

**Senate Finance and Public Administration Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
**BUDGET ESTIMATES 2017-18**

Finance Portfolio  
24-25 May 2017

**Department/Agency:** Finance  
**Outcome/Program:** 1/1.1  
**Topic:** Budget Savings

**Senator:** Gallagher

**Question reference number:** F13

**Type of question:** Hansard Proof, 24 May 2017, F&PA Committee, Pages 53

**Date set by the committee for the return of answer:** Friday, 7 July 2017

**Number of pages:** 2

**Question:**

**Senator GALLAGHER:** In terms of achieving a surplus of one per cent of GDP, with the tax to GDP cap in place, what kind of savings or expenditure reductions would be required to achieve that surplus by 27-28—if you were to hit that one per cent?

**Senator Cormann:** This is another one of those questions: 'Can you please deliver the 2018-19 or the 2019-20 budget for us now?' I am not in the position to deliver the 2018-19 or 2019-20 budget now. If I can refer you to the papers again; everything is openly and transparently set out in the budget papers. If you go to page 3-16, the second-last paragraph actually talks about the fact that:

The medium-term projections indicate that although progress has already been made on the budget repair task, there is more work required in the future, noting that projections over the next ten years are subject to considerable uncertainty.

It then refers to chart 2, which we have talked about. It says:

The Government's budget repair strategy is designed to deliver sustainable budget surpluses building to at least one per cent of GDP as soon as possible, consistent with the objective of achieving surpluses on average over the course of the economic cycle.

But 'more work has to be done', and that is of course a conversation that we will have in the context of future budget updates and budgets.

**Senator GALLAGHER:** So when you use the words, 'there is more work required in the future', are there any figures that underpin that line?

**Senator Cormann:** The graph is there. And the graph shows you that we are getting to obviously a surplus by 20-21 and that is a surplus of 0.4 per cent as a share of GDP in 20-21. Incidentally, on net operating balance terms, by 20-21 we are projected to achieve a surplus of 0.8 per cent by 20-21. But that is just by the by. There is a gap between the projected surplus over the medium term and the one per cent target. That is there for everyone to see openly and transparently.

**Senator GALLAGHER:** And I am saying: do you have any idea what the savings required to achieve that would be, based on the modelling that you have available to you?

**Senator Cormann:** We have not released specific numbers in relation to this. But I can take on notice to see if we are able to assist you with that.

**Answer:**

The medium-term projections in the 2017-18 Budget indicate an underlying cash balance surplus of 0.4 per cent in 2027-28, under current policy settings and an assumption of a tax-to-Gross Domestic Product (GDP) 'cap' (Budget Paper No. 1, p.3-6, p.3-16 and Chart 2 on p.3-17). That implies a gap of 0.6 per cent of GDP between the projected surplus and a surplus of one per cent of GDP.

As indicated in Budget Paper No. 1 (p.3-16), the projections over the next ten years are subject to considerable uncertainty. The underlying cash balance-to-GDP ratio is affected by not only changes in receipts and payments but also by changes in GDP.