Submission Cover Sheet

Inquiry into the Fiscal Sustainability of the ACT

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Submission to the Select Committee on the Fiscal Sustainability of the ACT

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Introduction and summary

I welcome the establishment of the Select Committee on the Fiscal Sustainability of the ACT. The inquiry is timely. The ACT faces a combination of rising debt, increasing infrastructure costs and service delivery costs, and a narrow revenue base that limits its ability to absorb shocks.

This submission focuses on practical institutional and governance reforms that would materially improve fiscal discipline, public confidence and the Territory's standing with the Commonwealth and financial markets.

Key recommendations:

- Establish an independent ACT Fiscal Council to provide authoritative, non-political fiscal oversight.
- Improve transparency and public understanding of the ACT's financial position through regular, prominent reporting via the ACT monthly Newsletter.
- Engage earlier and more strategically with the Commonwealth on infrastructure and funding.
- Strengthen capital planning and debt management to ensure infrastructure remains affordable and repayable.

Fiscal sustainability and credibility

Fiscal sustainability is not only a matter of budget aggregates; it is also a question of credibility. At present, fiscal strategy is largely communicated through government budget papers, which are necessarily political documents. They are difficult to access and not easy to read. This limits public trust and weakens external confidence.

Recommendation 1: Establish an independent ACT Fiscal Council

I recommend the establishment of an independent ACT Fiscal Council, legislatively independent of the executive. The Council should provide public assessments of the ACT's fiscal position, debt trajectory, and long-term sustainability, and publish pre- and post-budget assessments.

This can build upon the work of the Auditor-General.

This was a common device implemented in the EU after the Global Financial Crisis.

Key functions include:

- Macroeconomic Forecasting: Producing or endorsing government economic and budget forecasts.

- Fiscal Rule Monitoring: Checking if the government adheres to its own fiscal rules (e.g., debt or deficit limits).
- Fiscal Sustainability Analysis: Evaluating the long-term health of public finances.
- Policy Evaluation: Assessing the economic impact of budget plans and policy proposals.
- Advisory Role: Providing non-partisan advice to government, parliament, and the public.
- Transparency: Clarifying complex budget information for the public.
- Accountability: Raising political costs for irresponsible fiscal decisions.
- Discipline: Promoting prudent, rule-based fiscal management and reducing deficits.

Recommendation 2: Fundamental transparency through regular, prominent reporting

Building on the transparency issue raised above I recommend that twice each year, the ACT Government publish a plain-English summary of the Territory's financial position prominently on the front page of ACT Government "Our Canberra" newsletter. This statement should be verified by the Auditor-General and clearly set out net debt, debt servicing costs, operating balance, infrastructure commitments, and long-term risks. This information should show any change from year to year. The format should be tested to ensure a normal member of the public could understand the issues.

There will be arguments that this information is already available on-line and a citizen need only search to find what they need. This is a false argument that has no basis in fact and relies upon citizens to do the hard work. A government that provides information to citizens through websites – and through written material in their letter boxes – is a transparent government.

Infrastructure expenditure and debt management

Infrastructure spending must be sequenced and prioritised within a clear capital expenditure time frame. New commitments should be assessed against long-term debt sustainability, not just short-term benefits.

The current excuses that it is difficult and breaches commercial in-confidence information is based on unproven arguments.

Recommendation 3: Early and strategic engagement with the Commonwealth

The ACT should engage earlier with the Commonwealth on infrastructure funding, before projects are politically locked in and do so on the ACT's terms.

Small Business

These measures will provide small business operators with more confidence in the future of their operations due to increased transparency.

Conclusion

The ACT does not face an immediate fiscal crisis, although interest repayments are heading towards crucial milestones where increased fiscal pressure and reduced flexibility for other spending priorities will add significant economic risks. The S&P Global Rating is now AA, down from AA+ and there are no clear plans to change the trajectory. As a result, the ACT does face a credibility challenge.

Stronger institutions, clearer public communication, and disciplined capital planning are essential to ensuring long-term fiscal sustainability.