

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

20-21 November 2013

Question: **SBT 55**

Topic: **CEFC capital**

Hansard Page: **Page 75-76, 20 November 2013**

Senator LUDLAM asked:

55. **Senator LUDLAM:** I am not clear: regarding the dividends that you were expecting to pay back by 2015, are they completely hypothecated into ARENA or do they just go back into general revenue?

Ms Broadbent: They are streamed into AREA. We have not put too much thought into that because we have been busy building up our investment portfolio and managing our own costs and our commercial practices. Nigel might—

Mr Ray: The way the accounting works is that the interest that the CEFC earns comes to us and goes into the CEFC special account.

Senator LUDLAM: So what is the tie-up with ARENA, then?

Mr Yates: The minister, to the extent that there are surpluses, can ask from time to time for those surpluses to be provided to ARENA.

Senator LUDLAM: Because ARENA is depleting the finite pool of capital, isn't it? It is not expected to make a return in the same way as you are?

Mr Yates: No, and that is a very fundamental point. We are not a grants organisation and we believe very strongly in the discipline of debt, as we call it. We do think that participants who borrow money are going to be very cautious about applying that money to achieve the objective that they set out to achieve, whereas, in certain circumstances, grant programs, because there is no obligation to pay the money back, may not involve the same level of—I cannot say the word 'responsibility' but the same level of requirements as what would be happening to loan borrowers who have a long-term obligation to continue to pay that loan off back to us.

Senator LUDLAM: I take your point. Of the roughly three to one ratio, as far as I can tell, of private capital that you have mobilised, do you have a rough idea of how much of that is domestic and how much is foreign investment?

Ms Broadbent: That is an interesting question. I can take it on notice, but it was encouraging through this, in syndicating some of these transactions, that we have had three totally new foreign financial corporations coming in to participate. They were out of China and Singapore. They felt a certain encouragement to enter because there was a government owned financier at the table.

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Answer:

55. It is not possible for the CEFC to identify all foreign source capital (for example, by reviewing shareholder lists to determine the source of contributed equity) as to do so would involve an unnecessary diversion of resources.

However, the CEFC can provide the following information about major tranches of foreign source capital in projects of which the CEFC is aware: as at 20 August 2013, three CEFC investments, with total project investment values totalling more than \$1,190m, involve 6 foreign based institutions.