

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 321

Topic: Aussie Infrastructure Bonds

Hansard Page: Written

Senator EGGLESTON asked:

1. The budget suggests that a separate line of Aussie infrastructure bonds will be identified in future budgets as those that are used to fund the NBN. Will there be any tangible differences between normal government securities and Aussie infrastructure bonds?
2. Will Aussie infrastructure bonds receive the full guarantee of the Australian Government?
3. What is the rationale to keep them as a separate debt instruments if they share the same characteristics as normal bonds?
4. Do you think that Aussie infrastructure bonds will trade at a liquidity premium?

Answer:

The 2010-11 Budget provides information on Aussie Infrastructure Bonds (AIBs) at page 7-12.

In the wholesale market, AIBs will not be separately identified from other Australian Government Securities at the time of issue. This will ensure that they share the same liquidity, pricing and risk characteristics of other Australian Government Securities.

Consideration is currently being given to the form of offerings of AIBs for household investors and an announcement will be made in due course.

Total issuance of AIBs will be reported in the budget, providing greater transparency on the source of funding for NBN Co.