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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 financial management and demonstrated fiscal discipline
- Wealthy and diversified economy undergoing further structural adjustment

Weaknesses:

- Like all Australian states, moderate budgetary flexibility as a result of the institutional framework

Rationale

The ratings on the State of Victoria reflect the strong institutional framework for state governments in Australia, as well as Victoria's wealthy and diversified economy, and its very capable and conservative financial management. These strengths are partially offset--as with all Australian states--by relatively moderate revenue and expenditure flexibility.

We consider the institutional framework in Australia, which governs the relationship between the Commonwealth government (Commonwealth of Australia, unsolicited AAA/Stable/A-1+) and the states and territories, to be predictable and supportive, and one of the strongest in the world. Within this system, however, there is a degree of structure imbalance between revenue powers and expenditure responsibilities which moderates Victoria's budgetary flexibility. The bulk of revenues raised in Australia are by the Commonwealth, while the states and territories have the significant expenditure responsibilities, including health and education.

Australia adopts a system of fiscal equalization, which is administered by an independent commission. Under this system, however, Victoria is a donor state meaning that it receives less than its average per-capita share of the goods and services tax (GST) pool. While a review of this system is currently underway, it is unlikely to have a meaningful impact on Victoria's financial position before 2014, in our opinion.

The Victorian government continues to demonstrate fiscal discipline through its response to the state's on-going revenue challenges. The government has demonstrated its willingness to make difficult political decisions, including containing wage growth and reducing the number of public servants. The government's financial management strength is also reflective of the system in Australia, which incorporates a high degree of transparency, including full consolidation of government businesses in budgeting and accrual accounting. In our view, Victoria's own financial strength is evidenced by its prudent approach to debt and liquidity management as well as the development of medium and long-term fiscal and economic strategies. We don't expect the commitment to fiscal discipline to change over the life of the current parliament.

The wealth and diversification of Victoria's economy provides support to the rating. Victoria's Gross State Product per capita (2011: A$56, 842) is high by international standards and reflects the high standard of living enjoyed by Victorians. In our opinion, Victoria is more diversified than other Australian states with its concentration in high-end manufacturing continuing to decline. We note that those sectors exposed to the strong Australian dollar, such as education, agriculture, tourism, and manufacturing have struggled and there have been some well publicised redundancies. Despite these challenges, Victoria's unemployment rate remains low, and it is our expectation that the state's economy will continue to demonstrate its resilience.

As noted above, the institutional framework in Australia lends itself to a degree of structural imbalance between revenue powers and expenditure responsibilities. Consequently, Victoria--along with all Australian states--enjoys only moderate budgetary flexibility. Victoria relies on about 45% of its consolidated operating revenues from the Commonwealth while its capital expenditure (which can often provide additional flexibility) as a percentage of total expenditure is typically less than 15%. In our view, Victoria's budgetary flexibility as defined by Standard & Poor's is unlikely to strengthen without a significant change in Australia's institutional framework.

Liquidity

We consider the state's liquidity position as being very positive. At June 30, 2012, Victoria's short-term liabilities of A$5.8 billion were offset by free cash and liquid assets of A$5.8 billion. While we assess Victoria's 100% debt servicing (12 months of maturing debt plus interest payments) ratio as very positive, the level is bolstered further by exceptional access to external markets, thereby supporting its liquidity position.

Outlook

The stable outlook reflects our expectation that Victoria will continue to deliver on its budgeted cost savings and its fiscal strategy, including responding to any additional decline in revenue.

Negative rating action, which is unlikely over the next 24 months, would most likely occur from government inaction in light of weaker revenues, resulting in a weakening of budgetary performance rather than the forecast improvement. Tax-supported debt may also exceed 100% of adjusted operating revenues.

Comparative Analysis

Victoria's closest domestic peer is the Australian State of New South Wales. Both states have missed most of the revenue boom associated with the mining sector, as experienced by Western Australia and Queensland and between them comprise the majority of Australia's population. The supportiveness of inter-governmental relations is a key differentiating factor in international comparisons. We view the Australian system as more supportive than in Canada, while Switzerland's system also has a highly stable and predictable institutional framework.

Victoria's cash operating performance has compared well against its 'AAA' rated peers. The state's general government cash operating balances as a proportion of operating revenue have averaged 3.2% for the five years to fiscal 2012. This is weaker than both Western Australia (AAA/Negative/A-1+) and New South Wales (AAA/Negative/A-1+). At a consolidated level, however, Victoria's position compares more favorably with Western Australia's, whose average is 4.3% compared with Victoria's 5%. Victoria's after-capital expenditure performance is on par with New South Wales and Western Australia. In contrast to New South Wales, Victoria's after-capital expenditure is expected to improve, as its capital-expenditure program has peaked.

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 lower than New South Wales' and similar to Western Australia's. Unlike New South Wales 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.

Outside of Australia, comparisons are only possible at general government level. Relative to international peers, state's balance sheet compares well against international peers (see table 1), with the levels of debt for each entity generally reflecting the level of system support received by the regional government.

Table 1

VICTORIA (STATE OF) -- 2012 Peer Comparison

	Victoria (State Of)	**Aargau (Canton Of)**	**Alberta (Province Of)**	**British Columbia (Province Of)**	**New South Wales (State Of)**	**Western Australia (State Of)**
Issuer Credit Rating (foreign currency)	AAA/Stable/A-1+	AAA/Stable/A-1+	AAA/Stable/A-1+	AAA/Stable/A-1+	AAA/Neg/A-1+	AAA/Neg/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)	2.40	6.48	N/A	N/A	7.92	3.99
Balance after capital accounts (% of adjusted total revenues)	(4.98)	1.07]	N/A	N/A	(4.85)	(7.31)
	Year ended June 30, 2012					
Total adjusted revenues	45,707.00	5,467.28§	50,116.23	47,780.98	58,607.00	25,545.00
Capital expenditures (% of total adjusted expenditures)	7.23	7.29§	13.76	14.93	8.60	12.06
Direct debt (at year-end)	22,760.00	2,289.55§	5,242.56	40,347.65	28,874.00	10,935.00
Direct debt (% of adjusted operating revenues)	49.98	42.68§	10.59	84.44	49.59	43.12
Tax-supported debt (at year-end)	33,767.00	2,289.55§	24,966.49	43,296.08	57,693.00	30,027.00

Table 1

VICTORIA (STATE OF) -- 2012 Peer Comparison (cont.)						
Tax-supported debt (% of consolidated operating revenues)	74.15	42.68§	50.42	90.61	99.08	118.40
Net financial liabilities (% of consolidated operating revenues)	129.87	31.04§	15.41	87.85	156.39	116.02
Interest (% of operating revenues)	2.60	1.46§	1.21	5.86	2.41	1.39

§Figures for 2010. N/A--Not applicable.

Institutional Framework: Predictable And Supportive

We consider that Australia's institutional framework is predictable and supportive, and expect it to remain so. We view Australia's institutional framework as one of the strongest in the world.

Economy: Wealthy And Diversified Economy With Several Sectors Exposed To High Australian Dollar

We view Victoria's economy as being strong and diversified, with high per capita income. In 2011, Victoria's gross state product (GSP) per capita was A$56, 842 compared with the national average of A$62,424. Similar to other non-resource states, we expect Victoria's economic growth to remain subdued reflecting below-trend household consumption, soft dwelling investment and lower public expenditure. There may be some upside risk to the state's growth prospects over the short-term stemming from growth in the employment base as well as moderate growth in household consumption and population.

In our view, 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. Over the past 20 years, manufacturing as a proportion of GSP has declined by more than 6%, while business services (including financial and insurance services and professional, scientific and technical services) has grown by around 12%. We note that those export-orientated sectors, such as education, agriculture, tourism, and manufacturing, have been affected to varying degrees by the persistently high Australian dollar. Specifically, the manufacturing sector has suffered some well publicized redundancies. Our expectation is that the Victorian economy will continue to undergo structural adjustments as a result of the mining investment boom.

After two years of lower population growth due to lower net overseas migration, Victoria is expected to experience moderate growth over the next few years. Located in the south-east of Australia, Victoria is the second most populous state, with a population of around 5.5 million, or about 25% of the total Australian population. Victoria is forecasting that its population growth will mirror that of Australia, at around 1.6% over the forward estimates. Victoria's demographic profile largely reflects Australia's profile, with a total dependency ratio of around 31.5%; we believe that is unlikely to change over the medium term.

Over the longer term we consider that the impact that an Australian state's own economic outlook, structure, and demographic profiles has on its credit quality is at least partially ameliorated by the fiscal-equalization arrangements within Australia's institutional framework. Over the shorter term, we note that changes in economic growth can significantly impact Victoria's own-source revenues (primarily conveyance duty). We also note the impact that the broader Australian economy can have on the goods and services tax (GST) revenues; GST being the primary source of revenues transferred from the Commonwealth to Australian states. Despite recent household deleveraging, we believe that domestic consumption growth will remain subdued over the next three years, thereby constraining the amount of GST available for distribution to the states.

Financial Management: Very Positive For Creditworthiness, With A Culture of Long-Term Planning

We consider Victoria's financial management as being a very positive ratings factor. We consider the general standard of financial management in Australia to be high, reflecting the culture of long-term planning and transparency, which includes annual budgets based on accrual accounting, and also covers government businesses, including four years of forecasts. State government's also prepare mid-year budget updates and release final financial outcomes within six months of period end. Given the long-standing nature of these planning and transparency requirements a change in culture is unlikely, in our opinion.

The Victorian government's new fiscal strategy is conservative, in our opinion. In response to recommendations made by the Independent Review of State Finances the government has developed a medium-term fiscal strategy, focussing on maintaining budget surpluses, increasing infrastructure investment (with a focus on economic infrastructure rather than social) and reducing net debt over the next 10 years. The government has also developed longer-term financial management objectives which aim to provide the government with an overarching financial management framework. Our expectation is that the government will remain committed to the strategy at least over the life of the current parliament.

The Victorian government continues to demonstrate fiscal discipline through its response to the state's on-going revenue challenges. The government forecasts that expenditure growth over the forward estimates will be constrained to 2.9% per year. As part of both its fiscal 2012 budget date and the 2013 budget, the government announced additional savings measures, including cuts to the public sector's full-time equivalents (FTEs). Despite significant political pressures, the government has remained committed to public sector wage outcomes of 2.5%, unless funded from productivity gains. Slippage in the delivery of these could put pressure on both our view of the state's financial management as well as the state's budgetary performance. We do not expect this commitment to budget sustainability to change over the next two years.

Further supporting our view of the Victorian financial management is the government's focus on economic reform. As part of the fiscal 2013 budget and in conjunction with their medium- and long-term fiscal strategies, the Victorian government announced an economic-reform strategy that focuses on, among other things: improving productivity; growing export markets; and supporting industries and employees that are in transition. Notably, Victoria is the only state to have articulated such a strategy, and its successful delivery is likely to provide the Victorian economy with significant advantages over the longer term. Given Victoria's long-term reputation of delivering reforms, our expectation is that the government will go some way to meeting its objectives.

Debt management is prudent, in our opinion. Debt is raised to fund capital and not operating expenditure, and only a limited portion of debt is short-term in nature. All funding is undertaken in Australian dollars, resulting in no foreign exchange risk; interest rate risk is hedged as necessary. These long-standing processes are not expected to change.

The government enjoys a one-seat majority in both of the state's houses of parliament, meaning the government does not need to rely on the support of independents or other parties to pass legislation.

Budgetary Flexibility: Moderate And Reflective Of Structural Imbalance Between Revenue Powers And Expenditure Responsibilities

We hold the opinion that Victoria's budgetary flexibility is moderate, with about 35% of adjusted consolidated revenues modifiable. We consider own-source taxes and other revenues to be modifiable, and exclude the sale of goods and services as the bulk of these relate to regulated utility prices. Capital expenditure averages less than 15% of total expenditure over the forecast period, and is expected to remain under this level in the medium term.

Operating revenue

Moderate revenue flexibility is partly reflective of the vertical fiscal imbalance in Australia. Under the institutional framework, the Commonwealth has the bulk of revenue powers while the states and territories have all the significant expenditure responsibilities. The Commonwealth distributes the GST receipts it collects to the states.

We consider Australian states as having only modest ability and willingness to increase their own taxes. Conveyance duties are a volatile revenue source, fluctuating as a result of economic and property market conditions. This volatility contributed substantially to the 2.3% variance between fiscal 2012's actuals versus budget. The fiscal 2013 budget has included minimal revenue measures, with the government instead focusing on savings measures. This is not unusual for an Australian government, and our expectation is that the Victorian government will not introduce any substantial revenues measures in the medium term.

Current transfers from the Commonwealth represent about one-third of revenues, and are primarily GST receipts. Victoria is a donor state under Australia's horizontal equalization system, and receives around 0.9x its per capita share of GST revenue. The distribution calculation takes into account jurisdictions' relative capacity to raise their own revenues and deliver services. Under the Commonwealth Grants Commission's (CGC) 2012 review of GST-revenue-sharing relativities, Victoria's distribution-relativity factor increased slightly, which will result in the state receiving a 0.5% increase in its share of the GST pool. The distribution formula is currently under review, with a recommendation expected in late 2012. Our expectation is that any change will not be implemented before 2014.

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 lower-risk sectors primarily in water and low-income public housing.

Operating and capital expenditure

We consider that the government has some operating and capital expenditure flexibility. Since the 2012 budget, the government has announced A$5.8 billion in savings measures, thereby demonstrating its operating expenditure flexibility. These savings measures are based on reducing employee numbers, departmental efficiencies, and a reduction in the number of programs delivered. To date, we have not seen significant adjustments to front-line service delivery. Consequently, more extensive cost and efficiency programs remain an option.

We consider there to be only moderate flexibility in the state's capital-expenditure program. The state is managing more than 450 projects, with several of the larger projects being delivered through public-private partnerships (PPPs), which tend to be lumpy in nature and therefore difficult to cancel.

Budgetary Performance: Weaker due to flat revenues

Victoria's budgetary performance has been significantly affected by flatter revenues, and has weakened, in our view. Victoria's consolidated cash operating balance is expected to average around 4.4% of adjusted consolidated operating revenues over a five-year period (2011-2015); while its average after-capital deficit is forecast by Standard & Poor's to average around 10.6% at the same time.

The key trends in Victoria's budgetary performance have been lower than forecast GST receipts and conveyance duties matched by additional corrective measures. Capital expenditure has remained strong, with a number of large projects nearing completion. Consequently, Victoria's operating position remains moderate, while its average after-capital deficit has increased, reflecting the additional debt needed to fund capital expenditure.

In developing our base-case scenario for Victoria, we have assumed that the state will receive lower than forecast general-purpose grants (primarily GST receipts). Recognizing the conservatism built into the state's estimates, we have not made any adjustments to the state's own-source revenue. We have excluded capital grants from operating revenues. In regard to capital expenditure, we have assumed a flatter expenditure profile, reflecting modest capital delays.

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 and that its budgetary performance will strengthen over the forward estimates. Further supporting the state's budgetary performance is its moderating capital-expenditure program. In the absence of the announcement of any additional capital-expenditure project or further revenue slumps, Victoria's average after capital expenditure deficit is expected to decline to around 8.6% in fiscal 2014.

Liquidity: "Very Positive"

We consider Victoria's liquidity as being a "very positive" ratings factor, reflecting its high level of coverage of upcoming debt maturities and interest. At June 30, 2012, Victoria's short-term liabilities of A$5.8 billion were offset by free cash and liquid assets of A$5.8 billion, resulting in a debt-servicing ratio (12 months of maturing debt plus interest payments) of 100%.

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.

Further supporting the state's liquidity is the Liquidity Management Strategy. The Department of Treasury and Finance, in conjunction with Treasury Corp. of Victoria (TCV), 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. We consider it unlikely that TCV will deviate from its current approach to liquidity.

Debt Burden: Stabilizing After A Peak In 2013

We consider Victoria's debt burden to be moderate. Tax-supported debt is expected to peak around 93% of adjusted operating revenues in 2014, with the interest burden averaging around 4.7% over 2012-2014. The weakening of the state's operating position over fiscals 2011 and 2012 has meant that the level of debt needed to fund the capital program has increased. Despite the increased funding requirement, debt levels and the state's interest burden are expected to remain consistent with an 'AAA' rating over the next two years.

The majority of tax-supported debt is within the general government sector. General government debt is forecast to peak at 72% of revenues in fiscal 2013. The significant increase in debt in 2013 reflects the finance leases associated with several PPP coming onto the state's balance sheet at the commencement of operations. Projects include the desalination plant and Peninsula Link. Tax-supported debt is expected to moderate in the coming years, as the government plans to fully fund its smaller infrastructure program from operating cash flows by fiscal 2016.

The material unfunded superannuation liability is included in our assessment of Victoria's debt burden. The unfunded component of the superannuation liability (i.e. the component not already covered by assets) of A$32.5 billion was recorded on Victoria's balance sheet at June 30, 2012.

It is worth noting that unfunded superannuation liabilities are highly sensitive to changes in the discount rate (which is currently based on Commonwealth government bond yields); states are required to use the prevailing discount rate for the current year but have more flexibility in choosing a discount rate for the forward estimates. Discount rates have moved sharply downward in recent years, resulting in a large increase in the value of unfunded superannuation liabilities on-balance-sheet. Victoria's 2012-2013 Budget estimates are based upon a discount rate of 4.4% per year.

The actual discount rate is likely to be somewhat lower than this, and was 3.4% at June 30, 2012. To achieve a more meaningful comparison, we've adjusted the 2012 liability, and forward estimates, to remove the impact that the reduction in the discount rate had on the liability during fiscal 2012.

Given that Victoria's liability is likely to remain under 50% of operating revenues, we have not adjusted our view of Victoria's overall debt burden to factor in its unfunded superannuation.

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$)	**2012**	**2011**
0-3 months	929	2,326
3-12 months	3,159	945
1-5 years	9,572	7,188
> 5 years	18,348	16,860
Total	32,008	27,319

Victoria's active participation in the 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 22 groups of projects, worth A$11.5 billion in capital investment. At the end of fiscal 2012, six PPP projects were under construction, and an additional one was in the procurement stage.

Contingent Liabilities: Manageable

Victoria's contingent liabilities are manageable, in our opinion, 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$1.8 billion at June 30, 2012, or around 4.5% of adjusted revenues. It also has other liabilities that include the state's statutory insurance companies. We expect Victoria contingent liabilities to remain stable.

Other liabilities include:

- The Victorian WorkCover Authority (VWA), the state monopoly workers' compensation insurer. At June 30, 2012, the scheme was more than 96% funded, with the A$10.5 billion actuarial estimate of liabilities met by A$9.8 billion investment assets.
- The Transport Accident Commission (TAC), the state monopoly compulsory third-party motor vehicle insurer. At June 30, 2012, the TAC's A$7.7 billion investments assets funded 71% of the A$10.1 billion liability estimate.
- The Victorian Managed Insurance Authority (VMIA), the state's self-insurer for the public sector. At June 30, 2012, VMIA's A$1.1 billion in investment assets funded around 50% its A$2.3 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					
	Year ended June 30				
(Mil. A$)	**2012**	**2013***	**2014§**	**2015§**	**2016§**
Accrual					
Taxation revenue	14,790	15,461	16,243	17,253	18,099
Current grants and subsidies	22,559	22,016	23,519	23,952	25,191
Interest income	528	467	457	461	451
Other revenue	12,872	13,075	13,817	14,540	14,653
Operating revenue	50,749	51,019	54,036	56,205	58,393
Adjusted operating revenue	48,371	49,606	52,209	55,028	57,264
Interest expenses	1,928	2,524	3,045	3,193	3,245
Depreciation	3,843	4,245	4,517	4,729	4,906
Other expenses	44,933	45,282	46,050	47,795	48,519
Operating expenditure	50,703	52,052	53,612	55,717	56,670
Net operating balance	46	(1,033)	424	489	1,723
Adjusted operating balance	(2,332)	(2,445)	(1,403)	(689)	594
KEY FINANCIAL METRICS					
Operating revenue growth	2.90	0.50	5.90	4.00	3.90
Adj. operating revenue growth	0.70	2.60	5.20	5.40	4.10
Operating expenditure growth	3.20	2.70	3.00	3.90	1.70
Accrual operating balance/op. revenue	0.10	(2.00)	0.80	0.90	3.00
Accrual adj operating balance/adj. op. revenue	0.10	(2.10)	0.80	0.90	3.00
Net interest expense/operating revenue	2.80	4.00	4.80	4.90	4.80
Net interest expense/adj. operating revenue	2.90	4.10	5.00	5.00	4.90
Gross interest expense/operating revenue	3.80	4.90	5.60	5.70	5.60
Gross interest expense/adj. operating revenue	4.00	5.10	5.80	5.80	5.70
Cash					
Cash receipts	51,181	51,434	54,567	56,782	58,919
Adjusted cash receipts	48,803	50,022	52,740	55,604	57,790
Cash payments	48,180	48,771	50,111	52,311	53,016
Operating balance	3,001	2,663	4,457	4,471	5,903
Adjusted operating balance	623	1,251	2,630	3,293	4,774
Capital spending	(7,455)	(8,201)	(8,689)	(6,650)	(6,087)
Net capital receipts	(7,166)	(7,586)	(8,245)	(6,227)	(5,664)
Cash surplus/deficit	(4,165)	(4,923)	(3,788)	(1,757)	239
Adj. cash surplus/deficit	(6,543)	(6,335)	(5,615)	(2,934)	(890)
KEY FINANCIAL METRICS					
Cash operating balance/cash receipts	5.90	5.20	8.20	7.90	10.00

Table 3

VICTORIA NON-FINANCIAL PUBLIC SECTOR (cont.)					
Cash adj. operating balance/adj. cash receipts	1.30	2.50	5.00	5.90	8.30
Cash surplus (deficit)/cash receipts	(8.10)	(9.60)	(6.90)	(3.10)	0.40
Adj. cash surplus (deficit)/adj. cash receipts	(13.40)	(12.70)	(10.60)	(5.30)	(1.50)
Capital expenditure/cash payments	13.40	14.40	14.80	11.30	10.30
Gross interest paid/cash receipts	3.50	4.70	5.40	5.50	5.40
Gross interest paid/adj. cash receipts	3.70	4.80	5.60	5.60	5.50
Balance Sheet					
Financial assets	9,057	8,567	8,833	9,279	9,722
Gross debt	33,767	44,301	48,862	51,255	52,687
Unfunded superannuation	24,750	23,684	23,608	23,411	23,285
Other financial liabilities	5,365	5,234	5,441	5,651	5,880
Net debt	24,710	35,734	40,029	41,977	42,965
Net financial liabilities	49,460	59,418	63,638	65,388	66,250
KEY FINANCIAL METRICS					
Gross debt/cash receipts	66.00	86.10	89.50	90.30	89.40
Gross debt/adj. cash receipts	69.20	88.60	92.60	92.20	91.20
Net debt/cash receipts	48.30	69.50	73.40	73.90	72.90
Net debt/adj. cash receipts	50.60	71.40	75.90	75.50	74.30
Net financial liabilities/cash receipts	96.60	115.50	116.60	115.20	112.40
Net financial liabilities/adj. cash receipts	101.30	118.80	120.70	117.60	114.60

*Budgeted. §Forecast.

Table 4

Victoria--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	Not applied

*Standard & Poor's assigns scores across eight main rating factors, of which we publish three.

Related Criteria And Research

- 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

Ratings Detail (As Of November 12, 2012)		
Victoria (State of)		
Issuer Credit Rating		AAA/Stable/A-1+
Senior Unsecured		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		5.5 million (June 2011, Australian Bureau of Statistics)
Per Capita GDP		A$56,842 (June 2011, Australian Bureau of Statistics)
Current Government		
The Victorian parliament is bicameral, with the Liberal-National Party coalition forming a government by holding a one-seat majority in both the Legislative Assembly (the Lower House) and the Legislative Council (Upper House). Victoria's premier is Mr. Ted Baillieu.		
Election Schedule		
Last: Nov. 27, 2010 Next: 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.