

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

1 June – 3 June 2010

Question: BET 61

Topic: Commonwealth Spending

Hansard Page: E74-75 (02/06/2010)

Senator BUSHBY asked:

Senator BUSHBY—What are the costs to the Commonwealth of the forgone interest of this \$1½ billion being brought forward a year earlier? In terms of interest.

Mr Ray—We do not estimate those sorts of things.

Senator BUSHBY—But there is a cost. By spending that \$1½ billion a year earlier than otherwise planned, in a debt financing scenario, that means that we have to be able to have a million and a half dollars available to spend a year earlier. Presumably that would come with an interest cost.

Mr Ray—The way that you have framed the question I do not disagree with the concept, but as a general rule we do not separate it all out. It will depend on when in the year. As you know, our financing needs are not just a question of the aggregate, end-of-year budget balance position—

Senator BUSHBY—You have got bonds that are maturing and—

Mr Ray—Yes, and there are the cash flows through the year, and so the question is quite a complex one.

Senator BUSHBY—But on an average basis you could actually look at it and say, ‘We are going to have to increase our financial requirement to cover that this year, and therefore there is an interest cost.’

Senator Sherry—But also presumably, it depends where it is—because it is brought forward from one financial year to another, it does not mean that the actual payment is brought forward for a full year.

Senator BUSHBY—That is right. It is not necessarily 1½ billion times your average bond rate. I acknowledge that. But there is, nonetheless, a cost in terms of interest terms of interest by spending that money earlier than if you had not—

Mr Ray—I agree with that in concept. On the other hand, other spending has been deferred in the budget process. Equally, on the same analysis there would be an interest saving from that.

Senator BUSHBY—What other spending has been deferred? It is a good point. In the context of the reason why I am asking these questions, I am very interested to know whether there has been major spending that was planned and has been pushed out into the coming years.

Mr Ray—I suspect the numbers of movements of funds are in the hundreds. We can take it on notice to find out, but there is a range of spending that has been deferred, including in the capital program for the Department of Defence—

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Senator BUSHBY—Deferred with a particular date identified, or deferred indefinitely.

Mr Ray—Deferred with dates identified, including in the water program. There are a number of them, and some are included in the budget.

Senator BUSHBY—Could you give me a complete list of spending that has been deferred together with the amounts and the time lines.

Mr Ray—I will certainly take that on notice. Again, it is one that I am going to send to the Department of Finance.

Answer:

This question has been referred to the Department of Finance and Deregulation.

All movements of administered funds are required to be published in agency Portfolio Budget Statements and Portfolio Additional Estimates Statements.