

# Australian Business Economists



## *Budget 2011*

## New South Wales

Briefing and Discussion, 07 September 2011, Sydney



# Australian Business Economists



Mr Stephen Knight  
Chief Executive, NSW TCorp

*The borrowing program 2011-12*





2011/12  
Funding  
Programme

September 2011



New South Wales Treasury Corporation

## FY12 Annual Borrowing Programme

Forecast funding need for FY12 of \$10.2bn, to meet client borrowing needs and the refinancing of maturities.

(A\$ Billion)	2010/11 Actual	2011/12 June Forecast	2011/12 Budget Forecast
Net Maturities	8.8	9.2	9.2
Client Funding	5.0	5.3	4.0
Pre-funding	(5.5)	(3.0)	(3.0)
<b>Funding Requirement</b>	<b>8.3</b>	<b>11.5</b>	<b>10.2</b>
Actual Funding Raised to 30 June 2011	11.3		

## Sources of Funding

TCorp estimates a funding source split broadly consistent with the FY11 outcome.

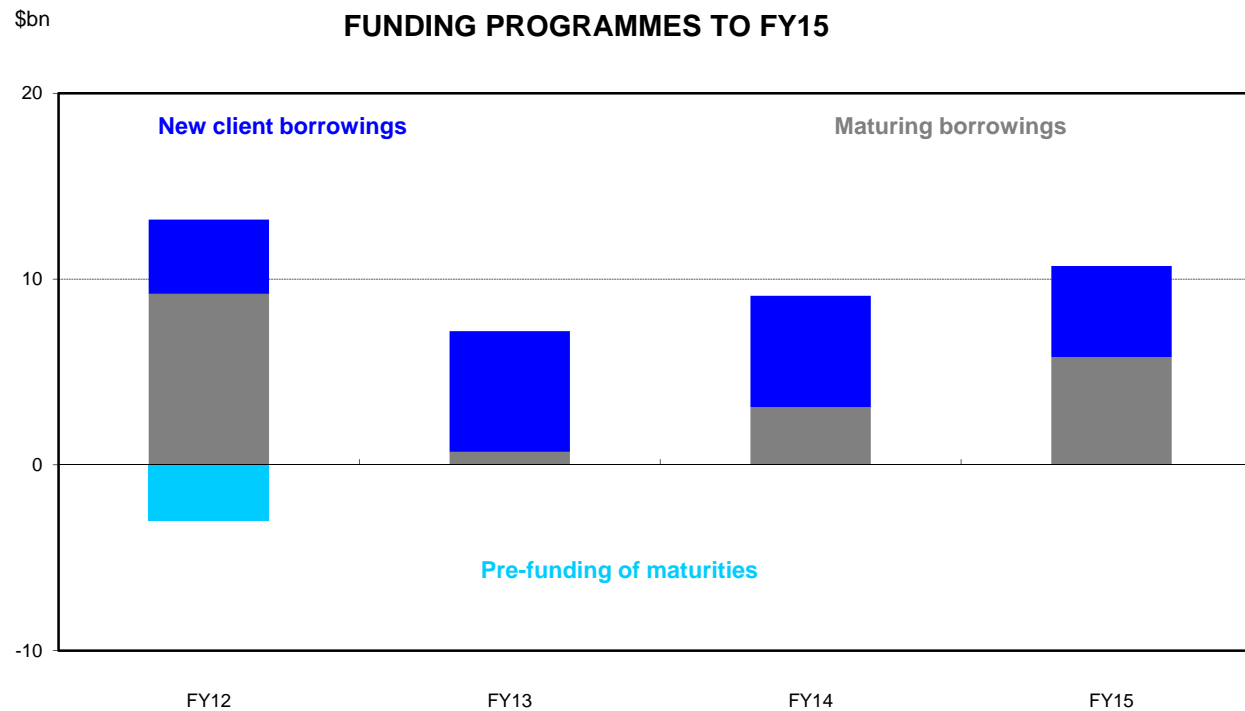
However, as funding opportunities change during the year, the ranges may also change.

Funding Source	FY11 Actual	Range for FY12 \$bn	YTD Actual Funding to 31 August 2011
Benchmark Bond	7.3	6.0 – 8.0	1.7
Capital Indexed Bond	1.1	1.0 – 2.0	0.1
Offshore Programme	1.4	1.0 – 2.0	0.3
Promissory Notes/ECP	1.5	0.0 - 0.5	0.3
<b>Total</b>	<b>11.3</b>	<b>10.2</b>	<b>2.4</b>

Annual funding programmes are forecast in the range of \$7bn - \$11bn out to FY15.

New client borrowings are primarily driven by the State's significant infrastructure investment.

## Forecast Funding Programmes to FY15



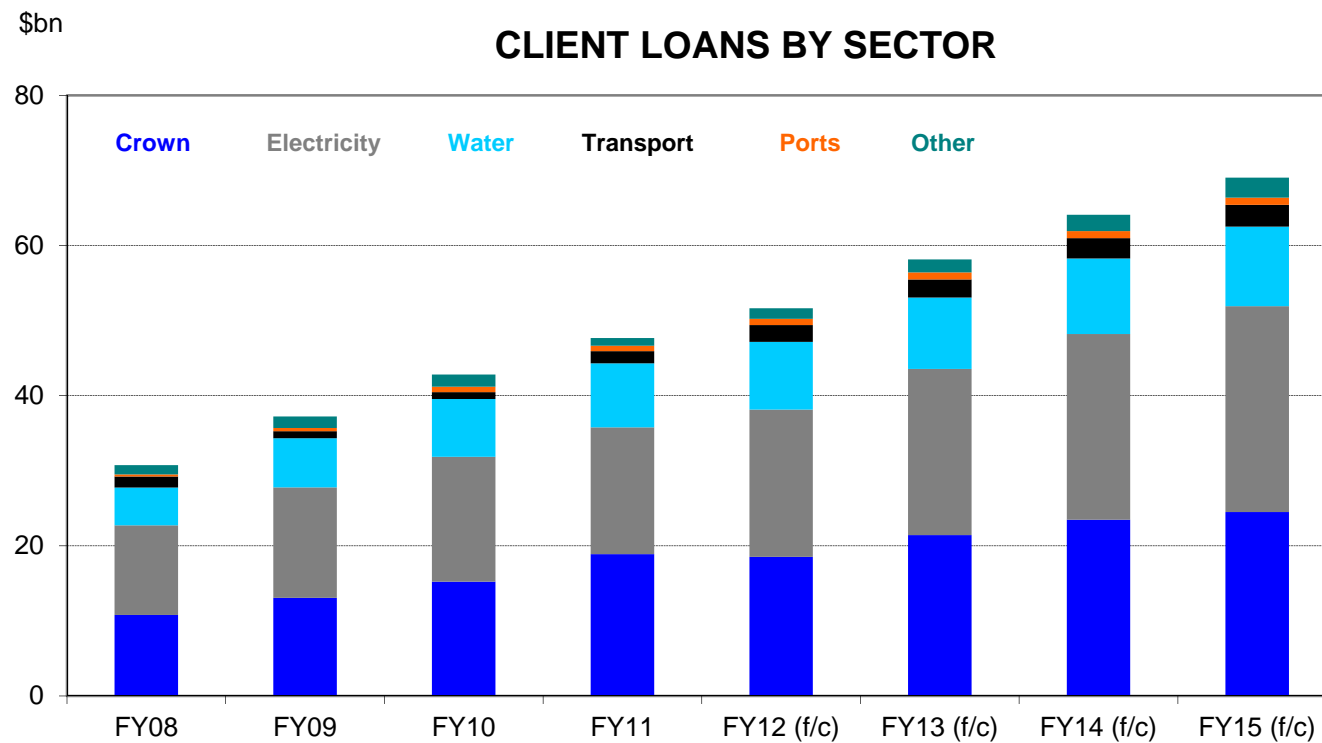
TCorp's funding strategy seeks to maximise the benefit of the NSW Government's commitment to maintaining the AAA credit rating.

## TCorp Funding Developments

- **Matching the duration of borrowing clients' loans**
  - accessed over \$2 billion of non-benchmark funding greater than 10 years in 2010/11
  - average maturity of debt on issue approaching 7 years
- **Maintaining liquidity through large benchmark bond lines**
  - issued new 2015, 2018 and most recently 2022 bond lines during current calendar year
  - benchmark bond outstandings over \$45 billion
  - highest turnover year on record. Benchmark Bonds turned over around 4 times during the year
- **Diversity of funding**
  - Inflation linked issuance increased by \$1 billion, to just under \$5 billion in outstandings
  - Strong demand for the EMTN programme. Over \$1.4 billion issued in FY11
  - Relaunch of the ECP programme. On average \$2.0 billion outstanding
  - Waratah Bonds retail programme launched in August 2011

Growth in client funding requirements continues to reflect the impact of infrastructure investment by the PTE sector.

## Client Loans by Sector as at 31 August 2011

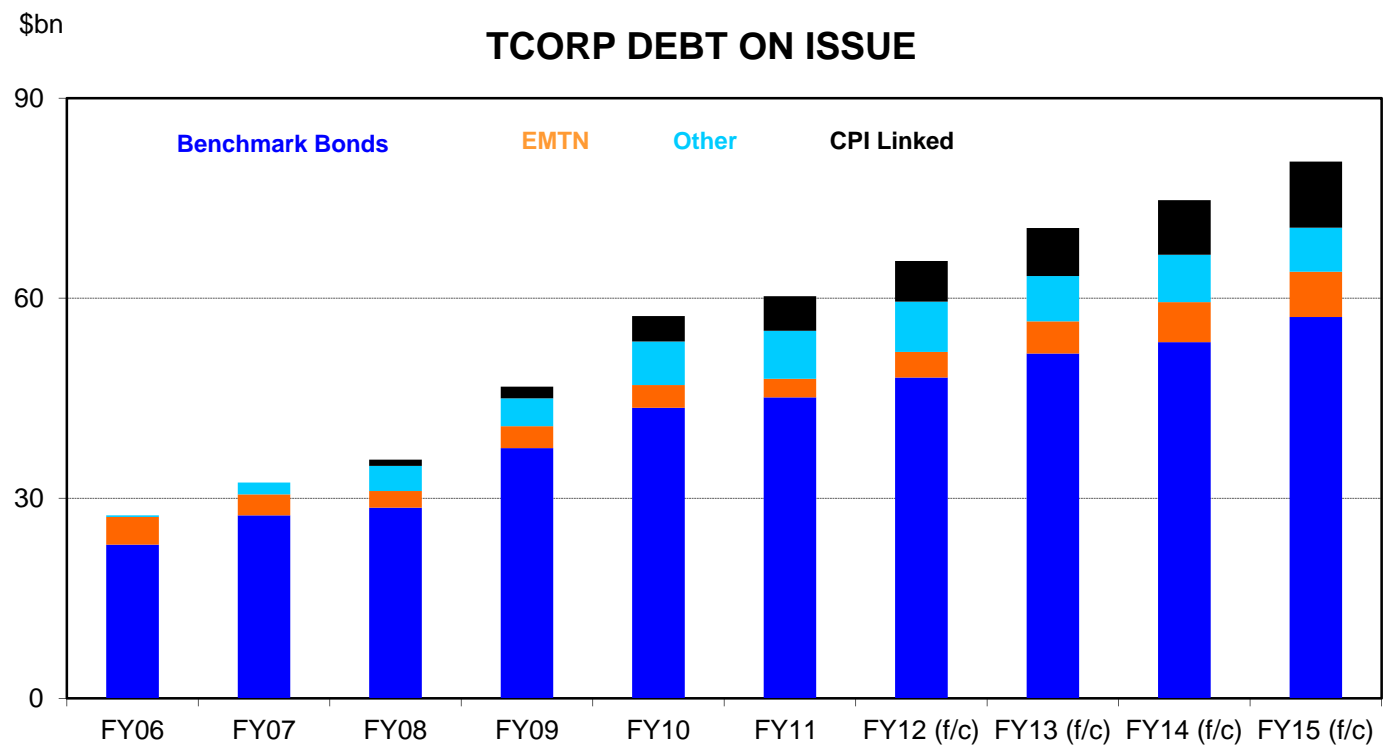




## TCorp Debt on Issue as at 30 June 2011

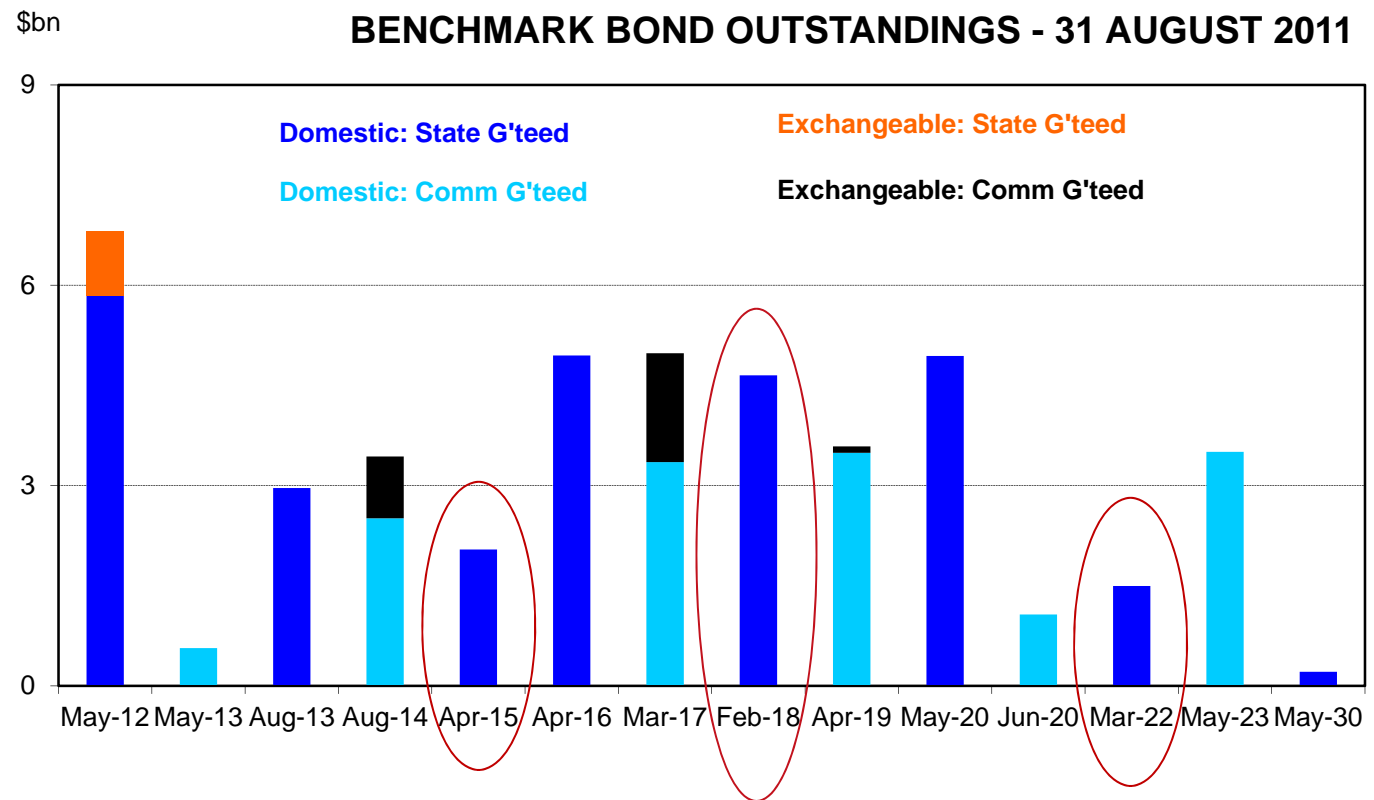
Balance sheet liabilities at 30 June 2011 were \$60bn.

Balance sheet forecast to grow to around \$80bn by 2014/15.

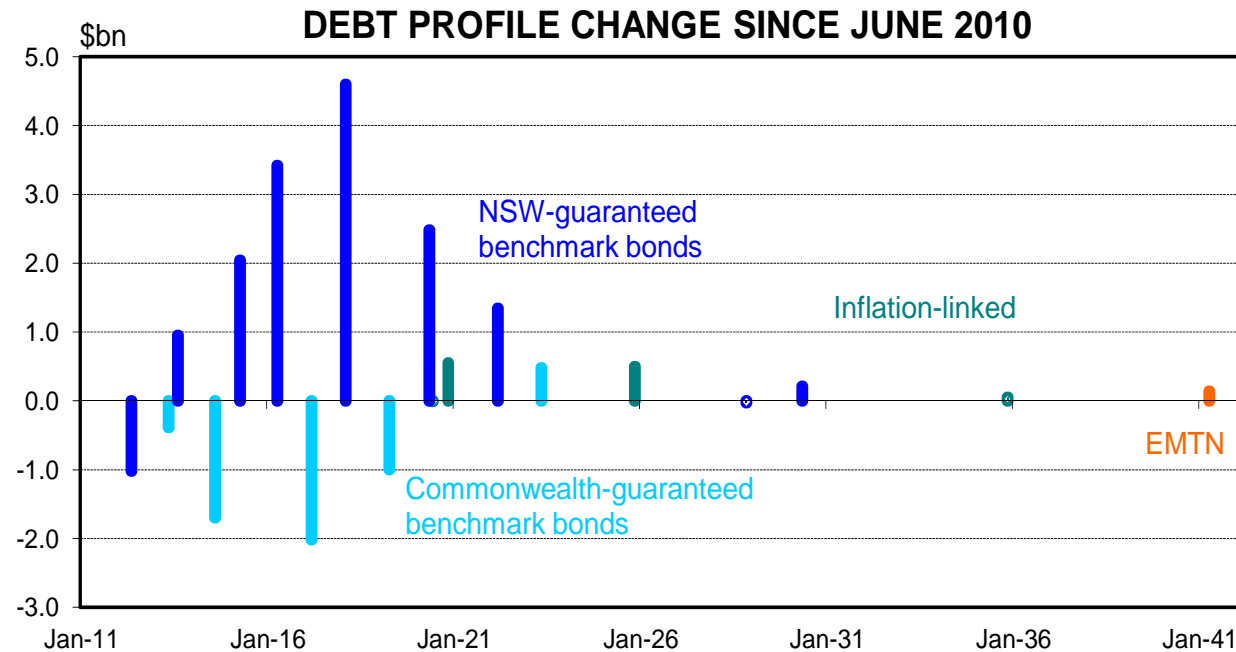


TCorp's objective is to offer investors access to large and liquid benchmark bond maturities across the curve.

## Benchmark Curve: Maturity Profile as at 31 August 2011



## Commonwealth Guarantee Programme



- Strategy remains to provide bid side support for all CGG benchmark lines
- TCorp will continue to monitor outstandings and liquidity in the CGG lines and work with the panel where possible to facilitate investor transactions

## CPI Linked Funding Programme

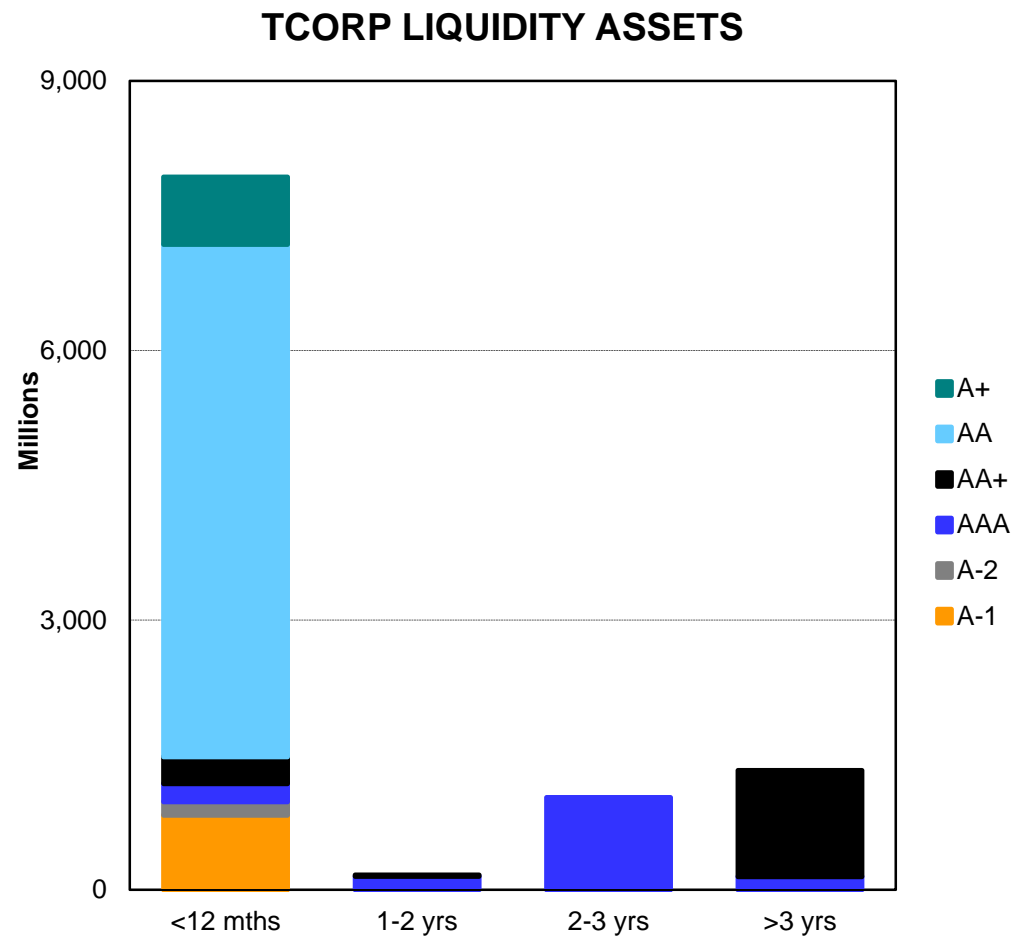
Maturity	Coupon	Issue \$bn
20 November 2020	3.75%	1.60
20 November 2025	2.75%	2.32
20 November 2035	2.50%	0.97
<b>Total</b>		<b>4.89</b>

- Outstandings now total \$4.89bn
- TCorp is a committed issuer – funding is used by a range of borrowers, including clients in the regulated utility sector
- Issuance strategy:
  - Regular quarterly issuance maintained
  - Placements in response to identified investor demand
- Considering a new 2030 maturity

TCorp currently holds \$10.0bn of liquid financial assets. \$3.0bn is held for pre-funding of upcoming maturities.

The balance is held to meet prudential requirements and for on-going liquidity management.

## TCorp Liquidity Assets as at 31 August 2011





*Corp*

# NSW Treasury Corporation

[www.tcorp.nsw.gov.au](http://www.tcorp.nsw.gov.au)

# Australian Business Economists



## *Furthering tax reform in Australia*

Greg Smith, Adjunct Professor, Australian Catholic University  
Tuesday 20 September – Radisson Blu Plaza Hotel

## *Structural change and policy responses*

David Murray, Chairman, Future Fund  
David Gruen, Executive Director Macroeconomic, The Treasury  
Ross Gittins, Economics Editor, *The Sydney Morning Herald*  
Thursday 24 November – Sofitel Wentworth

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