

**From:** s22  
**To:** [Schweizer, Chris](#)  
**Cc:** [BFR - AAU - Industry and Science](#); s22  
**Subject:** Alcoa Grant [SEC=PROTECTED, DLM=Sensitive:Cabinet]  
**Date:** Thursday, 15 December 2016 4:11:53 PM

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**PROTECTED, Sensitive:Cabinet**

Chris

Just a heads up: s22 from the Budget Policy team at DIIS just rang to advise us of the work they are doing to follow up Tuesday's Cabinet decision to provide Alcoa with a grant of \$30 million.

s22



Thanks,

s22

**PROTECTED, Sensitive:Cabinet**

**From:** s22  
**To:** [REDACTED]  
**Subject:** FW: Alcoa [SEC=PROTECTED, DLM=Sensitive:Cabinet] [SEC=PROTECTED]  
**Date:** Wednesday, 21 December 2016 11:32:44 AM  
**Attachments:** [Alcoa Funding Agreement conditions v2.docx](#)

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**From:** s22  
**Sent:** Wednesday, 21 December 2016 10:52 AM  
**To:** s22 @finance.gov.au  
**Cc:** s22 @finance.gov.au  
**Subject:** FW: Alcoa [SEC=PROTECTED, DLM=Sensitive:Cabinet] [SEC=PROTECTED]

PROTECTED

s22 I'll have a look at this but can you run your eye over it as well?

PROTECTED

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**From:** Schweizer, Chris  
**Sent:** Wednesday, 21 December 2016 10:27 AM  
**To:** s22 @finance.gov.au  
**Cc:** BFR - AAU - Industry and Science <[BFRAAUIndustryandScience@finance.gov.au](mailto:BFRAAUIndustryandScience@finance.gov.au)>  
**Subject:** FW: Alcoa [SEC=PROTECTED, DLM=Sensitive:Cabinet] [SEC=PROTECTED]

PROTECTED

Grateful advice to get back to Damien this morning

Chris

PROTECTED

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**From:** Dunn, Damien [<mailto:Damien.Dunn@TREASURY.GOV.AU>]  
**Sent:** Wednesday, 21 December 2016 9:31 AM  
**To:** Schweizer, Chris <[Chris.Schweizer@finance.gov.au](mailto:Chris.Schweizer@finance.gov.au)>  
**Subject:** FW: Alcoa [SEC=PROTECTED, DLM=Sensitive:Cabinet]

Chris

As discussed, please find attached a draft term sheet. Interested in your views.

Regards  
Damien

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**Damien Dunn**  
**a/g Division Head**  
**Industries, Infrastructure and Environment Division**  
**The Treasury, Langton Crescent, Parkes ACT 2600**

W: s22  
E: s22 [@treasury.gov.au](mailto:s22@treasury.gov.au)

s22



s22



s22



s22



s22



### **Term Sheet – Portland Smelter \$30 million grant.**

#### **Purpose**

To support the Portland smelter to recover from impacts of power outage and return to normal operations as soon as possible.

#### **Commonwealth Government contribution**

1. Commonwealth will grant \$30 million to Alcoa to:
  - 1.1. support the recovery of the smelter from the impacts of the power outage, including through capital improvements, repairs and maintenance. Elements that may not be included are: redundancies, bonuses, dividends, or repayment of loans including but not limited to intercompany or related party loans other than (with the consent of the Commonwealth acting reasonably) those that are related to direct expenditure on repairs and maintenance or capital expenditure required to restart the smelter made after the 1 December event, and other expenditure not related to the recovery of normal operations.
  - 1.2. Alcoa will provide the Commonwealth with a plan for how it intends to use the monies provided by the Commonwealth prior to the grant being made.
  - 1.3. Alcoa will provide the Commonwealth with an annual report on the usage of monies under this agreement within 30 days of each annual anniversary of the Agreement.
  - 1.4. The Commonwealth maintains the right to conduct an audit relative to the performance of obligations under this agreement. This includes, with reasonable notice, the ability to access the premises and inspect/copy relevant documentation.
2. The Commonwealth's grant will be subject to the following conditions:
  - 2.1. Alcoa must commit to maintaining operations at the Portland smelter until at least [30 June 2021].
  - 2.2. Production at the smelter must be maintained at approximately 300,000t per year, consistent with the rate of operation in the year leading up to the outage on 1 December 2016.
  - 2.3. The agreement should recognise that smelter operations would ramp up to full production over approximately 7 months in 2017 which may be subject to some slippage.
3. Should Alcoa curtail operations below 270,000t (90% of the 300,000 run rate), other than in connection with an Event of Force Majeure, or close the smelter, prior to [30 June 2021], Alcoa would be required to repay monies and interest according to the following schedule:
  - Curtailment/closure before [30 June 2019]: Repayment of whole \$30m plus interest.
  - Curtailment/closure between [1 July 2019 and 30 June 2020]: Repayment of \$15m plus interest on this \$15m.
  - Curtailment/closure between [1 July 2020 and 30 June 2021]: Repayment of \$7.5m plus interest on this \$7.5m.



4. In the event of curtailment or closure, repayments to be made by Alcoa and/or each Portland smelter Joint Venture (JV) partner will be guaranteed by each of their parent entities.
5. Alcoa and partners must pursue with diligence and expedition, to all reasonable extent, insurance claims for the damage that occurred to the Portland smelter and are to provide quarterly updates on insurance claim processes with relevant supporting documents.
  - 5.1. If an insurance payout is provided to Alcoa and/or JV partners, Alcoa and JV partners will inform the Commonwealth, and the payout amount, less any deductible, shall be returned to the Commonwealth, up to the \$30m grant plus applicable interest.
6. The Commonwealth will make the \$30m grant upfront in full following the execution of a binding contract and the provision of an acceptable business plan to the Commonwealth, detailing the full expenditure of the \$30m (requested within 30 days of contract signing).
7. The interest rate above would be equal to Bank Bill Swap Reference Rate + 3%.
8. The Commonwealth's payment to Alcoa is contingent upon the satisfactory finalisation of a funding agreement between Alcoa and the Victorian Government.
9. Grant funds will be subject to income tax in accordance with applicable tax rulings.

#### **Employment, Training and Development**

10. Alcoa commits to retain employee numbers commensurate with the production levels specified.
11. Alcoa commits to fund and pay all employee entitlements in the event of closure.
12. Alcoa commits to make adequate provision for outplacement, training and other employment related services to be provided to any retrenched workers, with a view to them re-entering employment.

#### **Community contribution**

13. Alcoa commits to contribute funding for the community to support the development and diversification of the regional community.

**From:** s22  
**To:** [Schweizer, Chris](#)  
**Cc:** [BFR - AAU - Industry and Science](#)  
**Subject:** RE: Alcoa [SEC=PROTECTED, DLM=Sensitive:Cabinet] [SEC=PROTECTED]  
**Date:** Wednesday, 21 December 2016 11:42:39 AM

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PROTECTED

Hi Chris

Suggested comments for Damien below. In relation to costings, we are still to see any documentation from Industry yet. We understand that the letter to the PM will note costs are to be agreed with the Department of Finance.

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Hi Damian

Thank you for sending this across. Broadly speaking the terms sheet seems reasonable to us and reflects the Government's decision. A couple of smaller comments/questions:

- In relation to the annual reporting clause (1.3), we are wondering if annual is the correct timing and what this reporting will produce. We assume that the money would be spent in the first year as capacity is returned to normal and there would be limited change in any subsequent reports. As such, would it make more sense to have more frequent reports on use of the money in the first year (this could fit in with the quarterly reporting of insurance claim processes in clause 5)?
- In relation to the potential repayment schedule (clause 3), was consideration given to requiring the full repayment up until 30 June 2021? It may be that the graduated repayment schedule is required by Alcoa, but the Commonwealth's interests would best be served by having the full amount repayable until the conclusion of the agreement term.
- Should the term sheet cover what happens to the grant in the event that the smelter is sold by Alcoa?
- In relation to the community contribution, leaving aside whether this needs to be included in the agreement, if it is included should it be more specific about what community contribution is required.

Happy to discuss.

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Duplicate content



s22

**From:** Schweizer, Chris <[Chris.Schweizer@finance.gov.au](mailto:Chris.Schweizer@finance.gov.au)>  
**Sent:** Monday, 9 January 2017 3:47 PM  
**To:** Gibson, Peter <[Peter.Gibson@finance.gov.au](mailto:Peter.Gibson@finance.gov.au)>  
**Subject:** RE: Alcoa [SEC=PROTECTED]

PROTECTED

Will do

PROTECTED

---

**From:** Gibson, Peter  
**Sent:** Monday, 9 January 2017 3:34 PM  
**To:** Schweizer, Chris <[Chris.Schweizer@finance.gov.au](mailto:Chris.Schweizer@finance.gov.au)>  
**Subject:** RE: Alcoa [SEC=PROTECTED, DLM=Sensitive:Cabinet] [SEC=PROTECTED]

Hi Chris

Yes please. While we are only interested in the accounting side, sometimes subtle changes in the policy position can affect the accounting.

Peter

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**From:** Schweizer, Chris  
**Sent:** Monday, 9 January 2017 3:08 PM  
**To:** Gibson, Peter <[Peter.Gibson@finance.gov.au](mailto:Peter.Gibson@finance.gov.au)>  
**Cc:** s22 <[REDACTED]@finance.gov.au>; s22 <[REDACTED]@finance.gov.au>  
**Subject:** RE: Alcoa [SEC=PROTECTED, DLM=Sensitive:Cabinet] [SEC=PROTECTED]

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Hi Peter

We are, through the Industry AAU, maintaining a watching brief on this issue, and we commented on a draft term sheet sent to us by Treasury (Damien Dunn) on 21 December. And yes we have previously noted to Treasury that it looks and sounds like a grant, not a loan.

Would you like us to copy your area in on any future communications we have on the matter? Happy to do so if that would help ensure a 'One Finance' position ...

Kind regards (and happy new year)

Chris

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**From:** Gibson, Peter  
**Sent:** Monday, 9 January 2017 1:25 PM  
**To:** Schweizer, Chris <[Chris.Schweizer@finance.gov.au](mailto:Chris.Schweizer@finance.gov.au)>  
**Subject:** FW: Alcoa [SEC=PROTECTED, DLM=Sensitive:Cabinet] [SEC=PROTECTED]

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Hi Chris

I assume that you are involved in this issue, given that it appears to be an industry assistance matter. However, copying you in just to make sure.

Kind regards

Peter Gibson  
AS – Budget Estimates and Accounting branch

PROTECTED

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**From:** s22 <[REDACTED]>  
**Sent:** Monday, 9 January 2017 10:02 AM  
**To:** Gibson, Peter <[Peter.Gibson@finance.gov.au](mailto:Peter.Gibson@finance.gov.au)>  
**Cc:** Greenslade, Alan <[Alan.Greenslade@finance.gov.au](mailto:Alan.Greenslade@finance.gov.au)>; s22 <[REDACTED]@finance.gov.au>  
**Subject:** RE: Alcoa [SEC=PROTECTED, DLM=Sensitive:Cabinet] [SEC=PROTECTED]

PROTECTED

Peter  
I'm not aware of any communication with the AAU on this. s22 email was all I saw on this.



s22 | Director  
Budget Estimates and Accounting Branch  
Department of Finance  
T: s22  
E: s22@finance.gov.au  
E: accountingpolicy@finance.gov.au  
A: s22 One Canberra Ave, Forrest ACT 2603

PROTECTED

From: Gibson, Peter  
Sent: Monday, 9 January 2017 9:54 AM  
To: s22@finance.gov.au  
Cc: Greenslade, Alan <Alan.Greenslade@finance.gov.au>; s22@finance.gov.au  
Subject: FW: Alcoa [SEC=PROTECTED, DLM=Sensitive:Cabinet] [SEC=PROTECTED]

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s22

I agree with the initial analysis that a loan where repayment is not likely would be treated, for budget purposes, as a grant. However, do we know whether the relevant AAU has been kept in the loop on this?

Peter

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From: s22  
Sent: Wednesday, 21 December 2016 1:59 PM  
To: Gibson, Peter <Peter.Gibson@finance.gov.au>; s22@finance.gov.au  
Subject: FW: Alcoa [SEC=PROTECTED, DLM=Sensitive:Cabinet] [SEC=PROTECTED]

PROTECTED

Just for information. No action required at this stage, but this might be something we hear more about next year.

PROTECTED

s22

s22



**From:** s22 [redacted] <[redacted]@finance.gov.au>

**Sent:** Tuesday, 10 January 2017 9:39 AM

**To:** s22 [redacted] <[redacted]@finance.gov.au>

**Cc:** s22 [redacted] <[redacted]@finance.gov.au>

**Subject:** FW: For comment: Industry Research and Development (Portland Aluminium Smelter Assistance Program) Instrument 2017 and ES [DLM=Sensitive:Legal]

**Sensitive:Legal**

Good morning s22 [redacted]

Thank you for taking my call earlier today.

As discussed, the Department of Industry has sought Finance's comments on the draft legislative instrument and explanatory statement for the Portland Aluminium Smelter Assistance Program (attached). Could you please confirm whether Industry has the required policy authority for this program, whether the funding amount has been agreed, and the current situation with the funding for this program. s22 [redacted]

[redacted]

[redacted]

We would appreciate your comments by close of business tomorrow, Wednesday 11 January? We will then be in a position to provide a consolidated response to Industry to meet their requested deadline.

Happy to discuss,

s22



s22

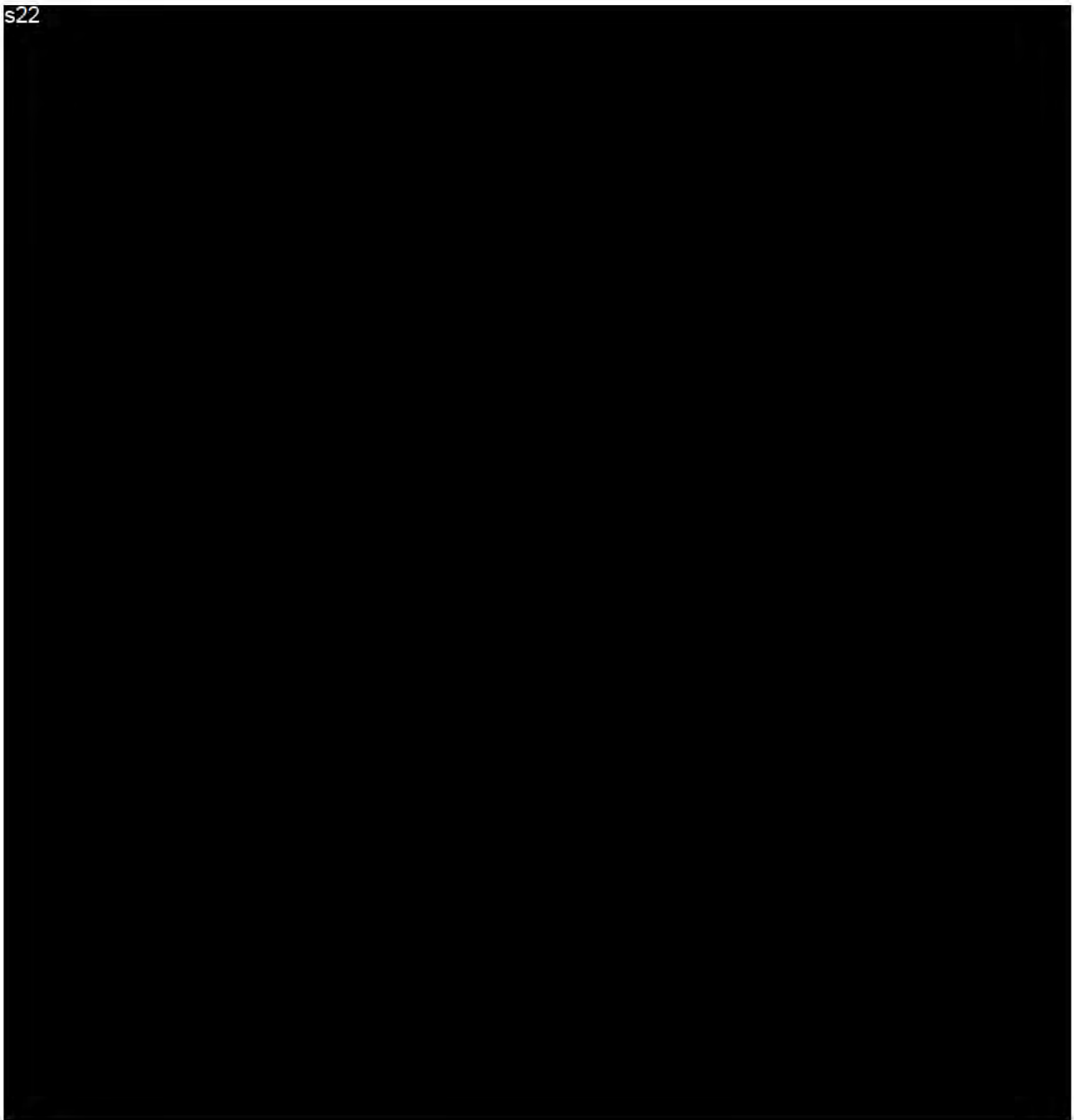
Governance & Public Management Reform Taskforce  
Department of Finance

T: s22

E: s22 [@finance.gov.au](mailto:s22@finance.gov.au)

A: 1 Canberra Avenue, Forrest ACT 2603

s22



s22



s22





s22



s22



s22



s22



## **EXPLANATORY STATEMENT**

Issued by the authority of the Minister for Industry, Innovation and Science

*Industry Research and Development Act 1986*

*Industry Research and Development (Portland Aluminium Smelter  
Assistance Program) Instrument 2017*

### **Purpose and Operation**

Section 33 of the *Industry Research and Development Act 1986* (the IR&D Act) provides a mechanism for the Minister to prescribe programs, by disallowable legislative instrument, in relation to industry, innovation, science or research, including in relation to the expenditure of Commonwealth money under such programs.

The statutory framework provided by s33 of the IR&D Act enables a level of flexibility to provide authority for Commonwealth spending activities in relation to industry, innovation, science and research programs. This allows the Government to respond quickly and appropriately to the need to implement innovative ideas and pilot programs on an ongoing basis and as opportunities arise. Prescribing programs in legislative instruments provides transparency and parliamentary oversight of Government programs and spending activities, whilst reducing administrative burden on the Commonwealth.

Once a program is prescribed by the Minister under s33, subsection 34(1) allows the Commonwealth to make, vary or administer arrangements in relation to activities under the prescribed program. Arrangements may include contracts, funding agreements or other arrangements, and may provide for money to be payable by the Commonwealth to one or more third parties. The power conferred on the Commonwealth by subsection 34(1) may be exercised on behalf of the Commonwealth by a Minister or an accountable authority of a non-corporate entity, or by their delegate (under s36).

The purpose of the *Industry Research and Development (Portland Aluminium Smelter Assistance Program) Instrument 2017* (the Legislative Instrument) is to prescribe the Portland Aluminium Smelter Assistance Program (the Program). The Program is a \$30 million one-off grant to assist the Portland Aluminium Smelter (the Smelter) to restore production capacity of the Smelter to the same level as before damage caused by an electricity power outage on 1 December 2016 (300,000 tonnes of aluminium ingots). The funding will be used to support the restarting and continuity of operations at the Smelter until 30 June 2021 through capital improvements, repairs and maintenance to the Smelter.

[Insert information about where the funding is coming from]. The funding will be paid to the Portland Aluminium Smelter Project Unincorporated Joint Venture through the operator of the Smelter, Alcoa Portland Aluminium Pty Ltd, in early 2017 to immediately facilitate the capital improvements, repairs and maintenance to the Smelter.

As this is a one-off grant, there are no selection criteria and the Program will not be subject to merits review.

The Program will be administered by the Department of Industry, Innovation and Science. Spending decisions will be made by the s34 delegate, who will be the Deputy Secretary with responsibility for Industry Growth Division. The Program will also be administered in accordance with the *Commonwealth Grant Rules and Guidelines* (<https://www.finance.gov.au/sites/default/files/commonwealth-grants-rules-and-guidelines-July2014.pdf>).

The Legislative Instrument specifies that the legislative power in respect of which the instrument is made is the Commonwealth trade and commerce power (section 51(i) of the Constitution). The Program will support the Smelter to continue its trade and commerce activities, including the production of aluminium for export.

### **Consultation**

In accordance with section 17 of the *Legislation Act 2003*, the Victorian State government, Attorney-General's Department (including the Australian Government Solicitor and the Office of Constitutional Law) and the Department of Finance have been consulted on this Legislative Instrument. The Portland Aluminium Smelter Project Unincorporated Joint Venture, including Alcoa Portland Aluminium Pty Ltd, was consulted on the development of the Program, however it was not considered necessary to consult on the Legislative Instrument itself (because it simply specifies the Program).

### **Regulatory Impact**

It is estimated that the Program will have minor regulatory impact.

## **Regulation Impact Statement (short-form)**

**Name of department/agency:** Department of Industry, Innovation and Science

**OBPR Reference number:** 21675

**Name of proposal:** Portland Aluminium Smelter Assistance

### **Summary of the proposed policy and any options considered:**

The Portland Aluminium Smelter (the Smelter) faces uncertainty due to profitability issues, primarily as a result of depressed global aluminium prices and rising energy costs. These issues were exacerbated by the electricity power outage that the Smelter suffered on 1 December 2016. The outage has significantly affected the ongoing viability of the Smelter. Production has been reduced to just less than one third of pre-outage operating capacity.

The proposed policy intends to assist management to restore production capacity at the Smelter to the same level as before the electricity power outage occurred.

Option 1: Provide Commonwealth assistance in the form of a one-off discretionary grant of \$30 million (exclusive of GST) to support immediate recovery activities at the Smelter. The grant will be used for capital improvements, repairs and maintenance to support the recovery and ongoing sustainability of the Smelter.

Option 2: Do not provide assistance. Without Commonwealth assistance to restore production, there is a risk that the Smelter will close. Should the smelter close, 485 workers and 170 contractors will be directly affected, with flow-on effects through the supply chain and small and medium sized businesses in the Portland region. It is estimated that approximately 2000 jobs will be lost in the region in total.

**What are the regulatory impacts associated with this proposal? Explain.**

Regulatory impacts are likely to be minimal as this is a one-off discretionary grant to the Smelter. The only likely impact for the Smelter's management would be compliance activities in relation to the grant agreement.

Smelter management will be required to provide the Commonwealth with progress updates to demonstrate that it is using the grant funding to support the recovery of operations at the Smelter and that all conditions are being met.

**What are the regulatory costs/savings associated with this proposal? Explain and quantify.**

We expect regulatory costs associated with compliance to be less than \$10 000 over the lifetime of the grant agreement. Costs will consist of record keeping and compliance activities (reporting), which will be outlined in the grant agreement.

**Although not mandatory at the time of the policy decision, have you considered the offsets for the regulatory costs associated with this proposal? Has the portfolio Deputy Secretary or delegate warranted that the net regulatory target will be met by the end of the relevant reporting period?**

Regulatory offsets to be considered.

**Details of the *Industry Research and Development (Portland Aluminium Smelter Assistance Program) Instrument 2017***

**PART 1 – PRELIMINARY**

**Section 1 – Name of Instrument**

This section specifies the name of the Legislative Instrument as the *Industry Research and Development (Portland Aluminium Smelter Assistance Program) Instrument 2017*.

**Section 2 – Commencement**

This section provides that the Legislative Instrument commenced on the day after registration on the Federal Register of Legislation.

**Section 3 – Authority**

This section specifies the provision of the *Industry, Research and Development Act 1986* under which the Legislative Instrument is made.

**Section 4 – Definitions**

This section provides for definitions of terms used in the Legislative Instrument.

**Section 5 – Prescribed program**

This section prescribes the Portland Aluminium Smelter Assistance Program under which financial assistance will be provided to the Portland Aluminium Smelter Project Unincorporated Joint Venture through the operator of the Smelter to support the production of aluminium at the Portland Aluminium Smelter for export.

The table specifies in column 1 the name of the program, and in column 2 the description and purpose of the program.

**Section 6 – Specified legislative power**

This section specifies the legislative power in respect of which the instrument is made is the power of the Parliament to make laws with respect to trade and commerce with other countries, and among the States.



## **Statement of Compatibility with Human Rights**

*Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011*

*Industry Research and Development (Portland Aluminium Smelter Assistance Program)  
Instrument 2017*

This Legislative Instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

### **Overview of the Legislative Instrument**

This instrument provides legislative authority to commit Commonwealth funds for the Portland Aluminium Smelter Assistance Program.

### **Human rights implications**

This Legislative Instrument does not engage any of the applicable rights or freedoms.

### **Conclusion**

This Legislative Instrument is compatible with human rights as it does not raise any human rights issues.

**The Minister for Industry, Innovation and Science, the Hon Greg Hunt MP**

s42



s42



s42



s42



s22



**From:** s22 [redacted] <[redacted]@finance.gov.au>

**Sent:** Wednesday, 11 January 2017 11:46 AM

**To:** s22 [redacted] <[redacted]@finance.gov.au>

**Cc:** s22 [redacted] <[redacted]@finance.gov.au>; s22 [redacted] <[redacted]@finance.gov.au>; s22 [redacted] <[redacted]@finance.gov.au>; s22 [redacted] <[redacted]@finance.gov.au>

**Subject:** RE: For comment: Industry Research and Development (Portland Aluminium Smelter Assistance Program) Instrument 2017 and ES [DLM=Sensitive:Legal]

Sensitive:Legal

Hi s22 [redacted]

Thank you for the prompt response.

We will now go back to Industry with comments and cc you in our email.

Kind regards

s22 [redacted]

Sensitive:Legal

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**From:** s22 [redacted]

**Sent:** Tuesday, 10 January 2017 3:33 PM

**To:** s22 [redacted] <[redacted]@finance.gov.au>

**Cc:** s22 [redacted] <[redacted]@finance.gov.au>; s22 [redacted] <[redacted]@finance.gov.au>; s22 [redacted] <[redacted]@finance.gov.au>

**Subject:** RE: For comment: Industry Research and Development (Portland Aluminium Smelter Assistance Program) Instrument 2017 and ES [DLM=Sensitive:Legal]

Sensitive:Legal

Hi s22 [redacted]

Industry have policy authority for this program (MT16/0545/CAB of 13 December 2016). We have agreed costs as of today, at a cost of \$30.0 million in 2016-17. Funding will be a budget appropriation.

s22



s22



Kind Regards,

s22



s22 | A/g Assistant Director

Industry, Innovation and Science AAU | Environment and Industry Branch  
Budget and Financial Reporting | Department of Finance

T: s22 | E: s22 [@finance.gov.au](mailto:s22@finance.gov.au)

A: One Canberra Avenue, FORREST ACT 2603

Sensitive:Legal

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From: s22

Sent: Tuesday, 10 January 2017 9:42 AM

To: s22 [@finance.gov.au](mailto:s22@finance.gov.au)>

Cc: s22 [@finance.gov.au](mailto:s22@finance.gov.au)>; s22 [@finance.gov.au](mailto:s22@finance.gov.au)>

Subject: FW: For comment: Industry Research and Development (Portland Aluminium Smelter Assistance Program)  
Instrument 2017 and ES [DLM=Sensitive:Legal]

Sensitive:Legal

Hi s22

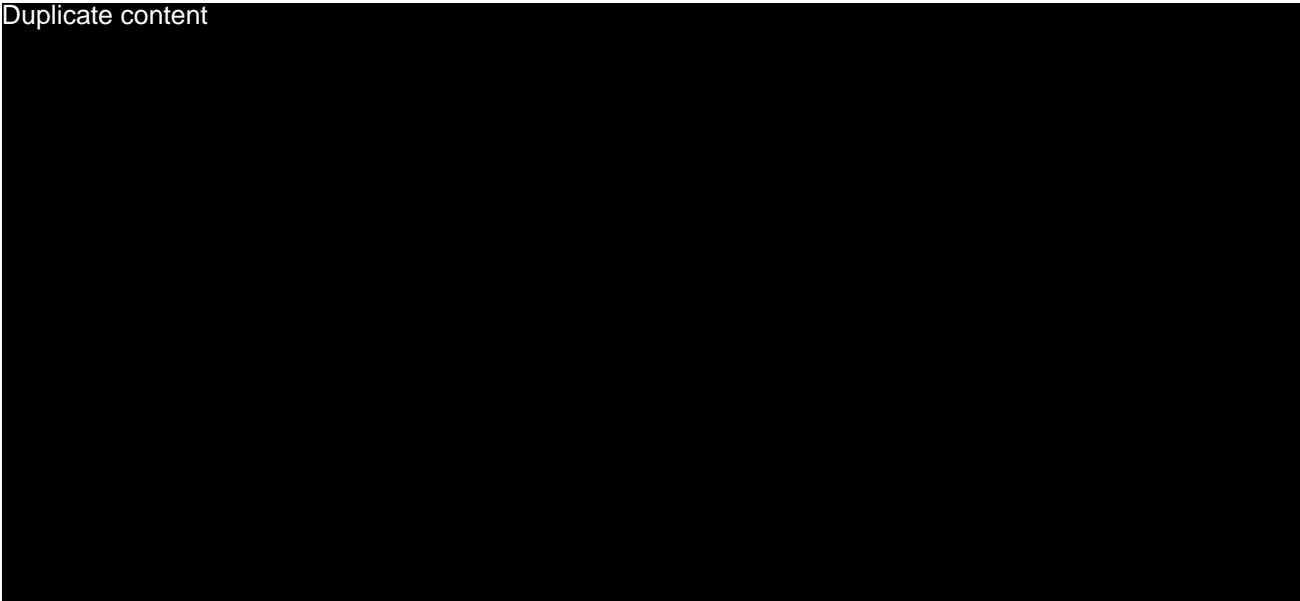
Can you have a look at this and then we can discuss this afternoon?

Ta

s22

Sensitive:Legal

Duplicate content



s22



**From:** s22 [redacted] <[redacted]@finance.gov.au>  
**Sent:** Monday, 16 January 2017 11:14 AM  
**To:** Schweizer, Chris <Chris.Schweizer@finance.gov.au>  
**Cc:** BFR - AAU - Industry and Science <BFRAAUIndustryandScience@finance.gov.au>  
**Subject:** FW: Alcoa letter [SEC=PROTECTED, DLM=Sensitive:Cabinet] [SEC=PROTECTED]

PROTECTED

Hi Chris

PM&C have shared a letter to the PM from Minister Hunt regarding the grant to Alcoa (see attached). s22 [redacted]

- [redacted]  
[redacted]
- [redacted]
- [redacted]  
[redacted]  
[redacted]

I'll also let them know that we have agreed costs for this one.

Thanks

s22 [redacted]

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**From:** s22 [redacted] <[redacted]@pmc.gov.au>  
**Sent:** Monday, 16 January 2017 10:39 AM



To: s22 [REDACTED]@finance.gov.au>

Subject: FW: Alcoa letter [SEC=PROTECTED, DLM=Sensitive:Cabinet]

PROTECTED Sensitive: Cabinet

Hi s22 [REDACTED]

Please see attached the letter from Hunt to the PM re: Alcoa I mentioned this morning if it hasn't reached you yet, proposing to finalise details of the offsets with the Minister for Finance (and Minister for Infrastructure) during the course of the budget process. PMO expecting a brief and reply up today.

Regards,

s22 [REDACTED]

s22 [REDACTED] | Adviser

Industry, Innovation & Science | Industry, Science and Communications Branch

Industry, Infrastructure & Environment Division | Department of the Prime Minister and Cabinet

p. s22 [REDACTED]

e s22 [REDACTED]@pmc.gov.au

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## **The Hon Greg Hunt MP**

**Minister for Industry, Innovation and Science**

The Hon Malcolm Turnbull MP  
Prime Minister  
Parliament House  
CANBERRA ACT 2600

Dear Prime Minister

I am seeking your approval to provide a one off, discretionary, \$30 million grant (exclusive of GST) to assist the recovery of the Portland Aluminium Smelter (the Smelter) following the 1 December 2016 power outage that caused significant damage to the Smelter's operations. This follows Cabinet's decision of 13 December 2016 (MT16/0572/CAB).

As you know, I visited senior Alcoa management in New York on 20 December 2016 to discuss the ongoing viability of the Smelter. Alcoa and its Joint Venture partners are still in the process of assessing the future of the Smelter operations, and have indicated that they would accept offers of Commonwealth and Victorian Government support to help secure the sustainability of the Smelter. At that meeting, I also outlined what the Commonwealth Government could do to assist in developing a commercially viable long-term power solution for the smelter, potentially involving the Clean Energy Finance Corporation.

Without Commonwealth assistance to restore production, there is a risk the Smelter will not continue to operate. Should the Smelter close, it is estimated approximately 2,000 jobs will be lost in the region, including the Smelter's employees and contractors. In light of this, the proposed grant will assist the Smelter to undertake capital improvements, repairs and maintenance, which will support the recovery of the Smelter.

Details of the proposed grant are set out in the attached New Policy Proposal, for which costings will be agreed with the Department of Finance. Treasury has also been consulted in the development of the proposal and indicated support for a grant, as opposed to a loan arrangement.

I propose to finalise the details of the offsets with the Minister for Finance and the Minister for Infrastructure and Transport during the course of the Budget process.

The \$30 million grant will be subject to conditions, including, maintaining operations at the smelter until at least 30 June 2021 and maintaining production to at least 90 percent of pre-outage levels. Should these conditions not be met, the government will recover its grant funding based on a repayment schedule built into a funding agreement.

In addition, the proposal is dependent on a concurrent Victorian state government support package for the Smelter.

The payment of the grant is conditional on me making a legislative instrument authorising the expenditure. My department is consulting with the Attorney-General's Department and the Department of Finance in the drafting of this instrument.

Following your approval, I will write to Alcoa indicating in-principle agreement to offer a \$30 million grant. My department will then undertake the necessary processes to finalise a legislative instrument and the subsequent funding agreement.

I will continue to keep you informed of progress to finalise this grant, including outcomes of my negotiations with Alcoa.

Yours sincerely



Greg Hunt

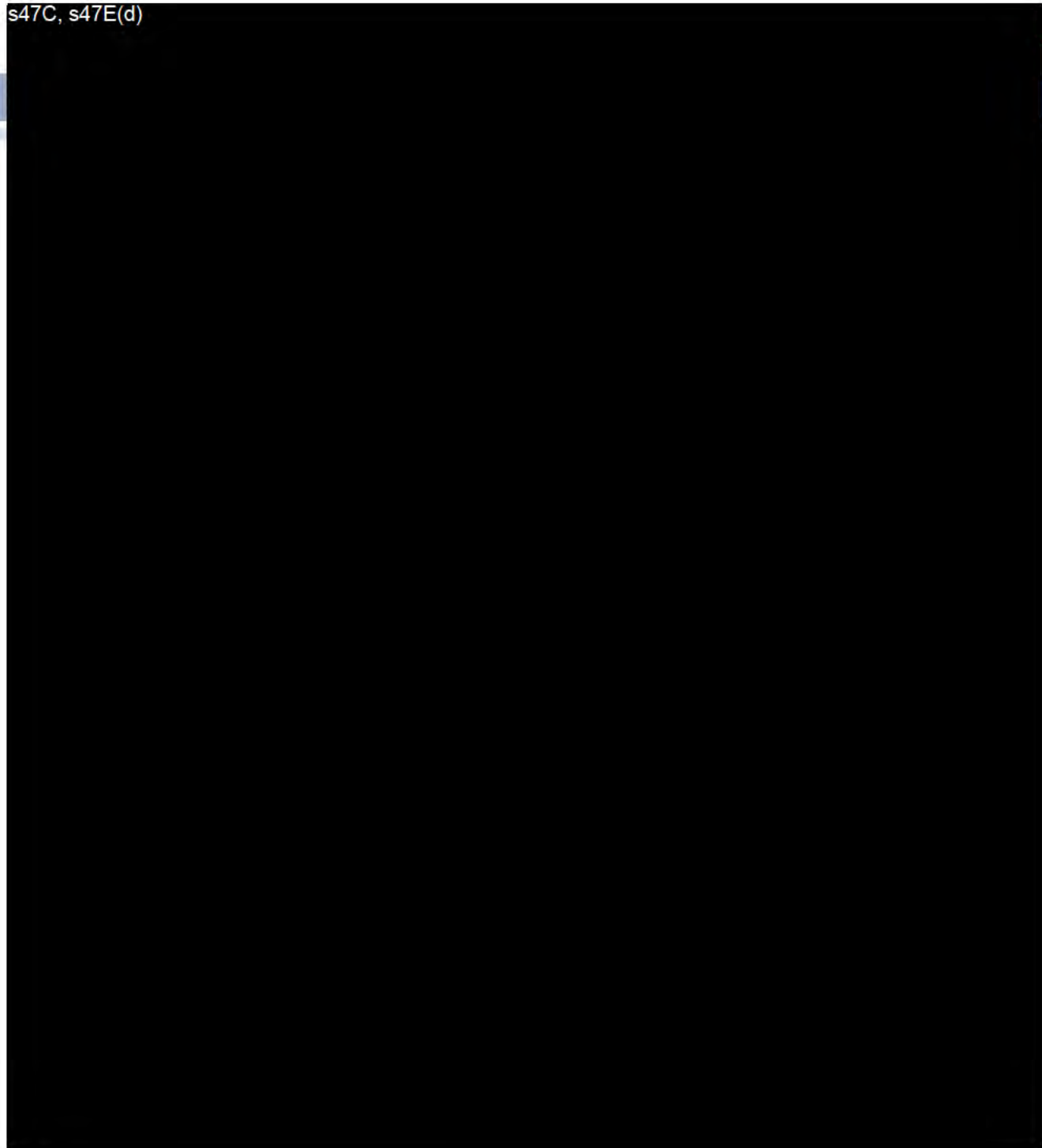
Cc. The Hon Scott Morrison MP, Treasurer  
Senator the Hon Mathias Cormann, Minister for Finance  
The Hon Darren Chester MP, Minister for Infrastructure and Transport  
The Hon Josh Frydenberg MP, Minister for Environment and Energy

Encl. (1)

14 JAN 2017







s22



**From:** s22 [redacted] <[redacted]@finance.gov.au>  
**Sent:** Tuesday, 17 January 2017 5:26 PM  
**To:** Schweizer, Chris <Chris.Schweizer@finance.gov.au>  
**Cc:** BFR - AAU - Industry and Science <BFRAAUIndustryandScience@finance.gov.au>  
**Subject:** Centrals catch up update [SEC=PROTECTED, DLM=Sensitive:Cabinet]

**PROTECTED, Sensitive:Cabinet**

Hi Chris

As you know we met with PM&C and Treasury earlier on to discuss what we are expecting to come forward in the Budget. As with the Industry catch up, a lot of it we already knew about but some of the newer information:

s22



- It appears that they are going to announce the assistance for the **Portland Smelter** on Friday.

s22



s22



As always happy to discuss.

s22



PROTECTED, Sensitive:Cabinet



s22



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**From:** s22 [redacted] <[redacted]@finance.gov.au>

**Sent:** Tuesday, 17 January 2017 9:18 AM

**To:** Bartlett, Richard <Richard.Bartlett@finance.gov.au>

**Cc:** Schweizer, Chris <Chris.Schweizer@finance.gov.au>; BFR - AAU - Industry and Science  
<BFRAAUIndustryandScience@finance.gov.au>

**Subject:** ITG Meeting brief RB [SEC=PROTECTED, DLM=Sensitive:Cabinet]

**PROTECTED, Sensitive:Cabinet**

Hi Richard

We have pulled together some briefing points ahead of your Industry Transition Meeting today. An agenda has not been provided and no papers have been circulated ahead of the meeting. The briefing points reflect advice provided yesterday by Industry regarding the likely discussion at the meeting.

Happy to discuss

s22 [redacted]

---

s22 [redacted] | A/g Director  
Industry and Science AAU  
Budget and Financial Reporting  
Department of Finance  
T: s22 [redacted] <[redacted]@finance.gov.au>  
A: 1 Canberra Ave, Forrest, ACT, 2603



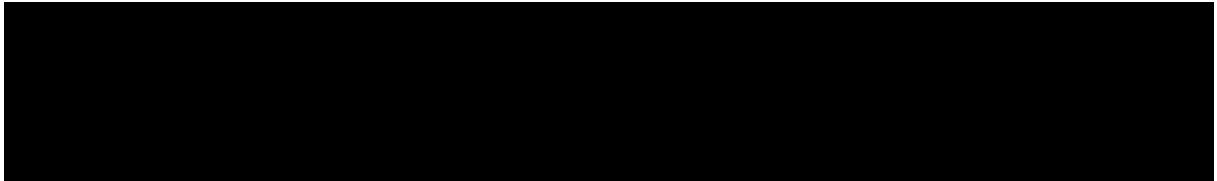
## **Industry Transition Group Meeting**

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**17 January 2017**

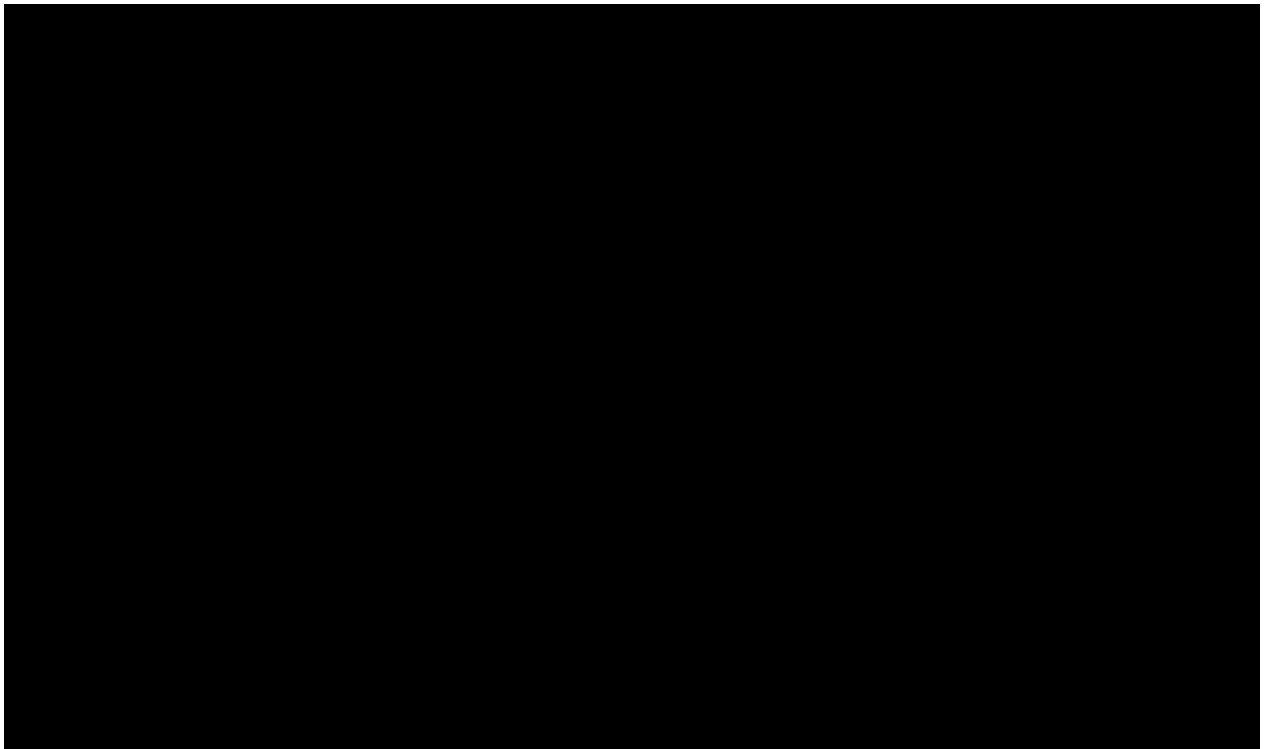
**Purpose:**

- We understand that the Department of Industry, Innovation and Science (Industry) wishes to update the group on the development of the Industry Transition Submission, the scope of which may be expanded to include a broader regional package.

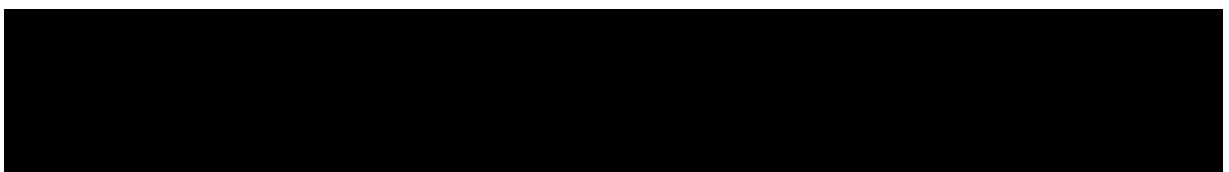


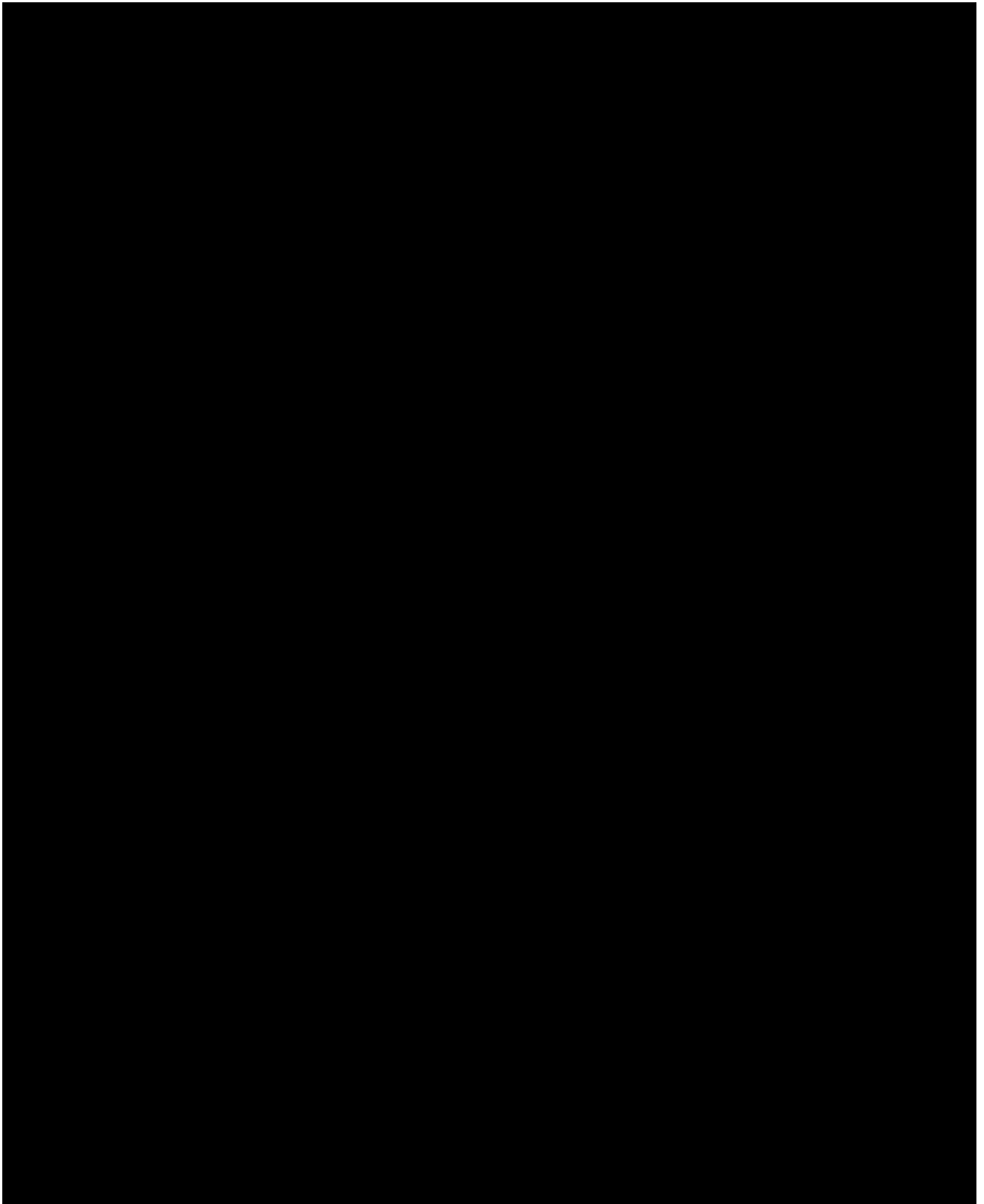
**Key Points:**

Industry Transition Submission



- Portland Aluminium Smelter: The Government agreed to provide a grant of \$30.0 million in early 2017 to assist restoration of production capacity at the smelter following damage from a power outage. Additional assistance is being provided by the Victorian Government although the long term viability of the smelter is questionable.





s22

**From:** s22 [REDACTED] <[REDACTED]@finance.gov.au>  
**Sent:** Thursday, 19 January 2017 10:40 AM  
**To:** s22 [REDACTED] <[REDACTED]@finance.gov.au>  
**Cc:** Schweizer, Chris <Chris.Schweizer@finance.gov.au>; BFR - AAU - Industry and Science <BFRAAUIndustryandScience@finance.gov.au>  
**Subject:** RE: For Action: Secretary's Strategic Planning Meeting with the Minister - request for briefing material for Dep Sec  
[SEC=PROTECTED]

PROTECTED

Hi s22 [REDACTED]

Please find attached an updated version with the comment about the change in Minister.

Thanks

s22 [REDACTED]

PROTECTED

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**From:** s22 [REDACTED]  
**Sent:** Wednesday, 18 January 2017 2:30 PM  
**To:** s22 [REDACTED] <[REDACTED]@finance.gov.au>  
**Cc:** Schweizer, Chris <Chris.Schweizer@finance.gov.au>; BFR - AAU - Industry and Science <BFRAAUIndustryandScience@finance.gov.au>  
**Subject:** RE: For Action: Secretary's Strategic Planning Meeting with the Minister - request for briefing material for Dep Sec  
[SEC=PROTECTED]

PROTECTED

Hi s22 [REDACTED]

Please find attached, the Industry department dot points for Teena's briefing ahead of the strategic meeting with the Minister.

Thanks

s22 [REDACTED]

PROTECTED

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**From:** s22 [REDACTED]  
**Sent:** Monday, 9 January 2017 11:52 AM  
**To:** Schweizer, Chris <Chris.Schweizer@finance.gov.au>; s22 [REDACTED] <[REDACTED]@finance.gov.au>; Pelecky, Libor <Libor.Pelecky@finance.gov.au>  
**Cc:** BFR - IEI Division - Directors <BFRIEIDivisionDirectors@finance.gov.au>; s22 [REDACTED] <[REDACTED]@finance.gov.au>; s22 [REDACTED] <[REDACTED]@finance.gov.au>; BFR - AAU - Schools and Childcare <BFRAAUSchoolsandChildcare@finance.gov.au>  
**Subject:** FW: For Action: Secretary's Strategic Planning Meeting with the Minister - request for briefing material for Dep Sec  
[SEC=PROTECTED]  
**Importance:** High

PROTECTED

Good morning

Please use the attached Word template when drafting your half page briefing, and return to me, via email by COB Wednesday 18 January.

Thank you,  
s22

PROTECTED

PROTECTED

As discussed in the email below in regard to the briefing material for the Dep Sec on the topics identified as per the consolidated list below, please find attached the template for your action. In terms of drafting for each item, please keep to the half page limit with brief dot points that cover the key issues, risk or strategic matters that should be raised.

s22

s22

Industry transition – This encompasses a number of issues include s22 , the Alcoa Smelter and the proposed submissions developed by the Industry Transition Group to provide a framework for future assistance to industries/firms at risk.

s22

s22



Thank you

s22



PROTECTED

s22



s22



PROTECTED

## Industry, Innovation and Science

### Industry Transition / Regional Development

s22



- In mid-2016 the Prime Minister asked for evidence-based advice to Government on emerging structural adjustment pressures. Preliminary discussions centred on development of a framework to determine when and how adjustment assistance should be provided, coupled with periodic industry scans to identify areas of vulnerability. However, a number of cases for industry support have arisen and been addressed individually pending the development of this advice:

s22



- Portland Aluminium Smelter: The Government has agreed to provide \$30.0 m in early 2017 to assist restoration of production capacity following power outage damage.

s22





s22



---

**From:** s22 [redacted] <[redacted]@finance.gov.au>  
**Sent:** Tuesday, 7 February 2017 5:13 PM  
**To:** s22 [redacted] <[redacted]@finance.gov.au>  
**Subject:** FW: Offset for Portland Aluminium Smelter [SEC=PROTECTED, DLM=Sensitive:Cabinet]

PROTECTED, Sensitive:Cabinet

FYI, I assume you've seen this one

PROTECTED, Sensitive:Cabinet

---

**From:** s22 [redacted]  
**Sent:** Tuesday, 7 February 2017 5:06 PM  
**To:** BFR - AAU - Infrastructure Team <BFRAAUInfrastructureTeam@finance.gov.au>  
**Subject:** FW: Offset for Portland Aluminium Smelter [SEC=PROTECTED, DLM=Sensitive:Cabinet]

PROTECTED, Sensitive:Cabinet

For info

PROTECTED, Sensitive:Cabinet

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**From:** s22 [redacted]  
**Sent:** Tuesday, 7 February 2017 5:05 PM  
**To:** s22 [redacted] <[redacted]@finance.gov.au>  
**Cc:** s22 [redacted] <[redacted]@finance.gov.au>  
**Subject:** Offset for Portland Aluminium Smelter [SEC=PROTECTED, DLM=Sensitive:Cabinet]

PROTECTED, Sensitive:Cabinet

Hi s22

As discussed, please find attached the letter from the PM to Minister for Industry regarding the recovery of the Portland Aluminium Smelter.

Let me know if you have any questions.

Kind regards

s22

PROTECTED, Sensitive:Cabinet

PROTECTED Sensitive: Cabinet



PRIME MINISTER



Reference: MC17-006366

18 JAN 2017

The Hon Greg Hunt MP  
Minister for Industry, Innovation and Science  
Parliament House  
CANBERRA ACT 2600

Dear Minister *Greg*

Thank you for your letter dated 14 January 2017 regarding your work negotiating with Alcoa and the Victorian Government to assist with the recovery of the Portland Aluminium Smelter to support local jobs and industry.

As agreed on 15 January 2017, I support you offering a \$30 million grant of assistance to the Portland Aluminium Smelter Joint Venture to maintain operations at the smelter until at least 30 June 2021. I also ask that you consider the longer-term outcomes for the smelter operation and the Portland region as part of your work with the Minister for Employment on industry vulnerabilities and a Structural Adjustment Framework.

I ask that you bring forward an offset for this grant in the 2017-18 Budget context, noting you are continuing discussions with the Minister for Infrastructure and Transport on potential offsets from his portfolio.

A copy of this letter has been provided to the Treasurer and the Ministers for Finance, Infrastructure and Transport, Employment, and Environment and Energy.

Yours sincerely

MALCOLM TURNBULL

s22



**From:** Bartlett, Richard <[Richard.Bartlett@finance.gov.au](mailto:Richard.Bartlett@finance.gov.au)>  
**Sent:** Friday, 24 February 2017 10:00 AM  
**To:** s22 <[REDACTED]@finance.gov.au>  
**Cc:** Schweizer, Chris <[Chris.Schweizer@finance.gov.au](mailto:Chris.Schweizer@finance.gov.au)>; BFR - AAU - Industry and Science <[BFRAAUIndustryandScience@finance.gov.au](mailto:BFRAAUIndustryandScience@finance.gov.au)>  
**Subject:** RE: FOR ACTION: BCB Request - Measure description - Industry - Due: Monday, 27 February 2017 [SEC=PROTECTED, DLM=Sensitive:Cabinet]

PROTECTED, Sensitive:Cabinet

s22

I've made one suggested change in Track in the attached. I'm not sure that I have got it right so I'd be grateful if you could check this and discuss it with me if you think it can be expressed better.

Richard

---

**Richard Bartlett**  
First Assistant Secretary  
Industry, Education and Infrastructure Division  
Budget & Financial Reporting  
Department of Finance  
T: s22  
E: [richard.bartlett@finance.gov.au](mailto:richard.bartlett@finance.gov.au)  
A: One Canberra Avenue, FORREST ACT 2603

PROTECTED, Sensitive:Cabinet

---

**From:** s22  
**Sent:** Friday, 24 February 2017 9:20 AM  
**To:** Bartlett, Richard <[Richard.Bartlett@finance.gov.au](mailto:Richard.Bartlett@finance.gov.au)>  
**Cc:** Schweizer, Chris <[Chris.Schweizer@finance.gov.au](mailto:Chris.Schweizer@finance.gov.au)>; BFR - AAU - Industry and Science <[BFRAAUIndustryandScience@finance.gov.au](mailto:BFRAAUIndustryandScience@finance.gov.au)>  
**Subject:** FW: FOR ACTION: BCB Request - Measure description - Industry - Due: Monday, 27 February 2017 [SEC=PROTECTED, DLM=Sensitive:Cabinet]

PROTECTED, Sensitive:Cabinet

Good morning Richard

Please, find the Alcoa measure attached, for your clearance. The measures team will put it into the CBMS template themselves once the words are cleared.

Thank you.



s22 | Budget Officer  
Industry Innovation Science Agency Advice Unit  
Budget and Financial Reporting  
Department of Finance  
T: s22 @finance.gov.au  
A: One Canberra Avenue, Forrest ACT 2603

---

**From:** Measures

**Sent:** Monday, 20 February 2017 3:30 PM

**To:** s22 @finance.gov.au>

**Cc:** s22 @finance.gov.au>; s22 @finance.gov.au>;

Measures <Measures@finance.gov.au>; Bartlett, Richard <Richard.Bartlett@finance.gov.au>; s22

@finance.gov.au>; Schweizer, Chris <Chris.Schweizer@finance.gov.au>; s22

@finance.gov.au>; s22 @finance.gov.au>

**Subject:** FOR ACTION: BCB Request - Measure description - Industry - Due: Monday, 27 February 2017

[SEC=PROTECTED, DLM=Sensitive:Cabinet]

**PROTECTED, Sensitive:Cabinet**

Request for action Budget Coordination Branch



**Subject**

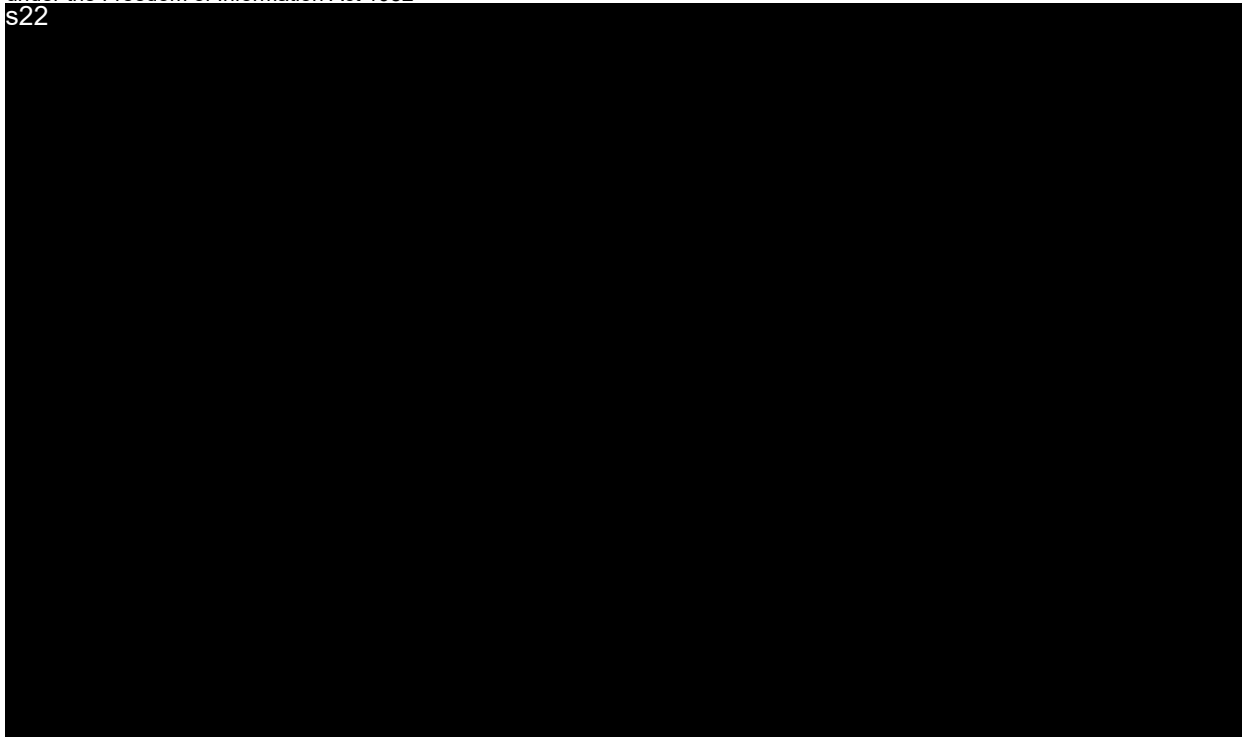
**PROTECTED,  
Sensitive:Cabinet**

The following decisions require measure descriptions to be drafted:

- Portland Aluminium Smelter Assistance

s22





**Measures Team** | Budget Coordination Branch  
Budget and Financial Reporting  
Department of Finance

**E:** [Measures@finance.gov.au](mailto:Measures@finance.gov.au)

**T:** s22 [Redacted]

PROTECTED, Sensitive:Cabinet

PROTECTED, Sensitive:Cabinet

s22



**Industry, Innovation and Science**

**Alcoa Portland Aluminium Smelter — Financial Assistance**

**Expense (\$m)**

	2015-16	2016-17	2017-18	2018-19	2019-20
Industry, Innovation and Science	0.0	30.0	0.0	0.0	0.0
Total – Expense	0.0	30.0	0.0	0.0	0.0

The Government will provide \$30.0 million in 2016-17 to the Portland Aluminium Smelter to help restore production capacity following a power outage on 1 December 2016. The funding will support restarting the smelter and ensuring continuity of operations. The grant is conditional on the smelter continuing operations at 90 per cent (or greater) of its pre power outage level until 30 June 2021.

Further information can be found in the press release of 20 January 2017 issued by the Prime Minister, the Minister for Industry, Innovation and Science, and the Minister for Veterans' Affairs.

**FAS Cleared:** xx/02/2017

**AAU Comments:** N/A

**Financials:** Finalised

s22



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**From:** Bartlett, Richard <[Richard.Bartlett@finance.gov.au](mailto:Richard.Bartlett@finance.gov.au)>  
**Sent:** Wednesday, 12 April 2017 4:07 PM  
**To:** s22 <[REDACTED]@finance.gov.au>  
**Cc:** BFR - AAU - Industry and Science <[BFRAAUIndustryandScience@finance.gov.au](mailto:BFRAAUIndustryandScience@finance.gov.au)>  
**Subject:** RE: INDUSTRY: 2017-18 Budget Decisions by Portfolio Summary Green Brief  
[SEC=PROTECTED, DLM=Sensitive:Cabinet]

PROTECTED, Sensitive:Cabinet

s22

Thanks for this. It all looks fine to me.

Richard

---

**Richard Bartlett**  
First Assistant Secretary  
Industry, Education and Infrastructure Division  
Budget & Financial Reporting  
Department of Finance  
T: s22  
E: [richard.bartlett@finance.gov.au](mailto:richard.bartlett@finance.gov.au)  
A: One Canberra Avenue, FORREST ACT 2603

PROTECTED, Sensitive:Cabinet

---

**From:** s22  
**Sent:** Wednesday, 12 April 2017 3:38 PM  
**To:** Bartlett, Richard <[Richard.Bartlett@finance.gov.au](mailto:Richard.Bartlett@finance.gov.au)>  
**Cc:** BFR - AAU - Industry and Science <[BFRAAUIndustryandScience@finance.gov.au](mailto:BFRAAUIndustryandScience@finance.gov.au)>  
**Subject:** FW: INDUSTRY: 2017-18 Budget Decisions by Portfolio Summary Green Brief



[SEC=PROTECTED, DLM=Sensitive:Cabinet]

**PROTECTED, Sensitive:Cabinet**

Good afternoon Richard

s22



I have provided details re the Portland measure in the workbook below:

Portfolio: Industry, Innovation and Science

Decision title: Portland Aluminium Smelter Assistance

Description

The Government will provide \$30.0 million in 2016-17 to the Portland Aluminium Smelter to help restore production capacity following a power outage on 1 December 2016. The funding will support restarting the smelter and ensure continuity of operations. The grant is conditional on the smelter continuing operations at 90 per cent (or greater) of its pre power outage level until 30 June 2021.

Thank you.



s22

| Budget Officer  
Industry Innovation Science Agency Advice Unit  
Budget and Financial Reporting  
Department of Finance  
T: s22 [@finance.gov.au](mailto:s22@finance.gov.au)  
A: One Canberra Avenue, Forrest ACT 2603

s22



s22



s22



s22



s22



**From:** s22 <[redacted]@finance.gov.au>  
**Sent:** Thursday, 4 May 2017 10:48 AM  
**To:** s22 <[redacted]@finance.gov.au>  
**Cc:** s22 <[redacted]@finance.gov.au>  
**Subject:** RE: Regional Ministerial Budget Statement - Industry chapter - Final draft  
[SEC=UNCLASSIFIED]

UNCLASSIFIED

Good morning s22 [redacted]

Further to our conversation yesterday, we can confirm that the attached version which includes s22 [redacted] is correct. This is the same as the version that we agreed that you send through yesterday.

UNCLASSIFIED

Thank you.

[Redacted signature box]

s22 [redacted] | Budget Officer  
Industry Innovation Science Agency Advice Unit  
Budget and Financial Reporting  
Department of Finance  
T: s22 [redacted] <[redacted]@finance.gov.au>  
A: One Canberra Avenue, Forrest ACT 2603

s22



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UNCLASSIFIED

UNCLASSIFIED

## INDUSTRY, INNOVATION AND SCIENCE

The Industry, Innovation and Science portfolio contributes to the Australian Government's economic agenda by enabling the growth and productivity of globally competitive industries. The portfolio supports scientific capability, strong science, technology, engineering and mathematics skills, and scientific literacy as critical requirements for productivity and economic growth. Our activities:

- facilitate nationwide action on deregulation, skills, collaboration, commercialisation, and international engagement;
- support businesses to innovate and collaborate with scientists and researchers to maximise commercial returns from public investment in science, research and development;
- facilitate competitive marketplaces which are conducive to business growth;
- encourage business investment to improve competitiveness and to achieve or support sustainable adjustment to competitive sectors or areas of growth;
- contribute to unlocking the potential of northern Australia; and
- streamline the way businesses access Government information and services via [www.business.gov.au](http://www.business.gov.au).

The Industry, Innovation and Science portfolio has a broad regional presence through its networks and agencies, including AusIndustry; the National Measurement Institute; the Office of Northern Australia; the Australian Institute of Marine Science; the Australian Nuclear Science and Technology Organisation; and the Commonwealth Scientific and Industrial Research Organisation. Specifically, the Department of Industry, Innovation and Science has 35 per cent of staff located outside Canberra in 31 locations throughout Australia. The portfolio interacts with around 200,000 businesses each year, in metropolitan, regional and remote locations. The program and service delivery division, AusIndustry, provides knowledgeable referrals to other streams of support that contribute to local business activity and economic development.

## NEW INITIATIVES

s22





s22



s22



### **Alcoa Portland Aluminium Smelter – Financial Assistance**

In 2016-17 the Australian Government provided a \$30.0 million grant to the Alcoa Portland Aluminium Smelter as part of efforts by the Australian Government to secure the ongoing viability of the smelter following the damage caused by the power outage incident on 1 December 2016. The grant will be used to restore operations and provide certainty for workers. In conjunction with a support package from the Victorian Government, this assistance will enable the smelter to maintain operations until at least 30 June 2021. Industry transition assistance, such as this support to Alcoa in the Portland region in Victoria, recognises the value of businesses and industries to regional communities.

s22

