

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

**Supplementary Budget Estimates**

20 – 21 October 2010

**Question: SBT 238**

**Topic: Debt financing**

**Senator Bushby asked:**

**Senator BUSHBY**—Okay. How much has been paid out in interest by the government since the budget went into deficit that could be attributed to debt financing of government activities?

**Mr Ray**—That is a very complicated question because it would mean that we would need to unpack the interest bill—

**Senator BUSHBY**—What is the overall interest bill, to start with?

**Senator Wong**—Your question was in relation to deficit.

**Senator BUSHBY**—That is right. I understand the reality of how the financing works. Even in times when you are running a net surplus you do not actually owe any debt. There is debt on the books at times, and I understand that would incur some interest. But I am interested in the consequences really of the interest paid against the net debt that we have experienced since we went back into that position.

**Mr Ray**—That is in the final budget outcome. A part of the problem is that the budget went into deficit part way through a financial year as well. I think the safest thing is to take it on notice. I need to check whether we can actually do it but it would involve this unpacking.

**Senator BUSHBY**—If you cannot unpack it, you can give me the unpacked information rather than come back and tell me that you cannot unpack it.

**Senator Wong**—Hang on, the unpacked information would be a completely different question, which you acknowledged in the previous interchange.

**Senator BUSHBY**—Then I will ask both questions and ask you to take them both on notice. What is the date of return of questions on notice?

**CHAIR**—It is 10 December.

**Senator BUSHBY**—I remind you of that date, 10 December.

**Mr Ray**—The budget went into deficit in 2008-09. We actually had negative net interest in 2008-09. It illustrates the difficulty of answering this question.

**Senator BUSHBY**—Can you in your answer provide details of how much interest was earned in 2008-09 and 2009-10 and how much interest was paid out in 2008-09 and 2009-10?

**Mr Ray**—We can do that easily because that is actually published in various documents.

**Senator BUSHBY**—Do you have the actual figure for 2009-10 yet? Is that published?

**Mr Ray**—The actual figure from 2009-10, the net figure is \$2.4 billion.

**Senator BUSHBY**—That would be an outward flow, presumably.

**Mr Ray**—Yes. Total interest received was \$4.4 billion. I hope this is going to work out. Total interest on debt was \$6.4 billion. Then there are other financing costs of \$1.2 billion.

**Senator BUSHBY**—What would they be comprised of?

**Mr Ray**—I need to take that on notice. There are syndication fees and all sorts of things.

**Senator BUSHBY**—Okay. What about 2008-09?

**Mr Ray**—It would be in the 2008-09 final budget outcome and we do not have that with us.

**Senator BUSHBY**—Could you take it on notice. And what are the projections for interest payments for the current financial year?

**Mr Ray**—Interest receipts are about \$5 billion and interest paid is about \$9 billion.

**Senator BUSHBY**—Do you have a figure there?

**Mr Ray**—Yes, it is \$5.073 billion and \$9.240 billion. The most recent published estimates are in PEFO.

**Senator BUSHBY**—If you could take on notice the questions I asked looking at unpacking it, I would appreciate that.

**Mr Ray**—Sure.

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**Answer:**

The government received \$5.2 billion in interest receipts in 2008-09 and \$4.0 billion in interest receipts in 2009-10. The government paid \$4.0 billion in interest payments in 2008-09 and \$6.4 billion in 2009-10. Other financing costs were \$1.8 billion in 2008-09, and \$0.8 billion in 2009-10.

GGs Other financing costs mainly comprises finance lease payments and certain public debt transactions that are regarded as financing transactions and not as interest.