

Application of transitional discounts

The Crown has agreed transitional discounts to assist industry adopt cost-sharing for agreed readiness and response activities in an Operational Agreement (OA) under the GIA Deed. These discounts are being offered for six years and are in addition to the Deed clause that states industry will pay a maximum of 50 percent for the activities.

Readiness cost-sharing commences as soon an operational agreement allows, with discounts in place until June 2020. Response cost-sharing comes into effect when the Crown implements the requisite regulatory framework, expected in late 2017, with discounts in place until June 2023. Table 1 lists the discounts that will be applied.

How transitional discounts are applied

Transitional discounts are applied after:

- The exacerbator contribution [Deed clause 3.3.1] has been applied
- The agreed industry beneficiary cost-share has been applied

AND, when relevant

- Industry's allocation of costs has been adjusted to a maximum of 50 percent of the total costs [Deed clause 5.1.6].

Table 1: Transitional discounts

Years	Readiness	Responses
2014/15	60%	100%
2015/16	60%	100%
2016/17	40%	100%
2017/18	40%	60%
2018/19	20%	60%
2019/20	20%	40%
2020/21	0%	40%
2021/22	0%	20%
2022/23	0%	20%
2023/24	0%	0%

In-kind contributions are not discounted but are deducted from the final cost allocation in lieu of cash payment following the final financial reconciliation for the activities undertaken in the OA. The transitional discount is applied to actual expenditure within the financial year it is spent.

The process is shown in Figure 1. Figure 2 offers a worked example of how a transitional discount will be applied. It is based on a scenario where:

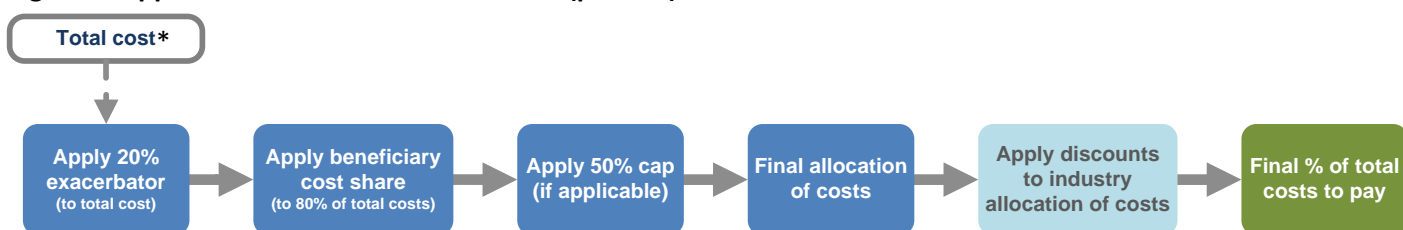
- \$1 million is the total cost of an agreed readiness programme
- The beneficiary cost shares are 30 percent public and 70 percent industry
- The transitional discount is 60 percent

To calculate the final percentage industry will pay using an agreed beneficiary cost share, the activity cost and transitional discount year use the GIA cost sharing and transitional discount worksheet in the GIA Handbook.

The process and worksheet provide the final percentage of total costs (excluding minimum commitments) that industry signatories will collectively pay. It does not allow for:

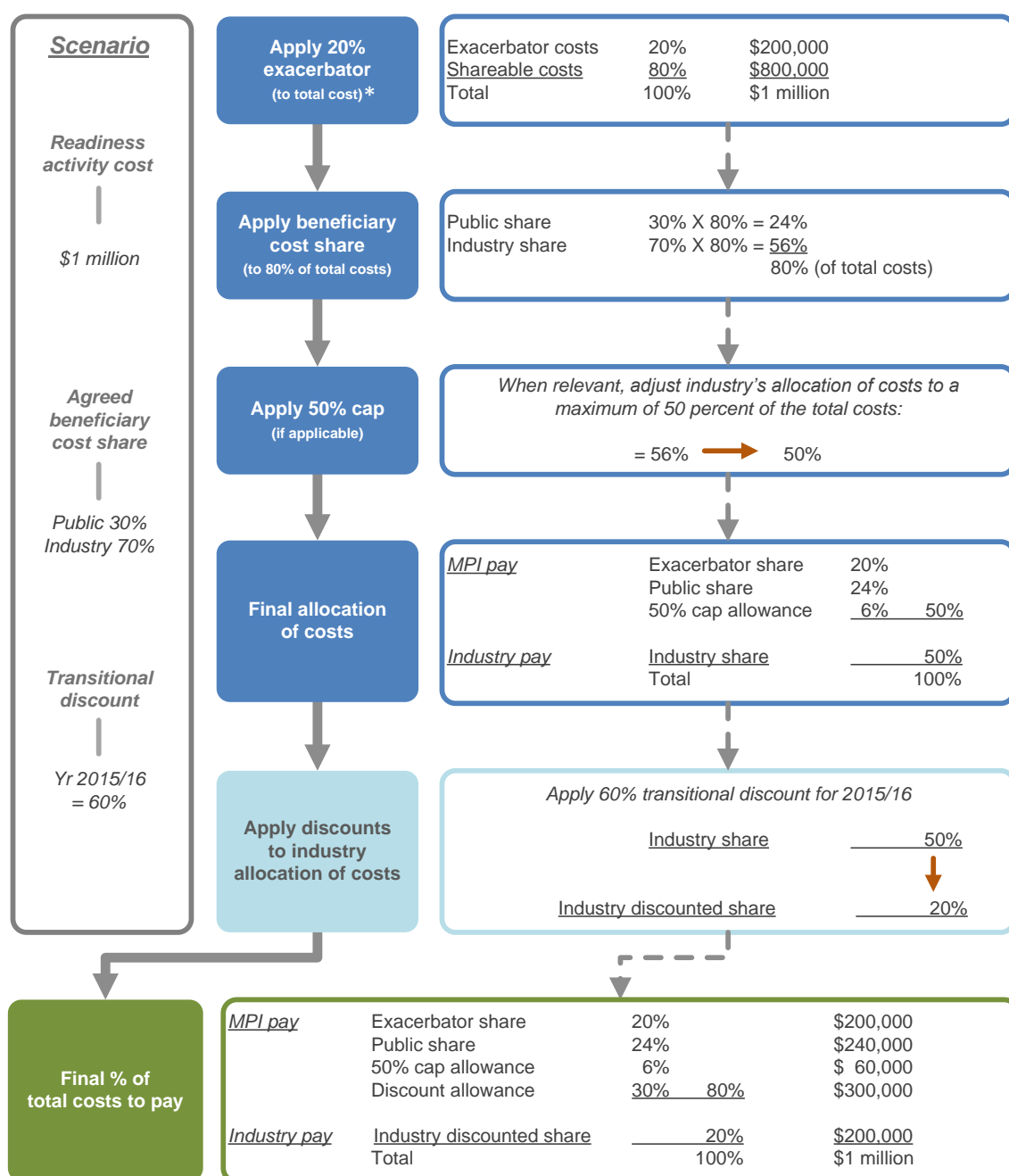
- Allocating final costs between multiple industries
- Reconciling final costs with in-kind contributions

Figure 1: Application of transitional discounts (process)



* Total cost excludes minimum commitments.

Figure 2: Applying a transitional discount



* Total cost excludes minimum commitments.