Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates – 25–26 February 2009

Question: aet 35

Topic: **Australian Business Investment Partnership – Foreign Banks**

Hansard Page: **E31 (25 February 2009)**

Senator COONAN asked:

Senator COONAN—Did Treasury receive any representations from foreign banks to the effect that they were looking to pull back from their Australian exposure prior to the announcement of this—

Dr Henry—I am sorry, Senator, I was consulting with one of my people. There has been considerable commentary that has suggested that there is a significant risk of one or more foreign bank participants in existing syndicated loan arrangements withdrawing from those syndicates.

Senator COONAN—The question was if they conveyed to Treasury. Sorry, you might not have heard the beginning.

Dr Henry—Certainly the concerns were conveyed to Treasury. Whether it was—

Senator COONAN—By the banks?

Dr Henry—the banks that were doing the communicating or whether it was other parties, I cannot be sure. I would, again, have to take that question on notice. But certainly financial institutions were communicating with the department on this matter and suggesting that there was a significant risk—particularly if global financial conditions were to deteriorate further—that some of the participants in existing syndicated loan arrangements might not roll over their financing as rollovers fell due.

Answer:

The following response was given during the Additional Senate Estimates hearing held Wednesday, 25 February 2009 (page E33).

Mr Grech—In the formulation and development of this policy initiative I and a couple of colleagues had an extensive round of consultations with a number of foreign banks on a bilateral basis in Sydney earlier this year, and we discussed at some length their overall situation and we sought some frank commitments vis-à-vis their appetite, if you like, to continue to retain their current exposures to Australian property debt syndications, and their scope perhaps to increase that commitment. It was made pretty clear to us—I obviously will not mention the institutions by name—that they could not, given their respective predicaments in their home markets, give categorical or cast iron guarantees that they would be in a position to retain their current exposures to the Australian economy in general, not just commercial property. In fact, one institution made it very clear to us that they were no longer in a position to write any business in Australia and were in the process of winding back and in fact closing off their loan book. It is really in that broader context that the—I think the Treasurer’s or the Prime Minister’s words were, ‘This is a contingent type of measure'. There was no-one saying categorically, except one institution, that they would pull out next week or next month, but in the same vein they made it pretty clear to us that they could not give us a 100 per cent cast iron guarantee that they would be in a position to maintain their existing exposures.