

## Returning the budget to surplus

The unprecedented economic and financial conditions arising from the global financial crisis have had a significant negative impact on the State's fiscal position. As a result, the Government has implemented a number of initiatives aimed at restoring Queensland's traditionally strong financial position, while maintaining Government services and continuing to invest in infrastructure to sustain jobs.

### Fiscal measures

In this Budget the Government has established the platform for structural change in Queensland's finances. The Government has committed to:

- matching recurrent expenditure growth to real per capita growth
- stabilising the net financial liabilities to revenue ratio.

Since the 2008–09 Budget the Queensland Government has announced \$5.4 billion in measures over four years to ensure the future health of the Queensland economy.

- The Fuel Subsidy Scheme will be abolished from 1 July 2009. At a cost of \$2.4 billion over four years, the scheme is no longer sustainable in the current fiscal environment and does not represent value-for-money for Queensland taxpayers.
- Public sector efficiency savings will increase to a total of \$280 million per annum from 2009–10. These savings will be achieved through productivity and efficiency improvements in corporate overheads, travel, publication, marketing and communication costs, and through savings derived from the recently announced departmental structure reforms.
- The Government wages policy will be revised. The Government is committed to maintaining wage increases as prescribed in the Memorandum of Understanding (MOU) with unions for all agreements covered by the MOU. All other agreements that have expired or are due to expire by 31 December 2009, will have until 1 September 2009 to reach an agreement. Where an agreement is not reached by this date, and for agreements expiring after 31 December 2009, a new Government wages policy will apply which limits wage increases to 2.5% per annum until the Budget returns to surplus. The new policy will apply to Chief Executives, Senior Executives and Senior Officers and their equivalents from 1 July 2009.

- The Government will overhaul the current suite of local government grant and subsidy programs to better allocate resources to priority areas. Existing approved commitments will still be honoured with current programs to cease on 16 June 2009. A new \$45 million per annum capped grant and subsidy scheme will commence from 2011–12, targeting subsidies to councils that have essential infrastructure projects ready to be delivered but do not have the financial capacity to deliver the projects without assistance.

In addition, a number of taxation measures were previously announced as part of the *Mid Year Fiscal and Economic Review*. In light of the tighter fiscal conditions, the abolition of transfer duty on core business assets will also be delayed until 1 July 2013.

The Queensland Government will undertake a staged program of strategic asset sales to restructure the State's asset portfolio. The sales are estimated to deliver proceeds of approximately \$15 billion and avoid a further \$12 billion in capital investment in these assets over the next five years.

This program will include the sale of Queensland Motorways Ltd, the Port of Brisbane Corporation, Forestry Plantations Queensland, Queensland Rail's (QR) above and below rail coal business and the Abbot Point Coal Terminal. The sales are expected to progress over the next three to five years, with timing influenced by the recovery in financial markets.

These initiatives will help return the budget to surplus and better position Queensland to regain its AAA credit rating.



## Revised fiscal principles

The Queensland Government is committed to returning the budget to surplus and lowering the State's level of debt. To support this, a new *Charter of Fiscal Responsibility* detailing revised fiscal principles has been developed. Each budget, mid year review and end-of-year outcomes report will detail the Government's achievements against these fiscal principles, illustrating the Government's commitment to restoring Queensland's strong fiscal position and charting its progress towards this.

The fiscal principles of the Queensland Government centre around three major themes: fiscal sustainability, a competitive tax regime and managing the State's balance sheet.

- Fiscal sustainability – strong, sustainable finances are imperative to ensuring future economic growth.
  - Principle 1: In the General Government sector, meet all operating expenses from operating revenue (where operating revenue is defined as total revenue from transactions and operating expenses are defined as total expenses from transactions less depreciation).
  - Principle 2: Growth in own-purpose expenses in the General Government sector to not exceed real per capita growth.
  - Principle 3: Achieve a General Government net operating surplus as soon as possible, but no later than 2015-16.

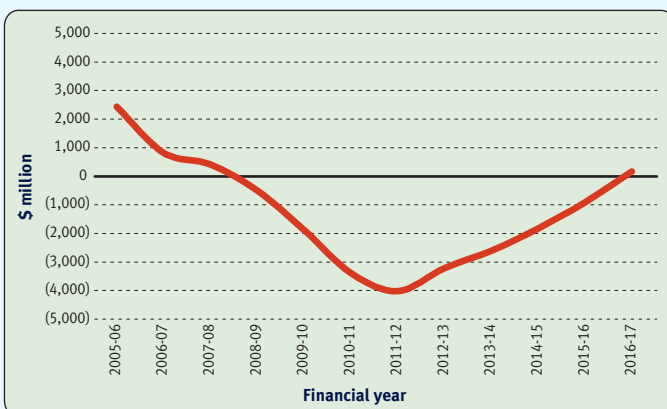
While the chart of net operating balance indicates a deficit position for Queensland until 2016-17, it is expected that the significant program of asset sales, which are not factored into the forward estimates, will make a positive contribution to the General Government sector and assist in returning the Budget to surplus in 2015-16.

- Competitive tax regime – a low-cost environment for business is necessary to promote economic development.
  - Principle 4: Maintain a competitive tax environment for business.
- Managing the State's balance sheet – a strong balance sheet allows governments to manage fluctuations in the operating position and expand the capital base.
  - Principle 5: Stabilise net financial liabilities as a proportion of revenue in the Non-financial Public sector.

The chart of net financial liabilities to revenue ratio shows the impact of asset sales on this key credit rating ratio and indicates that the ratio stabilises at below 130% following the asset sales.

- Principle 6: Target full funding of long-term liabilities such as superannuation in accordance with actuarial advice.

**General Government sector net operating balance, 2005-06 to 2016-17**



**Net financial liabilities to revenue ratio, before and after asset sales**

