

**LOAN BILL 2016**

*Introduction and First Reading*

Bill introduced, on motion by **Dr M.D. Nahan (Treasurer)**, and read a first time.

Explanatory memorandum presented by the Treasurer.

*Second Reading*

**DR M.D. NAHAN (Riverton — Treasurer)** [10.06 am]: I move —

That the bill be now read a second time.

Borrowing for general public purposes, as distinct from borrowing by statutory authorities with borrowing powers in their enabling acts, must be authorised by Loan Acts. This bill seeks a new Loan Act authorisation of \$1.7 billion to meet the estimated borrowing requirements of the consolidated account until 30 June 2017.

Members may recall that the Loan Act 2015 authorised \$8 billion in consolidated account general purpose borrowing. When that bill was introduced in April 2015, I indicated that it was expected to provide authority for sufficient central borrowings to cover the needs of the consolidated account to the end of 2016–17. Also, based on the 2015–16 budget forecasts, that bill included a \$1.5 billion “buffer” for any unexpected changes in the borrowing needs of the consolidated account over the two-year period to 30 June 2017.

As subsequently detailed in the 2015–16 midyear review and 2016–17 budget, unprecedented writedowns in revenue have continued since the Loan Act 2015 was enacted. We are now entering a third consecutive year of contracting annual revenue, with a total \$9.3 billion reduction in the general government revenue estimates over the period 2015–16 to 2018–19 since the 2015–16 budget was finalised.

The government has introduced further savings measures to address the weaker revenue outlook, with \$1.3 billion in net debt savings from new measures written into the estimates in the December 2015 midyear review, and a further \$1.3 billion of savings in the 2016–17 budget. However, unless we were to make unsustainable cuts to services or pass the burden to households and businesses, these measures clearly cannot make up for the continuing contractions in revenue.

This unprecedented decline in revenue means that the borrowing authorisation in the Loan Act 2015 is now expected to be exhausted by 31 October 2016. Accordingly, an increase in the authorised borrowing limit is required to meet the additional borrowing needs arising from this change in the revenue outlook.

The proposed \$1.7 billion authorisation in the Loan Bill 2016 allows for an additional \$500 million in excess of the Loan Act 2015 authorisation to meet the needs of the consolidated account reflected in the 2016–17 budget. The remaining \$1.2 billion authorisation in the bill restores a buffer for the remainder of the 2016–17 year. As with all previous Loan Act authorisations, any unused borrowing authority not drawn by 30 June 2017 will remain available for borrowing requirements in 2017–18.

I remind the house that loan bills are administrative in nature. The borrowings authorised by the current bill were reflected in the 2016–17 budget, and there are no additional costs in excess of the approved forward estimates associated with the passage of this authority. In accordance with clause 4 of the bill, the proceeds of all loans raised under this authority must be paid into the consolidated account. The moneys will then be advanced to agencies as required by appropriations in the budget. Details of consolidated account appropriations are laid out in the budget papers that have been tabled in this house and examined in detail by members through the estimates hearings process, with the third reading of the 2016–17 budget appropriation bills dealt with by this house on 14 June 2016.

In accordance with clause 5 of the bill, in addition to seeking the authority for loan raisings, the bill also permanently appropriates moneys from the consolidated account to meet principal repayments, interest and other expenses of borrowings under this authority.

I commend the bill to the house.

Debate adjourned, on motion by **Mr W.J. Johnston**.