



Committee Secretary
Economics and Governance Committee
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22 July 2020

Dear Committee Secretary

QUEENSLAND FUTURE FUND BILL 2020

Thank you for the opportunity to provide this submission to the Committee regarding the *Queensland Future Fund Bill 2020*. It is a brief submission, as the time allowed for submissions has been compressed, it appears. That said, I would be happy to discuss my views with you or Committee members at a mutually convenient time in the future.

My views are based on my research and experience as a professional economist over the last couple of decades. I have specialist experience in government debt and cash management policy from my time as a manager in the Australian Treasury's Fiscal Group.

My main points regarding the *Future Fund Bill* are as follows.

1. While the long-term goal of paying down debt is admirable, the Queensland Future Fund is unnecessary and undesirable. It would lock up funds and reduce the flexibility of the Government to manage its budget and balance sheet in the best interests of Queenslanders. It could tie the hands of future governments, by locking up so-called strategic assets.
2. The Explanatory Notes for the Bill are unclear regarding how "The value of the Debt Retirement Fund will be netted off against the debt of the State to support Queensland's credit rating." It is unclear to me how the Debt Retirement Fund would reduce the reported net debt measure in the Uniform Presentation Framework statements of the state budget. It appears the Government intends to take money from one jar and put it in another jar with a different label on it. Is this intended as a ruse to trick the ratings agencies? Treasury should advise the Committee (and Queenslanders) on whether, and how, it would affect reported budget aggregates.
3. The Queensland Future Fund is no substitute for a medium-term fiscal strategy aimed at stabilising and (eventually reducing) the debt-to-revenue and debt-to-GSP ratios. It is still unclear what the Government's current medium-term fiscal strategy is, given a budget update has not been produced since December. I would reiterate the desirability of a budget update being provided as soon as possible, and well before September.
4. Broadly speaking, if the Government wants to achieve anything more than one-time reductions in debt (by using funds set aside to offset its defined benefit superannuation liability) it needs to generate fiscal surpluses. Of course, given COVID-19, it is inevitable the Government will have large budget deficits in 2019-20 and 2020-21. I am not advocating



austerity or a perverse fiscal policy, as I discussed with the Committee Monday last week at the public hearing of the inquiry into the Government's economic response to COVID-19.

Thank you again for the opportunity to make this submission. If you would like to discuss this submission, please contact my office on 07 3085 7417.

Yours faithfully,

A handwritten signature in black ink that reads "Gene Tunny".

Gene Tunny
Director, Adept Economics

[Redacted contact information]