

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Additional Estimates

10 – 11 February 2010

Question: aet 106

Topic: Net Debt Position

Hansard Page: E64 (11/02/2010)

Senator JOYCE asked:

Senator JOYCE—But we are heading to a peak debt position of \$245 billion. Will it start affecting the price everybody pays when it gets to that level?

Mr Ray—I think what matters is our net debt rather than our gross debt.

Senator JOYCE—In that case, we need to go back to discussing what the debts of the states are.

Mr Ray—Our net debt is expected to peak, from the Treasurer's press release of 8 December, at 9.6 per cent of GDP in 2013-14.

Senator JOYCE—In discussing the net debt, did he tell you what the debt securities the government owns from the state and territory governments are? Is that amount in there?

Mr Ray—To the extent that we did own any, they would be included in that.

Senator JOYCE—How much are they in that net debt position?

Mr Ray—I would need to take that on notice because I do not know, for example, what the Future Fund holds.

Answer:

The assets included in the net debt calculation are: cash and deposits, advances paid and investments, loans and placements. Any state government bonds held by general government sector entities are included in 'investments, loans and placements'. As at Budget 2010-11, net debt is projected to peak, as a per cent of GDP, at 6.1 per cent in 2011-12. In that year, investment, loans and placements are expected to be around \$113.1 billion.

On 15 December 2009, the Australian Office of Financial Management (AOFM) announced that it would purchase some short-dated State government bonds, maturing on or before 30 June 2011, for cash management purposes. As at 30 April 2010, the AOFM held around \$3.7 billion of State government bonds.

While the Future Fund currently has no holdings of State Government debt, as at 30 April 2010, around 2 per cent of the capital of the three Nation-building Funds (around \$460 million) is invested in State Government bonds.