QUEENSLAND
INDUSTRIAL RELATIONS
COMMISSION

Matter Number:
B/2023/46-48

Form20–Affidavit

Industrial Relations Act 2016, section 989
Industrial Relations (Tribunals) Rules 2011, rules 52 and 55

INDUSTRIAL REGISTRAR
14 SEP 2023
QUEENSLAND

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Applicant:	Together Queensland, Industrial Union of Employees
	Queensland Council of Unions; Australian Workers' Union of Employees Queensland

v

Respondent:	State of Queensland

PLEASE NOTE: If there are more than two parties to this application, please complete a **Form 1 –Parties list** and file it with this form. This affidavit is filed for the ☐ applicant ☒ respondent *(or as the case may be)*

Affidavit of *(name of person making affidavit)*	
I *(Name)*:	Dennis Patrick Molloy
of *(Address)*:	1 William Street, Brisbane QLD 4000
Position:	Deputy Under Treasurer, Economic and Fiscal Group, Queensland Treasury
☐ make oath and say or ☒ solemnly and sincerely affirm and declare as follows–	

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(deponent/s to sign)

Taken by:
(person taking the affidavit to sign)

QUEIRC21614

Personal Details

1. I am currently employed as the Deputy Under Treasurer, Economics and Fiscal Group in Queensland Treasury and have held this role since May 2021.

2. My responsibilities as Deputy Under Treasurer include providing economic and fiscal advice, analysis and guidance to the Queensland Government on matters of significance to the economic and fiscal performance of Queensland, particularly in relation to the State Budget, fiscal strategy, economic policy, forecasting and reporting initiatives.

3. Additionally, I oversee the fiscal and economic functions of the department responsible for formulation and delivery of the state budgets, whole-of-government fiscal estimates and macroeconomic forecasting, fiscal and economic strategy and policy and statistical and demographic research.

4. I have extensive experience as a senior fiscal and economic executive in both the Queensland and Australian governments specialising in economic, fiscal and public policy. I joined Queensland Treasury in 2008 and have been closely involved in all Queensland State Budgets since 2010.

5. Prior to joining Queensland Treasury, I was the Executive Director of Economic Policy in the Department of the Premier and Cabinet having a particular focus on policies to facilitate growth of the Queensland economy. Prior to that I was an economist with the Commonwealth Treasury, holding different roles spanning a decade with a focus on economic forecasting, competition policy, Commonwealth and state financial relations, and advising the Commonwealth Treasurer on the health, education, social security and defence portfolios.

6. I hold a Bachelor of Commerce and a Bachelor of Economics (Honours) from the University of Queensland.

Queensland Treasury

7. As a government department, Queensland Treasury is responsible for providing expert advice for the management of Queensland's revenue and expenditure and assist with design, implementation and administration of policies of the government to drive sustainable economic growth and employment, improve prosperity now and into the future and deliver fiscal sustainability.

8. A key role is to deliver a fiscal strategy to support the Charter of Fiscal Responsibility (the Charter) in managing the state's financial risks and opportunities.

9. Queensland Treasury leads the preparation of a State budget each year, including working with other government agencies to develop departmental budgets that address the fiscal, economic and service delivery goals of the Government. The Government's budgets are formulated in accordance with economic forecasts that form the basis

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of the Budget estimates and are framed by the Charter.

10. Queensland Treasury, consistent with the Government's fiscal strategy, also provides financial management advice to agencies to support the efficient allocation of resources to meet the government's service delivery priorities.

These proceedings

11. I am aware that these proceedings are for the Queensland Industrial Relations Commission (the Commission) to:

- make a general ruling pursuant to section 458 of the *Industrial relations Act 2016* regarding wage and allowance adjustments for award employees;
- make a general ruling regarding an increase to the Queensland Minimum Wages;
- determine the operative date for the preceding matters; and
- once the Commission is in a position to provide a view on these matters, the State may seek that the Commission consider exercising its discretion to not apply the proposed increase to award wages to a particular group of employees under the award pursuant to section 459A of the *Industrial relations Act 2016*

12. It is my understanding that Together Queensland, Industrial Union of Employees (TQ), The Australian Workers' Union of Employees, Queensland (AWU), and Queensland Council of Unions have made applications to the Commission for:

- the making of a general ruling amending all state awards by a wage adjustment of 5.75 per cent;
- the making of a general ruling amending all state awards by increasing existing award allowances which relate to work conditions which have not changed in service increments by 5.75 per cent;
- an increase in the Queensland Minimum Wage by at least 5.75 per cent; and
- a determination that the operative date for these amendments be 1 September 2023.

The prevailing economic conditions in Queensland

Global economic activity

13. After a strong rebound across 2021 and 2022, the global economy faces increased uncertainty and volatility, with risks to the outlook skewed to the downside.

14. In its latest (July 2023) *World Economic Outlook Update*, the International Monetary Fund (IMF) forecasts global

economic growth to slow from an estimated 3.5 per cent in 2022 to 3.0 per cent in both 2023 and 2024, which the IMF notes is *"weak by historical standards"* and that *"the balance of risks to global growth remains tilted to the downside"*. This weak outlook reflects the sharp interest rate rises required to curb inflation, deterioration in financial conditions, the impacts of the Russia-Ukraine conflict and rising geopolitical tensions. China's economic slowdown and potential cross-border spillovers also present a key downside risk to the global outlook.

The situation nationally and the impact on Queensland

15. Like the global economy, national economic growth is expected to slow in coming years, weighed down by cost-of-living pressures and the rise in interest rates. After rising 3.4 per cent in 2022-23, the Reserve Bank of Australia (in its latest August *Statement on Monetary Policy*) expects national Gross Domestic Product (GDP) growth to slow to 1 per cent in 2023-24 before picking up marginally to 1¾ per cent in 2024-25.

Budget forecasts for Gross State Product (GSP) growth

16. Based on 2023-24 Queensland State Budget forecasts, after growing 4.4 per cent in 2021-22, GSP growth is estimated to have averaged 2 per cent in 2022–23, before strengthening to 3 per cent in both 2023–24 and 2024–25. The economic growth profile reflects temporary domestic and international supply constraints, which have negatively impacted private investment, especially housing construction, and the trade sector in 2022-23, and their subsequent unwinding.

Components of growth

17. In Queensland, household consumption has risen 3.5 per cent in 2021-22 and 3.0 per cent in 2022-23. However, as significant increases in borrowing costs continue to filter through to household budgets, spending growth is expected to slow materially in 2023–24. High rates of capacity utilization (the amount of manufacturing and production capability being used at any time), and a solid pipeline of non-dwelling construction projects are expected to see overall business investment in Queensland rise further. In the dwelling sector, capacity constraints continue to limit output growth in the near term, but the historically high pipeline of committed residential construction work and easing supply constraints should support a boost in dwelling investment in 2023–24.

18. Overseas exports of goods and services are expected to have grown by 3½ per cent in 2022–23, driven by an ongoing rebound in tourism and education services exports. After detracting from GSP growth in 2022–23, an unwinding of supply constraints on goods exports and a slowing of goods imports is forecast to result in a one percentage point contribution to growth from the trade sector in 2023–24.

National unemployment rate and Queensland unemployment rate

19. In line with the expected slowing in national GDP growth, the RBA expects that employment growth will slow

from the 3.2 per cent recorded over the year to June quarter 2023 to 1.2 per cent in the year to June quarter 2024 and 1.1 per cent the following year. As a result of the weaker employment growth outlook, the RBA expects that the Australian unemployment rate will rise from 3.5 per cent recorded in June quarter 2023 to 4.2 per cent in June quarter 2024 and 4.5 per cent the following year.

20. Consistent with the growth profile of state final demand (a measure of economic production of goods and services by Queensland's domestic economy which excludes international and interstate trade), Queensland employment growth is expected to moderate to one per cent in 2023–24 and 1½ per cent in 2024–25. The unemployment rate is forecast to edge slightly higher, but remain low by historical standards, averaging 4¼ per cent in 2023–24 and 4½ per cent in 2024–25.

Wage Growth

21. At the national level, the RBA expects annual year-ended growth in the Wage Price Index (WPI) to strengthen to 4 per cent over the year to June quarter 2024 due to the tight labour market, the recent annual minimum award decision by the Fair Work Commission and the 15 per cent wage increase for aged care workers. Wage growth is then expected to slow to around 3.6 per cent by the end of 2025 as spare capacity in the labour market increases and inflation declines.

22. In the recent *2023-24 Queensland State Budget*, the Queensland WPI is forecast to strengthen to 3¾ per cent in 2022–23, up from 2.5 per cent in 2021–22. Consistent with the lagged impact of a very tight labour market, wages growth is forecast to strengthen further to 4 per cent in 2023–24 (in year average terms), and then stabilise at an annual growth rate of 3½ per cent thereafter.

Consumer Price Index (CPI) for last 12 months at national level and for Queensland and inflation

23. The national consumer price index increased by 6.0% over the year to June quarter 2023, down from the recent peak of 7.8% in the year to December quarter 2022. The inflation rate in Brisbane was marginally higher at 6.3% in the year to June quarter 2023.

24. Monthly data show annual national inflation has continued to moderate in the early parts of September quarter 2023, with the ABS national *Monthly Consumer Price Index Indicator* down from 5.4% in June to 4.9% in July. Headline CPI has moderated from a peak of 8.4% in December 2022.

25. The RBA expects the national inflation rate to continue to decline gradually due to weaker demand in the economy. Annual year ended CPI inflation is forecast to fall to 3.6 per cent over the year ended June quarter 2024, followed by 3.1 per cent the following year and 2.8% by the end of 2025.

26. The Queensland State Budget forecasts Brisbane's consumer price index to moderate to 3¾ per cent in 2023-24 (in year average terms) and then 3 per cent in 2024-25. This is a similar outlook to nationally.

Queensland's credit rating

27. Queensland Treasury Corporation (QTC) is the Queensland Government's funding authority and borrows funds in the domestic and global markets to manage the State's funding requirements and refinancing needs. The State's credit rating is a key driver behind QTC's ability to access funding and influences the cost of borrowings. A higher credit rating provides access to a wider pool of potential investors and reduces the State's cost of new borrowings due to the perceived lower credit risk for investors.

28. Following the Global Financial Crisis, Queensland's credit rating was downgraded. Credit ratings agency S&P Global downgraded Queensland from AAA to AA+ and Moody's from Aaa to Aa1. Queensland has not regained its AAA credit rating.

29. Queensland' most recent credit rating outcomes

- Aa1 (stable) affirmed by Moody's on 23 August 2023
- AA+ (stable) affirmed by S&P Global as at 13 April 2023.
- AA+ (stable) affirmed by Fitch on 9 August 2023.

30. While Queensland has a strong credit rating, it is still vulnerable to negative ratings action from a deterioration in budgetary performance, and a persistent and larger than expected increase in its debt burden, which would weaken debt affordability.

31. More generally, credit rating agencies continue to closely examine the sub-sovereign fiscal outlook. For example, Moody's July 2023 Sector In-Depth Regional Governments – Australia expected states' fiscal discipline to be tested by significant infrastructure spending while undertaking fiscal repair and implement carbon transition strategies as debt burdens continue to increase. General observations by Moody's across the state sector included:

- Subdued economic growth is putting pressure on revenue and increasing spending demands, threatening a return to sustained operating surpluses.
- Elevated infrastructure spending is leading to surging net debt projections, challenging states' attempts at fiscal repair.
- States face carbon transition risks as they try to meet 2030 net-zero emissions targets.

- Rising borrowing costs will challenge states' debt affordability.

32. While Queensland has enjoyed windfall revenue gains from strong commodity prices, the increase is only temporary and is not expected to be repeated over the 2023-24 Budget forward estimates. As such, revenue is expected to decline sharply in 2023-24 as the temporary surge in coal and other commodity prices unwinds and continues to normalise.

33. In this context, Queensland is not immune from the general challenges outlined by Moody's above. As noted above, a strong credit rating facilitates efficient and orderly access to funding in domestic and international markets and a lower cost of borrowing.

The State Government's fiscal strategy

34. Australian governments at all levels increased borrowings to combat the COVID-19 crisis and Queensland was no exception. The related fiscal strategy emphasised prioritising economic recovery and targeted recurrent and capital spending to position the budget for fiscal repair.

35. As Queensland's economy has recovered and a temporary improvement in revenue performance emerged, borrowing needs in the near term were reduced over recent successive budgets.

36. Over successive budgets since the advent of the COVID-19 crisis, government continue to target a return to surplus from 2024-25.

37. The 2023-24 Budget outlook reflects continued careful management of extraordinary, but temporary revenue increases and targeted expense measures to support positive progress towards fiscal recovery, a lower reliance on borrowings and additional capacity for increased public infrastructure investment.

38. The Government's fiscal strategy is focussed on the medium-term and framed by the five fiscal principles set out in the Charter, which has been in tabled in the Legislative Assembly as required by the *Financial Accountability Act* 2009 (Qld).

39. The fiscal principles and related objective metrics guide the Government's medium-term fiscal strategy for the restoration of fiscal buffers and sustainability as the budget position is subject to risk and uncertainty from future crises, e.g. natural disasters and associated costs. The fiscal principles are:

- Fiscal Principle 1 – Stabilise the General Government Sector net debt to revenue ratio at sustainable levels in the medium term, and target reductions in the net debt to revenue ratio in the long term.

- Fiscal Principle 2 – Ensure that average annual growth in General Government Sector expenditure in the

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medium term is below the average annual growth in General Government Sector revenue to deliver fiscally sustainable operating surpluses.

- Fiscal Principle 3 – Target continual improvements in net operating surpluses to ensure that, in the medium term, net cash flows from investments in non-financial assets (capital) will be funded primarily from net cash inflows from operating activities. The capital program will focus on supporting a productive economy, jobs, and ensuring a pipeline of infrastructure that responds to population growth.
- Fiscal Principle 4 – Maintain competitive taxation by ensuring that, on a per capita basis, Queensland has lower taxation than the average of other states.
- Fiscal Principle 5 – Target the full funding of long-term liabilities such as superannuation and workers' compensation in accordance with actuarial advice.

40. Fiscal sustainability is also important for maintaining the confidence necessary for businesses to make long-term investments in the State.

State budget

41. The budget process is the method by which the Government:
    - articulates its priority policy initiatives;
    - outlines the economic and fiscal principles and priorities;
    - sets the strategic direction of its finances over the medium-term;
    - establishes and communicates its resource allocation decisions for the budget year; and
    - reports on the progress with achieving service delivery targets.
42. Accordingly, the budget outlines the Government's revenue and expenses for the coming year (and three outyears) and the amount of services and equity appropriation funding that will be provided to each department from the consolidated fund.
43. In addition to consolidated fund appropriations, departments have access to other sources of revenue (own-source revenue), such as user charges and Commonwealth-specific purpose payments that go towards funding their services. Departments are required to manage their operations within their consolidated fund appropriations and their own-source revenues.

44. In the first instance, departments are generally required to fund any emergent cost pressures from within their available resources through reallocation and re-prioritisation of existing resources. This is the longstanding preferred approach and remains critical as government remains committed to medium-term fiscal goals of restoring fiscal buffers, which have been affected by the COVID-19 pandemic and need to be restored to be better positioned for upcoming fiscal challenges and pressures.

45. If a department's emergent service delivery cost pressures are significant and where initiatives or proposals cannot be funded from existing appropriations, the relevant Minister may seek approval to develop a submission to the Cabinet Budget Review Committee (CBRC) for consideration of the provision of additional appropriation funding.

2023-24 State budget and fiscal outlook

46. The 2023-24 Budget was handed down 13 June 2023.

47. While the Budget presented a significant surplus in the financial year of 2022-23 following a significant surplus in 2021-22, this reflect extraordinary and temporary factors affecting royalties, particularly very high commodity prices. These conditions are expected to moderate across the forward estimates bringing a sharp decline to revenue in 2023-24 and modest revenue growth across the forward estimates.

48. While a record surplus was recorded for 2022-23, 2023-24 is expected to see a deficit of $2.182 billion as the government responds to immediate, but temporary challenges such as the current cost of living pressures. During the financial years 2024-25 to 2026-27, the budget is expected to return to marginal surpluses as follows:

- surplus of $135 million in 2024-25;
- surplus of $206 million in 2025-26; and
- surplus of $377 million in 2026-27.

49. These slim surpluses face pressure from emerging fiscal pressures and are susceptible and very sensitive to variances in operating expenses parameters. The 2023-24 Budget Paper No. 2 sets out some fiscal pressures that are referred to below.

50. Global and national economic conditions can impact on key Queensland revenues.

51. In particular, global economic conditions can impact global commodity prices, including for coal and oil, resulting in volatility over time in royalty revenue to the state. This potential for volatility in commodity prices has been highlighted by the exceptionally high global coal prices recorded across 2021-22 and 2022-23.

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52. As outlined in the 2023-24 Budget, the strength of the Queensland economy, including the state's strong labour market performance, combined with the exceptionally high coal prices, resulted in higher than previously expected state revenues in 2022–23.

53. However, as also outlined in the Budget, the substantial increase in royalties, due to unprecedent high coal and oil prices, is only temporary and not expected to be repeated over the forward estimates as coal and other commodity prices normalise. Revenue is therefore expected to decline sharply in 2023-24.

54. Changes in global and national economic conditions can also impact other key state revenues, such as taxation and GST revenue, with growth in these revenues generally driven by the underlying level of economic and labour market activity.

55. The 2023-24 Budget also set out government's expanded program of public infrastructure investment totalling $88.7 billion over 4 years to 2026-27 including transformative programs, e.g. energy transformation, that will be critically important to underpin job creation in existing and emerging sectors of the Queensland economy and to maintain a strong and diverse economy into the future. The size of the program is significantly higher than the 2022-23 Budget's capital program of $59.1 billion over four years to 2025-26. The record capital spending will drive persistently higher fiscal deficits across forward estimates compared to the 2022-23 Budget.

Fiscal pressures

56. Beyond general uncertainties related to budget parameters assumptions, key emerging fiscal issues include:

- Impacts of Australian Government changes to state shares of GST: risks to the longer-term outlook for Queensland's GST revenue resulting from the changes made to the system of GST revenue distribution by the Australian Government in 2018.

- Adverse weather events are likely to occur in the future with the resulting damage expected to impact on the delivery of state initiatives, noting disaster-related expenses are shared with the Australian Government under Disaster Recovery Funding Arrangements.

- Challenges arising from delivering significant capital investment in the medium term, including parallel delivery of the transformation of the energy system away from a reliance on coal-fired generation, meeting future water demand and providing drought contingency, and preparing to host the Brisbane 2032 Olympic and Paralympic Games.

- Ongoing service enhancements across a range of portfolios to deliver services to the community.

Expenditure on economic recovery

57. The 2022-23 Budget publication *Budget Strategy and Outlook Budget Paper No. 2* sets this out on page 45:

The government's statewide response to COVID-19 provided $15.2 billion in support to businesses, workers and communities, while the $59.126 billion 4-year capital program [FY23 to FY26] *outlined in this Budget will continue the essential productivity-enhancing economic and social infrastructure required to support ongoing growth and job creation.*

58. Since then, the 2023-24 Budget and related outlook has increased the 4-year capital program (FY24 to FY27) to $88.7 billion.

State Government public sector wages policy and employee expenses

59. The *Industrial Relations Act 2016 (Qld)* promotes collective bargaining between employees (and their representative unions) and employers as the primary means by which wages and employment conditions are decided.

60. Government as an employer has a strong track record in bargaining that delivers mutually acceptable employment conditions.

61. While wage increases were deferred in 2020 due to the financial pressures of the COVID-19 pandemic, it is important to remember that all affected public sector agreements at the time incorporated an additional 2.5 per cent wage increase so that there was no ongoing impact for public sector employees.

62. The majority of public sector certified agreements nominally expired during 2022 or will expire during 2023. Certified agreements provide a binding legal obligation to provide wage increases that stretch across at least three years, and this has an ongoing impact on the Government's finances in future years.

63. It is acknowledged that maintaining an effective public service relies on attraction and retention strategies based on competitive remuneration and employment condition, but this needs to be balanced with disciplined management of growth in operating expenses, particularly as employee expenses form a large proportion of General Government Sector expenses.

64. Government has formulated its current public sector wages policy having regard to contemporary economic conditions and the two key elements comprise:

- 3-year agreements with wage increases of 4 per cent in years one and two and 3 per cent in year three. This is higher than the previous 2.5 per cent in recognition of prevailing economic circumstances and maintains

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capacity for strong frontline service delivery; and

- a Cost-of-Living Adjustment (COLA) payment for employees where inflation exceeds headline wage increases established in agreements. Where the relevant Brisbane consumer price index (March quarter annual percentage change) is higher than the relevant wage increase under a certified agreement, eligible employees will receive a once-off COLA payment equivalent to the percentage point difference, applied to their base wages and capped at 3 per cent.

65. A particular feature of government's current iteration of its public sector wages policy is that the first 4 per cent wage increase under a replacement agreement will apply to the wage rate actually payable as at the operative date of the proposed agreement, either the last wage rate under the expiring agreement or the relevant award wage rate, whichever is higher.

66. There is a particular impact from this wages policy element where the operative date of a new agreement coincides with increased award wage rates taking effect and where those new award wage rates are higher than the final year wage rates under the expiring agreement. The effect in those circumstances is that the new award rate increase is applied first to the wage rates and then the first 4 per cent headline wage increase under the new agreement is applied. The practical effect can see an effective wage increase resulting in a significantly higher initial pay increase.

67. Beyond wages policy, government has approved more generous employer superannuation contribution arrangements, which are being implemented outside bargaining processes.

68. Employee expenses (excluding superannuation expenses) are expected to be $32.175 billion in 2023-24 accounting for 38.2% of the total 2023-24 general government expenses.

69. Given employee expenses represent such a large proportion of the Government's expenditure, any increases above the budgeted amount will affect Government's ability to deliver the budget within its fiscal strategy. By way of example, page 242 of the 2023-24 Budget Paper No. 2 provides an indication of the sensitivity. A one percentage point increase in wage rates above expectation would increase employee expenses by around $322 million per annum. This would compound to larger increases in later years as the increase becomes built into the operating expenses base.

The State Wage Case position

70. It is my understanding that Together Queensland, Industrial Union of Employees (TQ), The Australian Workers' Union of Employees, Queensland (AWU), and Queensland Council of Unions have made applications to the Commission in the State Wage Case proceedings that essentially reflects their position being:

- the making of a general ruling amending all state awards by a wage adjustment of 5.75 per cent;
- the making of a general ruling amending all state awards by increasing existing award allowances which relate to work conditions which have not changed in service increments by 5.75 per cent;
- an increase in the Queensland Minimum Wage by at least 5.75 per cent taking into consideration the Fair Work Commission decision to realign the National Minimum Wage from the C14 to the C13 rate and to subsequently adjust the C13 rate by 5.75 per cent; and
- a determination that the operative date for these amendments be 1 September 2023.

71. For the purposes of this year's State Wage Case, the State's positions is as follows: the State supports a fair and reasonable increase to the Queensland Minimum Wage and state awards and work-related allowances based on the prevailing economic conditions at the time of the decision, but where wages payable to employees or classes of employees under awards relevant to the Queensland public sector have been settled through bargaining or arbitration, the increase should be nil.

The potential fiscal impact of the applicants' position

72. Queensland's industrial relations framework provides that should the Commission in its state wage case decision elect to increase wage rates under modern awards to levels higher than certified agreements, employees receive the higher of the two wage rates.

73. Relevant award wage rates applying to the Queensland public sector set the actual wage rates payable, by virtue of the following mechanisms/circumstances:

- a provision in the relevant certified agreement, for example the State Government *Entities Certified Agreement 2019* at clause 2.10(6) provides:

  It is a term of this Agreement that no person covered by this Agreement will receive a rate of pay which is less than the corresponding rate of pay in the relevant parent award

  and/or

- the *Directive 12/12* ruling that:

  A State Wage Case does not increase the wages paid under a certified agreement.

  However, where a State Wage Case has the effect that an award provides for wages which are greater than a *certified agreement that applies to the employees covered by the award, the award wages prevail.*

74. Should Queensland's modern awards end up reflecting a flow through of the Fair Work Commission 2023 outcome of 5.75 per cent this would result in wages rates under Queensland modern awards applying to the Queensland public service overtaking agreement rates for some certified agreements and wages rates expected to be settled with agreements currently being bargained.

75. In terms of public sector wages policy, a certified agreement's first wage increase is set by applying the first increase of 4 per cent to the higher of the award rate or last agreement rate as at the operative date of the new agreement, whichever is higher. Future wage increases under a certified agreement are then applied to agreement rates stipulated for the prior year of the agreement.

76. A quantitative assessment of such a flow through estimates that the additional cost $55.4 million in 2023-24 and largely contained in that year. The estimate is based on identifying those certified agreements and agreements expected to be settled where a 5.75 per cent flow through to awards.

77. However, it should not be assumed that by virtue of the observation in the preceding there will be no future cost implications, and this will depend on both current and future circumstances.

78. A decision to mirror the Fair Work Commission 2023 outcome and increase awards applying to the Queensland public sector by 5.75 per cent sets up potential fiscal impacts in future years. The issue arises due to a base effect as future award rate increases would be applied to higher award rates emerging in 2023-24 from a 5.75 per cent increase. The potential cost of this issue in future years becomes material in the context of the very modest surpluses being forecast beyond 2023-24 (referred to in paragraph 41 above).

79. To illustrate, the following table sets out estimates of future year cost impacts where award wage rates continue to increase. Of concern, is the potential for increased unbudgeted costs in 2024-25 caused by another award rate increase in that year 2024-25 of, say, 4 per cent on top of a 5.75 per cent increase in 2023-24. The potential impact on the projected operating surplus could be material. In this illustration, the estimated additional unbudgeted cost in 2024-25 of $68.7 million would erode 50 per cent of the projected surplus of $135 million in the same year, all else unchanged.

	2023-24	2024-25	2025-26
Illustrative award rate increases %	5.75	4.0	3.0
Estimated additional cost $M	55.4	68.7	79.0

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80. Meeting any additional costs arising from increases in award wage rates continuing to overtake agreement wage rates would require affected departments and agencies to consider whether it could be accommodated within existing available fiscal capacity through reallocation and re-prioritisation of existing resources.

81. Budgets require Governments to make choices as to services they deliver and the financial impacts of these decisions. An increase in government expenses arising from these decisions place pressure on Government's ability to deliver further services in other areas and still achieve its fiscal objectives. Ultimately, it is for Government to decide how to balance these competing demands.

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(person taking the affidavit to sign)

Further, I ☑ make oath and say ☒ solemnly and sincerely affirm and declare

All the facts and circumstances deposed to in this my affidavit are within my own knowledge and belief, except for the facts and circumstances deposed to from information only, and my means of knowledge and sources of information appear on the face of this my affidavit.

Signature	
Signature:	
Name:	Dennis Patrick Molloy
Date:	14/ 09 /2023

Taken by	
Sworn/Affirmed by the deponent at:	Brisbane
on:	14/ 09 /2023
Signature:	
Print name:	Lachlan Hugh Grant
~~Justice of the peace/commissioner for declarations~~/lawyer/~~other qualified person~~	

Certificate:

Pursuant to section 55 of the *Industrial (Tribunals) Rules 2011*

☐ I certify that the affidavit was read in the presence of the deponent who seemed to understand it, and signified that that person made the affidavit.

☐ I certify that the affidavit was read in the presence of the deponent who seemed to understand it, and signified that that person made the affidavit, but was physically incapable of signing it.