

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

2017 - 2018

Division/Agency: Budget Policy Division

Question No: 170

Topic: Good debt / bad debt

Reference: Written

Senator: Ketter, Chris

Question:

1. The Treasurer said in his speech on 27 April 2017 that the budget would increase the 'visibility on good and bad debt'. Are the phrases 'good debt' or 'bad debt' mentioned anywhere in the budget papers?
2. Did the Treasurer mean the difference between recurrent and capital spending and the impact on debt? Does that mean the Treasurer called recurrent spending and the debt coming from that, 'bad debt'? What's included in that recurrent spending?
3. The Treasurer also mentioned in his speech of 27 April 2017 that 'portfolios will be held responsible for the debts they are incurring for future generations as a result of their expenditure.' Can you point to where in the budget papers portfolios are being held responsible for debts they incur?

Answer:

1. No.
2. Statement 4 in Budget Paper No. 1 sets out an analysis of the borrowings required to fund recurrent activities as a way to illustrate the general concept of 'bad debt', subject to the three important qualifications noted on page 4-12 of that Statement.

For the purpose of this analysis, recurrent spending includes, for example, pension and income support payments, payments to government employees, payments for goods and services, grants and subsidies not made for capital purposes, specific purpose payments to States for specific purposes.
3. Statement 4 in Budget Paper No. 1 notionally attributes government borrowing needs and their costs to different government portfolios to provide a better sense of the drivers of increased debt.