

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates 3-5 June 2008

Question: bet 62

Topic: Expenditure for 2008-09

Hansard Page: E10

Senator Coonan asked:

Senator COONAN—So they are all new measures and none of them were bring-forward?

Mr Martine—The big ones that I have just mentioned include the \$500 million for universities. Any bring forwards would show a positive number in 2007-08 but a negative number in 2008-09 in that table in appendix E.

Senator COONAN—I will check it, but are you saying that there are none?

Mr Martine—Off the top of my head, going through the 600-odd measures, I cannot guarantee that there are not any bring-forwards from 2008-09 to 2007-08.

Senator COONAN—Can you check it for me, please, on notice?

Mr Martine—I am happy to take that on notice.

Senator COONAN—If there are any, I would like your comment on whether it would increase or reduce inflationary pressures?

Mr Martine—That question comes back to the size of the surplus in 2007-08 and 2008-09. After taking into account all of those measures and other estimates adjustments, there is a modest tightening in 2008-09 from 2007-08, moving from 1.5 per cent of GDP to 1.8 per cent. Those numbers take into account all of those decisions.

Senator COONAN—If this spending had occurred on or after 1 July 2008 what would have been the underlying cash surpluses in 2007-08 and 2008-09?

Mr Ray—When you say ‘this spending’, is that the spending that we are checking to see whether they were bring-forwards?

Senator COONAN—Yes.

Mr Martine—Is it just bring-forwards?

Senator COONAN—Yes, just a bring-forward.

Mr Martine—We would have to take that on notice.

Mr Ray—We would have to take that on notice but, as Mr Martine said, we do not think that is going to be significant.

Mr Martine—The major measures in 2007-08 are not bring-forwards—for example, the seniors and carers bonus and education.

Senator COONAN—Would you provide the estimated budget surpluses for each year from 2007-08 until 2011-12 in both underlying cash and fiscal terms, if there had been no policy decisions taken in the budget? What I am looking for is what these surpluses would have been if there had been no decisions since PEFO. I would also like the calculations in both percentage points of GDP and in dollars.

Mr Martine—I will refer you to page 3-11 of Budget Paper No. 1 where we provide the reconciliation table for the underlying cash balance. I will not attempt to do the maths in my head, but the bottom portion of that table shows the underlying cash

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balance at PEFO and it breaks out the policy decisions and parameter variations to calculate the current underlying cash balance. So, if your question was, 'What would the underlying cash balance have been if there were no policy decisions?' then, in 2008-09, for example, it would simply be a matter of adding back to the \$21.703 the \$1.996.

Mr Ray—Subtracting.

Mr Martine—I am sorry, subtracting.

Mr Ray—The short answer to your question is that the underlying cash surpluses for 2008-09 to 2010-11 would have been smaller.

Mr Martine—That is correct. It is smaller.

Mr Ray—We can do the arithmetic.

Senator COONAN—If you would not mind, just in percentage points of GDP and dollars.

Mr Martine—The equivalent table for fiscal balance is on page 3-12.

Senator COONAN—Is it normal to describe tax increases as savings?

Mr Ray—Yes, in the sense that they are savings to the budget.

Senator COONAN—Can you provide a list of the savings—that is, reductions in expenses—over the forward estimates, please? You have probably got a table there.

Mr Martine—Broken down or—

Senator COONAN—Yes, please.

Mr Martine—in aggregate?

Mr Ray—Do you want every single one of them?

Senator COONAN—You can take it on notice.

Mr Ray—Yes. We will need to take that on notice.

Answer:

There were no bring-forwards from 2008-09 to 2007-08. A bring-forward should show a positive number in 2007-08 but a negative number in 2008-09. Details can be found in Budget Paper No. 2.

In the absence of policy decisions since PEFO (as shown in Table 4 of Statement 3, Budget Paper No. 1) the underlying cash balance estimates at the 2008-09 Budget would have been \$19.6 billion (1.7 per cent of GDP) in 2007-08, \$19.7 billion (1.6 per cent of GDP) in 2008-09, \$19.7 billion (1.5 per cent of GDP) in 2009-10 and \$17.1 billion (1.3 per cent of GDP) in 2010-11.

In the absence of policy decisions since PEFO (as shown in Table 5 of Statement 3, Budget Paper No. 1) the fiscal balance estimates at the 2008-09 Budget would have been \$23.2 billion (2.1 per cent of GDP) in 2007-08, \$22.2 billion (1.8 per cent of GDP) in 2008-09, \$22.5 billion (1.8 per cent of GDP) in 2009-10 and \$21.5 billion (1.6 per cent of GDP) in 2010-11.

A list of savings achieved in the 2008-09 Budget can be found in Budget Paper No. 2, in the 'Responsible Economic Management' package, beginning on page 321.