



## Australian Government

### Australian Office of Financial Management

6 July 2009

Ms Alison Kelly  
Secretary  
Select Committee on the National Broadband Network  
PO Box 6100  
Parliament House  
CANBERRA ACT 2600



Dear Ms Kelly

I refer to your letter of 15 June 2009 inviting the Australian Office of Financial Management (AOFM) to make a submission to the inquiry to be conducted by the Senate Select Committee on the National Broadband Network (NBN).

The Committee's terms of reference state that its investigation may include the use of bonds to fund the NBN.

The Government has announced that its investment in the NBN company will, in part, be funded through the issuance of Aussie Infrastructure Bonds (AIBs) and that the structure and form of AIBs will be finalised in conjunction with the implementation study for the NBN.

The AOFM has had no contact so far with the implementation study and has received no information on the likely structure and form of AIBs or on the possible timing of their issuance. No provision has been made at this stage for the inclusion of AIBs in the AOFM's issuance plans.

The defining characteristic of infrastructure bonds is that their proceeds are used to fund the provision of infrastructure, generally physical infrastructure. The bonds can take various forms. The New Zealand Government has issued infrastructure bonds with the same terms and conditions as other government bonds; these infrastructure bonds are fully fungible with other bonds that have the same maturity dates. This approach allows the infrastructure bonds to take advantage of the liquidity and low cost of existing bond lines.

Alternatively, infrastructure bonds can be issued with terms and conditions that differ from those of other government bonds. For example, infrastructure bonds may have maturities that are tailored to the needs of particular infrastructure projects where they are expected to be long-lived. The marketing of the bonds can also be designed to appeal to particular investor groups, such as retail investors. There is no single model.

The other aspects of the Committee's terms of reference do not relate to the AOFM's responsibilities.

Yours sincerely

Neil Hyden  
Chief Executive Officer