Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

2014 - 2015

Department/Agency: Treasury
Question: AET 260-263
Topic: Asset recycling
Reference: written - 06 March 2015
Senator: Dastyari, Sam

Question:

260. In a recent Senate submission, UQ economist John Quiggin wrote: *'When assets are sold for their full value in public ownership, and the proceeds are used entirely to repay debt, public sector net debt is unchanged. The use of any portion of privatisation proceeds to fund current expenditure, tax cuts or non-commercial infrastructure must increase public sector net debt'.* Does Treasury agree?
261. What impact will the government's asset recycling initiative have for the number of privately owned monopolies in this country?
262. What are the 'checks and balances' to ensure that assets sold by the states and territories are in the national interest?
263. What are the 'checks and balances' to ensure that any new privately-owned monopolies will be properly regulated?

Answer:

260 – Under the relevant reporting frameworks, net debt is calculated as the sum of selected financial liabilities (deposits held, advances received, government securities, loans and other borrowing) less the sum of selected financial assets (cash and deposits, advances paid, and investments, loans and placements). The calculation of net debt excludes non-financial assets (such as land and buildings) as well certain liabilities (including superannuation liabilities).

The impact on net debt from the sale of Commonwealth Government assets depends on a number of variables, including the type of asset being sold, how it is currently valued in the financial accounts, sale costs and how the Government chooses to use the proceeds.

If the proceeds from the sale of Government assets are used to pay down Commonwealth Government Securities, this would reduce gross debt.

261 – Any impact on the number of natural monopolies in Australia will be the result of the decisions of state or territory governments that decide to sell the assets. State and territory governments, not the Commonwealth, are responsible for these decisions.

262 – The states and territories own the assets, and will make a decision on whether a sale is in the interests of the state. Should a foreign investor seek to acquire the assets, the transaction may be subject to the application of Australia's foreign investment review framework.

263 – States and territories are responsible for selecting the assets they consider appropriate to be sold in order to participate in the Asset Recycling Initiative, as well as ensuring that the

necessary regulatory arrangements are in place. State and territory governments are accountable to their constituents for these decisions. The Commonwealth respects the role of the states and territories to make these decisions.

Where applicable, asset sales will be subject to Commonwealth regulatory requirements, including review by the Australian Competition and Consumer Commission where there are competition concerns arising from a transaction and any approvals required under Australia's foreign investment review framework. Further, depending on the nature of the asset sold, it might be subject to pricing and access requirements, such as the framework in place for electricity transmission and distribution assets under the National Electricity Laws and Rules.