Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates – 25–26 February 2009

Question: aet 55

Topic: Insulation and Solar Energy

Hansard Page: E84 (25 February 2009)

Senator ABETZ asked:

Senator ABETZ—I will try to be as quick as I can. Just as a follow-up in relation to the savings made by households because of the solar panel on their roof or insulation in their ceiling, that will be a savings to some households but what about those households that will have to pay tax to service the interest for the debt raised to pay for the solar panels and the pink batts? Has that been factored into the assessment that households will actually be saving money? They will save money on their energy bill. I accept that. But surely that is going to be offset by an increased taxation impost to pay for the interest component as a minimum on the debt that was raised to pay for these solar panels and pink batts?

Ms Quinn—I am unable to answer that question because I did not cost the insulation and solar energy.

Senator ABETZ—Could you please take on notice what that interest component will be per household and/or per taxpayer and how long it is anticipated that they will have to continue to pay that tax impost to service the debt for the benefit of having the solar panels or pink batts in their roof? You can take that on notice. I do not want to get into that argument, because time is very short.

Answer:

In the preparation of the Budget estimates, an estimate of the Public Debt Interest (PDI) is projected over the forward estimates period. PDI measures the net interest cost of the stock of Commonwealth Government Securities (CGS) net of financial assets managed by the Australian Office of Financial Management (AOFM) projected over the forward estimates period. It is not calculated on a 'per measure' basis because cash invested in term deposits, or cash borrowed from debt is determined by the aggregate surplus or deficit.

Each year, the Australian Government administers activities which result in cash inflows (such as tax receipts) and cash outflows (such as grants and subsidies). When funds the Government receives from taxes and other revenue sources exceed the Government's spending and transfers, the budget is described as being in surplus and the opposite holds true for a budget deficit. When a deficit occurs, the Government must finance that by drawing on its assets or by borrowing.

The Government will finance these estimated deficits by borrowing. This will be achieved by the Government issuing debt securities in the form of Treasury Bonds and Treasury Notes. The cost of raising finds by selling Treasury Bonds and Treasury

Notes depends on market conditions. Currently, the average interest rate paid by the Government on new borrowings is under 4 per cent.