

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

20-21 November 2013

Question: SBT 49-50

Topic: Commonwealth Debt

Hansard Page: page 50-51 & 52-53, 20 November 2013

Senator WONG asked:

49-50.

Senator WONG: On your current assessment, when would you reach \$400 billion—with or without the buffer?

Mr Ray: I would need to take—

Senator WONG: Sorry, I do not need a date. I am just trying to get a timing sense—financial year is fine. Are we talking 2014-15, 2015-16?

Dr Parkinson: It would be 2015-16 we would be either—excluding the buffer?

Senator WONG: Sure.

Dr Parkinson: We would have to be very, very close to 400. Whether we were a bit above or a bit below, but that is not taking into account all of the potential changes that we will do to nominal GDP and hence revenue. So it could be earlier.

CHAIR: That was excluding the buffer.

Senator WONG: Yes. I am going to be fair. I am going to come back and do the buffer as well. So that evidence is: we will not get close to \$400 billion in the current financial year. Does that include or exclude the buffer? Is that whether or not you include the buffer?

Mr Ray: That is excluding the buffer.

Dr Parkinson: Excluding the buffer.

Senator WONG: Excluding the buffer. Including the buffer in the current financial year?

Mr Ray: To be sure, I would have to take it on notice, to ensure it.

....

Senator WONG: Secretary, as I understand the evidence, \$400 billion will not be reached this current financial year nor the next one.

Dr Parkinson: We would have to—

Senator WONG: That is the one you want to take on notice?

Dr Parkinson: Yes

....

Senator WONG: You have said that \$400 billion will not be passed this current financial year. You will come back to me on whether it will occur in 2014-15—correct?

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Dr Parkinson: We will take that on notice and raise it with the Treasurer.

Senator WONG: You will also raise with the Treasurer, as I understand it, the merit of giving—with all the caveats you have just outlined—an update of table 8 in the PEFO for the purpose of the parliament considering the debt ceiling discussion. I have many more questions, but I think the chair wants me to pause.

Answer:

49-50. Table 3.14 in the 2013-14 Mid-Year Economic and Fiscal Outlook (reproduced on the next page) provides the projected face value of Commonwealth Government Securities on issue subject to the Treasurer's Direction.

The projections in Table 3.14 exclude the \$40 billion to \$60 billion within-year buffer recommended by the Australian Office of Financial Management (AOFM).

According to the 2013-14 MYEFO, the within-year peak in 2014-15 of the face value of Commonwealth Government Securities on issue subject to the Treasurer's Direction is currently projected to be around \$370 billion.

Given the above AOFM recommended buffer of \$40 billion to \$60 billion then - if a debt limit was still in place - a limit exceeding \$400 billion would have been required in the 2014-15 year (i.e. next financial year).

On 10 December 2013, the *Commonwealth Inscribed Stock Amendment Bill 2013* received Royal Assent and the statutory limit with regards to CGS on issue was abolished.

Further measures to improve the transparency of Government borrowings have been put in place by the Government. These measures are detailed in the Treasurer's speech on the *Commonwealth Inscribed Stock Amendment Bill 2013* in the House of Representatives on 9 December 2013. Subsequently, a Debt Statement was included in the 2013-14 MYEFO (page 76 onwards), released on 17 December 2013.

Table 3.14: Projected face value of Commonwealth Government Securities on issue subject to the Treasurer's Direction^{(a)(b)}

	2013-14	2014-15	2015-16	2016-17
	\$b	\$b	\$b	\$b
End-of-year amount	310	360	400	430
Within-year peak(c)	320	370	420	460
Month of peak (c)	Jun-14	Apr-15	Jun-16	Feb-17

(a) Face value data in this table are rounded to the nearest \$10 billion.

(b) These figures exclude CGS on issue that are not subject to the Treasurer's Direction, as specified in subsection 51JA(2A) of the *Commonwealth Inscribed Stock Act 1911*.

(c) The precise within-year timing of cash outlays and receipts are not known. Projected peaks of CGS on issue are therefore subject to considerable uncertainty.

Source: Australian Office of Financial Management.