

Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Estimates 22-23 October 2008

Question: sbt 52

Topic: Deposit Guarantee – Market Reaction

Hansard Page: E45

Senator COONAN asked:

Senator COONAN —You anticipated that, not having fixed this up at the time the package was announced, there would not be an adverse market reaction having left this package at large with an unlimited guarantee covered by the government of certain accounts?

Senator Conroy —I am not suggesting for a moment that these are not matters of legitimate public speculation and interest. We probably only have one or two options at this side of the table, which are to either take it on notice or go in camera to possibly continue a discussion along those lines. I offer you either opportunity.

CHAIR —I have advice that estimates is not to be held in camera, that it needs to be a public discussion.

Senator Conroy —As I said, I am offering the opportunity—

CHAIR —We do have the opportunity as a committee to have a private briefing subsequent to estimates.

Senator ABETZ —Can I try this question then: was Treasury anticipating the market reaction that followed? I think that is about as neutral a question as can be asked.

Senator Conroy —I will take the question on notice.

Senator ABETZ —This is appalling.

Senator BRANDIS —Was Treasury anticipating a market reaction, Dr Henry?

Dr Henry —I will take the question on notice.

Answer:

The Australian guarantee arrangements were put in place in response to a period of severe global financial turmoil and were put in place as part of coordinated global action. While it was clear that there would be some market reactions to the imposition of a guarantee, equally in the absence of the guarantee, there would have been a market reaction.