

Commonwealth Government Securities Market

The elimination of the Commonwealth Government Securities market will have dire political consequences.

The abolition of a risk free rate will lead to a higher cost of funding for households, small business and corporations. There will be no risk-free benchmark to base the pricing of debt.

Alternative benchmarks, e.g. interest rate swaps, do not work because there is counterparty risk. There is no pure risk free alternative to CGS.

As a result, the cost of funding will increase to everyone in the market. Individuals will see the cost of servicing their home loan increase substantially. Home ownership will be put further out of reach of ordinary Australians.

Think about how many Australians have a personal home loan.

Political conclusion: Lost votes for the Liberal Party.

Further, How can the Liberal Government contemplate paying off debt when:

- There is a considerable unfunded government superannuation commitment
- There is an impending war in Iraq
- Our farmers and rural economy is in turmoil.

Simon Bonouvrie