

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

31 May – 2 June 2011

Question No: BET 87

Topic: Debt Ceiling

Hansard Page: Written

Senator Bushby asked:

I note that within a couple of years of lifting the debt ceiling under which the Government can operate from \$75 billion, which was essentially a cash flow operating figure, to \$200 billion, we are now facing the need to increase it again to \$250 billion.

- On Treasury's projections and forecasts and in the absence of a major economic shock, is this the highest we will need to take the debt ceiling?
- What legislative changes need to be made to allow this increase?
- How many such legislative changes have been made in the past? Were they made through a specific bill or as part of other bills?
- When was the last time it was included in an Appropriation Bill?

Answer:

- On Treasury's projections and forecasts and in the absence of a major economic shock, is this the highest we will need to take the debt ceiling?

The *Commonwealth Inscribed Stock Act 1911* (CIS Act) imposes a legislative limit on issuance of Commonwealth Government Securities (CGS). Largely due to revenue write-downs, amendments were required to the Act this year to lift the limit on the face value amount of CGS that can be on issue to \$250 billion. The face value amount of CGS on issue at the end of each year over the forward estimates was projected at the time of the 2011-12 Budget to be between \$220 and \$225 billion. Normal fluctuations in cash requirements within a financial year will require additional CGS to be on issue at various times.

- What legislative changes need to be made to allow this increase?

Amendments were made to the CIS Act to raise the legislative limit to \$250 billion.

- How many such legislative changes have been made in the past? Were they made through a specific bill or as part of other bills?
- When was the last time it was included in an Appropriation Bill?

In 2008, a bill amending the CIS Act provided the Government with a standing authority to borrow up to \$75 billion. This was to increase the size of the CGS market to keep it liquid.

In 2009, a bill amending the CIS Act increased the borrowing limit by introducing a \$125 billion 'special circumstances' provision in response to the global financial crisis. This bill was included with a package of bills including the appropriation bills at the time of the Updated Economic and Fiscal Outlook.