

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Supplementary Budget Estimates

20-21 November 2013

**Question:**               **SBT 63**

**Topic:**                   **Alternative financing for infrastructure**

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**Senator WONG asked:**

63.     Senator WONG: As you said, one of the options the IDC will consider is public debt financing of infrastructure?

Mr Legg: The issue of infrastructure partnership bonds is an issue that needs to be considered. That might take a number of forms. One could be the issuing of Commonwealth government securities labelled infrastructure in some way. But it could also be interpreted as being bonds issued by proponents of infrastructure with various features that make them more attractive.

Senator WONG: Features. Do you mean government guarantees or something that might make them more attractive?

Mr Legg: That is right. So the whole issue is up for consideration.

Senator WONG: In terms of the options you raised, all other things being equal—to use a Mr Ray phrase—one option would increase Commonwealth debt. Correct?

Mr Legg: Yes, some options would increase Commonwealth debt.

Senator WONG: Alternatively, you are looking at guarantees that are effectively backed by taxpayers?

Mr Legg: Yes, that could be an option.

Senator WONG: Are you able, on notice, perhaps to flesh out a bit more detail on what some of those are? Or you can do it now.

Mr Legg: I am happy to take it on notice. Just to set the basic objective, as I understand it, the objective is to think whether there are good ways in which the Commonwealth can assist greenfields developments by assisting in dealing with some of the risks that otherwise are hard to deal with, but for projects that beyond a certain threshold become quite commercially viable. This is not about trying to do things off-budget. It is about trying to use the balance sheet in a targeted sensible way to deal with risks that the private sector finds hard to handle but which, in handling these, could encourage more private sector involvement in the financing of infrastructure.

**Answer:**

63.     The Government is looking at ways it can assist in managing in the risks of infrastructure projects as a means of increasing private sector investment.

A broad range of options for achieving this are under consideration including: bonds, guarantees, phased grants/availability payments and concessional loans.

Some of these options have the potential to impact the level of Commonwealth debt, but this is also the case with traditional grant funding for infrastructure. Any Government

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decision in this area will also be informed by the outcomes of the Productivity Commission's inquiry into Public Infrastructure that is considering the rationale, role and objectives of alternative funding and financing of infrastructure.