of entitlement for two dollars provided as an income contingent loan. The program closed for new recipients on 1 January 2004. The outstanding debt relates to debtors who received loans prior to 2004. As at 30 June 2016 loans outstanding are estimated to total $483.2 million.

Trade Support Loans Programme

The Trade Support Loans Programme is an income contingent, concessional loan program that assists eligible Australian apprentices by providing financial support of up to $20,000 to assist with the costs of living, learning and completing an apprenticeship.

Eligible Australian apprentices can access up to $8,000 in their first year, $6,000 in the second, $4,000 in the third and $2,000 in the fourth year. The lifetime limit of $20,000 will be indexed on 1 July 2017 and each year after on 1 July to maintain its real value.

Upon successful completion of an apprenticeship, Australian apprentices will be entitled to a 20 per cent discount on the loan. The loans become repayable at the same thresholds as the Higher Education Loan Programme, which is $54,126 in 2015-16.

Papua New Guinea Liquefied Natural Gas

The 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 2016, the loan amount outstanding is estimated to total $332 million.

Drought Concessional Loans

The Drought Concessional Loans Scheme provides loans to drought affected farm businesses for debt restructuring, operating expenses and drought recovery and preparedness activities. The scheme commenced in June 2014, and in 2014-15, operated in all States and Territories except Tasmania and the ACT. The Government is providing up to $150 million for Drought Concessional Loans until 31 October 2016, covering all States and Territories except the ACT. All eligible jurisdictions have opened the scheme for 2015-16, except Western Australia which is expected to open shortly. Loans have a maximum loan term of five years with interest only payments required during the loan term.

To give effect to the scheme, loans from the Commonwealth are made to the State and Northern Territory governments that on-lend to eligible farm businesses through state delivery agencies.

The variable concessional interest rate on loans to eligible businesses will remain 0.5 per cent below the Farm Finance Concessional Loan concessional interest rate. Since 1 August 2015, the interest rate has been 3.05 per cent. The interest rate will continue to be reviewed on a six–monthly basis and revised in accordance with changes to the Farm Finance Concessional Loans interest 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.

Zero Real Interest Loans

The Zero Real Interest Loans programme provides 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 Consumer Price Index. Four funding rounds were completed with the final round of offers finalised in 2013.

No further new loan offers will be available under the program. As at 30 June 2016, the total amount owed to the Commonwealth is estimated to be $311 million.

Indigenous Land Corporation

The Indigenous Land Corporation (ILC) purchased Ayers Rock Resort (ARR) for $292 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. An additional $26.9 million in accrued interest on the intercompany loan and other advances (between the ILC and Voyages) has been incurred since the purchase of ARR. The external borrowings were refinanced in 2015-16. Part of the amount refinanced was transferred to Voyages, decreasing the intercompany loan to $277.2 million.

Development Import Finance Facility

The Development Import Finance Facility (DIFF), administered by the Export Finance and Insurance Corporation on behalf of the former Australian Agency for International Development (AusAID), provided concessional loans to Indonesia to deliver development benefits to that country. The DIFF was discontinued in 1996 with no further concessional loans being provided. As at 30 June 2016, loans outstanding are estimated to total $271.9 million.