



TREASURER

Senator the Hon Christine Milne  
Leader of the Australian Greens  
Parliament House  
CANBERRA ACT 2600

04 DEC 2013

Dear Senator Milne

Further to our discussions, I am writing to detail the agreement we have reached to resolve the debt limit issue and ensure with certainty the Government's continuing ability to finance its activities and maintain a buffer to protect against unexpected within-year variations in payments and receipts.

#### **Repeal of the debt limit**

We have agreed to repeal the current legislative limit on the total face value of stock and securities on issue set out in the *Commonwealth Inscribed Stock Act 1911*.

#### **Debt Statement in Budget documents**

We have further agreed to amend the *Charter of Budget Honesty Act 1998* (CBH Act) to require comprehensive debt reporting in the annual Budget Papers (Budget), Mid-Year Economic and Fiscal Outlook (MYEFO) and Pre-Election Economic and Fiscal Outlook (PEFO) reports.

Such Debt Statements are to include the following information about Commonwealth stock and securities on issue, at the time of the report, for the financial year to which the report relates and for the following 3 financial years:

- the value of Commonwealth stock and securities (including their market and face value, and their value as a proportion of gross domestic product);
- the total expected interest expenses relating to the stock and securities; and
- a breakdown, by maturity and interest payments, of the stock and securities on issue at the time of the report.

I also undertake that the Debt Statement included in the Budget, MYEFO and PEFO will include details regarding Government spending on climate change, and the extent to which this spending has contributed to debt.

The first of these Debt Statements would be delivered in the upcoming 2013-14 MYEFO. This would facilitate a Parliamentary debate on this issue when Parliament returns in 2014.

### **Additional Debt Statements**

We have also agreed to amendments to the CBH Act to require Additional Debt Statement(s) when the actual face value of Commonwealth stock and securities on issue has increased by \$50 billion or more since the last Budget, MYEFO, PEFO or Additional Statement.

These Additional Debt Statements will be tabled within 3 sitting days of a \$50 billion increase in debt, and will set out the reasons for the increase in debt, including the extent to which the increase was caused by lower than expected revenue, higher than expected spending, capital purchases and/or grants to State and Territory governments for infrastructure.

The intention of the tabling of these the Additional Debt Statements in Parliament would be to allow for future Parliamentary debates on this issue. In the Senate, it is our intention that this be classified as a ministerial statement.

### **Additional Transparency – Medium-term projections**

Further, to improve transparency of the budget papers, the medium term (10-year) projections currently included in each Budget and MYEFO will be enhanced to encourage discussion and debate beyond the short-term about the benefits of funding important investments such as infrastructure.

I will consult with the Australian Greens on these enhancements, with the intention of them being in place for the 2014-15 Budget.

Such enhancements could build on the discussion of the medium-term that was included in the 2013 PEFO, which provided different scenarios of the medium-term outlook.

### **Additional Transparency – Headline and Underlying Cash**

We will also include in the budget papers a reconciliation between the 'underlying' and 'headline' cash balances and movements in gross and net debt, and make best endeavours to include this in the 2013-14 MYEFO, and certainly in time for the 2014-15 Budget.

### **Additional Transparency – Government sector reporting**

Further, my Department will undertake analysis on the manner in which States and Territories include the reporting of their Government enterprises in their budget statements.

This analysis will consider how such reporting may apply to Commonwealth budget reporting, and whether the additional reporting creates any commercial-in-confidence issues for Commonwealth Public Non-Financial Corporations.

I will provide advice to you on this analysis early in 2014.

My Department will also consider additional reporting of the Public Financial Corporation sector, which will need to take into consideration the special circumstances of the Reserve Bank of Australia.

I note that financial statements for Public Financial Corporations are included in the Final Budget Outcome and the Consolidated Financial Statements, with the Consolidated Financial Statements also including reporting of the total Government Sector.

We will also consider whether there would be enhanced transparency if each MYEFO Debt Statement was to include the details of Public Non-Financial Corporation and Public Financial Corporation borrowings.

This could only be done in MYEFO reports, not the annual Budget papers, as it would rely on information being available from the entities annual reports.

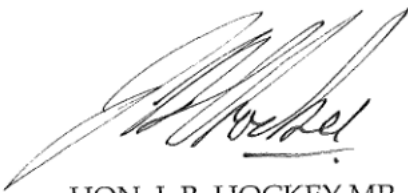
### **Intergenerational Report**

Further, as part of all future Intergenerational Reports, the Government will retain a dedicated section on the environment, including climate change and the effect of these policies and their impact on the Australian economy and Commonwealth budget. I will consult with the Australian Greens on the scope of what could be included within the section.

Given we will shortly reach the debt limit, I would be grateful if you would confirm in writing your agreement to the above details, and to work with the Government today to rearrange the order of business in the Senate so that these matters can be debated and resolved expeditiously this week.

I have copied this letter to the Prime Minister and the Finance Minister.

Yours sincerely

A handwritten signature in black ink, appearing to read 'J. B. Hockey', written in a cursive style.

HON. J. B. HOCKEY MP