



Executive Council of the Canton of Basel-Stadt

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Budget 2013: balanced income statement, but additional debt due to higher investment

For the year 2013 the Canton of Basel-Stadt is budgeting for a surplus of CHF 6.6 million. In year-on-year terms, the Canton's operating result for the financial year will deteriorate. This is due above all to additional spending to cover the cost of nursing care and in the social field, as well as higher depreciation. Tax revenues are set to stagnate, and contributions towards the national financial settlement will rise. As announced twelve months ago, higher investment will push debt higher, specifically by CHF 209 million. This means the net debt ratio will rise from 3.1‰ to 3.4‰.

Above all due to factors which are wholly or in part beyond the control of the Executive Council, the anticipated dedicated operating result is likely to deteriorate by CHF 55 million or 2.2% relative to the previous year. The largest individual item is the rise in the cost of long-term nursing care, amounting to CHF 14.3 million. Contributions towards inpatient hospital treatment of patients in Basel-Stadt are set to rise CHF 7.7 million. On the other hand, the cost of the Canton's public services is likely to drop by CHF 10 million in 2013. Various items in the social field will boost expenditure by a total of CHF 16 million. Targeted measures planned by the Executive Council are set to lift expenditure by CHF 11.7 million relative to the previous year.

A total of CHF 12.3 million of the additional spending is attributable to fixed-term budget increases. These will be reversed in subsequent years. In addition, new accounting principles will shift expenditure totalling CHF 7.2 million which was previously recorded under the investment item. In future, this expenditure will be shown in the income statement. Adjusted to take one-off factors into account, the dedicated operating result is set to rise 0.8% in year-on-year terms. This corresponds to the growth path which the Executive Council had set itself.

Higher income taxes, but lower profit taxes expected

The strong inflow of tax revenues from natural persons in 2011 means there are grounds to be confident that tax revenues will rise moderately in the current year as well as in the year 2013. Relative to the budgeted revenues for 2012, which were probably underestimated, revenues are expected to grow by some CHF 54 million. This despite the tax cut which is set to come into force in the 2013 financial year. The cut will reduce revenues by CHF 26 million. In the case of legal entities, current forecasts for the 2012 earnings outlook and the agreed tax cuts in the year 2013 mean tax revenues are set to contract sharply. The reduction in the maximum profit tax rate from 21% to 20.5% accounts for some CHF 12 million of the CHF 71 million decline. In overall terms, budgeted tax revenues are set to stagnate relative to the previous year.

Higher financial settlement payments, SNB profit distribution

Due to the healthy tax base enjoyed by the Canton of Basel-Stadt in recent years, the Canton has been required to pay increasing sums into the national financial settlement (Nationalen Finanzausgleich – "NFA"). In net terms, the sum earmarked for the year 2013 is CHF

114.8 million. This corresponds to an additional burden of CHF 14.6 million relative to 2012. In contrast to the 2012 budget, the 2013 budget is expecting the Swiss National Bank (SNB) to make a further profit distribution. This is likely to amount to CHF 16.5 million. In the year 2011 the SNB's profit distribution had amounted to CHF 41 million.

High investment level leads to higher depreciation and higher debt

The 2013 budget once again contains substantial investments. In overall terms, investments total CHF 403 million. Substantial investments will be made inter alia in public transport to refurbish rail track and to extend the No. 8 tram line, the new building for the Basel School of Design, the expansion of the Kunstmuseum as well as a number of school refurbishment projects. The Executive Council is confident that these substantial investments in Basel-Stadt's residential and business infrastructure will be maintained. Insofar as this cannot be financed from the canton's own financial resources, new debt will be taken out. Strong results, the reduction in debt and the restrained spending policies of recent years have created the necessary room for manoeuvre.

Together with the substantial investment, the level of depreciation on major investments is also set to rise by around CHF 14 million relative to the previous year to reach some CHF 123 million. CHF 193 million (48.1%) of the new investment will be financed internally. This means the 2013 budget shows a finance shortfall and consequently new debt amounting to CHF 209.3 million. The net debt ratio is set to rise from 3.1‰ in the year 2012 to 3.4‰ in the year 2013.

Outlook: moderate income statement shortfalls and continued substantial investment

The income statement of the 2014-2016 financial budget is likely to show moderate deficits. The shortfall is expected to rise by 2016 to around CHF 60 million. The assumptions made in respect of the performance of tax revenues are based on a potential rate of GDP growth of 1.5% p.a. This also contains the agreed tax cuts. However, the effective level of revenues will be heavily dependent upon the performance of the economy at large. This leads to corresponding uncertainties in the budget planning.

One negative factor is the Canton's growing contribution towards financial equalisation in the coming years. The contribution is calculated on the basis of past revenues. Because Basel-Stadt has enjoyed above-average economic growth in recent years relative to other cantons, it will also be required to make a correspondingly larger contribution. Current projections show that the net contribution of the Canton of Basel-Stadt is set to rise from the current figure of CHF 100 million to reach CHF 126 million in the year 2016.

Annual net investment during the budget period averages over CHF 400 million. Substantial investments are planned in particular for school buildings within the framework of construction measures for school harmonisation as well as for daytime facilities. At the same time, however, numerous school buildings also need to be brought into line with modern structural standards. Furthermore, the new building for the School of Design and Art, the extension of the Kunstmuseum as well as investment in public transport all contribute towards this high level of investment. In addition to the net investments, however, the overall investment account also includes loans from administrative assets. These are set to rise substantially in the coming years on account of the procurement of trams by the BVB as well as investments made by the University.

It will also not be possible to cover investment requirements in the coming years merely from current revenues. The self-financing ratio will remain consistently well below 100%. For this reason, significant new borrowing is likely to be required over the entire budget period, pushing the net debt ratio to 4.9‰ of Switzerland's gross domestic product. Such substantial in-

vestments have only been made possible by the significant reduction in debt seen in recent years. The net debt ratio will therefore remain below the maximum permitted level of 6.5%.

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