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Media release

Queensland Government

Treasurer, Minister for Employment and Industrial Relations and Minister for Aboriginal and Torres Strait Islander Partnerships
The Honourable Curtis Pitt

Public ownership of GOCs to reduce general government debt by $4 billion

Treasurer Curtis Pitt today announced the State's general government debt would be cut by approximately $4 billion by restructuring the balance sheets of Queensland's Government-owned electricity network businesses.

Mr Pitt said the measures, which will be included in next week's State Budget, will put the network businesses capital structure on more commercial terms and bring forward the Government's commitment to use ongoing public ownership of GOCs to reduce debt.

The measures will return capital to the Government and reduce interest payments on general government debt by approximately $600 million over the forward estimates.

The three network businesses – Energex, Ergon and Powerlink – are currently geared at a net debt to regulated asset base ratio of 55 per cent on average while the industry average gearing ratio is around 80 per cent.

Queensland's three Government owned corporations will be given a new target gearing ratios of 70 per cent for Ergon and Energex and 75 per cent for Powerlink.

"The funds returned to Government as a result of the re-gearing will be used to reduce general government debt," Mr Pitt said.

"The people of Queensland supported Labor's plan to keep these businesses in public ownership to deliver better outcomes for Queensland taxpayers.

"With the assets firmly staying in public hands, we need to get them operating more efficiently and making the State's investments work harder for Queenslanders."

Mr Pitt said the network businesses had self-sustaining debt and the new gearing ratios had been set after consideration of their future operating and capital expenditure requirements.

"This includes the recent changes to the GOCs revenue allowances announced by the Australian Energy Regulator to ensure they continue to provide safe, reliable, secure and cost-effective electricity supply services to consumers," he said.

Mr Pitt said there would be no impact on electricity transmission and distribution charges, as these are independently regulated by the Australian Energy Regulator.

"The businesses' current gearing levels have developed over time, in an environment where significant capital investment was required to meet growing demand," he said.

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"With forecast electricity demand expected to remain flat over the next regulatory period, the businesses are under less pressure to expand their networks to meet customer needs."

Mr Pitt said there would be no forced redundancies under these measures.

The re-gearing plan was recommended by the Independent Review of State Finances, to be released with the Budget.

In addition, analysis by KPMG shows that this measure is consistent with industry practice which supports efficient capital management and enables shareholders to ration their equity across a wider range of investments with no impact on prices or charges which are independently determined by the regulator.

This initiative is part of the Government's Debt Action Plan, which will be announced in full at next week's State Budget.

Media Contacts: Martin Philip 0427 919 548