

ESTIMATES COMMITTEE A

REPORT TO THE LEGISLATIVE ASSEMBLY OF QUEENSLAND

Office of the Governor

Queensland Audit Office

Parliamentary Commissioner for Administrative Investigations

Criminal Justice Commission

Department of the Premier and Cabinet

Department of State Development

Treasury Department

Report No. 2

October 1998

ESTIMATES COMMITTEE A

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1. INTRODUCTION

1.1. REPORT TO THE LEGISLATIVE ASSEMBLY

Estimates Committee A presents this report to the Legislative Assembly in relation to the estimates of expenditure for the following organisational units:

- Office of the Governor;
- Queensland Audit Office;
- Parliamentary Commissioner for Administrative Investigations;
- Criminal Justice Commission;
- Department of the Premier and Cabinet;
- Department of State Development; and
- Treasury Department.

1.2. SESSIONAL ORDERS DATED 15 SEPTEMBER 1998

The Legislative Assembly, pursuant to Sessional Orders adopted on 15 September 1998, appointed seven estimates committees to inquire into the estimates of expenditure contained in the Appropriation Bill 1998 and the Appropriation (Parliament) Bill 1998.

This committee, being Estimates Committee A, had the following organisational units allocated to it:

- Office of the Governor;
- Legislative Assembly;
- Queensland Audit Office;
- Parliamentary Commissioner for Administrative Investigations;
- Criminal Justice Commission;
- Department of the Premier and Cabinet;
- Department of State Development ;
- Treasury Department; and
- Any other organisational units within the portfolios of the Premier, the Deputy Premier and Minister for State Development and Minister for Trade and the Treasurer.

Sessional Orders 30(2) requires that Estimates Committee A presents two reports; one for the Legislative Assembly and another for the other organisational units allocated to it. The committee has reported separately in relation to the estimates of expenditure for the Legislative Assembly.

The committee has now considered the estimates referred to it in relation to the organisational units other than the Legislative Assembly, and has met in public session to receive evidence from the relevant Ministers. The committee will table separately in the Legislative Assembly additional information which has been received as a result of questions on notice before the hearing as well as questions taken on notice during the hearing, and minutes of the committee's meetings.

In this report the committee discusses some of the initiatives in relation to which funding for each of these organisations will be directed in 1998-99. The committee also makes other observations with respect to some aspects of the 1998-99 budget which are appropriate to the organisational units for which the committee is responsible.

The 1998 estimates process was a little unusual because, as the Treasurer outlined in his Budget speech, the current Government retained the essential core of the previous administration's May budget. As a consequence, the committee did not, in some portfolio areas particularly in relation to a number of the agencies within the portfolio of the Premier, undertake such a detailed examination of the estimates as would normally have been expected, and this is reflected in the committee's report.

2. PREMIER'S AGENCIES

2.1. OFFICE OF THE GOVERNOR

At the hearing, the Premier informed the committee that the operation of the Office of the Governor's official fleet of four vehicles is under continuous review to ensure that the transport needs of the Governor's Office are met effectively and that transport tasks are undertaken in a safe and cost-effective manner. The committee was also advised that the annual maintenance cost of the 1972 Rolls Royce sedan used for vice-regal transport is around \$5,000 and that any decision to retain or retire the vehicle would be based on a simple cost-benefit assessment. Although, with respect to the latter point, the Premier advised that no thought had been given to any replacement vehicle and that the Rolls Royce is an asset increasing, rather than diminishing, in value.

The committee does also note that in 1998-99 greater use will be made of information technology in the Governor's Office, with projects to upgrade the existing telecommunications system and to provide greater access to the Internet.

2.2. OFFICE OF THE PARLIAMENTARY COMMISSIONER FOR ADMINISTRATIVE INVESTIGATIONS

This program combines both the Office of the Parliamentary Commissioner for

Administrative Investigations (the Ombudsman) and the Office of the Information Commissioner.

The committee notes that the budget provides a special allocation of \$1.631M to this program to help overcome excessive delays and the serious backlog in the conduct of investigations. This figure includes a one-off amount of \$0.547M for additional accommodation and computer infrastructure. There has also been an additional \$0.344M provided for the employment of additional permanent investigators.

In response to a question at the hearing, the Premier provided the committee with background to the backlog in the conduct of investigations. In the case of the Information Commissioner, this backlog largely resulted from unexpectedly high levels of appeals to the Commissioner during the first few years of operation of the *Freedom of Information Act 1992* (Qld). The Premier further advised that additional temporary funding provided to the Information Commissioner was expected to result in the elimination of the backlog by 30 June 2000.

2.3. QUEENSLAND AUDIT OFFICE

The Auditor-General advised the committee that the Queensland Audit Office attracts graduates of a very high standard. The Queensland Audit Office acknowledges that it plays an unofficial training role in the public sector and this impacts upon staff retention as graduates gain valuable accounting and auditing skills in demand within the wider public sector. The committee was interested to hear that the turnover of staff had not been unduly excessive and had not impaired the Office's operations.

The Auditor-General also advised the committee that the Office was taking the 'Year 2000' issue very seriously and was impressing upon public sector agencies the need for them to take very spirited, early action to deal with the issue in a timely manner.

The committee questioned the Premier about fees charged by the Queensland Audit Office. The Premier advised that fees are charged for all financial and compliance audits, but that audits performed at the request of Parliament and audits of performance management systems are not charged. The committee was advised that funding of \$458,820 has been provided to undertake 15 special project audits/audits of performance management systems and sector-wide issues during 1998-99.

With respect to ongoing audits, the committee noted with interest that a process of continual assessment of the expenditure of Ministers and Members of Parliament had been commenced some time ago by the Auditor-General.

2.4. CRIMINAL JUSTICE COMMISSION

The committee notes that the 1998-99 appropriation for the Criminal Justice Commission (CJC) represents an increase of \$2.206M from last year's budget and that the increase relates largely to supplementary funding of \$0.595M for proactive investigations into police corruption, particularly in relation to the drug trade, and

\$1.293M for the investigation of official misconduct by officers of the Queensland Corrective Services Commission/QCORR.

The committee was particularly interested to hear that no funds had been allocated for additional inquiries during 1998-99. The Premier informed the committee that any matters which arose would be dealt with out of the CJC's budget.

With respect to the number of complaints handled by the CJC, the committee was advised by the Chairman of the CJC that there were 360 matters still on hand at the end of 1997-98 and this represented the lowest number of matters on hand since November 1994. The Chairman further advised that the number of finalised matters had increased during 1997-98.

In response to a question concerning possible overlap of law enforcement agencies, the Premier stated that there will be some changes to the *Criminal Justice Act 1989* (Qld) during 1998-99 largely flowing from previous recommendations of the Parliamentary Criminal Justice Committee, although he did not envisage any further review of the CJC.

The committee sought further information concerning the apparent reduction in key performance measurements proposed for 1998-99, particularly given the increased budget for the year. In an answer to a question taken on notice, the Premier highlighted the reasons behind the apparent reductions, emphasising the difficulty of predicting the number of complaints the CJC would receive. The committee was advised that the steady withdrawal of witnesses from the witnesses protection program did not, because of the nature of the program, necessarily lead to a corresponding reduction in costs. The committee also notes that changed work practices in the production of strategic/tactical intelligence reports has resulted in a statistical reduction in output which does not represent any actual reduction on product.

3. DEPARTMENT OF THE PREMIER AND CABINET

3.1. OVERVIEW

The committee notes that the department's estimated expenditure in 1998-99 represents an increase of approximately \$89.4M from the 1997-98 budget of \$82.1M. At the hearing, the Premier reiterated to the committee that the major reason for this increase was attributable to new initiative funding of \$87.2M. The Premier also elaborated on a number of these new initiatives including:

- the South Bank redevelopment (\$32.8M);
- the Queensland Heritage Trails Network (\$21.9M);
- the department contingency fund (\$10M);
- establishment of the Policy Coordination Program (\$5M);

- redevelopment of the Cairns Esplanade (\$3M);
- Centenary of Federation initiatives (\$2.7M); and
- the Crime Prevention Task Force (\$0.25M).

The Premier also explained that the increase in departmental staff from 607 in 1997-98 to 697 in 1998-99 relates to:

- two additional staff who have been employed in his office with responsibility for the Community Cabinet process and the appointment of an attendant to replace the attendant previously seconded from Parliament;
- an increase in numbers employed in Corporate Services which also services the Department of State Development; and
- the establishment of a Policy Coordination Division.

Additional information as to these last two matters is provided below.

3.2. PROGRAM INITIATIVES

The committee's inquiries as to outputs and initiatives in the department's programs included matters canvassed below.

Parliamentary and Government Services - The committee sought further explanation from the Premier as to the substantial increase in Capital Grants and Subsidies to \$9.674M referred to on page 5-15 of the Ministerial Portfolio Statement. In response, the Premier advised the committee that the increase in the 1998-99 estimate principally reflected funding of \$3.5M for the Willows Sports Complex which was an unfunded commitment made by the former Government during the caretaker period.

Whilst the Premier stressed that he believed the Willows is a very valued sporting facility, the committee notes that the making of this commitment by the former Government during the caretaker period was contrary to the accepted caretaker Government conventions and practices which are recorded in the previous Government's 1997 *Queensland Cabinet Handbook*. At paragraph 9.5 this handbook states:

The broad rule is that Governments should avoid implementing new policies, or entering into major contracts or undertakings during the caretaker period. This includes commitments which could bind an incoming Government.

*Consistent with this requirement, major project approvals within Government programs are normally deferred by Ministers.*¹

¹ Queensland Government, *Queensland Cabinet Handbook*, Queensland Government Printer, Brisbane, February 1997, p 80.

Corporate Services - The committee notes that the Department of Premier and Cabinet has decided to expand its existing corporate services support for the former Department of Economic Development and Trade, to the new Department of State Development. The Premier advised the committee that, as this has expanded the organisation's client base by almost 50 per cent, additional funding of \$2.59M has been transferred to the department's corporate services and 29 new staff positions have been identified.

Policy Coordination - The Premier provided the committee with additional information regarding a number of matters under this program including:

- the new Policy Coordination Division—formed as a result of a departmental restructure after the 1998 state election—which combines former organisations with the department; namely, the
- Government Infrastructure & Coordination Division, Regional Services, Cabinet Secretariat and InterGovernmental Relations. The Premier reiterated to the committee that the role of this Division is to facilitate the coordinated development and implementation of policies across Government departments and agencies consistent with the Government's priorities and commitments;
- funding for Community Cabinet meetings; of which the Government hopes to hold 15 in its first year. The Premier advised that, whilst costs varied depending on the location of the meeting, the average cost of a Community Cabinet meeting has been projected at \$9300 which includes advertising costs of \$1200, catering costs of \$5000, venue and equipment hire costs of \$1000 and other costs of \$2100. In 1998-99, the total estimated departmental cost of the Community Cabinet meetings is \$139,700; and
- the increase in Cabinet Secretariat funding of \$0.225M being for increased staffing resources to support the additional responsibilities and functions undertaken by the program as a result of departmental restructuring. The Cabinet Secretariat has a role in relation to the Community Cabinet consultation process which requires a significant amount of work and resources.

Ministerial Offices, Opposition and Cross Bench Support - At the hearing, the Premier explained to the committee that the reason the Independent Member for Gladstone is to receive \$28,000 less funding than the Independent Member for Nicklin in 1998-99 is because only the latter, being a new member, has establishment costs.

The Premier also detailed resources made available to Pauline Hanson's One Nation Party, and discussed the need to upgrade the computer system in the Opposition office.

The committee considers that, in future, the source of establishment costs for Independent Members and cross bench support should be identified, and the process for determining those costs should be clearly set out.

4. TREASURY DEPARTMENT

4.1. OVERVIEW

In 1998-99, Treasury will continue to be the driving force behind the whole-of-Government transition from cash-based budgeting to accrual output budgeting. The first accrual output budget will be delivered in 1999-2000. The Treasurer advised the committee at its hearing:

- as to the nature of some of the resultant legislative changes;
- that he proposes to bring the 1999-2000 budget down in September given the significant work involved in reformulating the budget papers and ensuring Government agency awareness of accrual output budgeting and its requirements; and
- that next year's budget papers will include cash flow information on both a whole-of-Government and individual/major agency basis.

As to major Treasury initiatives for 1998-99, the committee notes that:

- the department will develop a Charter of Social and Fiscal Responsibility so as to address the Government's social obligations in a responsible fiscal framework; and
- an Employment Secretariat will be established within Treasury to provide a focus for labour market research and related policy development. The Treasurer explained at the hearing that this secretariat has been established in Treasury—and not under the portfolio of the Employment Minister—because the Government has determined that Treasury should be providing a whole-of-Government service in terms of macro-economic forecasting and evaluating the delivery of jobs and job growth through both: (1) a capital works program; and (2) the particular initiatives administered principally through Mr Braddy's department but also in conjunction with other Government departments.

The Treasurer illustrated the need to address regional issues which require a micro-response in a manner consistent with overall macro-economic Government policy, by specific reference to Bowen and assistance projects such as the Bowen Jobs Plan.

The committee also notes that Treasury's program outlays currently include yet-to-be-finalised funding for the transfer of the Commercial Policy and Project section from Treasury to the Department of State Development. The Treasurer reiterated at the hearing that this transfer will ensure a centralised capacity to deal with major projects and project facilitation without detracting from Treasury's responsibilities across whole-of-Government in terms of issues of sovereign risk and assessing particular matters that have an impact on Government finances.

In a question on notice the committee sought an explanation from the Treasurer

regarding a difference in capital figures in Budget Paper No 2 (-\$34.3M) from that of -\$32.831M on page 3 of the Treasurer's Ministerial Portfolio Statement. The Treasurer responded that the difference of \$1.4M in the capital figures was because the Ministerial Portfolio Statement figure includes Trust Fund capital outlays whereas the Budget Paper No 2 table only details Consolidated Fund capital outlays. At the hearing, the committee sought further details from the Treasurer regarding the difference of, more accurately, \$1.422M which lay in Trust funds.

It is noted that the details given by the Treasurer at the hearing as to whether the funds came from Consolidated or Trust varied from the details later given by Treasury in an answer to a question taken on notice.

4.2. PROGRAM INITIATIVES AND ENHANCEMENTS

Some of the other matters which the committee questioned the Treasurer about are discussed below under relevant program headings.

Resource Allocation and Management - The committee sought from the Treasurer (both in questions on notice and at the hearing) further information as to the projected capital carryover provision in the budget, and calculation of the capital contingency reserve on page 11 of the Treasurer's Ministerial Portfolio Statement. The Treasurer's detailed response explained that, in essence, the capital carryovers adjustment reflects the historical tendency for underspending of overall capital allocations.

The committee notes that in 1998-99 policy guidelines regarding public sector use of leasing for asset acquisitions will be developed and implemented, and that consideration will also be given to establishing a whole-of-Government lease facility funded and managed through Queensland Treasury Corporation for use by public sector entities. At the hearing, the Treasurer reiterated that the QTC will not be seeking to exclude other financiers from the provision of lease arrangements to Government agencies, but that the arrangement will help to:

- ensure that leasing is occurring for legitimate reasons;
- provide an overall monitoring of the lease exposure of the State; and
- ensure that there is a serious and rigorous assessment of the lease versus buy decision, and that the most cost-effective method of acquiring that equipment is achieved.

Revenue - The committee observes that the focus of the Office of State Revenue for 1998-99 will be on implementing recommendations arising from the 1997-98 office review. This will involve implementation of an organisational development program and work on a number of projects designed to promote voluntary compliance, improve client service and increase taxpayer certainty regarding tax liability. At the hearing, the committee sought further details from the Treasurer as to the costs associated with the office restructure.

The Treasurer also confirmed that there will be substantial changes to the *Stamp Act*

1894.

Economic Enhancement - The Treasurer advised the committee at the hearing as to the implications for Queensland of the Asian economic crisis. In essence, the impact of the crisis has caused Treasury to downgrade its growth forecast for Queensland's economy this year to 3.5 per cent. The committee notes that in 1998-99 Treasury will complete work on the Queensland State Model which, once linked to the Commonwealth Treasury Model, will allow for more comprehensive policy analysis and forecasting. Thus, if there is another 'Asian shock', Treasury hopes that this model, together with the general equilibrium model, will allow it to understand the precise impact on the Queensland economy, maybe even to industry level.

This program will also facilitate the further reduction of the Government's shareholding in Suncorp-Metway in 1998-99. At the hearing, the Treasurer confirmed that the current Government, like the former Government, is committed to setting aside an amount sufficient to generate the income streams from the two entities when they were under public ownership. The Treasurer advised the committee that \$948M should have been budgeted to be set aside from the sell down of Suncorp-Metway. This generated substantial discussion at the hearing and later, in response to a question taken on notice, the Treasurer provided the committee with:

- details as to the revenue stream needed to replace QIDC and Suncorp and, in each, dividends and taxation equivalents; and
- justification for using a 7% rate of return on reinvestment of the proceeds.

A number of issues with respect to National Competition Policy were also raised at the hearing. The Treasurer advised the committee of a current examination of the application and implementation of National Competition Policy, particularly given aspect of the policy which are causing considerable concern to some communities and industries.

The Treasurer also provided the committee with further, more specific, information as to:

- implementation of the recommendations of the Queensland Rail Taskforce; and
- corporatisation and commercialisation of a number of significant business activities, particularly water supply.

Gaming - The Treasurer advised the committee at the hearing that, as a result of the review of the *Art Unions Act 1992*, he will shortly be introducing legislation in the Parliament which will reduce the regulatory burden on charitable organisations. The Treasurer estimates that this will save charitable organisations about \$3M.

The committee notes the 1998-99 budget allocation of \$23.8M to the Gaming Machine and Casino Community Benefit Fund which was established to offset the impact of machine gaming in Queensland on fundraising of small local charities. The fund is financed largely from gaming machines in hotels and clubs, and charities

may make periodic applications for grants from the fund to undertake specific projects for community benefit. The Treasurer advised the committee that the arrangement still enjoys bipartisan support and community popularity.

The committee queried the Treasurer why the 1998-99 allocation for Gaming Machine Operations was not less than \$24.8M given that gaming machines are no longer being financed. In response, the committee was advised that this was because a number of operations of the account are still being wound up (including the Wang maintenance account), and that the department is still in the process of transferring monitoring operations to licensed operators.

5. DEPARTMENT OF STATE DEVELOPMENT

5.1. OVERVIEW

The Department of State Development is a new department established with the aim of ensuring a whole-of-Government approach to Queensland's economic development requirements. The department incorporates services previously provided by four separate departments. As such, the 1998-99 Consolidated Fund budget for the department has increased by \$45.6M from that of the previous year. (The committee notes that as there has not yet been a final figure agreed upon as to the cost of the transfer of the Commercial Policy and Project section from Treasury to the department, associated resources have not been included in the department's Ministerial Portfolio Statement.) At the hearing, the committee received further information from the Minister as to what proportion of this increase was due to machinery of Government changes and how much is due to major development projects.

The committee also notes that there has been an increase of \$45.6M from 1997-98 in the department's Trust and Special Funds Budget. At the hearing, the Minister explained that this is for technical reasons related to the closure of the two current trust funds this financial year which will be combined into a new trust fund. The closure of these funds will require a transfer of cash balances into the new trust fund.

5.2. PROGRAM INITIATIVES AND ENHANCEMENTS

One of the major issues of concern to the committee was the impact of the Asian economic crisis and Queensland's international profile on Queensland's export sales and investment in Queensland.

The Export Trade and Development Program reflects that the department hopes to achieve/negotiate export sales of \$360M in 1998-99. At the hearing, the Minister explained to the committee that the impact of the Asian currency crisis has made it even more difficult to come up with reliable, detailed figures regarding export sales targets.

The Minister also advised the committee as to strategies the department will use to offset the effect of the crisis on Queensland. These include looking at opportunities in other markets, particularly growth markets in the Middle East, India, the United States and Europe. The Minister further stressed that the department will:

- aim to maintain a long-term relationship with Asian countries through their crisis; and
- seek to promptly correct reports regarding Queensland's racial tolerance both on its own initiative and in cooperation with other Australian agencies working in the region where appropriate.

A new business cadetship program has also been established under the department's Export Trade and Development Program. The initiative will allow relevantly-qualified, selected university graduates to undertake a six-month placement in one of the overseas trade offices. The program will have benefits for the participant, the office, the State and the participant's future employers. The sum of \$0.255M has been allocated in the current budget for the program with \$0.505M in 1999-2000, and \$0.49M for each of the following years.

Other matters relating to the specific programs and particularly noted by the committee are discussed below.

Office of Industry Development - At the hearing, the committee sought further information from the Minister as to the department's new initiative to establish a flexible, targeted industry grant scheme to promote opportunities for industry attraction, innovation, export, business competitiveness and/or environmental management. The Minister advised that a total of \$5.75M will be allocated in 1998-99 towards these targeted industry grants.

The Minister also advised the committee that he will be further examining both past and possible future activity with respect to the Queensland Science and Technology Council which, amongst other projects, investigated the feasibility of a Cape York space base.

Office of Small Business - The committee noted that the budget for the Office of Small Business for 1998-99 has increased by 68 per cent, and questioned the Minister as to the relativity of this increase given that there has not been an increase in performance indicators, and that the budget papers show the creation of 320 jobs as a result of the program. The Minister explained that performance levels are unlikely to increase until next year when results from investment in developing products, services and relevant infrastructure will become evident.

The committee was further advised that the creation of an estimated 320 jobs as a result of the program relates to improvement in the business environment. By reducing costs to small business, entities should become more profitable and engage additional staff.

Corporate Management - The new department has a corporate services sharing arrangement with the Department of the Premier and Cabinet. The Minister advised

the committee that there has been some increase in staff numbers with regard to corporate services due to the department incorporating additional marketing staff from the former Department of Tourism, Small Business and Industry.

It would assist the committee if there was greater clarity with respect to the number of positions and allocation of staff where departments have entered into arrangements to share corporate support.

Office of Regional Development - The Office of Regional Development will be based in Brisbane and will essentially promote regional development and provide delivery of departmental services through a network of regional offices. The Office has an estimated budget for 1998-99 of \$31.135M and a staff of 132, of whom 23 are based in Brisbane. The remainder of the staff will be located in a network of 15 State Development Centres. These centres will seek to provide integrated, State-wide access to the Government's economic, business and regional development services. (As such they combine the regional services previously provided by the former departments of Economic Development and Trade, Tourism, Small Business and Industry, and Premier and Cabinet.)

At the hearing, the committee sought further information from the Minister as to a number of aspects of this program including how the Office will ensure that business and economic development throughout the State is properly coordinated.

The committee also questioned the Minister as to the significant increase in funding for regional development grants from last year, and the reason why the 1997-98 actual expenditure figure was lower than that estimated for last year. In this regard, the Minister advised the committee that he will be further examining both past regional development assistance grants and other apparently discretionary grants.

Project Development and Facilitation - At the hearing, the Minister updated the committee as to a number of projects including:

- the Century Zinc Mine;
- various power station proposals throughout the State including Millmerran, Kogan Creek, North Tarong and Wambo;
- the Papua New Guinea gas project; and
- the Surat Basin project.

Infrastructure Development - The committee notes that there has been a three-fold increase in the area of land preserved for industry in the current budget compared to the 1997-98 estimate. The committee questioned the Minister as to why there has been such a significant increase and where this land that needed to be preserved or purchased was situated. In response, the committee was advised that the land is preserved through arrangements with local authorities principally to incorporate industrial zonings into their town plans, and that the land in question is primarily located in the Sunshine Coast, Bundaberg, Aldoga near Gladstone, the Logan area and other areas of the State where the potential for manufacturing industries lies.

6. CONCLUSION

Unlike some previous years, the committee found that this year Sessional Orders permitted a more generous and reasonable time-frame within which the committee had to consider the appropriation for the organisational units referred to it. The committee also notes that each year Sessional Orders are being refined to ensure that the estimates process operates more smoothly. In this regard, the committee recognises that both of these improvements are largely due to the work of the Select Committee on Procedural Review.

The committee also recognises that all Ministers and departmental officers dedicate a significant amount of time to the estimates process and it appreciates that effort. However, the committee would like to record its dissatisfaction with two matters that occurred during the course of its inquiry.

Firstly, whilst the committee recognises that it is a matter for the Minister as to which advisers attend the hearing, the committee believes that, in principle, any adviser whose attendance at the hearing is requested by the committee and confirmed by the Minister's department, should then be present at the hearing.

Secondly, the committee was disappointed with the responsiveness of the Treasury Department in providing material to the committee in accordance with the department's numerous undertakings. The committee reminds departments that the estimates process is an integral part of ensuring the accountability of the Executive to the Parliament. The committee requests material from relevant Ministers, which is provided through their departmental officers, to assist it in its deliberations. Assurances given by departmental officers, which are not subsequently complied with, only hinder the committee in its work and add unnecessarily to committee administration.

The committee has agreed to the proposed expenditures referred to it, without amendment.

7. RECOMMENDATION

The committee recommends that the proposed expenditure be agreed to.

John Mickel MLA
Chair

STATEMENT OF RESERVATIONS - ESTIMATES COMMITTEE 'A'

STATEMENT OF RESERVATIONS BY NON-GOVERNMENT MEMBERS - ESTIMATES COMMITTEE A

Introduction

Non-government members note ongoing attempts by the Premier to focus attention on expenditure of the previous government, in an effort to deflect attention and scrutiny from his own Budget. The estimates process was designed to scrutinise the Budget which lies on the table before the House. It should not be used as an opportunity to grandstand or as a dumping ground for perceived shortcomings of previous administrations.

Non-government members note the Premier's opening statement relating to "openness and accountability" and also note the fact that while in Opposition the Premier argued strongly that full electronic media coverage, similar to that accorded Parliament should be accorded the Estimates process. It is noted that in Government, the Premier made no moves to implement such a regime.

Non-government members also found it galling to hear the Premier, in his opening remarks, claim credit for securing the Goodwill Games when his government had done little more than sign the contract.

Department of the Premier and Cabinet

Budget/staffing increases

Non-government members were not satisfied with the Premier's explanation of the massive 100 per cent increase in his department's budget.

Specifically, non-government members remain dissatisfied with the Premier's explanation of significant increases in staff from 607 in 1997-98 to 697 in 1998-99 and remain unconvinced that the establishment of a Policy Coordination Division does not represent a return to the centralised administration which strangled Queensland's public service during the period from 1989 to February 1996.

In addition, non-government members cannot accept the Premier's assertion that two additional staff within his own office and four more within the Cabinet Secretariat are necessary to service a regional Cabinet schedule that is only marginally more extensive than that of the previous government.

In trying to explain an increase in staffing levels within his own office, ostensibly to handle additional workload associated with the regional Cabinet program, the Premier initially denied that staffing in the Cabinet Secretariat had increased by 50 per cent from eight to 12.

Non-government members also object to the Premier's assertion, in trying to justify the enhanced staffing allocation for his own office, that under the previous administration, Ms Wendy Armstrong was a public servant working full-time for the then Premier. Non-government members will refrain from identifying former members of Mr Beattie's staff in Opposition now masquerading as public servants.

The Willows Sports Complex

Non-government members dispute the suggestion by the Premier that an unfunded commitment for \$3.5 million was made to the Willows Sports Complex in Townsville.

In fact, the Premier contradicted himself throughout the hearing, on one hand saying it was an unfunded commitment and on the other saying it was a charge against the Department's contingency provision allocation . In fact, the Premier said "In 1998, major Coalition commitments against these funds included the following: the Willows Sports Complex, \$3.5 million, St John's Cathedral restoration \$200,000 etc"

Credit cards

When asked by the Member for Cairns to outline the Government's policy in relation to credit cards for Ministers and staff, the Premiers tried to spread the misconceptions that:

- a) Ministers from the previous Government had regular access to credit cards, and
- b) he had put a stop to such a situation.

It should be noted it was Mr Borbidge, as Premier, who on coming to office withdrew credit cards from Ministers, except for overseas travel.

The Premier's statement that Ministerial staff have no access to credit cards for domestic travel is also at odds with his own guidelines. Non-government members are at a loss to understand why the Ministerial Handbook, as amended by this Government, says: "Ministers may authorise the Director of MSB to issue official credit cards to Senior Advisers or equivalent in the Office of the Minister. Generally a limit of two (2) cards per office applies. By utilising official credit cards, the need for cash advances for domestic travel is negated and there is a significant reduction in the need for staff to expend their private funds and seek reimbursement."

Treasury

The Treasurer asserted, in answer to a Government member's question, that \$948 Million was required to be put aside from the sale of Suncorp - Metway in order to maintain an income stream equivalent to that which would have been received if Suncorp and QIDC had remained in public ownership. He further asserted, that the Coalition was intending to put aside only \$553 million, a shortfall of \$395 million.

The figure the Treasurer provided (\$948 million) is a derived figure and should come from an analysis that must, at a minimum, have the following elements :

- the revenue stream to be replaced
- the length of time over which the revenue stream is to be maintained
- the discount rate or rate of return required
- an adjustment for the difference in the expected riskiness of the two revenue streams

In other words, you cannot deduce the \$948 million figure without knowing or enumerating the assumptions implicit in the elements above.

Despite the crucial relevance of the information sought, neither the Treasurer nor Treasury was able to provide to the Committee the requested details on the elements listed above. When this question was taken on notice, it took a full four working days plus repeated follow up phone calls by the Committee staff to obtain information which should have been immediately available. After all, this was information which should have been used to calculate the \$948 million figure.

Not only did Treasury fail to provide any answer immediately, but the answer, when provided, was totally unsatisfactory. The answer read as if it was concocted to justify the \$948 million figure given by the Treasurer, rather than providing the information from which the \$948 million was derived.

For example, implicit in the Treasury answer is that the revenue stream being replaced is an annuity, with no other action required to maintain it. This flies in the face of Treasury advice to the previous Labor government in 1995, and subsequently to the Coalition government, that some \$700 million to \$1000 million would need to be invested over a three year horizon to maintain the competitive position of Suncorp. The alternative would have been no dividend or tax equivalent payouts from Suncorp to the Government for a lengthy period or a decreased revenue stream (ie. dividends and tax equivalent payouts) from Suncorp. Similar comments are relevant to QIDC.

Similar concerns can be raised with the other elements a complete answer would have canvassed. For example, there was no justification for choosing 7% as the government's required rate of return. There was no analysis of the riskiness of the alternative income streams (ie. the variance of the expected revenue streams). It is almost beyond belief that Treasury could imply that the income stream generated by an investment in QIC (which invests in a diversified portfolio of assets) would have the same riskiness as investments in a primary industries based investment bank (QIDC) or a geographically concentrated insurance firm (Suncorp).

Treasury would have generated more credibility if it had admitted the \$948 million had been a hastily derived, politically motivated, calculation for a besieged Treasurer, rather than pretend it was a derived figure from a thorough analysis based on established economic and finance principles.

Department of State Development & Trade

Jobs Target

Despite being described as the 'engine room' which will help the government reach its 5% unemployment target, the Minister refused to provide an unemployment target for this financial year.

It is extremely concerning that the Minister does not have a detailed jobs plan for his department, including annual unemployment targets. Without this plan, the government's 5% unemployment target is nothing more than a publicity stunt and a fraud.

Trust Funds

The Committee questioned why significant levels of funding held in three separate trust funds had been transferred to the budget of the Department of State Development and Trade. Neither the Minister, or his Departmental officers, were able to provide the Committee with an explanation of why this decision had been taken. The Minister also refused to provide any details regarding a \$51.4 million decrease in trust funds listed in the budget papers.

Corporate Staff

The Premier indicated to the Committee that an extra 29 corporate staff had been employed in the Premier's Department to provide corporate support for the Department of State Development and Trade. At the same time, the number of corporate staff employed in the Department of State Development and Trade is increasing by 30 on the Coalition's May budget. Neither the Premier nor Minister could adequately explain why corporate staff were increasing in each of their respective departments, to perform exactly the same function.

Trade

The Minister was unable to provide the Committee with any targets for Queensland export sales on either a monthly or industry basis. This highlighted the Minister's failure to provide a comprehensive plan to protect Queensland exporters from the downturn in Asian markets. Also, the Minister could not outline how much of his budget would go towards diversifying Queensland's trade markets.

The concern is that the Minister and current government are failing to diversify Queensland's export markets. While continuing to have a strong presence in Asia it is critical that Queensland exporters target a broad range of markets.

Small Business

Despite a 68% increase in the budget for the Office of Small Business, the Minister and his Departmental officers indicated that no benefits would flow to small business this financial year. It is completely unacceptable that small businesses in Queensland will have to wait twelve months for the government to do anything to assist them.

Manufacturing

The Minister provided an extremely arrogant response to a Non-Government Question on Notice regarding the establishment of manufacturing in Queensland. In his response, the Minister refused to detail any manufacturing industries which he planned to establish in Queensland this financial year. During the Estimates hearing the Minister again refused to answer the question. This refusal highlighted the complete lack of Ministerial direction which is necessary to increase manufacturing in Queensland.

Rob Borbidge, MLA
Leader of the Opposition

David Watson, MLA
Leader of the Liberal Party

Mike Horan, MLA
Deputy Opposition Leader