

## **8.2 GOVERNMENT BORROWINGS AND GROSS DEBT**

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### **2012-13 Priorities**

The Government's priorities for 2012-13 are:

- maintaining the Territory's AAA credit rating;
- maintaining sustainable levels of borrowings;
- managing, monitoring and reporting on the borrowing portfolio; and
- raising the Territory's new 2012-13 borrowing requirements.

### **Credit Rating**

Standard & Poor's (Australia) Pty Ltd is contracted by the Territory to provide independent credit rating services.

On 7 December 2011, Standard & Poor's Ratings Services released its report on the Australian Capital Territory, affirming the long term AAA and short term A1+ issuer credit ratings.

Standard & Poor's also rated the outlook as stable.

The AAA and A-1+ ratings are the highest ratings assigned by Standard & Poor's.

### **Debt Management**

New Territory borrowings are undertaken by Treasury. Treasury has established a centralised approach to its debt raising and debt management activities with the objective of achieving competitive borrowing rates, commensurate with the Territory's credit rating.

Debt issuance is facilitated through the Domestic Debt Issuance Program. The debt issuance program comprises a standardised Note Deed Poll defining important terms and conditions and issuer obligations about notes (bonds) issued under the program, a Dealer Agreement, and an Information Memorandum. The debt issuance program allows Treasury to issue new borrowings in a variety of forms in the domestic financial markets in an efficient manner.

Funding instruments include commercial paper, electronic promissory notes, fixed rate bonds, floating rate bonds and inflation linked bonds. In addition, Treasury may utilise financial instruments, such as interest rate swaps to manage interest rate exposures.

New borrowing may be raised in any combination of these securities on a fixed or floating interest rate basis. The actual term to maturity and interest rates are determined at the time new borrowings are raised, taking into account prevailing financial market conditions.

Treasury utilises an established dealer panel to facilitate new debt issuance transactions. Treasury is responsible for the prudent management of the Territory's borrowings by considering all risks associated with undertaking new borrowings.

### *General Government Sector*

The estimated outcome for 2011-12 new borrowings is \$350 million. It is estimated that new borrowings of up to \$790 million will be required over 2012-13 to 2013-14. This is an increase of \$490 million from the 2011-12 Budget. It is forecast that \$490 million borrowings will be repaid by the end of 2015-16 reflecting only a short term need for additional borrowings.

It is widely recognised as prudent for governments with strong balance sheets to incur some borrowings, provided that the borrowings are used to finance high quality assets which increase the productive capacity of the economy. These assets provide benefits to the community over a long period of time.

### *Public Trading Enterprise Sector*

The Territory-owned Corporation ACTEW is responsible for the management of public assets to provide sustainable water and wastewater services in the ACT region and to ensure a safe and reliable water supply to the ACT surrounding regions.

There is an ongoing borrowing program to fund the major water security projects and general capital expenditure program. The major water security projects include:

- Enlarged Cotter Dam; and
- Murrumbidgee to Googong transfer.

The estimated outcome for 2011-12 new borrowings is \$215 million. It is estimated that the new borrowings requirement over 2012-13 to 2015-16 will total \$135 million.

The servicing and repayment of ACTEW borrowings is allowed for in the determination of prices in this sector. As the projects being funded by the borrowings generate long term benefits to the community, the use of debt finance is appropriate as it distributes the burden equitably across beneficiaries over time.

## Outstanding Total Territory Borrowings

Figure 8.2.1 summarises the outstanding levels of borrowings separated between the General Government Sector and the Public Trading Enterprise Sector.

**Figure 8.2.1**  
**Total External Territory Borrowings**

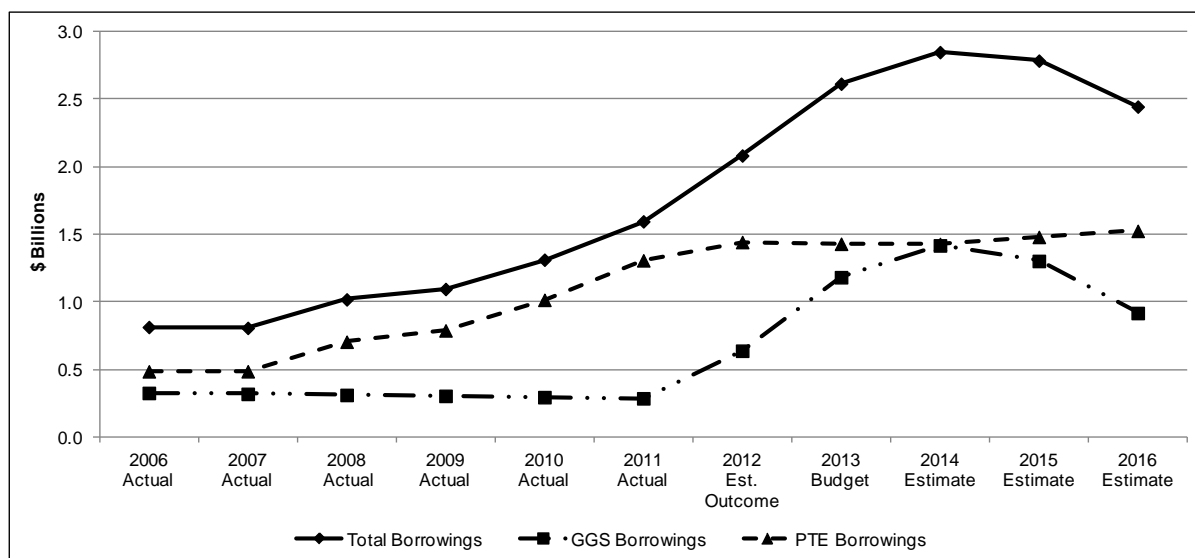


Table 8.2.1 summarises the key characteristics of the interest rate exposure and maturity dates of the Territory's estimated outstanding borrowings as at 30 June 2012.

**Table 8.2.1**  
**Interest Rate Exposure and Maturities**

	Face Value (\$'000)	Interest Rate Exposure	Maturity Date
Electronic Promissory Notes	194,000	Floating	Qtly Rolls
Fixed Rate Nominal Bonds			
- Series ACT004, 5.50%	550,000	Fixed	7 June 2018
- Series ACT005, 4.25%	315,000	Fixed	22 May 2020
Commonwealth Attributed Borrowings			
- Fixed Rate Land & Buildings	6,098	Fixed	30 June 2023
- Housing Home Ownership & Rental	170,122	Fixed	30 June 2040
CPI Linked Bonds			
- Indexed Annuity Bonds, Series ACT001	250,000	Fixed/Floating	17 April 2020
- Indexed Annuity Bonds, Series ACT002	420,000	Fixed/Floating	12 April 2048
- Capital Indexed, Series ACT003	250,000	Fixed/Floating	17 June 2030

