Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

20 – 21 October 2010

Question: SBT 233

Topic: Use of 10 year Bond Rate

Senator Bushby asked:

Senator BUSHBY—Are you aware of any instances where Finance or Treasury have used the 10-year bond rate to calculate costs or savings within government?
Mr Ray—We used the 10-year bond rate to market the superannuation liability. I have just used that as an actual at FBO. We use a different interest rate at budget and at MYEFO, where we use the long-term cost rate that is developed by the Australian Government Actuary.
Senator BUSHBY—Any other examples that you can think of?
Mr Ray—Not off the top of my head. I am happy to take it on notice to see if there are any. But on PDI calculations, the methodology that we use is the same methodology that you and I have discussed, and that I have discussed with Senator Joyce on many occasions.

Answer:

The following are examples of Government decisions and commitments that were costed during the 2010-11 Budget using the 10-year bond rate:

- *Education Services for Overseas Students Assurance Fund - loan*, Department of Education, Employment and Workplace Relations;
- *James Hardie Asbestos Compensation Fund*, Department of the Treasury; and
- *Standby loan facility for the Government of Indonesia*, Department of the Treasury.

The Department of Finance and Deregulation was consulted in the preparation of this response.