$6.9 billion in surpluses forecast over next four years

Queensland has a positive Budget outlook, according to independent Treasury forecasts which predict $6.9 billion worth of surpluses over the next four years.

Treasurer Curtis Pitt said the Budget provided for a $962 million operating surplus for the 2014-15 year, rising to $1.2 billion in 2015-16.

“Queensland has not achieved a surplus of this size since 2006-07,” Mr Pitt said.

“Surpluses are forecast to be above $2 billion for both 2016-17 and 2017-18, with combined surpluses over the next four years predicted to hit $6.9 billion.

“This is despite a forecast write-down of royalty revenue of $3.2 billion since the Mid-Year Financial and Economic Review and a $396 million write-down in payroll tax.”

“More importantly – these surpluses represent the underlying strength of the Queensland economy and position the State to capture sustainable economic growth.

“The Palaszczuk Government’s sound financial management is delivering for Queenslanders with the State back on track to record ongoing budget surpluses.

“We said there was a better way to manage Queensland and the economy – one that did not involve selling the State’s income-generating assets. This Budget keeps that promise.

“These surpluses will be achieved through a measured, responsible approach to balancing the books. The Palaszczuk Government’s first Budget delivers on all of the commitments we made at the election and, as promised, we have more than offset these costs.

“Our election commitments have been estimated by Treasury to cost $1.975 billion over the next four years. Through offsets and reprioritisations, funding of $2.315 billion was identified – providing a net fiscal improvement of $340 million.”

Mr Pitt said Queensland’s general government debt still remained elevated, reinforcing the need for a measured and fiscally responsible debt action plan.

“While Queensland’s surplus operating position is back in the black, it is clear that the level of debt we are carrying remains too high,” he said.

“Today’s State Budget also holds the distinction of being the first in 16 years to forecast a reduction in general government debt over the forward estimates.

“Total borrowings are forecast to be lower over every year of the forward estimates compared with those forecast by the previous Government.”

Mr Pitt said after factoring in revenue write downs and critically needed funding for health and education, debt was forecast to be more than $3.7 billion lower this term (by 2017-18) on a general government basis than it is today (2014-15).
“Our Debt Action Plan was prompted by the need to bring debt down and reflects actions recommended by the independent Review of State Finances undertaken by Queensland Treasury. Our plan will clearly reduce debt without the need for asset sales,” he said.

“The Review of State Finances made recommendations for a revised set of fiscal principles that will see the Government direct its focus towards targeting a reduced debt to revenue ratio over this term.

“Queensland’s debt to revenue ratio currently sits at 87 per cent, but the Review of State Finances advises that a reduction to between 70-80 per cent is desirable.

“As a result of proactive measures taken in this Budget, Queensland’s debt to revenue ratio will be reduced significantly to just above 70 per cent.”

Mr Pitt said the Debt Action Plan would involve:

- $4.1 billion reduction in general government debt from re-gearing government-owned energy network corporations. With these assets remaining in public ownership, the government has an obligation to make them work harder for the people of Queensland. This will deliver a reduction in interest payments of almost $600 million.

- $3.4 billion reduction in total debt by funding long-service leave on an emergent basis when the leave is paid rather than holding a central investment allocation. There will be no change for employees, with all long-service leave entitlements being maintained and met when claimed. This aligns the Government’s management of Long Service Leave with standard practice models and delivers a $600 million reduction in interest payments

- $2 billion reduction in total debt through a temporary suspension for five years of defined benefit employer contributions, while maintaining the scheme’s fully-funded status. There will be no change to the entitlements of defined benefit members. This delivers a $150 million reduction in interest payments

In total these debt reduction measures will reduce interest payments on general government debt by approximately $1.35 billion over the forward estimates.

“The Palaszczuk Government is clearly demonstrating by this Budget that it is managing the State’s finances for all Queenslanders,” Mr Pitt said.

“This may be the Palaszczuk Government’s first Budget, it will not be the last to pay down debt over the forward estimates.”

“The measures announced today cannot simply be one off measures - the importance of strong fiscal discipline going forward cannot be understated.”

"We will continue to look at ways to improve the State’s finances, consistent with both our core principles and our fiscal principles, and our commitment to grow a vibrant Queensland economy.”

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