

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 285

Topic: Surplus Spending

Hansard Page: Written

Senator EGGLESTON asked:

1. The projected surpluses in the final two years of the forward estimates are wafer thin. With a budget of close to \$400 billion in 2013-14, surpluses of \$1 billion and \$5 billion are little more than rounding errors - Table 6 on page 3-13 of Budget Paper No 1 shows that policy decisions since the 2009-10 Budget have increased net spending by \$5.9 billion. That is the sum of policy decisions for the years 2009-10 through 2012-13. That figure includes new spending measures, new taxes, and savings initiatives. It shows that all of the new taxes have been spent, all of the savings initiatives have been spent, and on top of that an additional \$5.9 billion has been spent for good measure. Policy decisions have not contributed in net terms a single cent to reduce the deficit.
 - a) Would you agree with that assessment?
 - b) To what then do you attribute the improvement over the forward estimates in the underlying cash budget balance, in particular the smaller deficits out to 2011-12 and the small surpluses in 2012-13 and 2013-14? (The answer should be “parameter variations” – ie improved economic growth).
 - c) Do your responses to the last two questions then imply that all the improvement to the Budget bottom line has been due to luck rather than good economic management?

Answer:

Please see Table 6 Reconciliation of underlying cash balance estimates p.3-13 and Table 3 Delivering fiscal reprioritisation p.3-7 of Budget Paper No.1 2010-11.