

Whangarei electorate National party candidate Phil Heatley provided this information to support his statement that the current government's Fast Forward Fund of \$700 million to be used as capital for research was actually all borrowed money. He provided this information in response to other candidate's comments at the recent IPENZ candidates, forum, that the statement was incorrect.

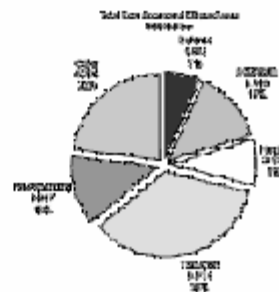
Table 2.10 shows \$4.9 billion of new capital spending whereby the Fast Forward Fund of \$700 million was included in this.

Core Crown forecasts for the purchase of physical assets (\$10.5 billion) and advances and capital injections (\$6.2 billion) comprise purchases met from existing baselines plus the \$4.9 billion new capital allocation above.

To give an indication of how core Crown capital investment is distributed by sector, it is necessary to consider the purchase of physical assets by both the core Crown and Crown entities (Figure 2.10).

These purchases will include new capital spending in addition to the replacement of existing physical assets. The recently announced purchase of Toll Holdings Limited (\$0.800 billion) and the NZ Fast Forward initiative (\$0.7 billion) are included as new spending.

Figure 2.10 – Core Crown and Crown Entity purchase of physical assets by sector (\$billion and % of total spend)



Source: The Treasury

Table 2.11 shows that the \$4.9 billion of new capital spending was matched by a \$4.9 billion of new Government debt (GSID - Gross Sovereign Issued Debt).

Debt

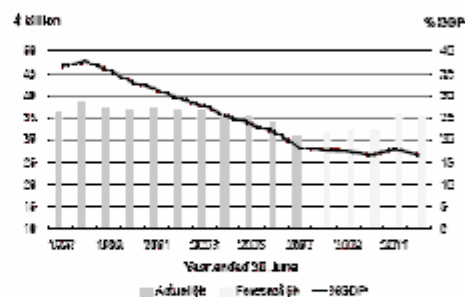
Gross Sovereign Issued Debt (GSID) Excluding Settlement Cash

GSID (excluding Settlement Cash) represents the debt issued by the sovereign (ie, core Crown) and includes Government stock held by the NZS Fund, ACC and EDC but excludes money deposited with the Reserve Bank by banks (Settlement Cash).

Gross debt falls as a percentage of GDP ...

Although GSID (excluding Settlement Cash) increases over the forecast period from \$30.6 billion in 2008/09 to \$35.5 billion by 2011/12 it falls as a percentage of GDP from 18.2% to 18.8% over the same period.

Figure 2.11 – GSID (excluding Settlement Cash)



Source: The Treasury

The \$4.9 billion nominal increase in GSID (excluding Settlement Cash) is primarily due to the net bond issuance of \$6.4 billion (Table 2.13); partially offset by a \$1.5 billion decrease in other core Crown financial liabilities such as Treasury bills.