

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Additional Estimates 2012

15 – 17 February 2012

Question: AET 1283-1285

Topic: Time series on the headline budget position as it does for the underlying cash balance as per table D1

Hansard Page: 29 - 30 (Thursday 16 Feb)

Senator Cormann asked:

Question 1.

Is there a case for time series on the headline budget position to be published in the budget papers or budget updates?

Mr Ray: It is published in the budget papers and in MYEFO.

Senator Cormann: Could you provide a time series on the headline budget position as it does for the underlying cash balance as per table D1 in—

Mr Ray: The historical series?

Senator Cormann: That is right, that is what I am talking about.

Senator Wong: What page are you on?

Senator Cormann: Page 362.

Mr Ray: I would need to take that on notice because it is not my decision, but one of the differences between the underlying and the headline is Future Fund earnings, and the historical series for Future Fund earnings are published in table D1.

Senator Cormann: If you were to sell assets to avoid needing to borrow then your headline budget position would not actually be in deficit in the first place, would it?

Mr Ray: I think I was answering other questions, but the government's plans on its balance sheet are included in the headline cash balance numbers that are published in MYEFO. Just as the investments are, the plans to sell assets are also included.

Senator Cormann: They are in the headline fiscal position but not in the underlying fiscal position?

Mr Ray: In the case of Spectrum, it is a non-financial asset so it is included in the underlying cash balance.

Senator Cormann: That is for the sale?

Mr Ray: Correct.

Senator Cormann: Which of course means that if the sale were sufficient to put you into a surplus position—took you out of deficit—then the question I asked before would no longer be relevant. Because the fiscal position is in deficit, then the spending on things like RMBS, NBN and so on is funded from debt. You said 'correct', but then you put the qualifier in around asset sales. But asset sales would actually be reflected in the headline fiscal position, would they not?

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Mr Ray: Indeed, but some asset sales, as I was just explaining, are in the underlying position and some—if they are financial assets—will be in the headline position. Other things being equal, a decision to increase the acquisition of RMBS—with no other change—will increase gross debt but not net debt.

Senator Cormann: Should the size of the government be assessed on total government spending, including that which contributes to the headline budget position? Should it include the spending that is excluded from the calculation of the underlying budget position, and would that be a more accurate prediction of the government's spending and borrowing activities?

Mr Ray: Oh, dear. This is a long and complex question about which is the appropriate flow aggregate to look at. When accrual budgeting was introduced in 2000, there were decisions made around which flow aggregates would be used by the then government as the particular ones that it focused on. My recollection is that there was a relatively lengthy discussion in the relevant budget paper as to why fiscal balance and underlying cash balance were the two that were chosen. There are alternatives. One is the headline cash balance and the other is the operating balance. But all four are published in the papers.

Senator Cormann: Could you provide us on notice with a time series on the headline budget position.

Mr Ray: I am happy to take that on notice.

Question 2.

Senator Cormann: Could you confirm the face value of Commonwealth government securities on issue over the forward estimates period to 2014-15.

Mr Ray: I do not think I can. I do not think those numbers have been published, although a question on notice was answered that did include some information on it. But, in broad terms, those numbers have not been published.

Senator Cormann: Why is that?

Mr Ray: Because they are not published in the budget papers.

Senator Cormann: But we are here to ask about things that go beyond, for example, the budget papers.

Mr Ray: Senator Bushby asked a written question on this that the government answered on the basis of the budget. I am happy to take on notice whether we can update that post MYEFO.

Senator Cormann: What I am looking for is the face value of Commonwealth government securities expected to be on issue over the forward estimates period to 2014-15.

Mr Ray: Sure.

Question 3.

Senator Cormann: Are you able to provide us with whether the face value of Commonwealth government securities is expected to exceed \$250 billion in the period either during or beyond the current forward estimates?

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Mr Ray: As I have said, I have taken on notice what the numbers are and we will see what we can provide you with.

Answer:

Question 1

Please refer to the response to the Question on Notice AET 1281.

Question 2

Page 7-17 of Budget Paper No.1 2012-13 states that CGS on issue subject to the current legislative limit is projected to be below \$250 billion at the end of each financial year across the forward estimates.

Question 3

Please refer to the answer to Question 2.