Question on Notice

No. 449

Asked on 6 June 2013

MR PITT ASKED THE TREASURER AND MINISTER FOR TRADE (MR NICHOLLS)—

QUESTION:

With reference to the 2013-14 Budget Paper 2, page 21 where it details a change in emphasis away from the net financial liabilities to revenue ratio—

Will the Treasurer advise the net financial liability to revenue ratio for each year from 2012-13 to 2016-17, as at the 2013-14 State Budget, as is disclosed for the debt to revenue ratio in table 1.9 on page 24 of Budget Paper 2?

ANSWER:

The net financial liabilities to revenue ratio for the Non-financial Public Sector can be calculated from the information provided in Tables 8.3 and 8.6 of Budget Paper 2.

Queensland Governments have previously placed a significant emphasis on the ratio of net financial liabilities to revenue, partly reflecting the prominence this measure previously had in Standard and Poor's credit rating reports.

Superannuation liabilities, which are a key component of net financial liabilities, are required by Australian Accounting Standards to be valued with reference to Australian Government long term bond yields. As bond yields have fallen significantly in recent years, the accounting value of superannuation liabilities has increased substantially. Standard and Poor's has noted that the rise in valuation of superannuation liabilities has not reflected a material shift in the economic position of the liabilities.

In conjunction with concerns about the interstate comparability of valuation estimates across the Budget period, this has led Standard and Poor's to consider that the net financial liabilities to revenue ratio is less informative than previously considered. Accordingly, it is now given less prominence in its rating analysis, with the key factors in the 'debt burden' assessment now being the Non-financial Public sector debt to revenue ratio and the Non-financial Public sector interest to revenue ratio.