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Victoria (State of)

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Victoria (State of)

Major Rating Factors

Issuer Credit Rating
AAA/Stable/A-1+

Strengths:

- Strong institutional framework
- Very strong management and ongoing fiscal discipline
- Strong and diversified economy

Weaknesses:

- Like all Australian states, a degree of structural imbalance between revenue powers and expenditure responsibilities

Rationale

The ratings on Victoria are supported by: our opinion of the strong institutional framework benefiting state governments in Australia, Victoria's very capable and conservative management, and the state's resilient and diversified economy. These strengths are offset--as with all Australian states--by an institutional framework that features some structural imbalance between revenue powers and expenditure responsibilities.

The state governs in a supportive financial environment. In our opinion, Australia's system support and the predictability of federal-state relations are among the strongest in the world, and we expect this to remain so. In particular, Australia adopts a system of fiscal equalization, which is administered by an independent commission. Under this system, however, Victoria receives less than its average per-capita share of the goods and services tax (GST) pool.

Recent changes to the formula have led to increased volatility, particularly in regard to the treatment of capital-expenditure grants provided to state governments by the Commonwealth. The biggest change, however, has been the move from five-year averaging to three-year averaging. The Commonwealth government has commissioned a review of the formula; however, it is unlikely that any changes will be implemented prior to 2014.

The government's very strong financial management provides ongoing financial stability. The Victorian government continues to deliver on its fiscal strategy, including the delivery of at least an A$100 million surplus. We note that there was some slippage in operating expenditure; however, it was less than 1%. Similar to the other Australian states, the Victorian government is focused on the sustainability of the state's budgetary performance, particularly in light of the lower-than-forecast GST receipts. Specifically, the government has established an Independent Review of State Finances, and is expected to implement both revenue and expenditure measures over the forward estimates, resulting in an improved budgetary position. In regard to the state's debt burden, it is our expectation that it will peak by fiscal 2013 and then stabilize over the remaining forward estimates at around 90% of operating revenues.

In our view, Victoria's economy is strong and diversified, with high per-capita income. In 2010, Victoria's gross state product (GSP) per capita was A$54, 793 compared with the national average of A$57, 965. The state's economy is more diversified than other Australian states'. While Victoria has some concentration in the higher-end manufacturing sector, this dependence is easing. The potentially volatile sectors of agriculture, mining, manufacturing, and construction account for around a combined 27% of state output, which is similar to the national average of 25%.

Limited budgetary flexibility is a credit weakness of the Australian states, including Victoria, but this has not impeded strong fiscal outcomes. Under Australia's institutional environment, the Commonwealth government has control over most taxes, whereas the states assume most of the responsibilities for delivering services. Victoria relies on about 43% of its consolidated operating revenues from the Commonwealth. On the expenditure side, the states are responsible for the politically sensitive areas of health, education, and justice. Furthermore, state government capital expenditure as a percentage of total expenditure is typically less than 15%.

Liquidity

Victoria's short-term rating is 'A-1+'. We consider the state's liquidity position as being very positive. At June 30, 2011, Victoria's short-term liabilities of A$3.3 billion were offset by liquid assets of A$4.8 billion. Although we assess Victoria's 86% debt servicing (12 months of maturing debt plus interest payments) ratio as neutral, the level is bolstered by exceptional access to external markets, thereby supporting its liquidity position.

Victoria's access to external liquidity is exceptional. Similar to Germany and Canada, the Australian states utilize a well-developed capital market for their funding. The capital markets in Australia are deep and liquid, and are expected to remain so. Victoria's individual characteristics support its access to external liquidity. Historically, Victoria has not experienced difficulty in accessing Australian and international markets, and our expectation is that this will continue. While the Commonwealth government's guarantee of state debt was withdrawn on Dec. 31, 2010, it is likely that the Commonwealth would offer Victoria a guarantee if needed, further supporting the state's liquidity. TCV did not utilize the Commonwealth's guarantee.

Further supporting the state's liquidity is the Liquidity Management Strategy. The Department of Treasury and Finance, in conjunction with the Treasury Corp. of Victoria (the state's central borrowing authority), has developed a whole of government Liquidity Management Strategy. The strategy includes a contingency plan for dealing with abnormal disruption in financial markets or adverse liquidity conditions specific to the state.

Outlook

The stable outlook reflects our opinion of the government's commitment to fiscal prudence. This includes a fiscal strategy that seeks to maintain an adequate operating performance and strong balance sheet.

The ratings on the state could come under pressure if the ratio of net financial liabilities (net debt and unfunded superannuation) to operating revenue exceeds 130% because of a change in government policy. It is unlikely that this will occur over the short-to-medium term.

Comparative Analysis

Victoria is more closely comparable to the Australian states of New South Wales and South Australia than the resource-rich states of Western Australia and Queensland. Victoria's accrual operating performance has compared well against its non-resource 'AAA' rated peers. The state's general government cash operating balances as a proportion of operating revenue have averaged 7.7% for the five years to fiscal 2010. This compares well against 5.1% in South Australia (AAA/Stable/A-1+) and 7.0% in New South Wales (AAA/Stable/A-1+). Victoria's after-capital expenditure performance remains stronger than New South Wales', largely reflecting New South Wales' challenging capital program.

Victoria's balance sheet compares well against its domestic peers'. Victoria's tax-supported (general government and public trading enterprises) debt levels as a proportion of operating revenue are stronger than New South Wales', South Australia's, and the lower-rated state of Queensland (AA+/Stable/A-1+). Unlike New South Wales, Queensland, and Western Australia, Victoria's debt is concentrated in the general government and not in the riskier public non-financial corporations sector.

Victoria's economic growth on average has been stronger than its main peer's--New South Wales--over the past 10 years. Victoria's economic growth tends to track the national average, unlike New South Wales, whose economic performance until recently has been subdued compared with the national average. Victoria also enjoys better budgetary flexibility, as there is less pressure to spend on its infrastructure. Further, Victoria does not have risks associated with an energy sector, unlike New South Wales.

Victoria's debt and financial performance compares well to its 'AAA' rated international peers. In general, the Australian system factors in a lower level of support from higher levels of government than in Germany and a higher level of support than in Canada and Switzerland. In relation to its international peers, only general government comparisons are possible. The state's balance sheet compares well against international peers (see table 1), with the levels of debt for each entity reflecting the level of system support enjoyed by the regional government.

Table 1

State of Victoria 2011 Peer Comparison

	Victoria (State Of)	Basel-Country (Canton Of)	Bavaria (State Of)	British Columbia (Province Of)	New South Wales (State Of)	Queensland (State Of)	South Australia (State Of)
Issuer Credit Rating (local currency)	AAA/Stable/A-1+	AAA/Stable/A-1+	AAA/Stable/A-1+	AAA/Stable/A-1+	AAA/Stable/A-1+	AA+/Stable/A-1+	AAA/Negative/A-1+
Issuer Credit Rating (foreign currency)	AAA/Stable/A-1+	AAA/Stable/A-1+	AAA/Stable/A-1+	AAA/Stable/A-1+	AAA/Stable/A-1+	AA+/Stable/A-1+	AAA/Negative/A-1+
Five-year averages (two years of actual data, current budget, and two years of Standard & Poor's forecast)--							
Operating balance (% of adjusted operating revenues)	5.99 [2010-2014]	1.49 [2009-2013]	6 [2009-2013]	N.A.	6.66 [2009-2013]	4.40 [2009-2013]	4.33 [2009-2013]
Balance after capital accounts (% of adjusted total revenues)	(2.3)[2010-2014]	(5.45)[2009-2013]	(5.41)[2009-2013]	N.A.	(3.15)[2009-2013]	(12.18)[2009-2013]	(6.66)[2009-2013]
Total adjusted revenues (mil. A$)	45, 761	2,622.99*	53,218.01*	40,043.91	53,597.57*	38,263.13*	14,535.91*
Transfers received (% of total adjusted revenues)	48.64	18.81*	9.42*	19.7	46.20*	48.16*	56.25*

Table 1

State of Victoria 2011 Peer Comparison (cont.)							
Modifiable revenues (% of adjusted operating revenues)	51.17	80.61*	9.39*	80.3	53.25*	51.58*	43.68*
Capital expenditures (% of total adjusted expenditures)	10.23	7.06*	12*	16.24	11.71*	18.66*	12.57*
Direct debt (at year-end) (mil. A$)	18,162	821.99*	40,478.62*	32,986.03	18,320.19*	15,033.39*	5,065.59*
Direct debt (% of adjusted operating revenues) (mil. A$)	39.69	32.29*	79.59*	82.37	34.59*	39.50*	34.89*
Tax-supported debt (at year-end) (mil. A$)	28,350	821.99*	46,828.93*	36,657.68	46,504*	52,176*	8364*
Tax-supported debt (% of consolidated operating revenues)	84.2	32.29*	92.08*	91.54	65.0*	102.9*	50.6*
Net financial liabilities (% of consolidated operating revenues)§	109.2	71.20*	394.64*	84.71	95.1*	88.5*	85.0*

*Figures for 2011. N.A. -- Not available. §This ratio is calculated using Standard & Poor's estimates of unfunded pension liabilities for German states.

Institutional Framework

Standard & Poor's expects Australia's institutional framework to remain predictable and supportive (see "System Support and Predictability for Australian State Governments", published on RatingsDirect, April 14, 2011). The predictability of Commonwealth-state relations makes Australia's system one of the strongest in the world.

Economy

We view Victoria's economy as being strong and diversified, with high per capita income. In 2010, Victoria's gross state product (GSP) per capita was A$54, 793 compared with the national average of A$57, 925. Victoria's economic growth over the past 10 years has been stable and largely in line with the other non-resource states. The government is forecasting 3% growth in fiscal 2012, reflecting the expected growth in business investment, while lower population growth over the remaining forward estimates is expected to result in below-trend economic growth.

Over the longer term, the trend economic outlook, structure, and demographic profiles of Australian states is partially ameliorated by Australia's institutional arrangements that prescribe payment from the Commonwealth government to state governments to offset the differences in available revenue or the responsibility for providing services. However, the short-term impact of changes in economic growth can significantly impact Victoria's own-source revenues (primarily conveyance duty) as well as the GST revenues it receives from the Commonwealth, therefore reducing the state's budgetary flexibility.

The state's economy is more diversified than other Australian states'. While Victoria has some concentration in the higher-end manufacturing sector, this dependence is easing. The potentially volatile sectors of agriculture, mining, manufacturing, and construction account for around 27% of state output, which is similar to the national average of 25%.

Victoria has recorded strong population growth but as noted is expected to ease reflecting lower net overseas migration. Located in the south-east of Australia, Victoria is the second most populous state, with a population of around 5.6 million or about 25% of the total Australian population. To March 2011, Victoria recorded annual population growth of 1.5% compared with Australia's growth of 1.4%. Projections are for growth to moderate to an average of 1.5% per annum over the forward estimates. This compares to 1.6% for Australia. Victoria's demographic profile largely reflects Australia's profile with a total dependency ratio of around 31.5%.

Financial Management

Victoria's financial management is a very positive ratings factor. Within Australia there is a culture of long-term planning and transparency. Each Australian state prepares an annual budget based on accruals that include four years of forecasts for the general government, the public trading enterprises sector, and the non-financial public sector (i.e. consolidated accounts). The states also prepare mid-year budget updates as well as releasing final outcomes generally within six months of the end of the fiscal year. Annual reports are audited by the state's independent auditor general.

The Victorian government continues to deliver on its fiscal strategy, including the delivery of at least a A$100 million surplus. We note that there was some slippage in operating expenditure; however, it was less than 1%. Similar to the other Australian states, the Victorian government is focused on the sustainability of the state's budgetary performance, particularly in light of the lower-than-forecast GST receipts. Specifically, the government has established an Independent Review of State Finances and is implementing both revenue and expenditure measures over the forward estimates.

The Treasury Corp. of Victoria (TCV), the state's central borrowing authority, is responsible for managing Victoria's borrowings. All of TCV's financial obligations are guaranteed by the state, and the rating on TCV reflects the ratings on the state. TCV performs the state's treasury and debt-management function and funds Victoria's public sector borrowings (see separate report on TCV, published on Global Credit Portal, on Feb. 23, 2011).

Victoria's investments are managed centrally by the Victorian Funds Management Commission. The asset allocation of the public sector assets is moderately aggressive relative to private-sector peers. About 60% of investments were held in Australian and international equities and property at June 30, 2011. Given the long-tailed nature of the schemes and over-funding, a degree of volatility from higher-risk assets can be absorbed.

Victoria's risk-management strategies appear adequate. The state government has developed a Victorian Government risk-management framework that identifies key risk categories and applicable frameworks. This risk map has been updated to adopt the new Australian Risk Management Framework.

The government enjoys an absolute majority in both of the state's houses of parliament, which assists the government with introducing its policy initiatives, and relies on the support of independents or other parties to pass legislation. This is not uncommon in Australian politics and is not expected to affect the business of government, as all parties typically provide undertakings to support the government's "supply" bills. The next state election is not due until Nov. 29, 2014.

Budgetary Flexibility

Australian states, including Victoria, have moderate budgetary flexibility. With around 35% of its consolidated operating revenues modifiable, and capital expenditure as a percentage of total expenditure averaging less than 15% over the forward estimates, Victoria's budgetary flexibility is moderate. This is primarily the result of the Australian institutional environment, in which the Commonwealth holds most of the taxation powers, whereas the states have most of the responsibilities for delivering politically-sensitive services such as health, education, and policing.

Victoria is a donor state under Australia's equalization system. Under the Commonwealth Grants Commission's (CGC) 2011 review of GST-revenue-sharing relativities, Victoria's distribution-relativity factor decreased significantly, which will result in the state receiving a much smaller share of the GST pool. Further, the smaller-than-forecast size of the pool also contributed to Victoria receiving a smaller grant. In fiscal 2011, Victoria received about 45% of its consolidated revenues from the Commonwealth. Current forecasts suggest that Commonwealth grants will continue to decline over the forecast period.

We also note that recent changes to the distribution formula have lead to increased volatility, particularly in regard to the change from five-year averaging to three-year averaging and the treatment of capital-expenditure grants provided to the state governments by the Commonwealth. The Commonwealth government has commissioned a review into the formula; however, it is unlikely that any changes will be implemented prior to 2014. We expect that Victoria will remain a donor state under any changes to the distribution formula. We also note that the Commonwealth government held a tax summit in October 2011. It remains unclear as to how this summit will impact the Australian states; however, a taskforce has been established to review state taxes. In regard to the Commonwealth resource rent tax and carbon tax, there has to date been no impact on mining investment in Victoria.

Victoria has limited capacity to generate one-off income. During the 1990s, the Victorian government sold or privatized the majority of its government-related businesses, with those remaining being in the lower-risk general government sector. Victoria has fewer public trading enterprises than some of its peers, such as Queensland, New South Wales, and Western Australia. In particular, Victoria's business ownership is primarily in lower-risk water and low-income public housing, whereas Queensland, New South Wales, and Western Australia are more dependent revenues from the higher-risk energy sector.

Budgetary Performance

Victoria's budgetary performance is moderate, in our view. Victoria's consolidated cash operating balance is expected, over a five-year period (2010-2014), to average around 8% of consolidated operating revenues; while its average after-capital deficit is forecast by the government to average around 7% over the same period.

The state's operating performance weakened in fiscal 2011, primarily as a result of lower GST receipts. Partly supported by the advance payment of A$500 million from the Commonwealth for the 2011 Victorian floods, Victoria recorded both cash and accrual surpluses in fiscal 2011. The state's cash operating position is expected by the government to remain solid over the forward estimates, averaging around 7.5%.

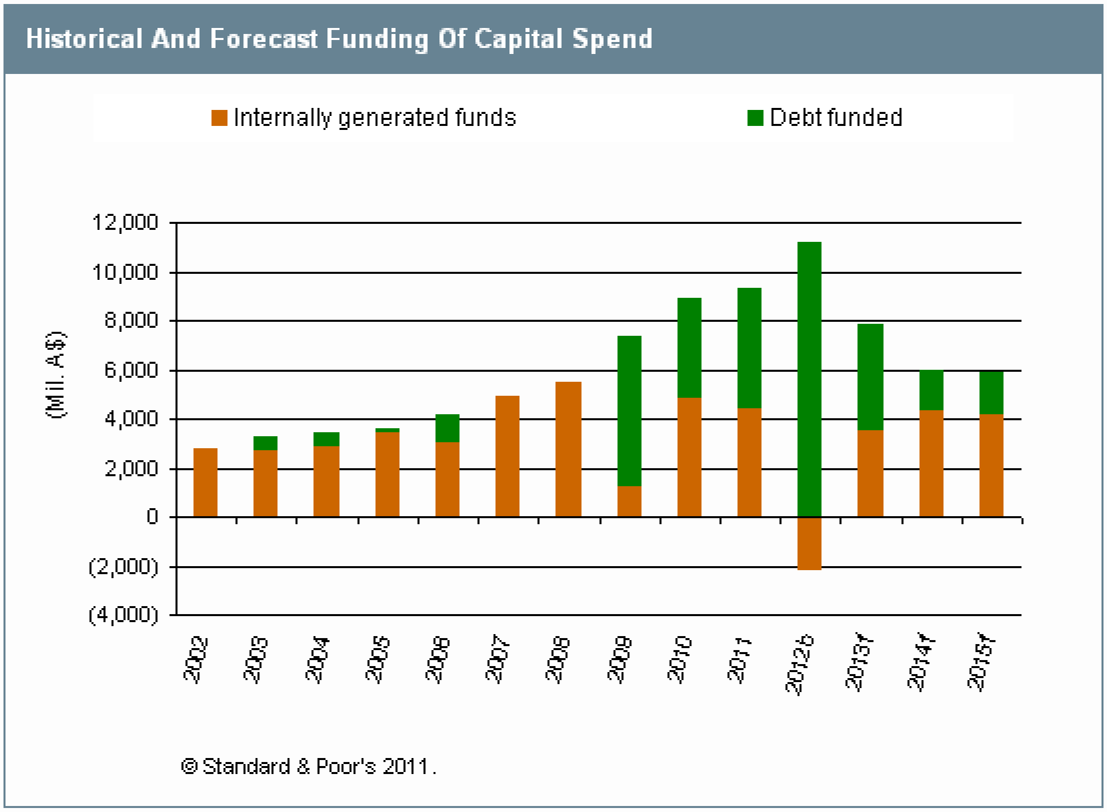
In our view, the state's accrual operating position is moderate, with the state forecasting small deficits over the forecast period. We note that the exclusion of the Commonwealth flood payment from fiscal 2011's actuals results in a small accrual operating deficit. Further, while the payment has boosted 2011's actuals, its advance payment means that Victoria may record an accrual deficit in fiscal 2012. The size and timing of surpluses (or deficits) is dependent on the impact of economic events on GST revenues and taxation; as well as the government's response to weaker operating revenue growth. Given the state's track record of budgetary flexibility, it is our expectation that the state will continue to adjust its operating expenditures.

Victoria's after-capital-expenditure deficits reflect a weaker operating position as well as a significant capital-expenditure program. The state's capital program will keep Victoria's after-capital expenditure position in deficit, meaning that part of the capital program is being funded by debt rather than operating funds. The state is anticipating the nonfinancial public sector's after-capital-expenditure balance as a proportion of operating revenue to average a deficit of around 5.3% over the four years to 2015.

Debt

Victoria's tax-supported debt levels and its interest burden are consistent with an 'AAA' rating. The state's increased capital-infrastructure plan to fiscal 2015 will increase debt in both the general government and the government-trading enterprises. Tax-supported debt is expected to reach around 85% of operating revenues in 2015, with the interest burden averaging around 4.5% over 2011-2013. The weakening of the state's operating position over fiscal 2011 has meant that the level of debt needed to fund the capital program has increased in comparison with last year's budget (see chart 1). However, debt levels and the state's interest burden are expected to remain consistent with an 'AAA' rating over the forecast period.

Chart 1



Even after using a wider measure of debt obligations--net financial liabilities--the state's balance sheet is expected to remain consistent with an 'AAA' rating. Victoria's nonfinancial public sector net financial liabilities as a proportion of operating revenue are projected to grow to around 110% in fiscal 2015 from about 44% in fiscal 2008. Whether the state's net financial liabilities reach the forecast levels will depend on the state's capacity to deliver the partially debt-funded capital program, as well as the impact that the Commonwealth long-term bond rates have on the valuation of the underfunded superannuation liability. Further, an improvement in the state's operating position either through stronger own-source revenues, an improvement in GST receipts, or a reduction in operating expenditures will also reduce the size of the state's liabilities.

TCV, the Victorian Government's central borrowing authority, is responsible for managing the state's borrowing and its exposure to market risk, including its maturity profile. As markets have stabilized, TCV has been able to lengthen its maturity profile (see table 2).

Table 2

Treasury Corp. of Victoria's Gross Debt Maturity Profile in Face Value Terms

	At June 30	
Actuals (mil. A$)	**2011**	**2010**
0-3 months	2,326	4,184
3-12 months	945	1,079
1-5 years	7,188	6,696
> 5 years	16,860	11,100

Table 2

Treasury Corp. of Victoria's Gross Debt Maturity Profile in Face Value Terms (cont.)		
Total	27,319	23,059

Victoria's active participation in the public-private partnership (PPP) market flows through to the state's debt balance, and is not a contingent liability for the state. We regard the state's conservative approach of treating PPP projects as finance leases and including them on its balance sheet as a credit strength. Victoria currently has 19 groups of projects, worth A$10 billion. At the end of fiscal 2011, six PPP projects were under construction, and an additional one was in the procurement stage.

Contingent Liabilities

Victoria's contingent liabilities remain manageable, noting that only a small portion, if any, is likely to crystallize at any specific point in time. The state has guarantees and other contingent liabilities estimated at A$2.2 billion at June 30, 2011, or around 4.5% of revenue. It also has other liabilities that include the state's fully funded statutory insurance companies.

Other liabilities include:

The Victorian WorkCover Authority (VWA), the state monopoly workers' compensation insurer. At June 30, 2011, the scheme was more than 100% funded, with the A$9.4 billion actuarial estimate of liabilities met by A$10.9 billion assets.

The Transport Accident Commission (TAC), the state monopoly compulsory third-party motor vehicle insurer. At June 30, 2011, the TAC's A$8.7 billion assets funded 97% of the A$8.9 billion liability estimate.

The Victorian Managed Insurance Authority (VMIA), the state's self-insurer for the public sector. At June 30, 2011, VMIA's A$1.8 billion in assets was matched by its A$1.8 billion liabilities estimate.

Local government. Given that Australian local governments are legislatively responsible to their respective states, we consider them a contingent liability of the state. However, given the level of state government oversight we believe that the contingent liability is small.

Table 3

Victoria Non-Financial Public Sector Financial Statistics

	Year ended June 30				
(Mil. A$)	2011	2010	2009	2008	2007
Accrual					
Taxation revenue	14,661	13,548	12,457	12,709	11,565
Current grants and subsidies	22,419	22,713	18,850	17,208	14,634
Interest income	536	382	474	565	506
Other revenue	11,940	10,992	10,285	9,866	10,754
Operating revenue	49,556	47,634	42,065	40,347	37,459
Interest expenses	1,630	1,362	1,128	802	780
Depreciation	3,576	3,366	2,520	2,335	2,202
Other expenses	43,937	42,139	38,203	35,292	32,650

Table 3

Victoria Non-Financial Public Sector Financial Statistics (cont.)					
Operating expenditure	49,143	46,867	41,851	38,428	35,632
Net operating balance	413	767	214	1,919	1,827
Net lending	(5,304)	(4,980)	(4,794)	(1,144)	(1,054)
Cash					
Operating revenue	49,182	48,182	42,767	40,710	37,152
Operating expenditure	44,924	43,522	39,915	35,848	33,202
Operatng balance	4,258	4,660	2,853	4,862	3,950
Capital spending	9,289	8,924	7,373	5,466	4,865
Net capital receipts	342	317	344	241	(77)
Cash surplus (deficit)	(4,689)	(3,948)	(4,176)	(363)	(992)
KEY FINANCIAL RATIOS					
Operating revenue growth	4.0	13.2	4.3	7.7	8.6
Operating expenditure growth	4.9	12	8.9	7.8	6.3
Cash operating balance/cash receipts	8.7	9.7	6.7	11.9	10.6
Accrual operating balance/op. revenue	0.8	1.6	0.5	4.8	4.9
Net interest expense/ operating revenue	2.2	2.1	1.6	0.6	0.7
Gross Interest Expense/operating revenue	3.0	2.6	2.4	2.0	2.0
Net lending/operating revenue	(10.7)	(10.5)	(11.4)	(2.8)	(2.8)
Cash Surplus (Deficit)/receipts	(9.5)	(8.2)	(9.8)	(0.9)	(2.7)
Capital expenditure/total payments	17.1	17.0	15.6	13.2	12.8
As at June 30					
Financial assets	8,519	8,221	7,622	9,222	7,984
Gross debt	28,350	23,145	18,444	13,903	12,751
Unfunded superannuation	22,843	22,598	20,755	12,959	9,915
Other financial liabilities	4,811	4,627	4,511	4,189	6,249
Net debt	19,832	14,924	10,822	4,681	4,767
Net financial liabilities	42,675	37,522	31,577	17,640	14,682
KEY LIABILITY RATIOS (%)					
Gross debt/operating revenue	57.2	48.6	43.8	34.5	34
Net debt/operating revenue	40.0	31.3	25.7	11.6	12.7
Net financial liabilities/operating revenue	86.1	78.8	75.1	43.7	39.2

Table 4

Victoria General Government Sector Financial Statistics					
	Year ended June 30				
(Mil. A$)	**2011**	**2010**	**2009**	**2008**	**2007**
Accrual					
Taxation revenue	14,858	13,741	12,627	12,863	11,702
Current grants and subsidies	22,426	22,718	18,970	16,021	14,646
Interest income	420	334	378	452	423
Other revenue	8,324	7,794	7,310	8,004	8,115
Operating revenue	46,027	44,585	39,285	37,340	34,886

Table 4

Victoria General Government Sector Financial Statistics (cont.)					
Interest expenses	986	843	642	438	459
Depreciation	2,010	1,870	1,516	1,416	1,335
Other expenses	42,514	41,229	36,876	33,839	31,758
Operating expenditure	45,510	43,942	39,034	35,693	33,552
Net operating balance	517	644	251	1,647	1,334
Net lending	(2,254)	(2,194)	(1,184)	637	(257)
Cash	0				
Operating revenue	45,764	45,154	39,222	37,965	34,942
Operating expenditure	42,867	41,951	37,241	33,923	32,178
Operating balance	2,896	3,203	1,981	4,042	2,764
Capital spending	4,886	4,661	3,147	2,709	2,812
Net capital receipts	184	187	268	177	226
Cash surplus (deficit)	(1,806)	(1,271)	(898)	1,510	178
KEY FINANCIAL RATIOS					
Operating revenue growth	3.2	13.5	5.2	7.0	9.1
Operating expenditure growth	3.6	12.6	9.4	6.4	7.7
Cash operating balance/cash receipts	6.3	7.1	5.0	10.6	7.9
Accrual operating balance/op. revenue	1.1	1.4	0.6	4.4	3.8
Net interest expense/ operating revenue	1.2	1.1	0.7	0	0.1
Gross Interest Expense/operating revenue	2.0	1.7	1.5	1.2	1.2
Net lending/operating revenue	(4.9)	(4.9)	(3.0)	1.7	(0.7)
Cash Surplus (Deficit)/receipts	(3.9)	(2.8)	(2.3)	4.0	0.5
Capital expenditure/total payments	10.2	10.0	7.8	7.4	8.0
As at June 30					
Financial assets	6,035	5,850	5,397	5,297	5,076
Gross debt	18,162	14,092	10,957	8,173	7,789
Unfunded superannuation	22,780	22,534	20,672	12,927	9,900
Other financial liabilities	4,520	4,358	4,277	3,973	4,379
Net debt	12,126	8,242	5,561	2,876	2,713
Net financial liabilities	34,907	30,776	26,233	15,803	12,613
KEY LIABILITY RATIOS					
Gross debt/operating revenue	39.5	31.6	27.9	21.9	22.3
Net debt/operating revenue	26.3	18.5	14.2	7.7	7.8
Net financial liabilities/operating revenue	75.8	69.0	66.8	42.3	36.2

Table 5

Summary Of Published Rating Factor Scores*	
Institutional framework	Predictable and supportive
Financial management	Very positive
Liquidity	Very positive
Indicative credit level	AAA/AA+
Overriding factors	Nil

Table 5

Summary Of Published Rating Factor Scores* (cont.)
Standard & Poor's assigns scores across eight main rating factors, of which we publish three.

Related Criteria And Research

All articles listed below are available on RatingsDirect on the Global Credit Portal, unless otherwise stated.

- Methodology For Rating International Local And Regional Governments, Sept. 20, 2010
- Public Finance System Overview: System Support and Predictability for Australian State Governments, April 14, 2011
- Methodology And Assumptions For Analyzing The Liquidity Of Non-U.S. Local And Regional Governments And Related Entities And For Rating Their Commercial Paper Programs Oct. 15, 2009

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Ratings Detail (As Of November 14, 2011)		
Victoria (State of)		
Issuer Credit Rating		AAA/Stable/A-1+
Commercial Paper		
Local Currency		A-1+
Senior Unsecured (17 Issues)		AAA
Issuer Credit Ratings History		
16-Feb-2003	*Foreign Currency*	AAA/Stable/A-1+
18-May-1999		AA+/Stable/A-1+
21-Aug-1996		AA/Positive/A-1+
22-Apr-1998	*Local Currency*	AAA/Stable/A-1+
27-Mar-1998		AA+/Watch Pos/A-1+
17-Sep-1996		AA+/Stable/A-1+
Default History		
None		
Population		5.6 million (ABS Australian Demographic Statistics, March Quarter 2011)
Current Government		
The Victorian parliament is bicameral, with the Liberal-National Party coalition forming a government by holding a majority in both the Legislative Assembly (the Lower House) and the Legislative Council (Upper House). Victoria's premier is Mr. Ted Baillieu.		
Election Schedule		
The most recent election was held on Nov. 27, 2010, with the next election due on Nov. 29, 2014.		

*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country.