

SUBMISSION TO THE REVIEW OF THE  
COMMONWEALTH GOVERNMENT SECURITIES MARKET

Robert D McGregor  
20 Korangi Road  
PYMBLE NSW 2073

PH: 9449 7664  
FAX: 9440 7077

## C.G.S. - IF NOT, WHAT?

### History/Preamble

The CGS market has been the across the board benchmark for Australian interest rates for decades. Recently the Federal Government – after continued debt repayments – flagged a policy to move to net zero government debt as soon as possible – hopefully using Telstra T3 sale proceeds. This is a charade as it has open ended unfunded superannuation commitments above and beyond existing debt. How can the government in all conscience “say” they will “move” to zero debt?

Moving to “zero” government debt and hence the “disappearance” of CGS, begs the question – “If not CGS, then what?” This question appears to have been moved to the backburner in recent assessments. The likely alternatives are good for banks – the issuer/controller of debt – but potentially horrendous for borrowers and the backlash to the government that allowed the “alternative/s” will be beyond belief.

### Most Likely Alternative to CGS? USA 10 YR

Given the market penchant for a reliable, acceptable and ongoing benchmark on which to use as the basis for community debt, a move to the USA Government 10 Year bonds appears the most likely alternative. No acceptable Australian alternative comes to mind.

Such a standard would appeal to the Australian banks. Why? Because they could hedge the debt in an extremely liquid USA futures market and furthermore they would be able to manage the inherent currency risk “in house” and net massive profits in the process. Their clients would be irrevocably tied to and dependent on the banks until the liquidation of the debt. Such debt would be subjected to international vagaries and be a potential nightmare for borrowers. The resulting fiscal nightmare would manifest itself in the ballot box with dire consequences for the political party foolish enough to destroy the widely acceptable CGS standard.

Government Bonds. Destroy at your peril! Decades on the opposition benches awaits.