

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates 29, 30 & 31 May 2007

Question: bet 82

Topic: Future Fund –Impact on Removal of Dollars

Hansard Page: E62

Senator BERNARDI asked:

That goes back to the question I asked you about the modelling of \$2.7 billion. Perhaps to keep it at its most simple you could provide us with the impact for every billion dollars removed from the fund in terms of what the opportunity cost is at the other end?

Mr Tune—We can do that.

Senator BERNARDI—That would be a simple way in which we could—

Mr Martine—We will confirm what we will do. We will just assume that we stick with the 2020 being the point at which we are trying to work out the gap?

Senator BERNARDI—Yes.

Answer:

For every \$1 billion that is transferred from the Future Fund there is a reduction of around \$2.5 billion in the assets held by the Fund in 2020. This estimate assumes that the funds are transferred in 2007 and would have otherwise grown by the Future Fund's nominal benchmark return of 7.2 per cent (net of costs).