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Victoria (State of)

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ISSUER CREDIT RATING

Victoria (State of)

Corporate Credit Rating AAA/Stable/A -1+

Corporate credit rating history:

	Local Currency	Foreign Currency
Feb. 16, 2003	--	AAA
May 18, 1999	AA+	AA+

Major Rating Factors

Strengths:

- Strong balance sheet, with low net debt compared with international peers.
- Fiscal discipline.
- Solid economic base.
- Strong liquidity support.

Weaknesses:

- Similar to other Australian states, structural imbalance between revenue powers and expenditure responsibilities.

Rationale

On July 13, 2005, Standard & Poor's Ratings Services affirmed its 'AAA/A-1+' ratings on the Australian State of Victoria. The outlook is stable. Ratings are supported by:

- The state's strong balance sheet. Net debt is low and its financial performance is strong compared with 'AAA' regional government peers. Its low net financial liabilities provide the capacity for spending increases within the existing credit rating. The state is forecasting that general government sector underlying unfunded superannuation and net debt will rise to A\$22.9 billion by fiscal 2009, from A\$17.4 billion in fiscal 2004 (on a like-for-like basis).
- The government has demonstrated fiscal prudence, keeping to fiscal strategy targets and ensuring adequate levels of fiscal flexibility, in particular its target of keeping general government operating surpluses no smaller than A\$100 million. Despite this, Standard & Poor's does not consider this A\$100 million target a generous shock absorber. Furthermore, a net lending deficit (due to high capital expenditure, for example) would not lead to any breach of the target. However, it is noticeable that actual operating surpluses have typically been greater than A\$100 million and capital expenditure spending has been prudent.
- Victoria's economy is diverse and provides a solid foundation for growth with limited volatility. Its growth is high compared with international peers and comparable with Australian state peers. Victoria's income per capita is also high relative to these peers.

Mild constraints on credit quality include:

- Limited fiscal flexibility. Like all Australian states, Victoria suffers from a degree of mismatch between revenue and spending responsibilities. Under Australia's institutional framework, Victoria relies on revenue grants from the federal government (over which it has no control) for 47% of total revenues. This limitation on fiscal flexibility is exacerbated by its responsibility for "big-ticket" spending, including health and education.

Short-term credit factors

Victoria's short term rating is 'A-1+' and is supported by its strong liquidity. The state's liquid asset holdings at fiscal 2005, including cash and investments, more than offset the state's short-term debt obligations. At June 30, 2005, Treasury Corp. Victoria held A\$1.2 billion market debt due to mature within 12 months. This obligation is more than covered by cash and liquid investment holdings of A\$5.1 billion.

Outlook

Victoria's rating is unlikely to be put in jeopardy in the near future given the state's current forecasts and strong operating environment. Any change in the state's credit quality would require an unlikely shift in economic structure and/or several years of weaker financial outcomes, combined with government inaction to address any resulting fiscal problems.

Comparative Analysis

Victoria's finances and economy compares favorably with 'AAA' rated peers

Victoria's economy is robust and well diversified, and its strong population growth and business investment have maintained its upward trend over recent years. Victoria compares well with selected Australian, Canadian, and German peers, with its cash deficit results in 2003-2004 for the nonfinancial public sector (due to the impact of "Growing Victoria", which spent windfall gains from previous years on various one-off capital programs) offset by a relatively strong balance sheet.

Victoria's economic growth has averaged 3.3% over the past five years, generally in line with the national average over this period. Economic growth is strong compared with international peers. Victoria has been unable to capitalize on the resources boom reflecting the low concentration of the mining industry in the state, unlike Western Australia and Queensland. Population growth, housing construction, and business investment have assisted growth rates above those in the ACT and New South Wales, however.

Victoria's public sector capital expenditure per capita rivals that in New South Wales and Queensland at June 30, 2004, and per capita business investment was greater than New South Wales and Queensland.

Victoria's direct debt is low by comparison with its Canadian and German peers, with Alberta (in Canada), Hesse, and Bavaria (both in Germany) recording larger direct debt as a percentage of revenue than Victoria. Victoria's cash surplus as a percentage of receipts is lower than New South Wales, Western Australia, and Queensland, but is stronger than its German peer, Bavaria.

Similar to other Australian states, Victoria's aging population creates spending pressure, particularly in the health sector. With current participation rates trending toward the high levels seen in the early 1990s, an aging population may drive pressure for wage increases and negatively impact the state's future economic capacity.

Table 1 Victoria Peer Comparisons—Fiscal 2004							
	Victoria	Queensland	New South Wales	Western Australia	Alberta	Bavaria	Hesse
Rating	AAA	AAA	AAA	AAA	AAA	AAA	AA+
Outlook	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Country	Aust.	Aust.	Aust.	Aust.	Canada	Germany	Germany
Nonfinancial public sector financial performance							
Net lending/revenue (%)	(2.0)	8.0	(2.0)	0	N.A	N.A	N.A
Cash surplus (deficit)/receipts (%)	(1.0)	11.0	2.0	1.0	N.A	N.A	N.A
Core government financial performance							
Cash surplus after capital expenditure/revenue (%)	1.0	14.0	4.0	4.0	15.2	(7.7)	31.2
Nonfinancial public sector balance sheet							
Net debt/revenue (%)	12.0	(15.0)	25.0	31.0	N.A	N.A	N.A
Net debt and unfunded superannuation liability/revenue (%)	50.0	24.0	58.0	63.8	N.A	N.A	N.A
Core government balance sheet							
Direct debt/revenue (%)	5.7	(57.1)	2.8	4.3	22.5	73.4	194.3
Economy*							
Three-year average economic growth (%)	3.6	5.5	2.5	6.0	2.95	1.25	0.03
Per capita income (A\$)	41,293	35,476	41,102	45,618	61,900	55,800	57,600
New South Wales - New South Wales. Vic. - Victoria. Qld. - Queensland. Western Australia - Western Australia. *Source: Australian Bureau of Statistics, Standard & Poor's							

System Support and Predictability

All states derive support from their relationship with the Commonwealth

The Australian states' relationship with the Commonwealth of Australia (AAA/Stable/A-1+) is a supporting credit factor. States have a large degree of constitutional autonomy. Some imbalance exists though because the Commonwealth retains most of the revenue powers, while the states undertake major spending responsibilities. This problem is addressed by a substantial program of grants to the states, with the less well-off states receiving more on a per capita basis than other states. Victoria is one of the smallest beneficiaries under this system, receiving a less-than-average per capita grant from the Commonwealth. A high level of informal support also exists, and the Commonwealth would probably provide emergency support to the states, if required.

Economy

Diversified economy delivering solid, steady economic growth

Victoria enjoys the stability of a diversified economy and is forecasting economic growth of 3% in 2005-2006, on a par with forecast national growth. Medium-term growth is expected to average about 3.0%-3.5% to fiscal 2009, close to the Australian national average. Victoria's economy is diversified. Its economic structure is concentrated on higher value-added industries, with little dependence on the lower growth agriculture and government/social services sectors than Australia as a whole.

The key risks confronting the state in the short-to-medium term include:

The property market coming off the boil.

Victoria has experienced a moderate decline in private dwelling investment over the past year, with the trend forecast to continue. Further evidence of a cooling Victorian housing market is the downward trend in total building approvals. Despite this, there is limited risk to the state's revenues from a sharp downturn in the housing market because the state has adopted a conservative approach to forecasting conveyancing revenue. Indeed, actuals at June 30, 2004, were above budget estimates.

Victoria enjoys lower housing interest payments than New South Wales or Western Australia, with Victorian households spending approximately 6.8% of their disposable income on housing and consumer debt interest payments in 2003-2004. This compares favorably with 7.9% in New South Wales, 7.1% in Queensland, and 7.5% in Western Australia. The higher proportion of fully owned dwellings in Victoria and population demographics contribute to this lower figure and provide a level of protection not enjoyed in other states.

Drought. A partial rural recovery has been underway, although crop production is expected to decline in fiscal 2005, with the impact of possible ongoing drought risk compounding potential declines.

Coupled with the Victoria's specific economic risks, Victoria, along with other Australian states, faces risks from a downturn in the international economy and appreciation in the Australian dollar. A rising Australian dollar would place increasing pressure on the state's export sector.

	--Year ended June 30--				
	2006f	2005f	2004	2003	2002
Population (million)	5.1	5.0	5.0	4.9	4.9
Gross state product (GSP) (real % chg.)	3.0	2.8	3.7	3.3	3.8
Employment (% chg.)	1.0	3.0	1.3	2.2	0.9
Unemployment (%)	5.5	5.8	5.6	5.8	6.4
f-Forecast.					

Management Capacity and Institutional Legitimacy

The government continues to demonstrate fiscal discipline

The government continues to demonstrate a commitment to financial discipline and its medium-term fiscal strategy.

The government is steadfast in its short-term financial objective of maintaining an accrual general government operating surplus of at least A\$100 million in each financial year. The government is forecasting a surplus of A\$310 million- A\$550 million to fiscal 2009, a reduction on previous surpluses such as the actual 2003-2004 surplus of A\$973. Standard & Poor's does not consider the A\$100 million target as a generous shock absorber, and a deficit recorded after capital expenditures would not lead to any target breach.

Recognizing that the strength of its revenue collection has been boosted by cyclical factors, the government has been cautious in its tax cuts and recurrent spending policies. Furthermore, the government has shown a willingness to make unpopular decisions when deemed financially necessary. An example of this is the push to make the Mitcham-Frankston road project tolled, as opposed to government funded, despite Commonwealth government funding resistance because of the decision.

Financial Flexibility

Limited financial flexibility for all Australian states

Like all Australian states, an institutional environment in which the federal government controls most revenue powers, but the states have responsibility for delivering most services limits Victoria's financial flexibility. However, like the other states, this institutional framework has not been a constraint on strong financial management.

Heavily dependent on transfers from federal government

About 47% of Victoria's revenue comes in the form of grants and subsidies from the Commonwealth government. Similar to other Australian states, there has been a trend for the Commonwealth to place conditions on its grants, thereby decreasing the state's degree of expenditure flexibility. About 20% of Victoria's total revenue is in the form of Specific Purpose Payments (SPPs) from the Commonwealth, which are tied grants for purposes stipulated by the Commonwealth. SPPs provide an opportunity for the Commonwealth to implement a number of policy initiatives, potentially encroaching on state responsibility areas and limiting expenditure flexibility.

Given reliance on Commonwealth grants, Victoria is exposed to changes by the federal government in the size of grants to all states, as well as to changes to Victoria's share. However, this exposure is ameliorated because general-purpose grants (mostly disbursements of GST) are distributed by an independent federal body according to a complex formula.

Victoria, along with all other states except Western Australia and New South Wales, has delivered in full the tax reforms agreed with the Commonwealth in early 2005 and established under the Commonwealth and States Intergovernmental Agreement (IGA), boosting the state's flexibility. Furthermore, Victoria has abolished some state taxes ahead of the IGA schedule and it is expected that rental business duty will be abolished by Jan. 1, 2007. This affords the state a degree of future expenditure flexibility above that experienced by those peers that have not yet delivered on the reforms.

Victoria's tax rates are, on average, similar to other states, and so pressure to reduce taxation is lessened. Victoria's taxation as a percentage of nominal GSP remains competitive, on a par with the Australian average and below New South Wales. There does remain competition among the states to reduce taxation, however, and consistent with this is the Victorian government's recent announcement to provide land tax relief, estimated at A\$752 million over the four years to fiscal 2009. This compares with total estimated land tax revenue, after allowing for this relief, over the same period of A\$3,356 million.

Standard & Poor's regards the sale of state-owned energy trading enterprises in the mid-1990s as a positive credit factor. Although the resulting lower dividend payments to core government reduces the state's fiscal flexibility to some degree relative to other states, the energy sector is typically exposed to higher risks than 'core' government operations. The remaining state owned enterprises are primarily relatively low risk to government.

Responsibility for health, education, and justice spending inhibit flexibility.

As with other Australian states, the cost pressures faced in the politically sensitive health, education, and justice sectors--where there are practical difficulties in controlling the volume of services provided and the cost at which they are provided limit Victoria's expenditure flexibility. In particular, the labor-intensive nature of these services introduces a degree of inflexibility to the state's spending, with employee expenses accounting for more than 42% of the recurrent state spending in these services.

Victoria's underlying social and economic infrastructure is in good condition, with the government investing more than A\$10 billion in the state's infrastructure since fiscal 2001. Without significant capital expenditure pressures, the government is afforded a degree of expenditure flexibility.

Capital stock per capita has been increasing because Victoria's capital stock growth has outstripped the state's population growth. There are a number of infrastructure projects in the pipeline or under construction, for both Melbourne and Victoria at large. Net infrastructure investment is forecast to peak in 2005-2006, then decline gradually in the medium term.

Political environment enhances flexibility

The next state election will be in November 2006. Although the 2005 budget demonstrates a degree of fiscal loosening, the government continues to operate in an environment where voters are suspicious of deficits, and where the political cost to the government could outweigh any benefit from populist, but unaffordable, tax cuts or spending increases.

The government's strong majority in both houses of parliament provides it the ability to pass fiscally important, but politically unpopular, legislation if required, something that provides additional fiscal flexibility.

Although annual population growth, now greater than the Australian annual population growth, supports Victoria's labor force, wage claims could become an issue as the government moves into an election year. The government does have a track record of settling wage agreements close to national averages, although successful wage claims could strain expenditure flexibility. Only a number of Enterprise Bargaining Agreements are due to expire in 2005 and early 2006, and these are expected to have a minor impact on flexibility.

Budget position remains consistent with the 'AAA' rating

Nonfinancial public sector.

The performance of the nonfinancial public sector, which includes the state's public nonfinancial corporations and general government, is consistent with the 'AAA' rating, but is generally forecast to weaken in the short term.

Weakening positions are forecast across a number of indicators:

- Operating balance as a percentage of operating revenue fell to 0.9% in fiscal 2006 from 6.2% in fiscal 2004;
- Net lending as a percentage of operating revenue is scheduled to fall to negative 6% in 2006 from negative 2% in 2004; and
- Cash deficit of negative 1.2% of operating receipts in 2004 to negative 4.8% in fiscal 2006, and an increase in net lending deficits from fiscal 2004 to fiscal 2009.

Net interest expenses, as a percentage of operating revenue, are forecast to remain around 1.0% until fiscal 2006, not dissimilar from the levels in fiscal 2001, and well within the capacity of the state's budget.

General government. There is deterioration in financial forecasts to the state's operating position, although net lending is forecast to trend back toward levels experienced in 2003-2004. The 2004-2005 budget forecasts average operating surpluses of A\$511 million over the three years to fiscal 2008. Operating surpluses are now expected to average only A\$332 million over the three years to fiscal 2008. Although the forecast surpluses are above the fiscal target, the buffer for unexpected events has diminished.

There is a projected cash deficit (less than A\$500 million in fiscals 2007, 2008, and 2009) partly driven by a capital-spending program of more than A\$2 billion in each of the years. Over the forecast period, the government anticipates spending over A\$10 billion on new infrastructure.

Public nonfinancial corporations. Victoria's public non-financial corporations (PNFCs) typically make a positive contribution to the state's operating position. Community service obligation funding (government subsidies for undertaking un-profitable business lines) is offset by transfers to the general government through dividends and tax equivalent payments. However, the sector's positive operating position is not always sufficient to fully fund capital spending requirements, and so some deficits have been recorded.

The PNFCs' net operating balance is forecast to move into deficit in fiscal 2006, partly the result of a number of one-off expenses, including Melbourne Water dividend payments. Results in this sector are also driven by infrastructure investment, totaling almost A\$2 billion in both fiscals 2005 and 2006.

Liquidity and Debt Management

Strong liquidity.

Treasury Corp. of Victoria (TCV; AAA/Stable/A-1+) conducts the state government borrowings and debt management (see separate report on TCV).

The re-financing risk that can arise from a bunching of maturities due to TCV's policy of concentrating its market borrowings into a small number of large and liquid benchmark bonds is ameliorated by TCV's large holdings of liquid assets. For example, the A\$1.2 billion of short-term debt at June 30, 2005 was offset by A\$5.1 billion of cash and negotiable securities, including bank paper.

Other potential debt-management risks are kept within conservative parameters. Credit risk is addressed by imposing ratings-based limits for exposures to counterparties. Currency risk is minimized through swapping material net foreign currency exposures into Australian dollars. Interest-rate risk is managed by setting value at risk parameters. Operational risk is managed through a system of procedures, with compliance monitored by internal and external parties. Derivatives are used to manage interest rate exposures, to facilitate diversification of funding sources, and to convert foreign currency exposures to Australian dollars, but are not used for speculation.

(Mil. A\$)	2005	2004	2003	2002	2001
Up to 1 year	1,237	3,129	1,958	1,639	2,789
1-2 years	1,980	217	2,139	1,619	638
2-5 years	2,185	3,696	1,824	4,121	3,577
More than 5 years	6,031	5009	6,398	5,123	6,156
Total	11,433	12051	12,319	12,502	13,160

Debt Burden

Victoria's balance sheet is strong, with relatively low net financial liabilities as a proportion of revenue compared with its Australian peers. Standard & Poor's defines net financial liabilities as net debt plus unfunded superannuation liabilities and long service leave obligations. Victoria's forecast nonfinancial sector net financial liabilities as a proportion of revenue at fiscal 2005 is 66%, comparable with other Australian sub-sovereign governments rated 'AAA'. This position takes into consideration the forecast increase in net financial liabilities to A\$29.7 billion by fiscal 2009 from A\$20.7 billion in fiscal 2004. Although the state's previous aggressive debt reduction program will be discontinued, its currently low net financial liabilities allow it the capacity to raise debt levels comfortably without adversely affecting credit quality.

Contingent Liabilities

The projected increase in net financial liabilities in 2005 is exaggerated by an accounting methodology change. Excluding this change a modest increase in net financial liabilities is projected to fiscal 2009. From July 1, 2005, the state's superannuation liability will be valued in accordance with Australian IFRS requirements. The liability will be discounted using a long-term bond rate rather than the fund's earning rate, which has been used in the past. The effect of this change is an increase in reported unfunded liabilities by A\$4.1 billion at July 1, 2004, and A\$1.7 billion at June 30, 2005. As this is a technical measurement issue, the increase in unfunded superannuation liabilities does not affect the credit quality of the state and this change does not affect the government's target to fully fund its superannuation liability by 2035.

Other actual and contingent liabilities remain small and manageable, and only a small portion (if any) are likely to crystallize at any specific point in time. They include:

- Three state-owned statutory insurance companies:

The Victorian WorkCover Authority (VWA), which is the state monopoly workers' compensation insurer. At June 30, 2004, the scheme was fully funded, VWA has not achieved a funding ratio above 100% since fiscal 1997. At June 30, 2004, the scheme had an A\$7.0 billion actuarial estimate of liabilities, met by A\$6.8 billion investment assets.

The Transport Accident Commission (TAC), which is the state monopoly compulsory third-party motor vehicle insurer. At June 30, 2004, the TAC's A\$6.3 billion investment assets more than fully funded its A\$4.8 billion liability estimate. It is anticipated that a dividend payment will be made in 2005 on the basis of the forecast fiscal 2004-05 net profit.

The Victorian Managed Insurance Authority (VMIA), which is the state's self-insurer for the public sector. At June 30, 2004, VMIA's A\$455 million investment assets more than fully funded its A\$396 million liability estimate.

- Various quantifiable contingent liabilities and guarantees total about A\$1.9 billion as at June 30, 2004.
- Victoria is active in entering into public-private partnerships (PPPs) to privately finance various infrastructure projects. Where appropriate (that is, where the arrangements are considered to be a finance lease), PPP projects are treated as debt on the government's balance sheet. Furthermore, the size of these projects is small relative to the state's financial resources and even if these projects were debt funded, Victoria's balance sheet would remain strong enough to warrant the 'AAA' rating.

Table 4								
Victoria Nonfinancial Public Sector – Financial Data								
	–Year ended June 30 –							
(Mil. A\$)	2006b	2005e	2004	2003	2002	2001	2000	1999
Accrual								
Taxation revenue	10,161	10,235	10,061	9,185	8,713	8,463	9,651	9,127
Current grants and subsidies	13,710	12,836	12,143	11,504	11,318	9,898	7,291	7,049
Interest income	415	420	444	438	389	421	295	334
Other revenue	8,768	8,322	8,404	8,504	8,147	7,729	7,714	8,123
Operating revenue	33,054	31,813	31,052	29,631	28,567	26,511	24,951	24,633
Interest expenses	754	717	745	622	596	637	610	902
Depreciation	2,075	1,922	1,702	1,574	1,396	1,305	1,290	1,406
Other expenses	29,920	28,524	26,681	25,467	24,524	22,801	20,818	20,866
Operating expenditure	32,749	31,163	29,128	27,663	26,516	24,743	22,718	23,174
Net operating balance	305	650	1,924	1,968	2,051	1,768	2,233	1,459
Net lending	(2,610)	(1,286)	(636)	146	663	867	1,497	327
Cash								
Operating revenue	32,933	31,455	30,951	29,470	27,985	26,050	24,635	24,450
Operating expenditure	29,719	28,358	27,613	26,878	24,059	23,282	20,663	24,942
Operatng balance	3,214	3,097	3,338	2,592	3,926	2,768	3,972	(492)
Capital spending	4,399	4,162	3,451	3,279	2,795	2,349	2,289	2,901
Net capital receipts	(403)	155	(246)	218	215	362	303	426
Cash surplus (deficit)	(1,588)	(910)	(359)	(469)	1,346	781	1,986	(2,967)
Key financial ratios								
Operating revenue growth	3.9	2.5	4.8	3.7	7.8	6.3	1.3	N.A.
Operating expenditure growth	5.1	7.0	5.3	4.3	7.2	8.9	(2.0)	N.A.
Cash operating balance/cash receipts	9.8	9.8	10.8	8.8	14.0	10.6	16.1	(2.0)
Accrual operating balance/operating revenue	0.9	2.0	6.2	6.6	7.2	6.7	8.9	5.9
Net interest expense/operating revenue	1.0	0.9	1.0	0.6	0.7	0.8	1.3	2.3
Net lending/operating revenue	(7.9)	(4.0)	(2.0)	0.5	2.3	3.3	6.0	1.3
Cash surplus (deficit)/receipts	(4.8)	(2.9)	(1.2)	(1.6)	4.8	3.0	8.1	(12.1)
Capital expenditure/total payments	12.9	12.8	11.1	10.9	10.4	9.2	10.0	10.4
Balance sheet								
Financial assets	5,105	5,746	5,918	6,584	6,705	5,188	4,407	3,369
Gross debt	11,639	10,369	9,656	9,710	9,210	9,120	9,108	9,901
Unfunded superannuation	17,462	11,011	11,760	13,489	13,435	11,882	12,366	14,043
Other financial liabilities	5,730	5,408	5,201	4,742	4,379	4,081	3,806	2,337
Net debt	6,534	4,623	3,738	3,126	2,505	3,932	4,701	6,532
Net debt plus unfunded superannuation	23,996	15,634	15,498	16,615	15,940	15,814	17,067	20,575
Net financial liabilities	29,726	21,042	20,699	21,357	20,319	19,895	20,873	22,912
Key liability ratios								
Gross debt/operating revenue	35.2	32.6	31.1	32.8	32.2	34.4	36.5	40.2
Net debt/operating revenue	19.8	14.5	12.0	10.5	8.8	14.8	18.8	26.5
Net debt plus unfunded superannuation/operating revenue	72.6	49.1	49.9	56.1	55.8	59.7	68.4	83.5
Net financial liabilities/operating revenue	89.9	66.1	66.7	72.1	71.1	75.0	83.7	93.0
Gross debt/gross state product	5.6	5.1	4.7	5.0	5.1	5.3	5.7	6.6
b—Budgeted. E—Estimate. N.A.—Not available.								

Table 5 Victoria General Government Sector – Financial Data											
	–Year ended June 30 –										
(Mil. A\$)	2009p	2008p	2007p	2006b	2005e	2004	2003	2002	2001	2000	1999
Accrual											
Taxation revenue	11,441	11,016	10,730	10,306	10,356	10,132	9,335	8,839	8,590	9,782	9,255
Current grants and subsidies	15,564	14,821	14,106	13,708	12,833	12,152	11,519	11,293	9,910	7,337	7,095
Interest income	313	313	339	362	356	374	366	318	336	199	200
Other revenue	6,184	6,106	6,279	6,248	5,807	5,840	5,872	5,137	5,073	4,971	6,512
Operating revenue	33,502	32,256	31,454	30,624	29,352	28,498	27,092	25,587	23,909	22,289	23,062
Interest expenses	499	479	476	469	463	537	477	444	478	453	666
Depreciation	1,445	1,383	1,292	1,235	1,169	1,068	1,017	859	800	762	776
Other expenses	31,008	30,082	29,367	28,554	27,345	25,920	23,995	22,559	21,360	19,214	18,364
Operating expenditure	32,952	31,944	31,135	30,258	28,977	27,525	25,489	23,862	22,638	20,429	19,806
Net operating balance	550	312	319	366	375	973	1,603	1,725	1,271	1,860	3,256
Net lending	(361)	(337)	(667)	(1,433)	(209)	(116)	694	821	646	1,295	2,916
Cash											
Operating revenue	33,172	32,039	31,284	30,731	29,203	28,385	26,835	25,187	23,619	21,983	22,998
Operating expenditure	31,427	30,418	29,385	28,153	26,956	25,947	24,940	22,034	21,585	18,841	21,999
Operating balance	1,745	1,621	1,899	2,578	2,247	2,438	1,895	3,153	2,034	3,142	999
Capital spending	2,316	2,251	2,420	2,529	2,197	2,345	1,977	1,888	1,521	1,453	1,331
Net capital receipts	120	208	143	(481)	72	126	128	123	150	187	208
Cash surplus (deficit)	(451)	(422)	(378)	(432)	122	219	46	1,388	663	1,876	(124)
Key financial ratios											
Operating revenue growth	3.9	2.5	2.7	4.3	3.0	5.2	5.9	7.0	7.3	(3.4)	N.A.
Operating expenditure growth	3.2	2.6	2.9	4.4	5.3	8.0	6.8	5.4	10.8	3.1	N.A.
Cash operating balance/cash receipts	5.3	5.1	6.1	8.4	7.7	8.6	7.1	12.5	8.6	14.3	4.3
Accrual operating balance/operating revenue	1.6	1.0	1.0	1.2	1.3	3.4	5.9	6.7	5.3	8.3	14.1
Net interest expense/ operating revenue	0.6	0.5	0.4	0.3	0.4	0.6	0.4	0.5	0.6	1.1	2.0
Net lending/operating revenue	(1.1)	(1.0)	(2.1)	(4.7)	(0.7)	(0.4)	2.6	3.2	2.7	5.8	12.6
Cash surplus (deficit)/receipts	(1.4)	(1.3)	(1.2)	(1.4)	0.4	0.8	0.2	5.5	2.8	8.5	(0.5)
Capital expenditure/total payments	6.9	6.9	7.6	8.2	7.5	8.3	7.3	7.9	6.6	7.2	5.7
Financial assets	2,631	2,647	2,990	3,894	4,270	4,344	5,153	5,485	4,236	3,313	1,912
Gross debt	7,705	7,199	6,906	6,898	6,259	5,953	6,660	6,753	6,708	6,694	7,274
Unfunded superannuation	17,844	17,852	17,780	17,419	10,964	11,711	13,437	13,383	11,818	12,278	11,580
Other financial liabilities	4,541	4,447	4,354	4,224	3,976	3,740	3,178	2,854	2,636	2,270	2,168
Net debt	5,074	4,552	3,916	3,004	1,989	1,609	1,507	1,268	2,472	3,381	5,362
Net debt plus unfunded superannuation	22,918	22,404	21,696	20,423	12,953	13,320	14,944	14,651	14,290	15,659	16,942
Net financial liabilities	27,459	26,851	26,050	24,647	16,929	17,060	18,122	17,505	16,926	17,929	19,110
Key liability ratios											
Gross debt/operating revenue	23.0	22.3	22.0	22.5	21.3	20.9	24.6	26.4	28.1	30.0	31.5
Net debt/operating revenue	15.1	14.1	12.4	9.8	6.8	5.6	5.6	5.0	10.3	15.2	23.3
Net debt plus unfunded superannuation/operating revenue	68.4	69.5	69.0	66.7	44.1	46.7	55.2	57.3	59.8	70.3	73.5
Net financial liabilities/operating revenue	82.0	83.2	82.8	80.5	57.7	59.9	66.9	68.4	70.8	80.4	82.9
Gross debt/gross state product	3.4	3.2	3.2	3.3	3.1	2.9	3.4	3.7	3.9	4.2	4.8

p—Projected. b—Budgeted. f—Forecast. N.A.—Not available.

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