

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

31 May – 2 June 2011

Question No: BET 274 & BET 275

Topic: Depreciation figures

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Senator Bushby asked:

Senator WONG: No, in terms of what is in the CR. I hope we do not have to reprise Senator Cormann's and my lengthy discussion about it.

Senator BUSHBY: I cannot speak for my colleagues. I am not intending to go through the contingency reserve data, but I am interested in this particular figure because it does not appear to reflect a significant decline in purchases of non-financial assets, as indicated in table 21 on page 6-50. So, to me, it seems like it must be the result of an increase in depreciation expenses.

Dr Parkinson: We will take it on notice and see if we can give you an answer.

Senator BUSHBY: I will finish up by reading the question I was going to ask and you can take it on notice. My calculations suggest that depreciation expenditures must increase from \$6,156 million in 2011-12 to \$10,534 million in 2012-13 and then drop back to \$5,863 million in 2013-14 and \$6,134 million in 2014-15 on the basis of these figures. Obviously, if you could prove otherwise I would be delighted that you could. So what I want to know is: why are depreciation expenses—if this is indeed what they are—so much higher in 2012-13? I also want to know the degree of latitude that exists for moving depreciation expenses from one year to another when you are putting together the budget. Thank you.

Answer:

The major drivers for the reduction in net capital investment in 2012-13 is a \$1.4 billion reduction in purchases of non-financial assets from 2011-12 to 2012-13 (which is mostly attributable to a decrease in net capital investment against the defence function), and a \$3.6 billion increase in the sale of non-financial assets. The breakdown of these numbers is confidential for commercial reasons.