



# Estimates Committee A

## 2009

### Report No 2 to the Legislative Assembly

#### Introduction

On 3 June 2009, the Legislative Assembly referred to Estimates Committee A the proposed expenditure in the Appropriation Bill 2009 for the following portfolios for examination and report:

- The Premier;
- The Treasurer and Minister for Employment and Economic Development; and
- The Minister for Public Works and Information and Communication Technology.

The committee questioned the ministers about their portfolio budgets at a public hearing at Parliament House on 14 July 2009. This was in addition to written questions the committee put to the ministers prior to the hearing in accordance with the Standing Orders. A transcript of the hearing is available from the Parliament's website at: <http://www.parliament.qld.gov.au/view/committees/EC.asp>

This report summarises the estimates referred to the committee and highlights some of the issues the committee examined. The report also makes a recommendation to the Legislative Assembly. Ministers' answers to the committee's pre-hearing questions, documents tabled during the hearing, answers provided by ministers after the hearing and minutes of the committee's private meetings are included in a volume of additional information tabled with this report.

#### Portfolio of the Premier and Minister for the Arts

The Premier's portfolio comprises the following organisational units:

- Department of the Premier and Cabinet;
- Office of the Governor;
- Public Service Commission;
- Queensland Audit Office;
- Corporate Administration Agency;
- Library Board of Queensland;
- Queensland Art Gallery;
- Queensland Events Corporation Pty Ltd;

- Queensland Museum;
- Queensland Performing Arts Trust; and
- South Bank Corporation.

#### Department of the Premier and Cabinet

The Department of the Premier and Cabinet supports and advises the Premier in her roles as:

- Parliamentary Leader of the Government;
- Chair of the Cabinet; and
- Chief advisor to the Governor.

Budgeted capital expenditure is \$3.32 million.<sup>1</sup>

The following table compares the appropriations for the department for 2008-09 and 2009-10.

Appropriations	2008-09 \$'000	2009-10 \$'000
<i>Controlled Items</i>		
Departmental Outputs	109,275	186,565
Equity Adjustment	2,961	(29,010)
<i>Administered Items</i>	182,571	215,930
<b>Vote</b>	<b>294,807</b>	<b>373,485</b>

Source: Appropriation Bill 2009, p. 10.

The following is a summary of the output costs for 2009-10.

2009-10 Output Summary	\$'000
Policy Advice, Coordination and Cabinet Support	35,280
Government and Executive Services	44,396
Arts and Culture	106,369
Legislative Drafting, Advisory and Information Services	9,072
<b>Total</b>	<b>195,117</b>

Source: State Budget 2009-10, Service Delivery Statements Book 1, p. 1-6.

Priorities highlighted in the SDS for 2009-10 include:

<sup>1</sup> State Budget 2009-10, Capital Statement – Budget Paper No.3, p. 107.

- Working to maximise the employment opportunities of Queenslanders;
- Implementing the recommendations of *Brokering Balance: A Public Interest Map for Queensland Government Bodies*;
- Continuing reforms relating to Right to Information and the Information Privacy and public access to legislation;
- Delivering Queensland's 150<sup>th</sup> Celebrations in 2009;
- Supporting COAG's new reform agenda including business regulation and competition;
- Reporting on Q2: *Tomorrow's Queensland*;
- Providing effective support for Parliament, Cabinet and government decision-making processes.

### Office of the Governor

The Office of the Governor provides personal, administrative and logistic support to the Governor and manages the Government House estate. Estimated expenditure for 2009-10 is \$5.05 million.<sup>2</sup> Budgeted capital expenditure is \$35,000.<sup>3</sup>

The following table compares the 2008-09 and 2009-10 appropriations for the Office of the Governor.

Appropriations	2008-09 \$'000	2009-10 \$'000
<i>Controlled Items</i>		
Departmental Outputs	4,934	5,056
Equity Adjustment	-	-
<i>Administered Items</i>	-	-
<b>Vote</b>	<b>4,934</b>	<b>5,056</b>

Source: Appropriation Bill 2009, p. 11.

### Public Service Commission

The Public Service Commission (PSC), an amalgamation of the Office of the Public Service Commissioner and the Service Delivery and Performance Commission, commenced operations on 1 July 2008. For reasons of economy and efficiency, funding for the Office of the Integrity Commissioner is included within the appropriation for the Public Service Commission.<sup>4</sup> Estimated expenditure for 2009-10 is \$11.33 million.<sup>5</sup>

The following table compares the 2008-09 and 2009-10 appropriations for PSC.

Appropriations	2008-09 \$'000	2009-10 \$'000
<i>Controlled Items</i>		
Departmental Outputs	5,270	9,209
Equity Adjustment	-	-
<i>Administered Items</i>	-	-
<b>Vote</b>	<b>5,270</b>	<b>9,209</b>

Source: Appropriation Bill 2009, p. 12.

Priorities highlighted in the SDS for 2009-10 include:

- Supporting the implementation of the government's Performance Management Framework, through providing advice to the Performance Leadership Group;
- Providing advice, guidance and assistance to departments in implementing machinery-of-government changes and reforms to service delivery;
- Work in partnership with agencies to support and enhance capability in organisational performance management through providing advice and developing resources; and
- Research innovative service delivery models and approaches to public and administration to inform best practice approaches to continuous improvement and organisational changes.

### Queensland Audit Office

The Queensland Audit Office (QAO) is an independent statutory office established to assist the Auditor-General to audit the public accounts of more than 338 public sector entities. The following table compares the QAO's 2008-09 and 2009-10 appropriations.

Appropriations	2008-09 \$'000	2009-10 \$'000
<i>Controlled Items</i>		
Departmental Outputs	5,853	6,045
Equity Adjustment	(92)	1,000
<i>Administered Items</i>	-	-
<b>Vote</b>	<b>5,761</b>	<b>7,045</b>

Source: Appropriation Bill 2009, p. 12.

Estimated expenditure for 2009-10 is \$40 million.<sup>6</sup> Budgeted capital expenditure is \$1.39 million.<sup>7</sup>

<sup>2</sup> State Budget 2009-10, Service Delivery Statements Book 1, p. 1-75.

<sup>3</sup> State Budget 2009-10, Capital Statement – Budget Paper No.3, p. 100.

<sup>4</sup> State Budget 2009-10, Service Delivery Statements Book 1, p. 1-80.

<sup>5</sup> State Budget 2009-10, Service Delivery Statements Book 1, p. 1-85.

<sup>6</sup> State Budget 2009-10, Service Delivery Statements Book 1, p. 1-98.

<sup>7</sup> State Budget 2009-10, Capital Statement – Budget Paper No.3, p. 115.

Priorities highlighted in the SDS for 2009-10 include:

- Continuing to assist and encourage all public sector entities to maintain a strong focus on accountability and governance principles, including the timely finalisation of financial reporting requirements; and
- Enhancements to QAO's in-house audit methodology software (IPSAM) to improve useability.

### **Corporate Administration Agency**

The Corporate Administration Agency provides corporate services to arts and other statutory bodies and smaller organisations. Estimated expenditure for 2009-10 is \$33.72 million.<sup>8</sup>

Priorities highlighted in the SDS include:

- Continuing to consult with clients regarding their current and future business needs to ensure continued enhancement of existing services or development of new solutions;
- Analysing performance data against benchmarking data, and reviewing service provisions accordingly; and
- Implementation of a new business plan which includes reviewing the current direction, business model and internal governance arrangements to ensure that the CCA continues to operate in a flexible, cost effective and responsive manner.

### **Library Board of Queensland**

The State Library of Queensland is the primary custodian of Queensland's documentary heritage. Estimated expenditure for 2009-10 is \$54.49 million.<sup>9</sup> Budgeted capital expenditure is \$1.45 million.<sup>10</sup>

Priorities highlighted in the SDS for 2009-10 include:

- The launch of *The Edge* in partnership with Arts Queensland as a shared facility across the Cultural Centre to offer exciting programs and resources for young people;
- Establishing new IKCs at Hammond Island and Palm Island and deliver literacy, school holiday and ICT programs to remote Aboriginal and Torres Strait Islander communities;
- Continuing to implement *Expanding Horizons* including new learning and literacy programs and ICT skills development; and

- Completing the implementation of DigiTool to improve access to digital collections and continue to improve the State Library's website functionality.

### **Queensland Art Gallery**

The Queensland Art Gallery (QAG) is a two-site institution incorporating the Gallery of Modern Art (GOMA) and is Queensland's premier visual art institution and a leading art museum nationally. Estimated expenditure for 2009-10 is \$31.13 million.<sup>11</sup> Budgeted capital expenditure is \$2.3 million.<sup>12</sup>

Priorities highlighted in the SDS for 2009-10 include:

- The presentation of the Gallery's flagship art event, *The 6<sup>th</sup> Asia Pacific Triennial of Contemporary Art* (APT6), which in 2009-10 will expand the exhibition's scope into West Asia and North Korea;
- Development and presentation of *Paperskin: Barkcloth across the Pacific*, in collaboration with the Museum of New Zealand Te Papa Tongarewa and the Queensland Museum;
- Presentation and exhibition of work by contemporary Australian Artist Tim Johnson, *Tim Johnson: Painting Ideas*, in partnership with the Art Gallery of New South Wales; and
- Presentation of further Q150 initiatives including *150 Years of Queensland Photography* from *The Collection* and a survey exhibition of Brisbane-based fashion house Easton Pearson.

### **Queensland Events Corporation Pty Ltd**

The Queensland Events Corporation (QEC) works with tourism industry stakeholders to leverage the government's investment in major events and targeting tourism markets, domestically and internationally. Estimated expenditure by QEC for 2009-10 is \$14.23 million.<sup>13</sup>

Priorities highlighted in the SDS for 2009-10 include:

- Continuing to develop a diversified portfolio of event investments with a specific focus on non-sports events to leverage the greatest tourism benefits possible for the State, in conjunction with major partners, such as Tourism Queensland;

<sup>8</sup> State Budget 2009-10, Service Delivery Statements Book 1, p. 1-28.

<sup>9</sup> State Budget 2009-10, Service Delivery Statements Book 1, p. 1-35.

<sup>10</sup> State Budget 2009-10, Capital Statement – Budget Paper No.3, p. 108.

<sup>11</sup> State Budget 2009-10, Service Delivery Statements Book 1, p. 1-42.

<sup>12</sup> State Budget 2009-10, Capital Statement – Budget Paper No.3, p. 108.

<sup>13</sup> State Budget 2009-10, Service Delivery Statements Book 1, p. 1-49.

- Continuing to invest in the Regional Development Program to extend the flow of economic and social benefits of events to the regions, giving a boost to local communities; and
- Considering the recommendations in David Williams' report *Events Review – Queensland* as far as they relate to Queensland Events Corporation activities.

### **Queensland Museum**

The Queensland Museum's key focus is to ensure the care, preservation and accessibility of the state collection for the future. Estimated expenditure for the Queensland Museum for 2009-10 is \$28.25 million.<sup>14</sup> Budgeted capital expenditure is \$8.81 million.<sup>15</sup>

Priorities highlighted in the SDS for 2009-10 include:

- The commencement of the redevelopment of the Cobb & Co Museum for opening in 2010 to include heritage workspaces, new exhibition galleries, flexible learning spaces, commercial and retail areas and outdoor activity spaces;
- The generation of more than \$2.5 million (over three to five years) in grant and partnership funding for strategic collaborations including the Census of Marine Life survey of coral reef diversity; and
- The launch of new public programs, including *Have a Go Heritage Trade Festival*, Bugs and Dinosaurs Programs, National Science Week activities and new publications on Moreton Bay, as well as cultural and natural heritage pocket guides.

### **Queensland Performing Arts Trust**

The Queensland Performing Arts Trust manages the Queensland Performing Arts Centre (QPAC). Estimated expenditure by QPAC for 2009-10 is \$33.51 million.<sup>16</sup> Budgeted capital expenditure is \$750,000.<sup>17</sup>

Priorities highlighted in the SDS for 2009-10 include:

- The celebration of Queensland's 150<sup>th</sup> anniversary with two significant new commissions – *Rock Show* and *The School of Arts* and a large-scale outdoor contemporary music performance;

- The presentation of the 2010 Out of the Box Festival for three to eight year olds, including the development of a major new work for the lyric theatre; and
- The presentation of the internationally acclaimed London Philharmonic Orchestra.

### **South Bank Corporation**

The South Bank Corporation is responsible for developing, managing and promoting the South Bank leisure, business and residential precinct. It also owns and operates the Brisbane Convention and Exhibition Centre (BCEC). Estimated expenditure for 2009-10 is \$70.43 million.<sup>18</sup> Budgeted capital expenditure is \$90.20 million.<sup>19</sup>

Priorities highlighted in the SDS for 2009-10 include:

- Early works on the Brisbane Convention and Exhibition Centre expansion commenced in 2008;
- The commencement of the relocation of the ABC headquarters to Southbank; and
- The initiation of new proposals to redevelop the Boardwalk precinct.

### **Issues raised at the public hearing**

Issues the committee raised with the Premier at the public hearing on 14 July 2009 include:

- Steps taken by the government to complete the cultural project, 'The Edge', this year and on budget;
- Clarification between the budgeted renovation and forward maintenance costs for 'The Edge', cultural project;
- The additional resources provided to the Pacific Film and Television Commission (PFTC) to secure the production of *Chronicles of Narnia – The Voyage of the Dawn Treader* in Queensland;
- The appointment of the PFTC's CEO, in the context of a perceived conflict of interest;
- The PFTC's travel budget;
- The percentage of arts and cultural funding decisions informed by industry groups;
- Recipients of targeted arts funding;
- The number of event funding applications, in light of the current financial circumstances;
- Capital expenditure on artworks for Queensland's managed galleries;

<sup>14</sup> *State Budget 2009-10, Service Delivery Statements Book 1*, p. 1-55.

<sup>15</sup> *State Budget 2009-10, Capital Statement – Budget Paper No.3*, p. 108.

<sup>16</sup> *State Budget 2009-10, Service Delivery Statements Book 1*, p. 1-61.

<sup>17</sup> *State Budget 2009-10, Capital Statement – Budget Paper No.3*, p. 108.

<sup>18</sup> *State Budget 2009-10, Service Delivery Statements Book 1*, p. 1-67.

<sup>19</sup> *State Budget 2009-10, Capital Statement – Budget Paper No.3*, p. 107.

- Funding for the Queensland Arts Council to deliver cultural events, particularly in regional Queensland;
- Government support for the Cairns Indigenous Art Fair and the Indigenous Arts Strategy;
- Information relating to the Queensland Music Festival;
- The benefits to Queensland of securing the production of *Chronicles of Narnia – The Voyage of the Dawn Treader*;
- Government steps to encourage donations to Queensland's major arts organisations;
- Government progress in delivering Q150 celebrations and what these celebrations have contributed to the creative arts, particularly in regional Queensland;
- Government's performance in creating new jobs through infrastructure projects;
- Government's plan to sell public assets;
- Queensland's credit rating and debt levels, and the Government's plans to return to a AAA rating;
- Government contracting requirements for staff under the *Skilling Queensland* policy;
- Measures to combat the current outbreak of whooping cough through a vaccination program;
- Government measures to stimulate employment through liquefied national gas resource developments;
- Achievements of the Queensland Events Corporation, as well as the results implemented after David Williams' review of the organisation;
- The nature of training provided to young people by the *Skilling Queenslanders for Work* program;
- Progress made on government pre-election commitments;
- Savings made in the Department of Premier and Cabinet budget;
- The shuttle bus service utilised by the Shared Service Agency;
- The cause of the deficits in the 2008-09 and 2009-10 budgets;
- How the government has balanced the demands of public service wage negotiations with achieving the best public services for Queensland; and
- The impact of the federal government's proposed Carbon Pollution Reduction Scheme on the Queensland economy.

## Portfolio of the Treasurer and Minister for Employment and Economic Development

The portfolio comprises the following organisational units:

- Queensland Treasury;
- Motor Accident Insurance Commission / Nominal Defendant;
- Queensland Future Growth Corporation; and
- Two outputs within the Department of Employment, Economic Development and Innovation:
  - Employment Initiatives; and
  - Industry and Regional Development.

### Queensland Treasury

Treasury provides economic and financial policy advice to the Queensland Government to enhance the state's financial position and economic performance. Treasury's responsibilities include:

- Managing the State's finances and economy;
- Managing the State's interests in government-owned corporations (GOC) sector;
- Providing statistical and economic services to improve planning, decision-making and policy development; and
- Delivering simple, efficient, and equitable revenue management services.

The following table compares the appropriations for the department for 2008-09 and 2009-10.

Appropriations	2008-09 \$'000	2009-10 \$'000
<i>Controlled Items</i>		
Departmental Services	159,637	131,572
Equity Adjustment	14,192	(3,095)
<i>Administered Items</i>	1,856,691	3,594,410
<b>Vote</b>	<b>2,030,520</b>	<b>3,722,887</b>

Source: Appropriation Bill 2009, p. 12.

The following is a summary of the output costs for 2009-10.

<b>2009-10 Output Summary</b>	<b>\$'000</b>
Financial and Economic Policy	45,303
GOC Performance and Governance	6,271
Economic and Statistical Research	16,824
Revenue Management	75,085
<b>Departmental</b>	<b>143,483</b>
<b>Other</b>	<b>2,058</b>
<b>Reconciliation adjustment to the Income Statement</b>	<b>(2,053)</b>
<b>Total</b>	<b>143,488</b>

Source: State Budget 2009-10, Service Delivery Statements Book 3, p. 3-253.

Budgeted capital expenditure is \$12.26 million.<sup>20</sup>

Priorities in the SDS for 2009-10 include:

- Managing and coordinating the state budget process, in accordance with the new *Charter of Fiscal Responsibility*;
- Managing and coordinating the Queensland Government's contribution to the Council of Australian Governments (COAG) Business Regulation and Competition reform agenda and other relevant national activities;
- Supporting departments and statutory bodies in implementing the requirements of the new *Financial Accountability Act 2009* and its subordinate legislation, with information sessions being held with agency officers;
- Actively working with all GOCs to assist them in meeting their commercial performance and customer service objectives as agreed with the shareholders through the *Statement of Corporate Intent*;
- Undertaking reviews of asset holdings and capital programs aimed at maximising the efficient allocation of capital for each GOC as set out in the December 2008 *Major Economic Statement*; and
- Managing the processes associated with implementing the *Renewing Queensland Plan*.

### **Motor Accident Insurance Commission / Nominal Defendant**

The motor accident insurance administration regulates and improves the Queensland Compulsory Third Party (CTP) insurance scheme and manages the Nominal Defendant

Fund. Estimated expenditure for the Motor Accident Insurance Commission in 2009-10 is \$9.77 million.<sup>21</sup> Estimated expenditure for the Nominal Defendant Fund for 2009-10 is \$60.51 million.<sup>22</sup>

Priorities in the SDS for 2009-10 include:

- Continuing to reorganise the work of MAIC in response to business needs and to bring about operational efficiencies; and
- Monitoring the impact of recent claim trends on premium rates and making recommendations for scheme improvements.

### **Queensland Future Growth Corporation**

The Queensland Future Growth Corporation is responsible for administering the Queensland Future Growth Fund. Estimated expenditure for 2009-10 is \$1.88 million.<sup>23</sup>

Priorities in the SDS for 2009-10 include:

- Constructing infrastructure projects in the areas of water and transport, with \$149 million forecast to be allocated to these projects in 2009-10;
- Funding for clean coal technology that will make a proactive and positive contribution to the science and technology of reducing carbon emissions; and
- Funding for the renewable energy fund and the Queensland Smart Energy Savings Fund to support climate change initiatives such as the Queensland Solar Hot Water Program, the Geothermal Energy Centre of Excellence and a range of energy conservation and demand management measures designed to reduce peak electricity demand in Queensland.

### **Department for Employment, Economic Development and Innovation**

The Department of Employment, Economic Development and Innovation (DEEDI), created in March 2009, is responsible for administering the core functions of employment, industry development, trade, mining and resources, energy, primary resources, fisheries, fair trading, liquor licensing, gaming and racing, tourism, rural and regional development, and innovation. The Treasurer and Minister for Employment and Economic Development is responsible for two outputs within the department: Employment Initiatives, and Industry and Regional

<sup>20</sup> State Budget 2009-10, Capital Statement – Budget Paper No.3, p. 139.

<sup>21</sup> State Budget 2009-10, Service Delivery Statements Book 3, p. 3-272.

<sup>22</sup> State Budget 2009-10, Service Delivery Statements Book 3, p. 3-276.

<sup>23</sup> State Budget 2009-10, Service Delivery Statements Book 3, p. 3-283.



Development. The following table compares the budget allocations for these outputs for 2008-09 and 2009-10.

<b>Budget Allocations</b>	<b>2008-09 \$'000</b>	<b>2009-10 \$'000</b>
<i>Controlled Items</i>		
State Contribution	241,015	288,191
Equity Adjustment	162,104	217,549
<i>Administered Items</i>	52,632	5,774
<b>Total Budget Allocation</b>	<b>455,751</b>	<b>511,514</b>

Source: Personal correspondence, Department of Employment, Economic Development and Innovation, 20 July 2009

The following is a summary of the relevant output costs for 2009-10.

<b>2009-10 Output Summary</b>	<b>\$'000</b>
<b>Employment, Industry Development and Innovation</b>	
Employment Initiatives	105,252
Industry and Regional Development	221,868
<b>Total</b>	<b>327,120</b>

Source: State Budget 2009-10, Service Delivery Statements Book 2, p. 2-19.

Priorities highlighted in the SDS for 2009-10 include:

- Responding to the changing labour market with increased employment and training assistance programs directed at retrenched workers, young people, and disadvantaged job-seekers to ensure they develop the skills and qualifications to enter/re-enter the workforce;
- Delivering labour-market programs including *Skilling Queenslanders for Work*, *Green Army*, *Participate in Prosperity* and the *Rapid Response Teams*;
- Leading the *Indigenous Economic Participation Implementation Plan* for Queensland to support the Council of Australian Governments (COAG) National Partnership Agreement to halve the gap in employment between indigenous and non-indigenous Australians; and
- Supporting small-to-medium sized firms to protect and retain jobs via a suite of online services and face-to-face workshops covering key strategies for survival and growth in areas such as financial management, customer service and staff retention.

### **Issues raised at the public hearing**

Issues the committee canvassed with the Treasurer and Minister for Employment and Economic Development at the public hearing on 14 July 2009 include:

- The budget deficit and the government's plan to bring the budget back to surplus;
- The budget's effects on Queensland's employment level;
- Government's consultations with the ratings agencies over the best method to return the state's AAA credit rating;
- Whether the money gained through asset sales will be used to reduce government debt or used for other purposes;
- Advice to the Treasurer regarding further asset sales;
- The increase in borrowing costs incurred by relying on the federal government's guarantee of the state's debt;
- The impact of the financial crises on Queensland's fiscal outlook;
- Information on the government's revised fiscal principles and why they were introduced;
- The drivers of Queensland's growth, and how Queensland's growth forecasts compare with the rest of the nation;
- Key measures the government will undertake in its medium-term fiscal strategy;
- The government's accounting of depreciation in the budget;
- The Treasury Department's adherence to the Charter of Fiscal Responsibility;
- The role of the Queensland Future Growth Fund in funding the government Solar Hot Water Program;
- Details of the pay-roll tax rebate;
- The utilisation of the proceeds of the sale of certain Queensland airports;
- Implementation of reforms to GOCs;
- Details surrounding the agreement to, and implementation of, Intergovernmental Agreement on Federal Financial Relations;
- Expected returns in 2009-10 for the Nominal Defendant and the Motor Accident Insurance Commission;
- Productivity savings to be found in the Department of Employment, Economic Development and Innovation (DEEDI);
- Current and future staffing levels in DEEDI as a result of machinery of government changes;
- The percentage of training bodies, delivering the *Skilling Queenslanders for Work* Program, that are registered training organisations;

- Measures put in place to prevent state work-skilling programs duplicating federal programs operating in Queensland;
- The achievements and future goals of the *Jobs Taskforce* program;
- Opportunities provided by the initiation of the *Green Army* program;
- Steps, taken by the government to implement its commitment to create 100,000 jobs; and
- How the government is assisting Queensland's most vulnerable people impacted by the financial crises.

## Portfolio of the Minister for Public Works and Information and Communication Technology

The Minister's portfolio comprises the following organisational units:

- Department of Public Works;
- QBuild;
- Project Services;
- QFleet;
- CITEC;
- Goprint;
- SDS (Sales Distribution Service);
- Shared Service Agency;
- CorpTech; and
- Queensland Building Services Authority.<sup>24</sup>

### Department of Public Works

The Department of Public Works is the government's lead agency for the design, construction, fit-out and maintenance of government buildings, information and communication technology, procurement and public sector record-keeping.

The following table compares the appropriations for the department for 2008-09 and 2009-10.

Appropriations	2008-09 \$'000	2009-10 \$'000
<i>Controlled Items</i>		
Departmental services	82,128	104,164
Equity adjustment	182,708	196,481
<i>Administered Items</i>	68,723	65,541
<b>Vote</b>	<b>333,559</b>	<b>366,186</b>

Source: Appropriation Bill 2009, p. 10.

The following is a summary of the estimated output costs for 2009-10.

2009-10 Output Summary	2009-10 Estimate \$'000
Building Procurement and Asset Management	473,100
Procurement Services	17,325
Information and Communication Technology (ICT) Strategies	36,173
Public Records Management and Advisory Services	19,038
Access to Government Services and Information	47,414

<sup>24</sup> State Budget 2009-10, Service Delivery Statements Book 2, p. 2-229.



<b>2009-10 Output Summary</b>	<b>2009-10 Estimate \$'000</b>
<b>Total</b>	<b>593,050</b>

Source: *State Budget 2009-10, Service Delivery Statement Book 2*, p. 2-236.

Budgeted capital expenditure for Public Works, including commercialised business units, for 2009-10 is \$494.90 million.<sup>25</sup>

Priorities highlighted in the SDS for 2009-10 include:

- Implementing in Queensland, the Australian Government's Nation Building – Economic Stimulus Plan, involving \$4 billion for state-wide education, social housing, and roads and safety projects;
- Delivering major construction infrastructure projects on time and on budget;
- Improving and upgrading the security and safety of accommodation facilities in remote areas;
- Developing government employee housing policy, practice and management that ensure employee housing is safe, secure and of an acceptable standard;
- Ensuring Queensland maximises benefits from the Australian Government's roll-out of an open access, high speed, fibre-based national broadband network; and
- Implementing whole-of-government ICT methodologies and frameworks to enable agencies to maximise their ICT investments to deliver business outcomes.

### **Q-Build**

Q-Build is a commercialised business unit responsible for the delivery of facilities' management, maintenance and construction services to government agencies. Estimated expenditure for 2009-10 is \$735.88 million.<sup>26</sup> Budgeted capital expenditure is \$9.34 million.<sup>27</sup>

### **Project Services**

Project Services is a multi-disciplinary building and property consultancy assisting to manage the delivery of capital works projects in Queensland. Estimated expenditure for 2009-10 is \$142.59 million.<sup>28</sup> Budgeted capital expenditure is \$2.82 million.<sup>29</sup>

### **QFleet**

Q-Fleet is a commercialised business unit providing fleet leasing, management and advisory services and vehicle maintenance and repairs. Estimated expenditure for 2009-10 is \$143.09 million.<sup>30</sup> Budgeted capital expenditure is \$148.42 million.<sup>31</sup>

### **CITEC**

CITEC is the primary ICT service provider for the Queensland Government. Estimated expenditure for 2009-10 is \$173.70 million.<sup>32</sup> Budgeted capital expenditure for CITEC is \$43.40 million.<sup>33</sup>

### **Goprint**

Goprint is responsible for printing and distributing government publications. Estimated expenditure for 2009-10 is \$15.18 million.<sup>34</sup>

### **SDS (Sales and Distribution Services)**

Sales and Distribution Services operates an online retail and distribution business for office, education and furniture products as well as electronic and printed publications, and provides warehousing services to agencies. Estimated expenditure for 2009-10 is \$66.03 million.<sup>35</sup> Budgeted capital expenditure is \$300,000.<sup>36</sup>

### **Shared Service Agency**

The Shared Service Initiative is a whole-of-government approach to corporate services delivery. The initiative joins agencies together to share corporate services and resources through shared service providers. Estimated expenditure for the Shared Service Agency in 2009-10 is \$184.68 million.<sup>37</sup> Budgeted capital expenditure is \$1.07 million.<sup>38</sup>

Priorities in the SDS for 2009-10 include:

- Consolidating and standardising services;
- Refining governance and customer relationship models; and

<sup>25</sup> *State Budget 2009-10, Capital Statement – Budget Paper No.3*, p. 109.

<sup>26</sup> *State Budget 2009-10, Service Delivery Statements Book 2*, p. 2-253.

<sup>27</sup> *State Budget 2009-10, Capital Statement – Budget Paper No.3*, p. 112.

<sup>28</sup> *State Budget 2009-10, Service Delivery Statements Book 2*, p. 2-260.

<sup>29</sup> *State Budget 2009-10, Capital Statement – Budget Paper No.3*, p. 112.

<sup>30</sup> *State Budget 2009-10, Service Delivery Statements Book 2*, p. 2-266.

<sup>31</sup> *State Budget 2009-10, Capital Statement – Budget Paper No.3*, p. 112.

<sup>32</sup> *State Budget 2009-10, Service Delivery Statements Book 2*, p. 2-273.

<sup>33</sup> *State Budget 2009-10, Capital Statement – Budget Paper No.3*, p. 113.

<sup>34</sup> *State Budget 2009-10, Service Delivery Statements Book 2*, p. 2- 279.

<sup>35</sup> *State Budget 2009-10, Service Delivery Statements Book 2*, p. 2-286.

<sup>36</sup> *State Budget 2009-10, Capital Statement – Budget Paper No.3*, p. 113.

<sup>37</sup> *State Budget 2009-10, Service Delivery Statements Book 2*, p. 2-292.

<sup>38</sup> *State Budget 2009-10, Capital Statement – Budget Paper No.3*, p. 113.

- Refining business models and structures to improve service delivery and cost-effectiveness.

### **CorpTech**

CorpTech provides information and communication technology (ICT) applications, solutions and infrastructure and manages systems including finance, human resources, facilities, documents and records and the service desk for shared service providers. Estimated expenditure by CorpTech in 2009-10 is \$129.04 million.<sup>39</sup> Budgeted capital expenditure is \$49.03 million.<sup>40</sup>

Priorities in the SDS for 2009-10 include:

- Delivering system changes to support the restructure of the Queensland Government departments resulting from the 2009 machinery-of-Government changes; and
- Progressively implementing an approved Corporate Solutions Program.

### **Queensland Building Services Authority**

The Queensland Building Service Authority provides a licensing regime and regulatory function for the building industry. Estimated expenditure for 2009-10 is \$126.26 million.<sup>41</sup>

### **Issues raised at the public hearing**

Issues the committee canvassed with the Minister for Public Works and Information and Communication Technology at the public hearing on 14 July 2009 include:

- The implementation of new HR systems;
- The services shifted from the Shared Service Agency, back to their original agencies;
- The use of an external management firm in the construction of the Kurilpa Bridge project;
- Details of the government's new procurement strategy;
- Steps taken to reach QFleet's 15 percent emissions reduction target;
- Actions taken by the department to address unfair contractual terms and creating a level playing field for contractors and consumers in the construction field;
- Government measures to combat unscrupulous builders who interfere with the Building Services Authority's attempts to assist homeowners affected by shoddy work;

- Safety concerns over the Kurilpa Bridge;
- Under utilisation of Goprint's core resources;
- Government steps taken to secure the early delivery of the National Broadband Network here in Queensland;
- Implementation of the IDES program to facilitate IT services;
- The total cost of departmental training programs;
- Government's ability to detect security breaches;
- Benchmarking practices for QFleet; and
- Training requirements for the handling of asbestos.

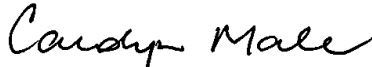
<sup>39</sup> *State Budget 2009-10, Service Delivery Statement Book 2*, p. 2-298.

<sup>40</sup> *State Budget 2009-10, Capital Statement – Budget Paper No.3*, p. 113-114.

<sup>41</sup> *State Budget 2009-10, Service Delivery Statements Book 2*, p. 2-305.

## Recommendation

The committee recommends that the proposed expenditure, as detailed in the Appropriation Bill 2009 for the portfolios of: the Premier and Minister for the Arts; Treasurer and Minister for Employment Economic Development; and Minister for Public Works and Information and Communication Technology, be agreed to by the Legislative Assembly without amendment.



Carolyn Male MP

**Chair**

July 2009

### **Committee Members**

#### **Committee Members**

##### **Chair**

Mr Simon Finn MP Member for Yeerongpilly  
(Chair from 3 June – 26 July; 2-3 August 2009)

Ms Carolyn Male MP Member for Pine Rivers  
(Chair from 27 July – 1 August 2009)

##### **Other Members**

Mr John-Paul Langbroek MP (Deputy Chair)  
Member for Surfers Paradise

Mrs Julie Attwood MP  
Member for Mount Ommaney

Mrs Betty Kiernan MP  
Member for Mount Isa

Mr Tim Nicholls MP  
Member for Clayfield

Mr Kerry Shine MP  
Member for Toowoomba North

Mrs Jann Stuckey MP  
Member for Currumbin

##### **Secretariat**

Mr Rob Hansen (Research Director)

Mr Alistair Maclennan (Research Officer)

Ms Carolyn Heffernan (Executive Assistant)

# **STATEMENT OF RESERVATION**

Department of Premier and Cabinet

Secretary of Committee A

I refer to the draft report for Estimates Committee A and submit a statement of reservations on the report and some general comments on the process of Estimates Committees hearings.

## **General comments on the Estimates Process**

The Estimates Process is the greatest opportunity for parliamentary scrutiny of Government appropriations in a unicameral system and it is unfortunate the process does not allow for well considered deliberations by parliamentary committees such as this one.

The inherent processes of the Estimates process fail to provide the level of scrutiny of the Government's use of taxpayer's money.

The limited number of questions without notice allocated to each Minister fails to ensure that committee members have the opportunity to prepare adequately for the Committee's hearings particularly in areas where the budget papers provide very little information.

The limiting of information to these Estimates Committees, both in terms of the limited useful information in the Budget Papers, as well as the limited number of questions on notice does not in any way assist the committee's work.

In addition to the information available to the committee prior to the committee's hearings there is limited time for members of the committee to gain detailed information from Ministers during the process.

During this session there has been a continuance of the disturbing trend of Ministers failing to answer specific questions from some committee members, instead giving a very general answer, which had been pre-prepared, about Government directions or policies.

As a result I have very significant reservations about how informed the Committee's report is.

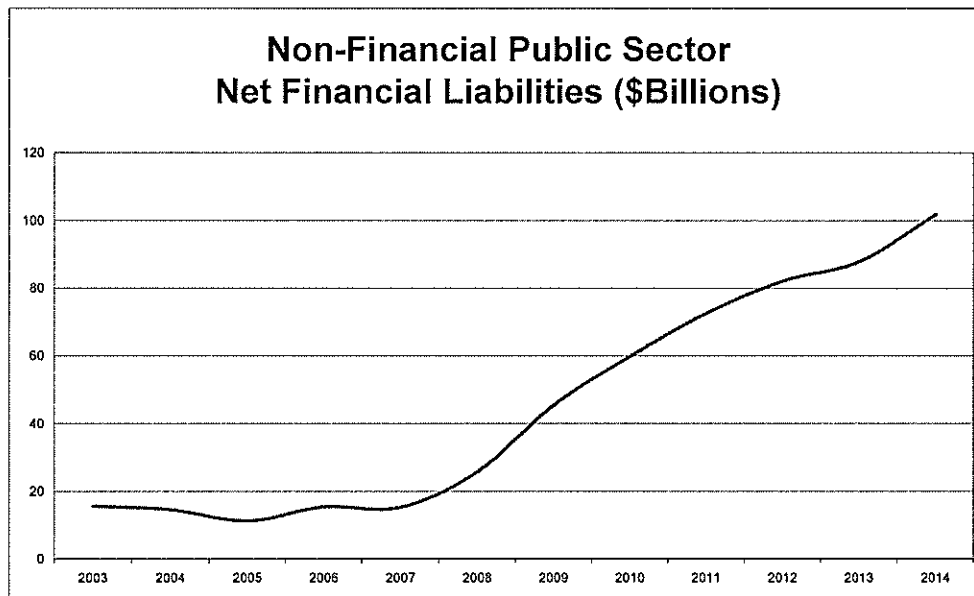
## **DEPARTMENT OF PREMIER AND CABINET**

With consideration complete for the Premier and Cabinet portfolio the following reservations are held –

## LEADERSHIP ON FINANCIAL MATTERS

In 2001 Standard and Poor's confirmed that Queensland had the strongest balance sheet of any Australian State.

However since the Premier first became Treasurer in February 2006 and later assumed her current role, the strength of Queensland's balance sheet has deteriorated considerably.



*Source: Budget Papers*

I am concerned that the current Labor Government, under the Premier, is set to ensure an ever increasing level of budget deficit leading to higher debt and liabilities that will take decades to overcome.

During estimates, it was clear that the Premier is simply measuring the money thrown at a problem as evidence of a claim that problems are being fixed.

This is short-sighted and shows contempt for people who expect better from their political leaders. The reporting of the amount spent on a problem leads to a decrease in accountability and a higher likelihood of waste because it breaks the nexus of expenditure to outcomes.

Queensland's Auditor-General agrees with me on this point, particularly in relation to Queensland's health problems.

It is imperative that the Government address the underlying issues of systemically poor planning, a lack of management of project delivery and no accountability.

To address those three challenges would see this Government's performance greatly improve.

Qualifications to the Committee's recommendation:

1. The Government should review the policy decision to run deficit budgets totalling \$12.2 billion over the forward estimates.
2. The Government should report progress on dealing with problems on outcomes rather than proposed expenditure.
3. The Government should require the Auditor-General to review the Government's policy decisions effect on the financial strength of the Queensland balance sheet and report the outcome publically.
4. The Government's capital works program of \$18.2 billion in 2009-10 requires an immediate review of the project management processes and skills in place to avoid further budget blowouts; in particular Auditor-General reports on this matter should be consulted for terms of reference for the review.

**THE CHARTER OF SOCIAL AND FISCAL RESPONSIBILITY**

The Premier referred to the advice that was taken in putting together the mid-year fiscal and economic review; and the economic and fiscal update documents released in December 2008 and February 2009 respectively.

When asked the Premier said that prior to the release of the EFU she had not directly taken advice on its effect on Queensland's top grade credit rating.

This is of particular concern to me because in order to meet the Government's requirements under their own *Charter of Social and Fiscal Responsibility* required management of the state's finances to maintain a top grade credit rating.

If the Premier did not seek advice of the effect of the EFU on the credit rating, then the Premier must not have sought assurance that her Government was complying with the Charter.

It appears that the Premier does not take her responsibilities under the Charter seriously and now has removed the Charter out of political convenience.

Qualifications to the Committee's recommendation:

5. The Government should meet all performance requirements in financial management, and where the Government takes a view that requirements



are no longer appropriate, provide clear and unequivocal analysis of why such a change is warranted.

## **THE PLAN TO RECOVER THE TOP GRADE RATING**

The Premier said in the public hearing that she expected the top grade rating to be returned within 10 years. Such advice was based on Treasury's forecasts of how the State's revenue would increase over time.

This shows the Government's approach to dealing with this issue—they are waiting for the boom times to return.

It was in September 2008 that Lehman Brothers collapsed which sparked the use of the phrase *Global Financial Crisis*; but in the June 2007 to July 2008 financial year, this Labor Government had already delivered a \$1.5 billion General Government budget deficit.

The Government may not care to admit that their budgetary management throughout the past decade has seen recurrent expenses rise to unmanageable levels; but the point is that even before the GFC was labeled as such by the Premier, the Government already returned a deficit budget.

This government in effect went broke in a boom.

The Premier maintains that the only option to reduce the level of net financial liabilities is to cut capital expenditure. This is incorrect.

Over the forward estimates, the Government is planning to borrow \$12.2 billion to cover recurrent expenditure in the non-financial public sector (NFPS). The Government could reduce the net financial liabilities of the NFPS by reducing the budget shortfall required to be financed.

Instead of reducing the deficit, the Government is waiting for its revenues to return to boom-time levels which are unlikely to occur over the next three years. By not addressing the budget deficits the government is making their recovery plan harder.

The Government's "plan" to recover the credit rating is short-sighted and given that it relies on revenues to catch up to expenditure it is likely to fail.

### Qualifications to the Committee's recommendation:

6. The Government should investigate ways to avoid budget deficits with increased vigour.

## **INFRASTRUCTURE SPENDING**

The committee was invited to believe by the Premier that spending money on infrastructure is the sole cure for the current downturn in the Queensland economy.

The reality is that Government does not create capital; it can only redistribute existing capital within the economy. Infrastructure spending is only paid for because this government has taken that money away from businesses somewhere else in the economy. It is also irrelevant whether those funds come from State or Federal taxes.

The reality is for the Premier when she lauds how many jobs are "created" or "supported" by her massive infrastructure program, that a greater number of jobs are sacrificed through higher taxes and charges in the economy.

The Government argues that they are borrowing these funds to support the building program so therefore it is creating stimulus in the economy, but this is a partially-false notion.

Borrowing to invest on capital works does create some stimulus however it comes at a high cost. For every dollar spent, it must be repaid with interest and given the Government's current plans for repayment of borrowings that interest component may well push the cost/ benefit ratio out of reasonable bounds.

In any event, when it comes time for the debt to be repaid with interest, it will require higher taxes which will be a greater wet blanket over Queensland. It will cost jobs, it will cost economic development and it will threaten our prosperity.

The other option for future Queensland Governments in meeting these debt repayments will be to reduce services to fund the interest repayments. Either way, Queenslanders will see higher taxes or lower services as the interest is repaid on this debt.

Furthermore, as time goes on we will see the effect of this Government's \$85.5 billion borrowing program and the Rudd Government's \$315 billion borrowing program – these massive debts will crowd-out available capital for banks and large corporates and restrict them from borrowing on good terms which will lead to higher borrowing costs, higher interest rates for businesses and consumers and less mortgages on offer.

What is required is for this Government to be ruthless in their pursuit of efficiency in the delivery of the capital works program. I made the point to the Premier that this year the Government will spend nearly half the total infrastructure spending of the Beattie Government between 1998 and 2007.

This massive spending puts a burden on the Premier to ensure that such a massive spend does not result in massive waste and inefficiency.

This government's track-record on waste and inefficiency is terrible and gives me no comfort at all that they will manage the process properly.

The Premier says that many cost escalations are due to changes in scope during a project.

What the Premier doesn't say is that when the government doesn't scope a project sufficiently at the planning stage, and it needs to be fixed half way through, it is always more expensive than doing it properly in the first place.

That issue comes back to a lack of leadership and proper management of Queensland Government projects.

I put a specific example of waste to the Premier during estimates concerning the use of public money to provide a service to public servants which inefficiently duplicates public transport from the CBD to the RBH. Rather than properly addressing this issue, the Premier gave the glib line that she didn't want "brain surgeons to be waiting for buses".

The Premier's defence of the wasteful situation, rather than a reasonable admission and undertaking to address the problem, causes me concern as to the likelihood of an improvement in Government waste.

Qualifications to the Committee's recommendation:

7. The Government should factor in interest repayment into the cost/benefit analysis of infrastructure projects, and publish those calculations.
8. The Government must pursue a framework of efficiency that puts cost-effectiveness of investments as equal to the public need for the investment.
9. The Government must ensure that robust estimation and project management processes are in place before projects commence to ensure that cost escalation is avoided mid-project.
10. The Government should pursue the elimination of waste and inefficient spending without jeopardizing front-line services.

## **EDUCATION**

We know that Education Queensland is a troubled department. The NAPLAN results published last year show just how badly this government is failing

Queensland. However when I put to the Premier just how much harder young people with a sub-standard education would find their future employment prospects the Premier gave no indication that she had a plan to improve outcomes of the Department– she only referred to the Federal Government’s programs.

This is a terrible indictment on any Premier, but especially one who is a former long-term Minister for Education.

This is compounded by the Government’s use of funds under the Department of Employment, Economic Development and Innovation’s *Skilling Queenslanders for Work* initiative. The committee heard from the Premier that use of this \$320 million program to prop up failed EQ graduates with basic literacy and numeracy training was an effective use of the program. I disagree.

Education Queensland needs reform and this Government must re-consider how to better prepare our young people for their future through this department.

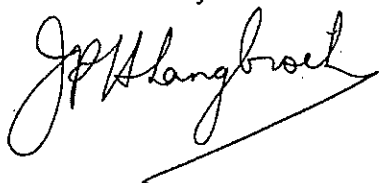
This Premier’s performance to date is not good enough and is in need of an immediate re-think. In good times allowing a few kids to fall through the cracks in an education system that is under-resourced and out of control is bad enough; but in an economic downturn, where a child who can’t get a job today will be on the long-term unemployed list tomorrow is completely unacceptable.

Qualifications to the Committee’s recommendation:

11. The Government must urgently assess the likelihood of high-school graduates over the past two and next two years entering long-term unemployment and intervene to ensure that long-term employment prospects are not threatened due to failures of Education Queensland.
12. The Government must reform Education Queensland.

I urge the committee to consider these matters.

Yours faithfully



**John-Paul Langbroek MP**  
Leader of the Opposition  
Leader of the LNP  
Shadow Minister for the Arts  
Member for Surfers Paradise

# **STATEMENT OF RESERVATION**

**Arts**

**Secretary of Committee A**

I refer to the draft report for Estimates Committee A and submit a statement of reservations on the report and some general comments on the process of Estimates Committees hearings.

## **General comments on the Estimates Process**

The Estimates Process is the greatest opportunity for parliamentary scrutiny of Government appropriations in a unicameral system and it is unfortunate the process does not allow for well considered deliberations by parliamentary committees such as this one.

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During this session there has been a continuance of the disturbing trend of Ministers failing to answer specific questions from some committee members, instead giving a very general answer, which had been pre-prepared, about Government directions or policies.

As a result I have very significant reservations about how informed the Committee's report is.

## Arts-

With consideration complete for the Arts portfolio the following reservations are held –

When asked to provide specific information regarding projects, the Premier would chose to either re-announce the matter in question or offer an excuse such as commercial in confidence to avoid answering.

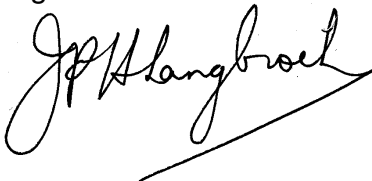
The Premier failed to give the committee any advice regarding what steps had been taken to ensure that *The Edge* project would be delivered in this financial year. Given that this is the third budget cycle in which this two year project has featured, it requires more than simply the Premier's assurance than an already late project will finally be delivered on schedule.

The Premier was unable to provide any information to the committee regarding the in-kind support from Warner to the production of *Chronicles of Narnia—The Voyage of the Dawn Treader*. This was despite her previous statements that this support was a condition for the Government's funding of this feature. Her answer that the Government was not privy to all of these matters gives no assurance to the people of Queensland that this condition was met prior to the expenditure of tax-payer funds.

It is a disturbing development that the Premier does not appear to be concerned about the selection process that was followed that allowed the appointment of the new CEO of the PFTC while she shares a connection to a party that is being sued by that organisation.

The changes the Premier has made to the funding of small and medium arts organisations triennial grants being issued, placing a greater emphasis upon year to year funding. The Premier has failed to give any response as to how these organisations can plan on a long-term basis with surety, given the uncertainty the changes she has made to funding have delivered to the arts community.

Signed

A handwritten signature in black ink, appearing to read 'John-Paul Langbroek', with a long horizontal line extending from the bottom right of the signature.

John-Paul Langbroek  
Member for Surfers Paradise  
Leader of the Opposition  
Leader of the LNP  
Shadow Minister for the Arts



## **STATEMENT OF RESERVATION**

Treasury  
Department of Employment, Economic Development and Innovation  
Secretary of Committee A

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### General comments on the Estimates Process

The Estimates Process is the greatest opportunity for parliamentary scrutiny of Government appropriations in a unicameral system and it is unfortunate the process does not allow for well considered deliberations by parliamentary committees such as this one.

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As a result I have reservations about how informed the Committee's report is.

### **TREASURY & DEPARTMENT OF EMPLOYMENT, ECONOMIC DEVELOPMENT AND INNOVATION**

With consideration complete for these portfolios the following reservations are held –

The budget clearly refutes the Premier's claim of creating 100,000 new jobs over three years. The economic forecasts in budget paper number 2 show that employment is expected to grow as follows:

	2009-10	2010-11	2011-12	2012-13
Budget Forecasts Employment Growth	-0.75	1.25	2.5	2.75
Cumulative Forecast New Jobs (Loss)	(55,500)	(28,500)	26,400	88,200

Source: *Budget Papers, ABS 6202.0*

When the Treasurer was asked if these figures made it unrealistic to continue making the claim of creating 100,000 jobs the Treasurer refused to take the question and referred to earlier comments published before the budget was released.

In the *Budget Measures* document which accompanied the budget papers, the Government says:

*“Under the Government’s plan to create 100,000 new jobs over the next three years...”*

The Government states that it has a plan to achieve, but in the details of the economic forecasts is the truth that on the Government’s own forecasts, their plan will fail.

At best the Government could say that they have an “aspiration” or a “goal” to see 100,000 new jobs created in the economy, but to use the term plan, with the implied understanding that the plan is achievable is misleading.

## **SIGNIFICANT ITEMS**

The other classic hallmarks of a Labor Government appear in this budget—

- \$85.5 billion debt;
- \$12.8 billion in General Government budget deficits;
- \$5.2 billion in annual interest payments forecast;

All on top of increased spending that will continue to compound the debt.

The Government has continued their avoidance of accountability within this budget. The Government seeks authorisation for \$2.1 billion in “unforeseen expenditure” from 2007-08-- Eighteen months after they spent the money, this Government now pays lip-service to parliamentary scrutiny.

## **A DECADE OF DEFICITS AND THE LIE OF A “TEMPORARY DEFICIT”**

On the face of the budget papers, Queensland’s General Government sector will be in deficit from 2007-08 until 2016-17 – a full decade.

On February 11, 2009 the Premier said to the house that this would be a “temporary” deficit; she said:

*“We have indicated that we will have the courage to take the Queensland budget into a temporary deficit to protect building and to protect jobs. We will do the responsible thing and we will do it without fear.” – Hansard, 11/02/2009.*

We see now that the Premier’s stand against responsible economics has succeeded. Queensland will have a decade of deficit budgets totalling more than double the annual budget of Queensland Health.

Even after the publication of the budget, the Premier said during her public hearing to this estimates committee, that she considered 10 years to be a “temporary” deficit.

By contrast, the Treasurer said in his evidence to the public hearing:

*“Do I regard a period of 10 years time as temporary? No, I do not.”*

Clearly the Premier and the Treasurer have different views on the nature of the deficit, which by any account is going to be too large for too long.

I asked the Treasurer to quantify the total sum of deficit budgets and he flatly refused to put a dollar figure on the sum.

He simply tried to attack the Opposition for holding him to account on this point.

The reality is that between 2007-08 and 2016-17 the Labor Government will spend over \$21 billion more than they earn.

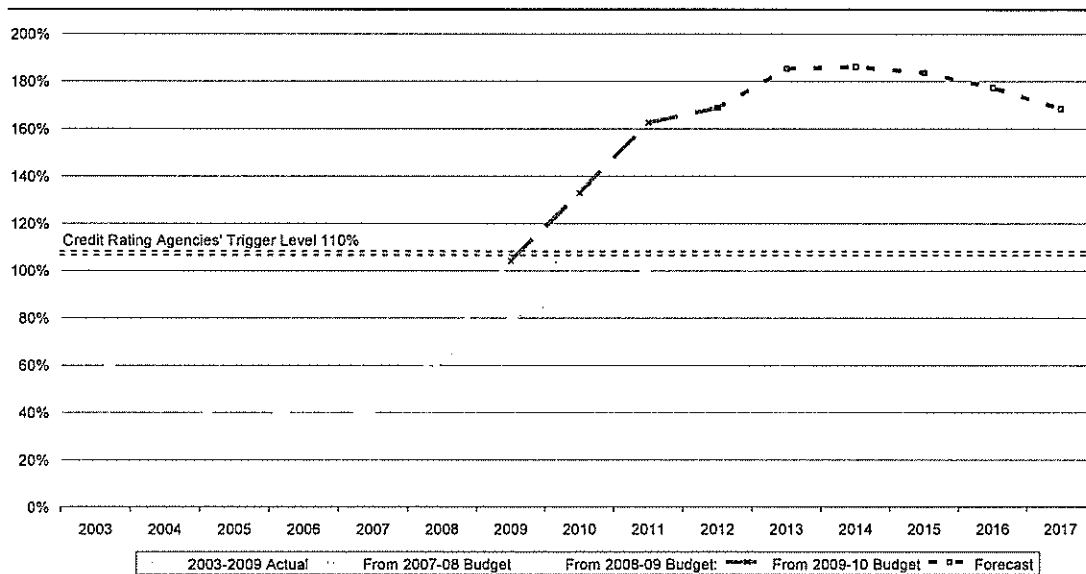
## **THE LOST TOP-GRADE CREDIT RATING**

Queensland has long enjoyed having the strongest financial position of any Australian State. Even the credit ratings agency Standard and Poor’s said in a public press release in November 2001 that Queensland was the strongest of any Australian state.

Yet after two years of Anna Bligh as Premier and Andrew Fraser as Treasurer, Queensland is now the lowest ranked mainland state in Australia and the only not to have a top-grade credit rating.

It is an indictment of ten years of Labor maladministration. The Labor government says that the GFC is to blame. But the reality is that before the GFC was a media buzz phrase, this Government was forecasting outcomes which would have caused the loss of the top-grade rating.

### Credit Rating Trigger Level - Actual, Budgeted and Forecast



As this diagram shows the 2008-09 budget—released before the collapse of Lehman Brothers and what is commonly referred to as the start of the GFC, the Bligh Labor government was already predicting the loss of the top-grade rating in 2009-10.

The advent of the GFC simply made a bad position worse. What these figures show is that Queensland went bust in a boom.

### THE MISLEADING RESPONSE TO THE LOST CREDIT RATING

At page 14 of Budget paper number two, there is a graph (similar to the one above) which charts the ratio of net financial liabilities to revenue as predicted by Treasury after the fire-sale of assets.

This chart makes one admission—the sale of the assets will be insufficient as a single measure to return the ration to below the 110% trigger level.

It admits that this Government's efforts to date are a failure, and the recovery plan is equally doomed to failure unless further measures are taken.

## **QUEENSLAND TREASURY CORPORATION**

The Government's decision to shift the assets which are used to off-set future superannuation liabilities to QTC is one that the opposition has frequently questioned.

As outlined in the budget papers, the government is planning to receive approximately \$2 billion in interest income; the vast majority from QTC as payment of the agreed 7.5% return.

However, the equity holding by the NFPS in the state's financial corporations is \$3.7 billion in the red—this implies that QTC has \$3.7 billion of negative equity.

So the assets are expected to return exactly 7.5% for the next four years, not a dollar more or less.

The equity holdings continue at negative \$3.7 billion over the forward estimates and there is no response within the figures or a planned measure to improve this situation.

It appears unreasonable to assume that QTC will earn 7.5% on the assets to meet their obligations. Therefore it appears more likely that given the economic climate, QTC will not be able to meet the full 7.5% payment and will suffer a further deterioration of their equity situation.

## **QUEENSLAND FUTURE GROWTH FUND**

The failure of the government to specifically quarantine the proceeds of the sales of leases of Cairns and Mackay Airports, and the Government's share in the Brisbane Airport Corporation is a clear broken promise.

The Treasurer's failure to deposit the funds into the QFGF shows the hollow nature of this Government's promises.

This distorts the value of the consolidated fund for the 2008-09 year; those funds should be held in the QFGF as promised.

## **SOLAR HOT WATER PROGRAM**

The Government's statements about this program are disorganised and suggest that they have no idea what the eventual cost of this program will be.

Given that it is to be funded out of the QFGF I am very concerned that this poorly-managed program could see a massive blow-out in costs and be funded from monies set-aside for the specific purpose of being preserved for positive investment, not meeting recurrent expenditure.

## **MOTOR ACCIDENT INSURANCE COMMISSION/ NOMINAL DEFENDANT**

I have further reservations about the returns expected on the capital holdings of these authorities. Although questioned at the public hearing, the Treasurer was unable to satisfy me on the basis upon which the forecasts concerning these entities in the budget were reasonable and realistic.

## **DELAY IN THE ABOLITION OF TRANSFER DUTY ON CORE BUSINESS ASSETS**

During the public hearing, I questioned the Treasurer about this matter as it did not appear in the official communiqué of the COAG meeting the Treasurer referred to in his answer to my earlier questioning.

I am unsatisfied with the Treasurer's response on this matter and am concerned that Queensland is retaining taxes which have been agreed and scheduled for abolition which is causing unnecessary uncertainty and confusion.

## **SKILLING QUEENSLANDERS FOR WORK INITIATIVE**

The *Skilling Queenslanders for Work* initiative is one that has significant merit and has a significant investment of find to match at \$320 million.

I am concerned by the Treasurer's comments that as many as 25% of the organisations who will be contracted to deliver the programs and provide the training under this initiative will not be Registered Training Organisations' (RTOs) which will limit the recognition of training that will be provided by them.

On the face of it, investing as much \$80 million in training which one year later will not be officially recognised appears to be a possible wasted investment.

The Treasurer made the point during the public hearing that:

*"It might be so much as assisting someone to prepare for a job interview in terms of personal hygiene and interviewing technique rather than a certificate III in XYZ."*

The reality is that many organisations that receive funding under many different a varied Government agencies and programs already provide services similar and in many cases, in duplication of what the Treasurer referred to.

The risk is that instead of using these funds to skill unemployed Queenslanders to meet existing vacancies, that the funds may be wasted on duplicated efforts; and, given the high proportion of this initiative being devoted to such kinds of services, that risk concerns me as being too high.



## **GREEN JOBS**

While I applaud all measures that will assist unemployed people in obtaining full employment, I questioned the Treasurer on the comments that the Government in relation to the Green Jobs program.

I am concerned that despite the Treasurer's statements that 3,000 jobs would be created by this program, in effect, it would see only 380 FTE positions created for three years.

I am concerned that the Treasurer's comments may be misunderstood by people. There are not 3,000 fulltime positions being created by this program – there are 380.

Furthermore, I am concerned by the apparent cost-benefit ratio of this program. At a cost of \$57 million for the full program, this equates to \$150,000 per position – but according to the detail of the program, actual participants will receive below-minimum wage trainee remuneration.

I submit this statement as my reservations for the report of committee A.

Yours faithfully

A handwritten signature in black ink, appearing to read 'Tim Nicholls'.

**Tim Nicholls MP**  
Shadow Treasurer  
Shadow Minister for Employment and Economic Development  
Member for Clayfield

# STATEMENT OF RESERVATION

## Estimates Committee A

**Jann Stuckey MP**

### **Shadow Minister for Public Works and Information & Communication Technology**

Mr Simon Finn MP  
Chair – Estimates Committee A  
Parliament House  
Brisbane 4000

Dear Mr Finn

I refer to the draft report for Estimates Committee A and submit my statement of reservation. May I commend the Chair for his even-handed approach in the administration of his committee duties and express my gratitude to Research Director Mr Rob Hansen.

#### General reservations with the Estimates Process

The Estimates Process is meant to provide an opportunity for thorough parliamentary scrutiny of Government appropriations in a unicameral system and it is unfortunate that significant unaddressed deficiencies remain in this process.

The existing Estimates process fails to afford a satisfactory level of scrutiny of the Government's use of taxpayers' money.

Restricted detail and information in the Budget Papers, would appear to be designed to obfuscate the actual state of affairs within each portfolio.

Due to the lateness of the budget this year, the Questions on Notice time frames are shorter than previous years, allowing the Opposition even less opportunity, not more, to investigate the budget papers and prepare questions.

Given that Questions on Notice are returned to committee members only 24 hours prior to the Estimates hearing, detailed examination of the answers is severely inhibited.

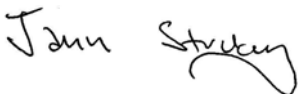
The limited number of questions without notice allocated to each Minister prevents committee members from following a line of questioning in order to reach an acceptable conclusion.

During the Estimates Hearing process, Government members did not use their entire time allocations. These times should have been reassigned to the Opposition in order to allow further scrutiny of the budget papers in accordance with the Estimates program.

#### Specific reservations from the hearing

- The estimates process does not place any requirement upon the Minister being examined to directly answer the question put to them which diminishes the effectiveness of these hearings.
- Given the Minister took responsibility for this portfolio 12 years ago, it was disappointing that the Minister was only able to answer two of the non-Government Questions asked without deferring to his Director-General or other Staff to provide the substantive answer.
- Returns of services to individual agencies from Shared Service Agency received the response they were a smart reallocation of resources rather than an admission that the Government had failed to deliver on their original program promises.
- No QFleet benchmarking was done with the private sector on the basis that they would not give the government information and there were no attempts to put management out to tender to compare costs and disposal times of assets.
- Failure to sufficiently progress the IDES project is disappointing as it has not moved beyond the tender process over two years later. This is despite being approved by executive government in 2007.
- The Minister was unable to provide itemized costs for Government expenditure, using the excuse that the amounts were expended for total contracts, giving no breakdown of what government money was being spent upon.
- Justification that Sales and Distribution Services existed to maintain competition with two dominant private sector businesses poses the question of whether it is a suitable investment of taxpayer money to provide competition in a highly serviced segment of the public sector.
- Training practices in the safe handling of asbestos appear to be ad-hoc and in need of urgent attention.
- The Minister's answers revealed a lack of understanding that security measures for Government's information systems extends beyond physical security.

Signed



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