

Senate Economics Legislation Committee
ANSWERS TO QUESTIONS ON NOTICE
Treasury Portfolio
Budget Estimates 2014
3 June to 5 June 2014

Department/ Agency: Treasury

Question: BET 50

Topic: Medical Research Future Fund

Reference: Hansard - page 138, 4 June 2014

Senator: Wong

Question:

Mr Ray: The Medical Research Future Fund is an endowment fund. The earnings are being directed to medical research and the forward estimates, so it is not about the earnings it is about the portfolio assets that the fund is holding.

Senator WONG: You said that was the primary driver. Are you able to give me some metrics around that?

Mr Ray: If you actually want numbers, we would need to take it on notice.

Senator WONG: If you could, to the extent you can to disaggregate that line in that table, I would appreciate it. But broadly, holding that fund on the balance sheet, in the way the government has determined, has a beneficial impact on net debt? It is a question.

Mr Ray: Broadly, the impact on net debt of establishing the endowment fund, assuming that the assets of the fund are principally debt-like instruments, will be neutral. Because alternatively that cash could have been used to pay down—

Senator WONG: But that does not explain your point about asset movements.

Mr Ray: What has happened is that in the financing requirement we do not—

Senator WONG: There is an offsetting shift—

Mr Ray: Yes, that is right.

Senator WONG: Perhaps the disaggregation may help and maybe we need to reference the preceding funds which are included in the BAF and the EIF, but isn't the MRFF \$11 billion?

Mr Ray: No, it is \$20 billion outside the forward estimates.

Senator WONG: Yes, but this is out to 2017, whereas the figure in table 4 is \$21 billion. I am just trying to understand the other \$10 billion.

Mr Ray: I think the safest thing is to take it on notice. It is \$12 billion—you are right.

Senator WONG: So you will explain how that works in that line.

Mr Ray: To the best of our ability.

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Answer:

The \$21.6 billion increase in other assets and liability movements in the 2016-17 year primarily reflects increases in the value of the Future Fund and the value of deposits held by the Government, and the establishment of the Medical Research Future Fund and the Asset Recycling Fund. Estimates of the Medical Research Future Fund are published in Box 5 of *Statement 6: Expenses and Net Capital Investments*.

	2013-14	2014-15	2015-16	2016-17
	\$b	\$b	\$b	\$b
Total asset and other liability movements	-5.3	-10.2	-15.1	-21.6
<i>Net debt assets</i>				
(Increase)/decrease in cash and deposits	-0.3	0.3	0.2	0.4
(Increase)/decrease in advances paid	0.1	0.0	-2.1	-3.9
(Increase)/decrease in investments, loans and placements				
: investments - deposits	-6.6	-6.4	-5.2	-8.3
: IMF quota	5.3	-0.2	-0.2	-0.2
: other investments	-0.7	-5.1	-8.5	-10.2
<i>Net debt liabilities</i>				
Increase/(decrease) in loans	-3.1	1.3	0.7	0.8
Increase/(decrease) in other borrowing	0.0	0.0	0.0	0.0
Increase/(decrease) in deposits held	0.0	0.0	0.0	0.0