

Australian Capital Territory Budget 2007-08

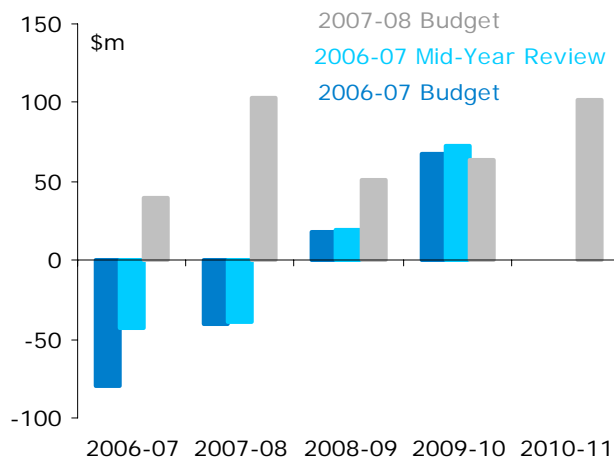
Fiscal restraint

05 June 2007

Big spending programs have featured in State Budgets across Australia this year. But this was never on the cards for ACT Chief Minister and Treasurer, John Stanhope's second Budget. Following last year's Budget which closed schools and increased taxes, this year's Budget provides for a modest program of new spending and Budget surpluses.

The 2006-07 budget operating surplus is estimated to be \$39.3mn, and is forecast to increase to \$103mn in 2007-08. This represents a significant turnaround from the position envisaged in the 2006-07 Budget and the 2006-07 Mid-Year Review.

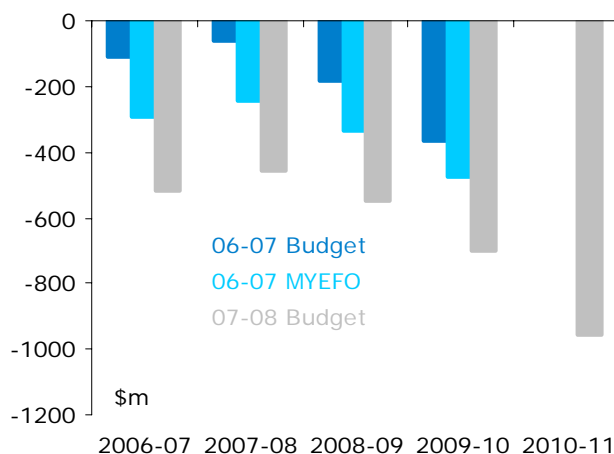
Operating balance is looking better



Of the 2007-08 surplus, over \$90mn is attributable to strength in the ACT property market, increased activity from an accelerated land release program, and returns from some one-off commercial developments.

Consistent with an improved operating balance, the general government's cash reserves and investments continue to exceed its gross debt liabilities so that net debt remains negative.

Government net debt position improves¹



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¹ Excludes superannuation related investments

Details of Key Budget Measures

The Budget contains a modest program of new spending, focused on three main areas.

(1) Transport/infrastructure

- \$51mn in new capital funding for infrastructure upgrades, particularly roads.
- \$32.5mn for parking at the Canberra Hospital, Acton and Woden.
- \$16mn over two years to modernise the bus fleet.

(2) Health

- Additional funding of \$66.8mn over four years for health, including more beds at Canberra Hospital and support for the Aged Care and Rehabilitation Service.

(3) Education

- \$60.7mn for the construction of a new secondary college in Gungahlin, to open in 2010.
- \$50mn for the construction of a new P-to-10 school in Tuggeranong, to open in 2011.

Economic Forecasts

ACT's **gross state product** is forecast to increase by 2.5% in 2007-08, below the national average of 3.75%. ACT's lower economic growth reflects, in part, the Territory's lack of exposure to the more volatile mining and agricultural sectors. In particular, the economy will not benefit from an assumed rebound in agricultural production to the same extent as other states. Instead, the largest contributor to the ACT's economy is expected to be Australian Government consumption expenditure.

Employment growth is expected to moderate to the long-term average growth rate of 1.5% in 2007-08, following strong Australian Government recruiting activity in 2006-07. **Wage** and **price** pressures are expected to remain around the national average in 2007-08.

Figure 1: ACT economic forecasts

	2005-06 Actual	2006-07 Forecast	2007-08 Forecast	2008-09 Projection
Real gross state product	3.4	2.5	2.5	2.5
Employment	1.6	3	1.5	1.5
Consumer price index	3.6	2.75	2.75	2.5
Wage price index	4.1	4	4	4

Source: Australian Bureau of Statistics; ACT Department of Treasury

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