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ESTIMATES COMMITTEE E

REPORT TO THE LEGISLATIVE ASSEMBLY OF QUEENSLAND

**Department of Primary Industries
Department of Minerals and Energy
Department of Business, Industry and Regional Development**

**Estimates Committee E
Report No.1
23 June 1994**

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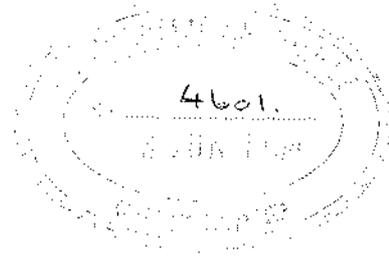
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ESTIMATES COMMITTEE "E"

**REPORT
TO THE**

**QUEENSLAND
LEGISLATIVE ASSEMBLY**

June 1994

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INTRODUCTION

On 28 April 1994 the Legislative Assembly referred the expenditure contained in the Appropriation Bill 1994–95 for the portfolios of Minerals and Energy, Primary Industries and Business, Industry and Regional Development to this committee for examination and report.

The committee has considered the estimates utilising the various Budget papers together with the Departmental Estimates Statements and has received evidence from the Honourable A McGrady MLA, the Honourable E Casey MLA and the Honourable J Elder MLA as well as officers of the departments and authorities concerned. Copies of the Minutes of Proceedings and the *Hansard* report of the evidence taken by the committee are being tabled for the information of the Assembly. Written material furnished by departments, in response to questions from Members, is contained in a separate volume entitled *Additional Information Received by the Committee*.

The committee draws the attention of the Legislative Assembly to the following matters of interest which arose during consideration of the estimates.

PORTFOLIOS

Minerals and Energy

In 1994–95 the Department of Minerals and Energy has been allocated \$98.8m. \$5m of this funding has been allocated to projects designed solely to ensure future growth in the mining sector. The department's expenditure will assist an industry producing more than \$6.4b in export income which represents 53% of the State's total export income.

During examination of the department's estimates, a number of performance issues were highlighted. Of major significance is the reduction in the number of applications of exploration and mining tenure. The Minister advised that outstanding applications had been reduced from 336 in the previous year to 200 at present. The length of time it now takes to process an application from the beginning to the final granting of a mining lease has also been reduced significantly. The long period of time to process the 10 mining leases for coal granted during 1993–94 (average 2029 days) reflects the fact that most of these applications had been delayed for several years owing to an inability to reach agreement on the environmental conditions to be included in the leases.

The other performance issue of special interest to the committee was that of Environmental Management Overview Strategies (EMOS). In future all industry participants will be required to carry out internal audits on the basis of the EMOS that they submit to the department. These EMOS are designed so that participants can assess their own activities in relation to Government guidelines and implement changes so that they adhere to these guidelines.

To date a complete list of EMOS has not been submitted and the process of internal audit is not in place. However the department is to be commended for completing the process of review and is encouraged to maintain this momentum in relation to EMOS and internal audit.

A review of the department's activities for 1994-95 reveals a number of other interesting projects. The Airborne Geophysical Data Project will map in excess of 402,000 square kilometres between Maryborough and the Burdekin River. This will identify surface and below ground rock and soil formations to evaluate mining opportunities in the region. Final data will then be made available to accelerate exploration activities in the area. This will provide material towards the 2005 GEOMAP Program. Both these programs have the potential to identify Central Queensland as a new mineral province.

The Cape York Peninsula Land Use Strategy (CYPLUS) is a Federal/State initiative to be completed by August 1994. It will provide information on geological and mineral resources in the Cape York region. Of particular concern is the location of all current and abandoned prospecting sites. This type of research scheme was highlighted by the Minister as being vitally important for the future growth of mining in Queensland. He stressed that the Department needed to pursue such activities if it were to responsibly direct the State's development.

Other areas of interest were the Queensland Electricity Commission (QEC) and the process of corporatisation. The Minister emphasised the interaction of departmental officers and industry leaders in the formulation of plans for the corporatisation of the QEC. The Minister reaffirmed his commitment to maintaining Queensland's reputation as a low cost electricity State and his desire to do this through consultation with all interested parties. A number of questions arose relating to the progress of corporatisation in the electricity supply industry. Members raised issues about the \$100m in tax equivalents which is to be directed to social infrastructure expenditure and the current level of debt in the industry. The Minister reaffirmed that there would be a freeze on domestic prices until February 1996 and an average 10% decrease in electricity prices for commercial and business undertakings.

Other developments of interest to the committee included the QTHERM initiative which will promote thermal coal to prospective buyers throughout the Asia Pacific region, the opening up of new exploration sites under the *Leading State Policy Statement* and recognition of the work being done by the SIMTARS program.

The QTHERM project allocates \$1m over the next three years to promote Queensland thermal coal to Asian countries. This is based on a perceived growth in demand for thermal coal and a lack of Queensland profile in this industry.

The opening up of Reserve Area 55 allows access to a significant half a million square kilometres of coal bearing land in the Bowen Basin. As a result of the bid, seven coal companies have taken up areas for exploration and possible development. The Government should be commended for opening up new investment opportunities and the trialing of a new cash bidding program aimed at securing maximum bids on the basis of market competition for the land available.

Recognition should also be given to the efforts of Safety in Mines Testing and Research Station (SIMTARS) over the last five years. SIMTARS is a program set up to research and implement mining safety standards in Queensland mines. During this time SIMTARS has grown to become a commercially viable organisation operating on a fee for service basis. The organisation has grown to seventy employees and predicts future growth in accordance with its original charter.

While many of the committee's questions canvassed policy issues rather than focussing on efficiency and effectiveness issues, the committee found the examination of this department's estimates an interesting and worthwhile process. All Members of the committee were impressed with the professional presentation and in-depth knowledge displayed by the Minister and his officers. The committee is most appreciative of the co-operative manner in which they responded to questions.

Primary Industries

The department is responsible for overseeing Queensland's primary industries which have a gross value of production of \$5b.

In 1994-95 the budget allocation for the department is \$606.05m. The Minister indicated this represented a 5.9% increase in expenditure. In addition to the increase in funding the department should also see a fall in drought relief payments, freeing up funds for use elsewhere. In terms of both budget allocation and industry activity, it is clear that the role played by the department was a vital one in terms of stimulating the State's economy.

The Minister outlined to the committee a number of major issues for the coming year. These include an increase in consultation with industry and community groups, a commitment to rural services, a commitment to current levels of research and development and the achievement of further internal efficiencies.

Activities in 1994-95 will include a number of programs already in operation. However, a major new initiative will be the Queensland Sugar Industry Infrastructure Package. This will include 12 new projects in different areas of the State at a total cost of \$117m. The projects range from major dam constructions in the Pioneer Valley to the amalgamation of water boards in the Herbert River area. The Minister stressed that this "new look" DPI was committed to meeting the needs of industry and community through a process of consultation and review.

In response to questioning, the Minister emphasised DPI's commitment to infrastructure growth. One example given was the department's role in the implementation of the South West Queensland Strategy. This strategy incorporates the efforts of Government departments at all levels in meeting the needs of industry and community groups. The Minister also outlined how a project such as the Rural Adjustment Scheme could be used to fund smaller projects such as in the Great Artesian Basin through the bore rehabilitation program.

The issue of research was of particular interest to the committee. A number of Members expressed concerns about the department's ability to maintain services. However, the Minister refuted these claims indicating that 39% of total departmental activities were related in some way to research activities. The department should be commended for its whole-of-Government approach in finding alternative sources of research funding and, in particular, for its use of non-traditional research sources (eg universities) in obtaining primary data. The department is also seeking to obtain increased industry assistance of up to 30% to help meet the costs of research activities.

A number of concerns were also raised regarding the seeming inability of the Integrated Catchment Management Approach Scheme to be implemented. The Minister indicated that the scheme to date had nonetheless been very successful and was, as a result, to receive an increased budget allocation for 1994–95. Once again the Minister emphasised how important the consultation process had become to the department involving as it did both community and industry groups in the implementation of such projects. The DPI's role has increasingly become that of a facilitator, showing user groups how to better manage and utilise the resources available to them.

The Minister then went on to use the WaterWise Water Project and the Property Management Planning Centre Program to illustrate the success of this new consultative approach. A number of local Councils implemented a waterwise campaign and achieved significant cost savings. In the same fashion a new property management centre uses the latest technology to show farmers and other land users how to allocate their available resources more efficiently. One efficiency gain already achieved was the development of a Drought Awareness Campaign. The new Property Management Centres would provide such information on a regular basis.

A number of concerns were also expressed regarding the corporatisation of Water Resources and Forestry. The difficulty in assessing who pays for the use of such resources and who benefits are major questions of policy still to be resolved. The Minister agreed that a lot more work needs to be done in this area. The Minister also drew to the committee's attention the cost savings to be achieved and the potential for revenue gain.

Business, Industry and Regional Development

For the period 1994–95 the department's budget funding will be \$103.8m, an increase in 38.2% in the 1993–94 budget allocation of \$75.1m. This reflects an increased commitment to Capital Works (\$9.7m) and \$17.1m for loan repayments.

Both the departmental officials and the Minister are to be complimented on the professional manner in which they approached the estimates proceedings. All responses to questions from the committee revealed a depth of understanding, vision and a clear commitment to the department's goals.

The department's main objective is the development of manufacturing in Queensland, both in terms of domestic and international market opportunities. It is imperative that the department continue to explore new export markets in order to maintain ongoing development. This was reflected in the way that the department focussed on the development of the services sector in 1993–94.

The estimates hearing provided the Minister with a forum to outline a number of broad policy shifts within his department. In terms of providing for future industrial growth the department is moving away from the concept of broad based industrial estates towards that of strategic individual sites. The Minister stated that the failure of the old industrial sites to provide services to industry was a limiting factor on the growth of new business in Queensland. The new commitment to individual sites will allow the department to spread site investment across the State in accordance with wider governmental objectives contained within the SEQ 2001 project. This strategy commits the department to ensuring fair and equal distribution of growth in all areas of the State.

The Minister was invited to comment on the level and types of assistance provided to small business for 1994–95. Programs identified as aiding small business were the Queensland Small Business Corporation and the Licensing Information Centre. Both reported a substantial increase in the demand for their services. In the development of these services, however, a matter of some concern for the department should be the possible duplication of services. A number of questions canvassed the potential overlapping of services currently being provided. Although these questions were answered to the satisfaction of most Members this should continue to be an issue of importance for the department.

The Minister outlined a number of other ongoing programs to assist small business. These included the Peak Bodies Liaison Scheme, the Business Regulation Review Unit, the Management Skills Development Scheme, the continuing success of the Main Streets Program, the Retail Shop Leases Registry, the expansion of available grants under the Queensland Grants for Research and Development (QGRAD) scheme and the Queensland Industry Information Service (QINDIS).

In response to questions, the department also revealed it would introduce a number of projects to help meet the urgent needs of small business. These included the ongoing development of a Business Advisory Support Service (BASS), aimed specifically at encouraging the growth of Agribusiness, the further expansion of the Management Skills Development Scheme, the NIES extension schemes and the further development of the Queensland Manufacturing Institute (QMI).

PROCEDURAL MATTERS

Timing of the Lodgement of Departmental Estimates Statements

During the recent Budget estimates, portfolios were required to make their estimates statements available to the committee by 31 May. Only one department met that deadline, with the other two lodging the documents later that week.

While the committee appreciates the tight timetable that departments have been forced to work within, the standard of evaluation undertaken by the committee is, to a large extent, dependant on the amount of time it has to prepare for the hearings.

It is essential, in future, that the Departmental Estimates Statements are made available on the day of the Budget.

Annual Report

While the estimates statement provided valuable information for the committee, the absence of annual reports for 1993–94 made it very difficult for Members to develop an overview of sub-program activity. While some Members have a good knowledge of particular areas of departmental activities, the annual reports of Government authorities and corporations provide a valuable insight into the full range of activities for that agency or department. Without this resource tool, the committee is constrained in gaining access to knowledge which would result in a better understanding and evaluation of the estimates referred to it.

The issue of providing draft annual reports to committees will need to be addressed in any review undertaken of this process.

Scheduling of Estimates Hearings

The committee is of the view that there needs to be greater flexibility in the present arrangements for scheduling of departments. Rather than limiting the committee's hearings to one day and thereby imposing a rigid discipline on the amount of questioning that can take place on the various portfolios, the committee would prefer the option of having an additional day if it is required.

Some Members found it difficult to determine in advance the likely duration of a given line of questioning on a single topic. In many cases, Members were unable to ask supplementary questions which arose out of the Minister's answers because of the rigid time constraints for the consideration of each portfolio's estimates. The Government Members on the committee did not utilise all their time for questioning so that Opposition Members could have additional time for questions.

Scheduling the estimates committee hearings to a non-sitting week could permit better utilisation of the time available and remove the need for committees to sit late into the night.

Questions on Notice

Given that the estimates statements cannot contain every relevant piece of information concerning a portfolio's estimates, a number of Members sought to place questions on notice during the hearings in order to make better use of the time available. While it is obviously both time and resource consuming for departments to prepare written responses to questions, the committee is of the opinion that it would greatly assist the smooth flow of the overall process if questions of a technical nature could be placed on notice at the commencement of the estimates committee hearings.

Departmental Estimates Statements

The committee is of the view that there needs to be a review of the information in the Departmental Estimates Statements. Many of the statements contained information identical to that found in Budget Paper 3 – Program Statements. This committee believes discussion of performance should include outcomes and not just be lists of departmental activities.

Much of the background information needed to make sense of departmental performance is available only through the questioning of officers. But the effectiveness of this questioning depends on the questioners having already developed an adequate base of knowledge on which they can frame appropriate questions and from which they can understand the answers. It is extremely difficult for any Member of an estimates committee to possess this detailed knowledge and understanding to the same extent as that which resides with departmental officers, without having comprehensive background briefing material available to them.

Review of the Estimates Process

The hearings revealed a number of deficiencies with the current estimates process. To enable it to develop to its full potential, the committee recommends that a parliamentary committee review the 1994 estimates hearings with the view to—

- addressing the issue of the documentation provided to the committees
- providing for the scope of questioning permitted at the hearings
- advising on the role of Minister and departmental officers
- addressing time allocations, questions and answers time limits.

Government Owned Enterprises

In the near future, the Minerals and Energy and Primary Industries portfolios will include a number of Government Owned Enterprises or Corporations. The increasing "corporatisation" of executive functions presents a problem of non-accountability to Parliament. As more and more functions go off-budget, improved methods of managing parliamentary scrutiny will have to be developed, particularly for any activity for which the Government may have a contingent liability.

ACKNOWLEDGEMENTS

The committee takes the opportunity to thank Ministers McGrady, Casey and Elder for their assistance during the hearings. The committee also thanks the officials of the three portfolios for their attendance and co-operation in answering questions and for providing detailed written responses where sought.

RECOMMENDATION

Estimates Committee "E" recommends that the Legislative Assembly approve, without amendment, expenditure in accordance with the estimates considered by the committee.



GORDON NUTTALL MLA
Chairman
Estimates Committee "E"

RESERVATION
BY
NON-GOVERNMENT MEMBERS

DEPARTMENT OF
MINERALS AND ENERGY

**RESERVATION BY NON-GOVERNMENT MEMBERS
to
ESTIMATES COMMITTEE "E" REPORT**

**DEPARTMENT OF
MINERALS AND ENERGY**

The Opposition Members of Estimates Committee "E" have determined that reservations should be expressed in respect the estimates of the Department of Minerals and Energy, Policy Area 092 – Power Generation

REASONS FOR THE RESERVATIONS

The Opposition feels it should enunciate on behalf of the people whom it serves in the Parliament of Queensland, reservations it has about the electricity industry in Queensland.

These concerns refer in particular, to the lack of forward planning for future generation capability, as revealed by answers from the Minister and officers of the Department, to questions asked during the proceedings of Estimates Committee "E" on Thursday, 16 June 1994. Taxation and dividend policy, are also of concern.

BACKGROUND

When the Goss Government was elected in December 1989, it inherited an electricity supply industry second to none in Australia and ranked with the top three in the world, ranking only behind systems which to the greater part were, generating electricity using hydro generation. Amongst all other industries utilising coal fired thermal generation, Queensland industry was ranked amongst the best. This is still the case today, however there are signs that this pre-eminent position is soon to be lost due to incompetence and interference at the political level.

On assuming office, the Goss Government put an immediate stop to plans to construct the Tully Millstream hydro electric scheme in Far North Queensland. This scheme had been approved by the previous Government as the next major generation facility in Queensland and would have provided 600 MW of power into the Queensland grid. This would have been sufficient to provide for two years of expanding demand for electricity supply and would have covered the shortfall expected in 1998. Importantly, it would have provided a much needed degree of flexibility in the management of the power system in Queensland, as it would have been operated, to the greater part, to supply electricity to the grid during periods of high demand.

It was at this time that the Goss Government failed to plan for other generating capability designed to come on stream in 1998, following the completion of the Stanwell project. This failure was instrumental in creating the set of circumstances, faced by the Queensland Electricity Supply Industry today.

There is a need for approximately 300 MW of new power per annum and there will be a once off, extra demand of 400 MW, when the aluminium smelter expansion comes on line in approximately 1998. It is clear from the budget papers and evidence provided to Estimates Committee "E", that the Government does not have adequate contingency plans in hand to meet these demands, and therefore is pursuing a number of second best options, through which it believes it can cover the extra demand in 1998.

These plans include:

- The interstate connection with the New South Wales grid,
- Liquid fuelled gas turbine generators at Cairns, Townsville and Brisbane,
- The refurbishment of previously closed power stations at Collinsville and Callide A,
- Extensions to Tarong and Callide B power stations and,
- Co-generation with sugar mills.

These plans ought also to include:

- Alternative and renewable energy sources and,
- Energy efficiency programs.

EASTLINK – THE NEW SOUTH WALES CONNECTION

In response to a question during the Estimates Committee, the Minister was unable to provide an assurance to the Committee that he, or his Department, had any indication whatsoever of the likely cost of electric power generated in New South Wales and transmitted to Queensland through this link. It was admitted also, that the time frame for the determination of this corridor was very tight to enable the connection to be made by 1998. It would appear that this plan is set in place, not as a long term strategy, or in response to the National Grid proposal, but rather, as a reaction to circumstances which appear to be out of control due to a lack of forward planning.

At present "interconnection" is opportune, allowing the Goss Government to cover up its own policy and planning inadequacies, but in the long term its real value is that if a new power station is built in Queensland, there may be a surplus of power which can be sold off interstate.

GAS TURBINES

Liquid fuelled gas turbines, using combined cycle technology, are now recognised as being efficient converters of the energy potential of fuel into electric energy. Unfortunately they consume liquid fuel, such as distillate and kerosene, which is subject to the vagaries of world price fluctuations and certainly to variations in the value of the Australian dollar.

This has been clearly demonstrated in the past few days with the international price of crude oil rising alarmingly and with the current price being approximately 50% higher than the year's low to date. There can be little doubt that, over the approximately 30 year life of such installations, there will be quite extreme fluctuations in both the price and availability of the liquid fuels required to operate them.

For the Queensland Electricity Supply Industry to be contemplating a move into such technology, when in our State, we have easily accessible, cheap, high quality steaming coal in abundant supply, is beyond comprehension. It can be only as a result of previous planning failure, that we are now placed in the position whereby investment in this kind of plant is, in fact, highly likely.

CALLIDE 'A' AND COLLINSVILLE

The combined capacity of the previously closed power stations, Callide 'A' and Collinsville, if they were to be refurbished and brought back on stream, would provide Queensland with approximately 12 months grace in the race against time to 1998. They would not provide for the 400 MW surge in demand when the pot line begins production. The rush to seek investors interested in the refurbishment of Collinsville is once again reflective of the concerns held by those persons in the electricity supply industry who are responsible to maintain power supplies. It is also a sign that the Queensland Electricity Supply Industry either cannot afford the cost of refurbishing the power station, or simply believes the intrinsic value of the asset to be so poor as to make it a bad investment decision.

Other than for reasons of extreme urgency, there appears to be little justification for any move towards the re-establishment of an industry dependant upon widely scattered, small and inherently inefficient power stations.

EXPANSION OF EXISTING PLANT

If Queensland is to follow any of the options indicated, then extensions to existing major coal fired plants are the most likely to provide base load power at acceptable costs to Queensland consumers. There is no doubt that the large power stations now providing energy to Queensland homes and industry, are capable of meeting, and indeed setting, best practice standards. For our electricity supply industry to aspire to anything less is unacceptable.

CO-GENERATION

Queensland's sugar industry does provide an opportunity for co-generation to provide relatively small amounts of electricity into the system. Estimates of cost to install meaningful capability in sugar mills vary, but are generally accepted to involve considerable sums. Indications are that previous offers from the Queensland Electricity Commission to purchase such power, were simply not high enough to justify such investment. It is likely that the Queensland Electricity Supply Industry will have to pay considerably more per unit of power generated, than has been the case in the past, to entice sugar millers to invest large sums of money in generation. This flies in the face of the need for all power in our system to be generated as cheaply as possible, using our large coal fired power stations as the benchmark.

ALTERNATIVE AND RENEWABLE ENERGY SOURCES

There is no doubt alternative and renewable energy sources, particularly solar, may have a significant role to play in strategies for long term future power needs of Queensland. Unfortunately, this Government has adopted little more than a wait and see attitude, offering a token acknowledgement of the potential for these sources of energy.

ENERGY EFFICIENCY PROGRAMS

With regard to energy efficiency for the demand side management programs, here we have a situation where the Queensland Electricity Industry has a long and successful record of activity. Because of the industry's initiative in this area – encouraged under the previous Government – Queensland has been literally saved the cost of a new coal fired power station.

Our electricity system would currently require an extra 600 to 700 MW of power to meet peak demand were it not for demand side management.

DIVIDENDS AND TAXATION

The Queensland Government has made demands on the electricity supply industry by way of, in the first instance, dividend payments, and now, State equivalent taxation.

Dividends have increased from \$15m to \$30m, to \$95m and now to \$135m in each of four budgets. Associated with this increase, for the first time, is \$100m, which is set aside as full equivalent taxation. This makes a total of \$235m in treasury demands on the industry this year, and a total to date of \$375m.

It is anticipated that dividend and taxation receipts to Treasury from the Electricity Supply Industry will total \$600m per annum by the turn of the century.

This is a new tax on the people of Queensland.

There is no argument, that the drain on the cash resources of the industry will reduce the capacity of the industry to invest in new and replacement plant, without extensive borrowings. This was made very clear to the Committee when a Senior Officer, on behalf of the Minister, refused to speculate on the matter of borrowings, other than to indicate that he believed that the industry would be able to maintain its debt to equity ratio at current values.

The effect of these revenue demands will not be felt for some time. The die is now cast however, and the electricity supply industry will be forced to either borrow for the construction of new capital infrastructure or will have to take the other option, of private enterprise investment in the industry.

Another concern is the apparent lack of consultation between departments, in respect of the electricity industry.

We believe that also points to an industry in crisis.

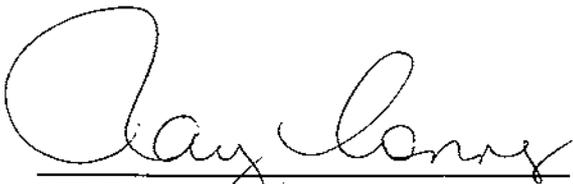
On Friday 17 June, the Minister for Business, Industry and Regional Development, the Honourable Jim Elder, in answer to a question from the member for Sandgate, informed the House that, "There are no power stations planned in this state for a few years". Furthermore, the Minister for Minerals and Energy has never referred to plans other than those already addressed in this document.

In answer to a question on notice from the Committee, the Minister for Minerals and Energy indicated that from this year, departmental forward estimates for new power stations increase from \$16m in the 1994/95 budget, to \$47.291m in 1995/96, \$211.155m in 1996/97, \$414.920m in 1997/98, \$464.125m in 1998/99, and \$480m in 1999/2000. This represents a total of \$1633.948m over a period of six years, sufficient to construct a facility as large as Stanwell. It would seem, however, that both the Minister for Minerals and Energy and his cabinet colleague are unaware of it.

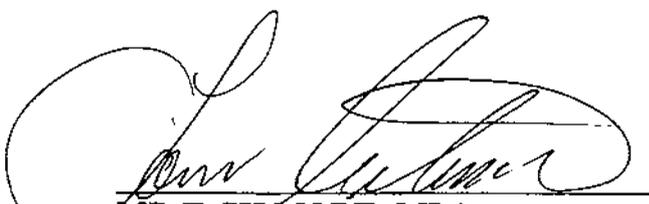
Obviously, the Queensland Electricity Commission, itself, has continued to plan ahead, but political interference by an indecisive and faltering Minister in the planning process, has caused those plans to be progressively pushed backwards year by year. Had the Government listened to the professionals in the industry in 1991, a new power station would have come on line, as planned, in 1998.

The Opposition is concerned that the drain on cash flow by the dividend and taxation policies of the Goss Labor Government, will ultimately affect the capacity of the Queensland Electricity Industry to provide to the people of Queensland, both in their homes and to their industries, the very thing that they have earned through ownership of one of the world's great power authorities – cheap, reliable power supplies.

The non-Government Members of Estimates Committee "E" therefore express their reservation about the estimates for the Department of Minerals and Energy as presented in the budget papers under Policy Area 092 – Power Generation.


MR R CONNOR MLA


MR T PERRETT MLA


MR T GILMORE MLA

RESERVATION
BY
NON-GOVERNMENT MEMBERS

DEPARTMENT OF
PRIMARY INDUSTRIES

**RESERVATION BY NON-GOVERNMENT MEMBERS
to
ESTIMATES COMMITTEE "E" REPORT**

**DEPARTMENT OF
PRIMARY INDUSTRIES**

Non-Government Members of Estimates Committee "E" have strong reservations with respect to the Estimates of the Department of Primary Industries.

They are not satisfied that evidence given before the Committee by the Minister for Primary Industries was sufficient to enable the formation of an informed view.

Any study of the processes leading to the appointment of Estimates Committees highlights the necessity for the Committees to have access to material showing the ability or otherwise of the Department in question to properly carry out the functions for which funds are sought.

Such material includes not only current spending intentions but indicators of past performance. For the most part, the Minister for Primary Industries refused to cooperate with the "detailed and rigorous scrutiny" promised by the Premier in a media release dated 10 April 1994.

The Minister's failure should be considered against the background provided by Constitutional requirements and the recommendations of publicly funded inquiries.

BACKGROUND

The Westminster Tradition

The Westminster Parliament had a long struggle to establish the accountability of Government to the Parliament, and the ability of Parliament to grant or withhold the funds necessary for the Government of the day to govern.

Australian Parliaments, including the Legislative Assembly of Queensland, have inherited the Westminster traditions including the accountability of Ministers and Departments to Parliament.

In the case of Queensland, there is also provision in a written Constitution for the Government of the day to come to Parliament for the funds it needs in order to govern.

The Fitzgerald Report

The *Report of a Commission of Inquiry Pursuant to Orders in Council* [the Fitzgerald Report], was presented to the Premier in July 1989. The Report contained recommendations which led to the establishment of the Electoral and Administrative Review Commission [EARC] in 1989, and the appointment of an all-Party Parliamentary Committee of Electoral and Administrative Review [PCEAR] with all-Party support.

The Fitzgerald Report, at page 123, had this to say about the role of Parliament in the accountability of Government:

Parliament is meant to be the forum in which the necessity and worth of proposed laws, including those raising revenue and appropriating funds, can be debated. It should also serve as a inquest in which all or any aspects of public administration can be raised.

Fitzgerald asserted at page 124 that the realities of modern government inhibited the ability of Parliament to review "the Government's legislative activity or public administration:

There is need to consider introducing a comprehensive system of Parliamentary Committees to enhance the ability of Parliament to monitor the efficiency of Government [Fitzgerald: 124].

Such Committees could examine "the expenditure and administration" of Government", and this would:

increase the chance that misconduct, incompetence or inefficiency will be exposed [Fitzgerald: 124].

The Fitzgerald Report called on the proposed EARC to "implement and supervise" the "introduction of a comprehensive system of Parliamentary Committees" [Fitzgerald: 371].

The EARC Report

The Electoral and Administrative Review Commission published a two-volume Report on its Review of Parliamentary Committees, in October 1992. That Report strongly recommended a series of all-Party Committees to enforce the accountability of the Executive to Parliament. It devoted considerable space in the Report to a system of Estimates Committees.

At page 246, EARC recommended the examination of Departmental Estimates by a series of all-Party Parliamentary Committees.

EARC undertook an extensive analysis of the issues, and that analysis is available to Honourable Members in the Report, and thus will not be canvassed in detail here.

On Parliament's Constitutional power and responsibility with respect to the financial accountability of Government, the EARC Report, at page 239, had this to say:

The Commission is concerned that the current procedures do not allow Members to adequately scrutinise the spending plans and past performance of Departments.

EARC clearly advocated an examination which went to the ability and will of a Minister or Department to administer funds properly – to look at both "spending plans and past performance".

The PCEAR Report

The EARC Report was considered carefully by the Parliamentary Committee for Electoral and Administrative Review, which reported to Parliament in October 1993.

That Report endorsed the concept of Estimates Committees proposed by EARC, although with some detail changes.

The PCEAR Report, at page 6, endorsed the traditional constitutional role of Parliament in scrutinising the actions of government.

Parliament should act not as a rubber stamp, but should inform itself fully before consenting to government initiatives and actions. It is only by requiring this information from government that Parliament can fulfil its constitutional functions.

The Legislative Assembly's Appointment of Estimates Committees

On 28 April 1994, the House approved the appointment of six Estimates Committees. The Sessional Orders approved by the House established Committees especially to consider Estimates rather than following the EARC recommendation that Estimates be considered by Committees already set up for other purposes.

Nothing in the Sessional Orders indicates any intention on the part of the House that the Estimates Committees would have functions different from those canvassed in the Fitzgerald, EARC or PCEAR reports.

It is the assertion of the non-Government Members of Estimates Committee "E", however, that when it came to the examination of the Estimates of the Department of Primary Industries, there was such a departure.

The Hearings conducted by Estimates Committee "E" on 16 June 1994

The behaviour of the Minister for Primary Industries before the Committee stands in stark contrast with that of his Ministerial colleagues, Mr McGrady and Mr Elder.

Both of the latter were prepared to enter into the spirit of the exercise, and their performances generally matched the expectations Queenslanders had of a move to enhance the performance of the Legislative assembly.

We intend to mention only a few matters, but believe they point to the futility of the Estimates Committee process in the situation where a Minister is unwilling to accept a proper role.

Ministers McGrady and Elder co-operated fully with the Committee, giving answers as frank as could be expected in a political context, taking detailed questions on notice for later answer to the Committee, and calling upon their officials to assist with details where necessary.

Mr Casey, on the other hand, showed himself totally unprepared to do more than praise Government policy in long answers which generally exceeded the time limit. He proved totally unwilling to provide detailed answers with respect to important areas of spending such as research and extension activities, and even claimed such detail could not be separated in the Department's accounts.

Committee Members will be aware of an answer given by Mr Fenwick at page 53 of the *Hansard* record:

Mr FENWICK: As far as our program budgeting is concerned – when we budget out the program and the subprogram, right down to project level, salary costs, operating costs, vehicles, computer costs, fuel, office, FBT, telephones and all that are costed in at the project level.

The non-Government Members assert that Mr Casey misled the Committee on those numerous occasions when he said it was impossible to disaggregate costs in programs.

The Director-General made it clear that the Department followed the normal practice with large organisations in that all costs could be identified. If they could not, the only conclusion to be drawn was that the Department was incompetently administered.

Mr Casey quite aggressively took the view that matters not dealt with specifically in the current Budget Papers was off-limits to the Committee. At page 36 of the *Hansard* record there is the following:

Mr CASEY: Wait a minute, whatever was there previously related to other Budgets. That is not under debate here now, but the information is there within the Budget papers.

The Minister on at least one occasion ignored an invitation by Mr Perrett to detail objective measurement of program outcomes.

EARC at page 227 quoted the view of Treasury that:

The survey indicates that there is still plenty of room for improvement in the way resources are allocated and managed.

The Treasury view may not have been directed explicitly at DPI, but all Members of the Committee would be well aware that the Department has had a less than satisfactory record of achievement in the area of financial management.

The non-Government Members thus believe it was legitimate to question the Minister about resource allocation and outcomes.

As Fitzgerald and EARC pointed out, it is necessary to look at past performance in conjunction with future plans in order to reach an informed view of a Government's performance.

The Minister was clearly unwilling to allow such examination, and thereby made a mockery of the long process and apparent good intentions which led to the Estimates Committee process.

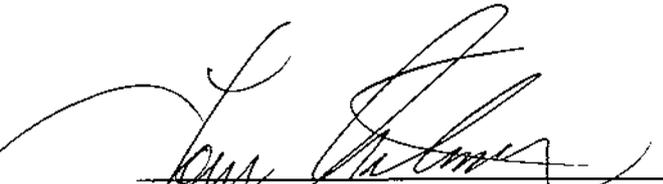
The Minister clearly failed the Parliament and even his own Government, since the Premier in his 10 April media release had promised the Opposition would be able to pursue Budget issues thoroughly:

They will be able to ask as many questions as they like on any topic within that 20 minute period and there will be a time limit on Minister's answers.

The non-Government Members on Estimates Committee "E" believe Parliament and the Government must ensure that all Ministers carry out their roles properly in future years.


MR R CONNOR MLA


MR T PERRETT MLA


MR T GILMORE MLA

RESERVATION
BY
NON-GOVERNMENT MEMBERS

DEPARTMENT OF
BUSINESS, INDUSTRY
AND
REGIONAL DEVELOPMENT

RESERVATION BY NON-GOVERNMENT MEMBERS
to
ESTIMATES COMMITTEE "E" REPORT

**DEPARTMENT OF BUSINESS, INDUSTRY
AND REGIONAL DEVELOPMENT**

INDUSTRIAL ESTATES

Industrial Estates in Queensland have played a strategic role in attracting interstate and international industry to Queensland. Queensland traditionally has a small industrial sector relying more on the mining and rural industries for its gross State product. Queensland needs to broaden its economic base if it is to improve the standard of living and to generate jobs necessary for the increasing population.

The Department of Business, Industry and Regional Development has the responsibility for establishing and administering these industrial estates.

PERFORMANCE INDICATORS

The Minister was questioned at length in relation to performance indicators relevant to the operation of individual industrial estates. The answers of the Minister and the departmental officers suggest that the only performance indicator currently in use is the take-up rate of the various estates.

The Minister has also indicated that the debt and other forms of performance indicators have not been broken down on a estate-by-estate basis.

A question was also put to the Minister, could he detail the projected performance of each of the industrial estates he expected to spend \$20.3 million in this coming financial year. The Minister indicated that he did not have individual performance indicators and that, "the ones that are not performing are the ones that are not turning over or the ones that are not strategically placed..." Mr Boyle (Director-General of DBIRD) said, "Those projections are not entirely possible."

The Minister acknowledged that the industrial estates in total are valued at approximately \$135 million. This would indicate that each estate must have been valued. The Minister would also have on record: the amount spent purchasing the land and when; capital expenditure on each estate and when; the return in rents and other income that could be broken up estate by estate; the value of similar privately owned industrial estates. This would allow some indication of the performance of each industrial estate. Success rates of attracted industries could also be measured and compared as well as the corresponding employment creation. Numerous other data could also be sourced.

While it is inappropriate to have an expectation of a commercial return on investments of this type, it is worthwhile in measuring the differences in return from estate to estate. Once establishing the performance of individual parks it would be far easier to make projections on the likely outcome in future industrial estates. It may also help in achieving a better price if the estate is sold.

If the industrial estates are to be appropriately positioned and developed in a timely manner, more accurate information is required. A model needs to be developed to determine whether the vast investment the Government has in industrial estates is appropriate. From the information given to the Committee it would seem no such model exists. It would also seem appropriate that an inquiry should be undertaken to be able to determine this model. Other factors that should be considered when determining this model is the cost of determining the particular businesses that qualify for the industrial estate; the cost to the particular business of applying and conforming to the requirements set down by the Department.

The Minister also said that the previous Government "Were providing land at a significantly subsidised rate – on a hectare rate. What we have tried to do, as I say, is to bring it back to market rates."

This suggests that the Government is reducing the level of subsidy. It is essential that the level of subsidy is appropriate for strategic land in industrial estates so as to ensure that it is still effective as a marketing strategy in attracting industry to Queensland. To properly determine the individual levels of subsidy it is necessary have further information.

DELAYS IN CONSTRUCTION

Compared to what was estimated the previous year, there has been a continual shortfall in the actual expenditure on industrial estates for a number of years. 1993/94 was estimated to be approx \$17 million but will come in at approx \$6 million. 1992/93 was estimated to be approx \$13 million and only approx \$4 million was spent. 1991/92 was estimated to be approx \$9 million and only approx \$2 million was spent.

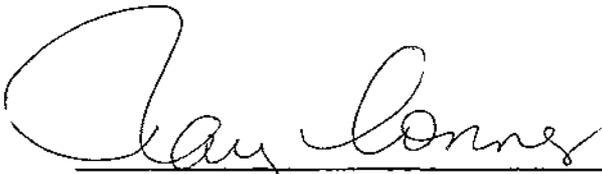
As well as factors such as rain, the Minister said, "Projects were not included in 93–94 as a result of delays during construction and protracted negotiations with relevant authorities and companies.these projects amounted to \$11,386,000."

Over the last two financial years the amount of money budgeted for capital works has had a shortfall of approx \$20 million. The committee was also informed the department would be repaying a one-off extra payment of \$17,133,000 to the QTC, in addition to the normal \$13.7 million per year. Also worth noting is that the department is expecting income from property sales next year of \$20.7 million and that "the total expenditure, including capital works for next year, is \$20.3 million." So next financial year the Government is intending to spend less money on the administration and construction of new industrial estates than it will receive in sales of old industrial estates even allowing for no delays as in previous years.

The Minister has also said, "we have been able to rid ourselves of those industrial estates that pay no strategic advantage". The Minister also said, "68 estates were all developed under DID under the previous administration", and in his Answer on Notice, he provides information on only 41 estates. It suggests there have been 27 industrial estates sold under the Labor Government. This would also equate to their net debt reduction of \$75 million in 1989 to \$63 million at present – a \$12 million reduction. (This figure does not include the approx \$31 million they intend to pay off the loan in 1994/95.)

The Minister also said, "we have not developed any estates. The 68 estates were all developed under DID (Dept of Industrial Development), under the previous administration...."

The figures indicate the Department is selling industrial land at about the same rate as the forecast expenditure for industrial estates, yet because of the delays the money is not being spent leaving considerable balances in the industrial estates fund. These balances are then being used to retire debt early. This means there is a winding down in the overall assets base invested in industrial estates. This would hardly suggest a commitment to industrial estates where there is a net disinvestment in the industrial estates. The situation also indicates that the Government is having problems with its own red tape, as indicated by the Minister in his response to a question, "protracted negotiations with relevant authorities..".


MR R CONNOR MLA


MR T PERRETT MLA


MR T GILMORE MLA

ESTIMATES COMMITTEE "E"

MINUTES OF MEETING HELD ON

MONDAY, 30 MAY 1994, AT
1pm, Room A.35, Parliament House

Members Present: All members of the committee were present.

1 **Establishment and membership of Estimates Committee "E":** The Research Director tabled relevant extracts from the *Votes and Proceedings* relating to the appointment of the committee, the membership of the committee and the sessional orders relating to the operations of the committee.

2 **Election of Chairperson:** With the agreement of the committee, the Research Director called for nominations for the position of Chairperson of the committee.

Ms Power nominated Mr Nuttall, seconded by Mr Bennett and there being no further nominations, **Mr Nuttall** was declared elected.

3 **Election of Deputy Chairperson:** In accordance with the sessional orders, the Chairperson called for nominations for the position of Deputy Chairperson.

The Opposition members declining to nominate for the position.

Mr Bennett nominated Ms Power, seconded by Mr Nuttall. There being no further nominations, the Chairperson declared **Ms Power** elected as Deputy Chairperson.

4 **Administrative Arrangements:** The Chairperson advised that at the next meeting it would be necessary for the committee to schedule the order for the consideration of each department's estimates and to resolve the amount of time to be allocated to each of the three departments.

5 **Future Meetings:** The Chairperson briefed members on the committee's workload and timetable for presentation of its report to the Parliament.

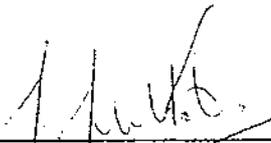
Discussion ensued.

On the motion of the Chairperson, the committee **resolved** to meet on the following dates and times—

6 June, 5pm–6pm, Room A.17	To discuss the scheduling of departments
16 June, 11.30am	Public hearings
21 June, 10am–11am, Room A.17	To consider draft report
22 June, 10am–11am, Room A.17	To consider revised report (if necessary)

- 6 **Adjournment:** The committee adjourned at 1.05pm until Monday, 6 June 1994 at 5pm.
- 7 **Also in attendance** were Michele Cornwell (Research Director) and Pat Turner (Research Assistant).

Confirmed—



Gordon Nuttall MLA
Chairperson

6/6/1994

ESTIMATES COMMITTEE "E"

MINUTES OF MEETING HELD ON

MONDAY, 6 JUNE 1994, AT
5pm, Room A.17, Parliament House

Members Present: All members of the committee were present.

1 **Confirmation of Minutes of Previous Meeting:** The minutes of the meeting held on 30 May 1994 were confirmed on the motion of Ms Power, seconded by Mr Pearce.

2 **Scheduling of Departments:** After discussion it was agreed that the order for the consideration of portfolios be—

- Minerals and Energy
- Primary Industries
- Business, Industry and Regional Development

3 **Arrangements for Public Hearing:** The committee discussed arrangements for the public hearing to be held on 16 June 1994.

It was agreed that the time allocation for Departments be as set out hereunder—

Minerals and Energy	3 hours
Primary Industries	3 1/2 hours
Business, Industry and Regional Development	3 hours

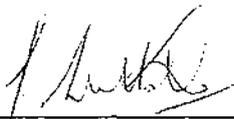
The committee also agreed, after discussion that—

- (a) Answers to questions taken on notice be required to be forwarded to the committee by 5pm on Friday, 17 June, unless otherwise ordered.
- (b) In accordance with sessional orders, leave be given to non-committee Members to ask questions during the hearing.
- (c) Opposition Members be given an allocation of 6 1/2 hours for questions.

4 **Adjournment:** The committee adjourned at 5.30pm until Thursday, 16 June 1994 at 10am.

5 **Also in attendance** were Michele Cornwell (Research Director) and Pat Turner (Research Assistant).

Confirmed—



*Gordon Nuttall MLA
Chairperson*

21, 6 /1994

ESTIMATES COMMITTEE "E"

MINUTES OF HEARING HELD ON

THURSDAY, 16 JUNE 1994, at
11.30am, Legislative Council Chamber,
Parliament House

1. MEETING

The Committee met in public session at 11.30am. The Chairman, Mr Gordon Nuttall, took the Chair.

2. STATEMENT BY THE CHAIRMAN

The Chairman made an introductory statement concerning the Committee's consideration of proposed expenditure contained in the Appropriation Bill 1994 for the areas set out in the Sessional Orders.

3. EXAMINATION OF ESTIMATES

Minerals and Energy

In attendance was the Minister for Minerals and Energy, the Honourable A McGrady MLA, accompanied by the following officers—

Mr P Breslin	Director-General
Mr K Gluch	Deputy Director-General
Mr K Hillless	Commissioner, QEC
Mr J Geldard	Secretary, QEC
Ms R Brunckhorst	Director, Corporate Services Division

The following Members of the Committee were present—

Mr G Nuttall MLA
Mr N Bennett MLA
Mr R Connor MLA
Mr T Gilmore MLA
Mr J Pearce MLA
Mr T Perrett MLA
Ms L Power MLA

The Committee examined the witnesses.

Dr Watson MLA and Mr FitzGerald MLA, by leave, also asked questions.

Suspension of Sitting

The sitting was suspended at 1.30pm.

Resumption of Sitting

The Committee resumed at 2.30pm.

At 3.30pm the Committee concluded its examination and the witnesses withdrew.

Primary Industries

In attendance was the Honourable E Casey MLA, Minister for Primary Industries, accompanied by the following officers—

Mr T Fenwick	Director-General
Dr R Smith	Deputy Director-General
Mr P Bevin	Executive Director, Water Resources
Mr N Clough	Executive Director, Forest Service
Mr R Nieper	Executive Director, Agricultural Production
Mr N Dawson	Executive Director, Land Use and Fisheries
Mr P White	Acting Executive Director, Agribusiness
Mr S Coffey	Director, Research and Extension
Mr T Johnston	Director, Strategic Policy Unit
Mr B Smith	General Manager, Finance
Mr J Varghese	Executive Director, Corporate Services

The Committee examined the witnesses.

Mr Hobbs MLA, Mrs McCauley MLA, Mr Rowell MLA, by leave, also asked questions.

At 7pm the Committee concluded its examination and the witnesses withdrew.

Suspension of Sitting

The sitting was suspended at 7pm.

Resumption of Sitting

The Committee resumed at 8pm.

Business, Industry and Regional Development

In attendance was the Honourable J Elder MLA, Minister for Business, Industry and Regional Development, accompanied by the following officers—

Mr R Boyle	Director-General
Mr G Cooke	Director, Industry and Technology
Mr M Bermingham	Cabinet Legislation and Liaison Officer
Mr B Peng	Manager, Finance
Mr D Eagle	General Manager, Queensland Small Business Corporation

The Committee examined the witnesses.

At 11.09pm the Committee concluded its examination and the witnesses withdrew.

4. ADJOURNMENT

The Committee adjourned at 11.09pm.

Confirmed


CHAIRMAN
21/6/94

ESTIMATES COMMITTEE "E"

MINUTES OF MEETING HELD ON

TUESDAY, 21 JUNE 1994, at
10am, Room A.17, Parliament House

1. **Present**
Mr G Nuttall MLA
Mr N Bennett MLA
Mr T Gilmore MLA
Mr J Pearce MLA
Mr T Perrett MLA
Ms L Power MLA

2. **Confirmation of Minutes of Previous Meeting**

On the motion of Mr Pearce, seconded by Mr Perrett, the Minutes of the meeting held on Monday 6 June 1994 were confirmed.

3. **Consideration of Chairperson's Draft Report**

The Committee proceeded to the consideration of the Chairperson's Draft Report in relation to estimates of expenditure referred to the Committee pursuant to Sessional Orders.

After discussion, the Chairperson's Draft Report was amended.

The Committee resolved to consider the revised report at a meeting at 9am, Wednesday 22 June 1994.

Both Mr Gilmore and Mr Perrett indicated that they would be preparing reservations to the report.

4. **Authorisation of Publication**

On the motion of Mr Bennett, seconded by Ms Power, it was resolved:

That the Committee authorise the publication of all written replies and other documents forwarded to it.

5. **Minutes of Public Hearing**

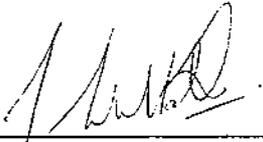
On the motion of Mr Pearce, seconded by Mr Perrett, the Minutes of the Hearings of the Committee held on Thursday, 16 June 1994 were confirmed.

6. **Adjournment**

There being no further business, the Committee adjourned at 11am.

7. Also in attendance were Michele Cornwell (Research Director) and Patrick Turner (Research Assistant).

Confirmed



GORDON NUTTALL MLA
Chairperson

22/6/1994

ESTIMATES COMMITTEE "E"

Minutes of the Meeting Held on

WEDNESDAY, 22 JUNE 1994

at 9am

Room A.35

Parliament House, Brisbane

1. **Present**

All Members of the Committee were present with the exception of Mr Bennett.

2. **Confirmation of Minutes of Previous Meeting**

On the motion of Mr Perrett, seconded by Mr Pearce, the Minutes of the meeting held on Tuesday 21 June 1994 were confirmed.

3. **Adoption of Report**

The Committee considered a revised draft report circulated by the Chairperson. On the motion of Mr Nuttall and seconded by Mr Pearce, the report, as amended, was adopted.

Messrs Connor, Gilmore and Perrett confirmed that they would be submitting reservations to the Committee's report.

4. **Acknowledgements**

The Chairperson thanked all Members for their co-operation and the research staff for their assistance.

Mr Perrett also placed on record that the estimates process had been worthwhile and a valuable experience.

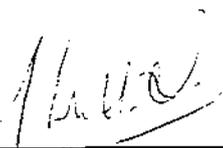
Mr Connor indicated that, apart from the reluctance of the Minister for Primary Industries to co-operate in answering Opposition questions, the process had been of value.

5. **Adjournment**

There being no further business, the Committee adjourned at 10.20am.

6. Also in attendance were Michele Cornwell (Research Director) and Patrick Turner (Research Assistant).

Certified Correct



GORDON NUTTALL MLA
Chairperson

22/6 1994