



Estimates Committee A

2010

Report No 2 to the Legislative Assembly

Introduction

The Legislative Assembly appointed Estimates Committee A on 20 May 2010, in accordance with Standing Order 167(3). On 11 June 2010, the Legislative Assembly referred to Estimates Committee A the proposed expenditure in the Appropriation Bill 2010 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 13 July 2010. 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/legislativeAssembly/hansard/documents/2010.pdf/2010_07_13_EST_A.pdf.

This report summarises the estimates referred to the committee and highlights some of the issues the committee examined. 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.

The estimated 2010-11 capital expenditure for the Department of Premier and Cabinet including all associated entities is \$121 million.¹

The following table compares the appropriations for the department for 2009-10 and 2010-11.

Appropriations	2009-10 \$'000	2010-11 \$'000
<i>Controlled Items</i>		
Departmental Outputs	186,565	207,462
Equity Adjustment	(29,010)	(39,875)
<i>Administered Items</i>	215,930	193,163
Vote	373,485	360,750

Source: Appropriation Bill 2010, p. 9.

¹ State Budget 2010-11, Capital Statement – Budget Paper No.3, p. 104.

The following is a summary of the output costs for 2010-11.

2010-11 Output Summary	\$'000
Policy Advice, Coordination and Cabinet Support	41,002
Government and Executive Services	52,213
Arts and Culture	129,524
Legislative Drafting, Advisory and Information Services	9,606
Total	232,345

Source: State Budget 2010-11, Service Delivery Statements Book 1, p. 1-8.

Priorities highlighted in the SDS for 2010-11 include:

- Supporting COAG's continuing reform agenda including health and hospital reform;
- Producing a strong legislative program on sensitive and important public issues;
- Improving information available on the operation of fundamental legislative principles in legislation and on drafting local laws and university statutes;
- Providing effective support for Parliament, Cabinet and government decision making processes;
- Delivering regular People's Question Time;
- Responding to the growth challenges in South East Queensland.

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 \$5.65 million.²

The following table compares the 2009-10 and 2010-11 appropriations for the Office of the Governor.

Appropriations	2009-10 \$'000	2010-11 \$'000
<i>Controlled Items</i>		
Departmental Outputs	5,056	5,656
Equity Adjustment	-	456
<i>Administered Items</i>	-	-
Vote	5,056	6,112

Source: Appropriation Bill 2010, p. 10.

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. Estimated expenditure for 2010-11 is \$12.92 million.³

The following table compares the 2009-10 and 2010-11 appropriations for PSC.

Appropriations	2009-10 \$'000	2010-11 \$'000
<i>Controlled Items</i>		
Departmental Outputs	9,209	11,121
Equity Adjustment	-	-
<i>Administered Items</i>	-	-
Vote	9,209	11,121

Source: Appropriation Bill 2010, p. 11.

Priorities highlighted in the SDS for 2009-10 include:

- Working in partnership with agencies to identify areas of improvement and enable change;
- Building a strong, capable and efficient public service;
- Driving efficiencies and improved service delivery, as measured by the Performance Leadership Group;
- Being a partner of choice for building capability, leadership and performance.

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 2009-10 and 2010-11 appropriations.

Appropriations	2009-10 \$'000	2010-11 \$'000
<i>Controlled Items</i>		
Departmental Outputs	6,045	6,223
Equity Adjustment	1,000	-
<i>Administered Items</i>	-	-
Vote	7,045	6,223

Source: Appropriation Bill 2010, p. 11.

² State Budget 2010-11, Service Delivery Statements Book 1, p. 1-82.

³ State Budget 2010-11, Service Delivery Statements Book 1, p. 1-91.

Estimated expenditure for 2010-11 is \$42.67 million.⁴

Priorities highlighted in the SDS for 2010-11 include:

- Continuing to assist and encourage all public sector entities to add value through the delivery of high quality audit services;
- Meeting the needs of Parliament by providing independent assurance on the stewardship of public moneys and assets and reporting to Parliament on audit recommendations and emerging issues.

Corporate Administration Agency

The Corporate Administration Agency provides corporate services to arts and other statutory bodies and smaller organisations. Estimated expenditure for 2010-11 is \$11.57 million.⁵

Priorities highlighted in the SDS include:

- Implementing the CAA Information and Communication Technology Strategic Plan, to provide the framework to guide decision making on deployment and utilisation of IT resources;
- Continuing to roll out Tower Records Information Management electronic document and records management system business solutions.

Library Board of Queensland

The State Library of Queensland is the primary custodian of Queensland's documentary heritage. Estimated expenditure for 2010-11 is \$55.22 million.⁶

Priorities highlighted in the SDS for 2010-11 include:

- Establishing two new Indigenous knowledge centres to bring library services and programs to remote communities for the first time;
- Developing and implementing a new service model that integrates the library's services, collections and other programs with other institutions;
- Developing the library as a centre for design knowledge in the Asia-Pacific.

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 2010-11 is \$38.46 million.⁷

Priorities highlighted in the SDS for 2010-11 include:

- Investment of \$12.1 million over four years to secure and deliver major exhibitions;
- Presentation of Valentino, Retrospective: Past / Present / Future;
- Presentation of Twenty-first Century, a major exhibition of contemporary art;
- Presentation of exhibitions of Australian artists such as Vida Lahey, Joe Rootsey and Scott Redford.

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 2010-11 is \$16.93 million.⁸

Priorities highlighted in the SDS for 2010-11 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;
- 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 2010-11 is \$28 million.⁹

Priorities highlighted in the SDS for 2010-11 include:

- Opening the Cobb & Co Museum in September 2010 to include heritage workspaces, new exhibition

⁴ State Budget 2010-11, Service Delivery Statements Book 1, p. 1-103.

⁵ State Budget 2010-11, Service Delivery Statements Book 1, p. 1-1.

⁶ State Budget 2010-11, Service Delivery Statements Book 1, p. 1-39.

⁷ State Budget 2010-11, Service Delivery Statements Book 1, p. 1-46.

⁸ State Budget 2010-11, Service Delivery Statements Book 1, p. 1-55.

⁹ State Budget 2010-11, Service Delivery Statements Book 1, p. 1-61.

galleries, flexible learning spaces, commercial and retail areas and outdoor activity spaces;

- Commencing planning to celebrate the Museum's 150th anniversary in 2012;
- Investing in strategic storage upgrades across the Museum including upgrading laboratory and storage facilities at the Hendra annexe.

Queensland Performing Arts Trust

The Queensland Performing Arts Trust manages the Queensland Performing Arts Centre (QPAC). Estimated expenditure by QPAC for 2010-11 is \$32.9 million.¹⁰

Priorities highlighted in the SDS for 2010-11 include:

- Co-presenting an Australian exclusive season of the Ballet Nacional de Cuba;
- Presenting Mamma Mia! and West Side Story;
- Presenting the Queensland-wide Playing It Together chamber musical project for secondary students.

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 2010-11 is \$78.34 million.¹¹

Priorities highlighted in the SDS for 2010-11 include:

- Working with the ABC as they build their new headquarters;
- Construction of the Boardwalk redevelopment project;
- Construction of the Brisbane Convention and Exhibition Centre expansion.

Issues raised at the public hearing

Issues the committee raised with the Premier at the public hearing on 13 July 2010 include:

- Investment in the small to medium arts sector and the 2010-11 Matilda Awards;
- The expenditure of \$2.1 million to purchase works of art for the Queensland Art gallery's collection;
- The Queensland government's export of art and cultural experiences to regional Queensland;

- The LNP's call for a stand-alone royal commission into corruption and misconduct across government;
- Issues surrounding the appointment of the Police Commissioner;
- Australia's largest infrastructure building program to support jobs;
- Initiatives in the budget that assist the development of skills for the future and help avoid skills shortages;
- The government's commitment to the emerging industry of LNG;
- The Ministerial Charters of Goals;
- The anticipated timeframe for the restoration of the state's AAA credit rating;
- The Queensland Research and Development Investment Strategy 2010-2020;
- Budget initiatives to respond to growth challenges in South-East Queensland over 2010-11;
- Plans to build the CBD's first new cross-river train station at lower Albert Street;
- The role solar power plays in delivering tomorrow's Queensland;
- Electricity pricing;
- The allocation of \$56 million over five years to acquire more national parks;
- The impact of the RTI reforms.

¹⁰ State Budget 2010-11, Service Delivery Statements Book 1, p. 1-70.

¹¹ State Budget 2010-11, Service Delivery Statements Book 1, p. 1-76.

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 2009-10 and 2010-11.

Appropriations	2009-10 \$'000	2010-11 \$'000
<i>Controlled Items</i>		
Departmental Services	131,572	263,084
Equity Adjustment	(3,095)	(9,094)
<i>Administered Items</i>	3,594,410	4,446,878
Vote	3,722,887	4,700,868

Source: Appropriation Bill 2010, p. 11.

The following is a summary of the output costs for 2010-11.

2010-11 Output Summary	\$'000
Financial and Economic Policy	172,152
GOC Performance and Governance	6,410
Economic and Statistical Research	19,493
Revenue Management	74,315
Departmental	272,370
Other	2,118
Reconciliation adjustment to the Income Statement	(3,487)
Total	271,001

Source: State Budget 2010-11, Service Delivery Statements Book 3, p. 3-194.

The total capital expenditure program for Queensland Treasury in 2010-11 will be \$5.3 million.¹²

Priorities in the SDS for 2010-11 include:

- Managing and coordinating the state budget process, in accordance with the new Charter of Fiscal Responsibility;
- Continuing to manage the asset sales process;
- Recommending amendments to the Queensland Competition Authority Act 1977 to strengthen the state's third party access regime;
- Assisting in the establishment of the GOC Queensland Rail;
- Implementing an instalment payment option for land tax;
- Progressing reform to the compulsory third party scheme.

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 2010-11 is \$10.52 million.¹³ Estimated expenditure for the Nominal Defendant Fund for 2010-11 is \$59.12 million.¹⁴

¹² State Budget 2010-11, Capital Statement – Budget Paper No.3, p. 135.

¹³ State Budget 2010-11, Service Delivery Statements Book 3, p. 3-212.

¹⁴ State Budget 2010-11, Service Delivery Statements Book 3, p. 3-216.

Priorities in the SDS for 2010-11 include:

- Using the results of actuarial analyses to consider the feasibility of a lifetime support and care scheme in CTP;
- Implementing changes to enhance the CTP scheme.

Queensland Future Growth Corporation

The Queensland Future Growth Corporation is responsible for administering the Queensland Future Growth Fund. Estimated allocation for projects in 2010-11 is 362.6 million.¹⁵

Priorities in the SDS for 2010-11 include:

- Constructing infrastructure projects in the areas of water and transport;
- 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 climate change initiatives such as the Queensland Solar Hot Water Rebate Scheme.

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 Development.

The following table compares the budget allocations for these outputs for 2009-10 and 2010-11.

Budget Allocations	2009-10 \$'000	2010-11 \$'000
<i>Controlled Items</i>		
Departmental services	246,060	269,256
Equity Adjustment	217,549	31,439
<i>Administered Items</i>	5,774	4,254
Total Budget Allocation	469,383	304,949

Source: Personal correspondence, Department of Employment, Economic Development and Innovation, 9 July 2010.

The estimated service summary for 2010-11 for the Department of Employment, Economic Development and Innovation is \$352,352,000.¹⁶

Priorities highlighted in the SDS for 2010-11 include:

- Helping businesses and individuals respond to the economic challenges they face;
- Delivering extension, support and innovation programs for business aimed at increasing their competitive success;
- Modernising and networking DEEDI service delivery;
- Investing \$3.8 million over three years in the Smart Futures Fellowships;
- Targeting support to industry growth sectors and encouraging new investment in Queensland by driving Queensland's LNG industry and thus creating a potential 18,000 new jobs in future years;
- Providing more than 24,000 Queenslanders with job related assistance and skills training;
- Providing \$3.5 million to deliver the Biosecurity Strategy to protect the State's industry from invasive pests and diseases.

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 13 July 2010 include:

- The amount of land tax that is currently not recovered as a result of exemptions claimed by the union movement;
- How the government is meeting its fiscal objectives as described in the Charter of Fiscal Responsibility;
- Updates to Queensland's forecast unemployment rate;
- Jobs growth in Queensland;
- Implications of the Federal mineral resource rent tax for Queensland;
- The impact the divestment of government assets will have on the government's balance sheet and credit rating;
- The sale of the 204,000 hectare plantation business Forestry Plantations Queensland to Hancock and the value of the business;
- Whether there was any lobbyist activity involved in relation to the asset sale process;

¹⁵ State Budget 2010-11, Service Delivery Statements Book 3, p. 3-220.

¹⁶ State Budget 2010-11, Service Delivery Statements Book 2, p. 2-11.

- How the Skilling Queenslanders for Work program is assisting disadvantaged Queenslanders;
- How the government is attracting new investment to Queensland to provide jobs for Queenslanders;
- The conversion and success rate of the Green Army;
- The life sciences, biotechnology and diversification potential for the Queensland economy;
- The current value of the Queensland BioCapital Funds;
- The cost of consultants that have provided departmental advice in relation to the Solar Hot Water Program;
- Advancements in BioPharmaceuticals Australia;
- How Queensland's taxation regime for small businesses compares to other states.

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.

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 2009-10 and 2010-11.

Appropriations	2009-10 \$'000	2010-11 \$'000
<i>Controlled Items</i>		
Departmental services	104,164	93,776
Equity adjustment	196,481	75,532
<i>Administered Items</i>	65,541	25,242
Vote	366,186	194,550

Source: Appropriation Bill 2010, p. 9.

The following is a summary of the estimated output costs for 2010-11.

2010-11 Output Summary	2010-11 Estimate \$'000
Building Procurement and Asset Management	473,251
Procurement Services	25,151
Information and Communication Technology (ICT) Strategies	37,713
Public Records Management and Advisory Services	18,562
Access to Government Services and Information	56,619
Total	611,296

Source: *State Budget 2010-11, Service Delivery Statement Book 2*, p. 2-163.

The department's capital expenditure program for 2010-11, including commercialised business units, the Shared Services Agency and CorpTech, is \$315.2 million. Capital expenditure by the department, excluding commercialised business units, Shared Services Agency and CorpTech, is \$114.2 million.¹⁷

Priorities highlighted in the SDS for 2010-11 include:

- Delivering a 23,000 seat AFL stadium at Carrara capable of accommodating international sporting events;
- Delivering the 19 storey Supreme and District Court complex in the Brisbane CBD;
- Delivering government buildings at Maroochydore, Thursday Island and Cairns;
- Improving the management and use of information and communication technology investment;
- Embedding a 'one government' approach to ICT investment;
- Reducing the government vehicle fleet's engine emissions by 25% by the end of 2012;
- Continuing to trial low emission and renewable energy technologies for application in government buildings;
- Delivering savings and benefits through sector-wide procurement arrangements for common use items.

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 2010-11 is \$838.81 million.¹⁸

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 2010-11 is \$151.13 million.¹⁹

QFleet

Q-Fleet is a commercialised business unit providing fleet leasing, management and advisory services and vehicle maintenance and repairs. Estimated expenditure for 2010-11 is \$222.57 million.²⁰

CITEC

CITEC is the primary ICT service provider for the Queensland Government. Estimated expenditure for 2010-11 is \$201.19 million.²¹

Goprint

Goprint is responsible for printing and distributing government publications. Estimated expenditure for 2010-11 is \$14.25 million.²²

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 2010-11 is \$64.14 million.²³

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 2010-11 is \$189.58 million.²⁴

¹⁸ *State Budget 2010-11, Service Delivery Statements Book 2*, p. 2-154.

¹⁹ *State Budget 2010-11, Service Delivery Statements Book 2*, p. 2-154.

²⁰ *State Budget 2010-11, Service Delivery Statements Book 2*, p. 2-154.

²¹ *State Budget 2010-11, Service Delivery Statements Book 2*, p. 2-154.

²² *State Budget 2010-11, Service Delivery Statements Book 2*, p. 2-154.

²³ *State Budget 2010-11, Service Delivery Statements Book 2*, p. 2-154.

²⁴ *State Budget 2010-11, Service Delivery Statements Book 2*, p. 2-154.

¹⁷ *State Budget 2010-11, Capital Statement – Budget Paper No.3*, p.108

Priorities in the SDS for 2010-11 include:

- Continuing to work with client agencies and CorpTech to implement standard human resource and finance systems;
- Consolidating and standardising processes and systems to provide more cost effective and timely services.

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 for 2010-11 is \$123.61 million.²⁵

Priorities in the SDS for 2010-11 include:

- Progressively implementing finance and payroll systems through the Corporate Solutions Program; and
- Implementing consistent ICT industry standard practices.

Queensland Building Services Authority

The Queensland Building Service Authority provides a licensing regime and regulatory function for the building industry. Estimated expenditure for 2010-11 is \$148.08 million.²⁶

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 13 July 2010 include:

- Issues and impacts arising from the Queensland Health payroll project;
- Why a full parallel pay run comparison between the Lattice payroll and the SAP HR was not planned and implemented prior to go-live;
- Issues concerning the Minister's attendance at a business lunch organised and paid for by building union representatives; and who attended the lunch;
- The impact of the global financial crisis on subcontractors and labourers;

- Stakeholder representation in the Identity, Directory and Email Service and completion date;
- The rate of progress of the whole-of-government ICT infrastructure consolidation;
- QBuild's efforts to ensure the safe removal of asbestos from schools and other government owned buildings;
- Trials for new low emissions and renewable energy technologies for potential application in government buildings;
- The establishment of an office in the department to focus on the national broadband network;
- QBuild staffing;
- The establishment of the print management broker and associated costs;
- The outsourcing of external consultants;
- Fees paid to CorpTech under the Shared Services Initiative.

²⁵ State Budget 2010-11, Service Delivery Statement Book 2, p. 2-154.

²⁶ State Budget 2010-11, Service Delivery Statements Book 2, p. 2-154.

Recommendation

The committee recommends that the proposed expenditure, as detailed in the Appropriation Bill 2010 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.



Simon Finn MP
Chair

July 2010

Committee Members

Chair

Mr Simon Finn MP
Member for Yeerongpilly

Other Members

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

Mr Michael Choi MP
Member for Capalaba

Mr Paul Hoolihan MP
Member for Keppel

Mr Tim Nicholls MP
Member for Clayfield

Mrs Jann Stuckey MP
Member for Currumbin

Mr Wayne Wendt MP
Member for Ipswich West

Secretariat

Mrs Ali Jarro (Research Director)
Ms Tamara Vitale (Executive Assistant)

Statements of Reservation

John-Paul Langbroek MP
Leader of the Opposition
Leader of the Liberal National Party
Member for Surfers Paradise

Statement of Reservations – Estimates Committee A
Department of Premier and Cabinet

I refer to the committee's adopted report and the resolution to agree to the proposed appropriation; following are a statement of my reservations to that resolution.

In relation to the estimates process generally, I have a number of reservations about the process and the scrutiny that was able to be applied to this agency. As the lead agency for governance in Queensland, the Department of Premier and Cabinet deserves a significant proportion of time to enable committee members to properly scrutinise the proposed appropriation. There are a number of general reservations that need to be made in relation to the Queensland Estimates Committee process:

- The structure of the Budget Papers, and in particular the Service Delivery Statements, do not provide sufficient detailed information to enable proper scrutiny of activities and expenditures undertaken by Government
- Insufficient time is allocated for hearings by Estimates Committees when considering particular portfolios.
- Insufficient opportunities are provided for hearings by Estimates Committees throughout the year.
- Opposition Members are provided with insufficient time during Estimates Committees Hearings to pursue issues.
- There is a continued failure by Government Ministers to allow Public Servants and Statutory Officials who exercise direct responsibility for the conduct of activities to directly answer questions posed by Members.
- No mechanism exists to require full, direct and honest answers to Questions on Notice.
- No mechanism exists to require Ministers to fully, directly and honestly answer questions posed during Hearings

Given that the committee had the opportunity to scrutinise the agency with lead management across whole-of-Government, I have received sufficient evidence to state that the 2010-11 Budget is a failure of public sector governance.

Queensland faces significant challenges as the economic world reemerges from the global financial crisis. In many respects, while the global economic situation continues to evolve, for Queensland specifically we have an economic climate with a two-speed economy as Queensland's resources sector recovers strongly (the Federal Rudd/ Gillard Government's proposed mineral taxation regimes notwithstanding) and will continue to remain buoyant with strong demand from Asian development for our resources.

However, while Queensland's export-orientated industries are largely supported, our domestic economy remains in the economic doldrums, with demand for new capital investment and consumer

spending remaining soft and this situation is likely to persist. While population growth will continue to support the housing and construction industry, the tourism industry, which is vital for many Queensland regions, remains sub-standard in its performance. With international demand for Queensland exports keeping the exchange rate at elevated levels, costs for international inputs for Queensland firms are higher. Causally this means that investments in new machinery and equipment remain lower than historical levels, putting further pressures on Queensland wholesalers and retailers.

In this economic climate, the 2010-11 Queensland Budget cements the Labor Party's claim to being fiscal delinquents.

The Queensland Budget is not proposed to return to surplus until half way through the next decade. It should be noted that the budget first entered into a deficit in 2007-08. The fact that the budget has been in deficit now for three years, and is likely to stay in deficit for another five or six years, represents a structural deficit. In effect, ordinary economic-condition revenues exceed normal expenses which are causing the budget deficits.

The Opposition has made the case that the Queensland Budget needs a serious and immediate overhaul. While the Government continues to make the political case that any cut represents a cut to services or public sector jobs, the reality is that this claim is simply false.

The Queensland Government has not accepted the Opposition's proposed measures to undertake an immediate review and audit of Government finances to determine the appropriate rate of growth in expenditure in terms of the needs of services for Queensland. The Government's response to the structural deficit in Queensland has been to increase revenues, rather than address the growth in expenses.

The policy alternatives could not be starker. The Government proposes increasing taxes to deal with their structural budget deficit. The Opposition proposes stronger control over the growth of expenditure to return the budget to balance.

What the Government's policy represents for the people of Queensland has been increasing costs of living. Recent data released by the Australian Bureau of Statistics shows that the main increases to the CPI have been from Government utilities and other Government-controlled costs. In relation to utilities, the Government has chosen to pursue cost-reflectivity in water pricing under the auspices of pursuing water demand management. However the second aim of the Government has been to pursue the recovery of the capital expense paid to local councils for water assets. These water assets were largely debt free which meant that tax payers had previously paid for these assets through their rates and are in effect paying for the same suite of assets a second time.

To the observer, this decision is not about cost recovery, it is about providing an income-stream to a cash strapped Government. In addition to pursuing a recovery of the cost of purchasing the water assets from councils, the Government is pursuing the recovery of the capital costs of the \$9 billion water grid. It should be noted that the water grid remains largely unutilised and surplus to requirements. The water grid was a knee-jerk decision made by a paralysed and unprepared Labor Government that had ignored calls for investment in water infrastructure for the preceding extent of their political term.

With these general comments in relation to the 2010-11 Queensland Budget I would also like to place on record the following specific reservations:

1. Ministerial Accountability

The Bligh Labor Government in Queensland continues to make a mockery of the Westminster Convention of ministerial accountability. This doctrine requires that ministers exercise thorough and diligent administration of their ministerial responsibilities. However, in Queensland under Labor, there is no responsibility by ministers for their actions. The minister who allowed \$400 million to be spent on a pay-roll system for Queensland Health, the same system which was described in a briefing note as causing a \$400 million “cost burn” without any delivered outcome, was allowed to avoid media scrutiny and did not explain to the people of Queensland why they allowed such a gross waste of public money to occur. While the Labor government has sought to shift focus away from responsibility for the problem to responsibility for the resolution, there is no avoiding the fact that this Minister was responsible for oversight of the system in the first place. Yet despite the actual responsibility there has been no apparent consequence. The fact that the minister chose to dine at a 5-star restaurant when he should have fronted the media to explain the situation to Queenslanders simply adds insult to injury. The executive Government must reconsider what their role in our system of democracy is and how they will continue to administer the state.

2. Perceptions of corruption and cronyism in the Government

I raised with the Premier the issue of the role of the Crime and Misconduct Commission in safeguarding the Queensland Government against corruption and the perception of corruption. Public confidence in the Government and administration of public monies is of the utmost importance. Public confidence can be undermined by proven examples of corruption, but also, and as is with the case within the government at present, where perceptions of corruption exist and remain unaddressed by the Executive. The Premier likes to call the CMC a “standing royal commission” however, according to the chair of the CMC this is not an accurate description of the role, powers or finances of the CMC. The CMC cannot undertake a wide-ranging review into the culture of Government. It is exactly this culture that has allowed the frequently highlighted examples of public misfeasance to occur. More often than not, examples of corruption do not come to light until such time as they reach a gross level. I remain of the opinion that a Royal Commission of Inquiry is required to examine the culture of Government to address the lingering perceptions of corruption under the Labor Party in Queensland.

3. The appointment of the Police Commissioner

A classic example of malfeasance has been highlighted with the handling of the re-appointment of the Police Commissioner. It is a matter of public record that the legislative requirement that the chair of the CMC be properly consulted prior to the appointment of the Police Commissioner was not followed. I endeavoured to ask a series of questions about this matter to the Premier who did not acknowledge the gravity of the situation. For the record, both the Fitzgerald Report and the current chair of the CMC take the view that the appointment of the Police Commissioner should be advertised to ensure that the best available person is appointed to the role. The Government has failed to acquit themselves in this regard.

4. Ministerial Charter of Goals

The failures of public finance administration in Queensland that I have outlined above are compounded by the failures in service delivery. A critical example of this is the failure of the Queensland Health pay-roll system. Health represents the largest of Queensland Government

departments and employs approximately 75,000 health workers and associated public servants. Over the past five months, the trouble plagued new SAP/ Workbrain pay-roll system has failed to properly pay Queensland Health workers. Given the critical nature of role played by these workers, one would assume that fixing the flawed system would be of the highest priority for the responsible minister. However, the charter of goals document, which outlines the priorities of the Health Minister as set by the Premier, is completely silent on this issue. The failure of the Premier to clearly outline the resolution of this issue as a priority for her minister is yet another failure of public administration and a slap in the face for unappreciated Queensland Health workers. Likewise the maintenance and recovery of the state's credit rating. The Government has attempted to mount the shallow political point that they "chose" to forego the credit rating so as to support the infrastructure program; this point can best be described as short-sighted and the reality is that Labor did not "choose" to forego the rating. Queensland's credit rating was deteriorated over the previous three years when the Government continually accrued debt, despite calls from independent ratings agencies and the opposition to the contrary. I have the reservation that the Premier has critically failed her role by failing to set the ministerial goal for the Treasurer to maintain the credit worthiness of the state's balance-sheet at a level required to retain the credit rating.

5. Plan to recover the AAA credit rating

The Government's plan to recover the AAA credit rating has serious flaws. The principal criteria for determining Queensland's credit rating is the ratio of net financial liabilities to revenue. It is a fact that credit ratings agencies take reference to a number of issues including the general economic climate. However, this criterion is the key. The criteria takes reference to the debt and superannuation liabilities of Queensland, net of any financial assets and measures that against the amount of General Government revenue.

For most ratings agencies, Queensland's ratio trigger-point for a return to the AAA credit rating will require a return to a point of 110% or less. According to the 2010-11 budget papers, Queensland is currently at a ratio of 116% rising to 134% by the end of the budget period. As I have outlined earlier, the Queensland Budget remains in deficit over the medium term, and is subject to a structural deficit. This means that every year the Queensland Budget will require additional borrowings, and does not allow any recurrent revenue to be used for debt retirement.

The Government's solution to the loss of the AAA credit rating is a series of asset sales. It should be noted that the quantum of value of the assets currently planned for sale exceeds the value of all previously privatised assets combined. Accordingly, it is vital that the process be undertaken carefully and with proper and transparent guidelines. However the Government has failed comprehensively to act in either of these ways, accordingly the Opposition has opposed the sale of these assets.

As I have outlined, privatisation is not a new process. However, the Government's record on accountability of the process is seriously tarnished. In the 2008 estimates process the Premier was asked about the proceeds of the sale of the Government's share in the Brisbane Airport Corporation and whether the government would use the proceeds for debt retirement. The Premier stated in 2008 that the proceeds would be used for debt retirement, however in the 2010 estimates the Premier confirmed that the proceeds were in fact spent and not used to pay down debt.

In addition to the complete lack of trust-worthiness of the government, the problem that Queensland faces that has necessitated the asset sales will not be solved by the selling of these assets. More to the point, the asset sales do not provide a sustainable future for debt management.

Unless the Government addresses the structural budget deficit and the reveals how they intend to meet future infrastructure investment without the use of debt it would appear that the Government intends to continue the sale of Queensland assets into the future. Accordingly, I have significant reservations about the Government's plans for the recovery of the AAA credit rating.

6. Costs of the asset sales process

I asked the Premier to quantify the internal costs of the asset sales process, including the costs of having a team of Treasury officers, led by a deputy Under-Treasurer, tasked solely with the asset sales program. Additionally we have not been advised of the costs of having the QR National CEO Lance Hockridge conduct a road show of QR in the United States to encourage investors. It is vital that the public interest be served and the full costs of this process be published.

7. Costs of living

I asked the Premier to outline the "headroom" or profit margin in the notified prices for retail electricity consumers in Queensland. This stems from the privatising of the retail assets of Energex and Ergon Energy and a deal with the purchasers to provide a higher sale price in return for elevated profits through the "headroom" margin. This secret Labor deal means that Queensland families are today paying inflated electricity prices. The Premier referred the committee to the *Electricity Act 1994* for explanation for how notified prices for electricity are calculated. However, as I tabled for the committee during the hearing, the Government has instructed the Queensland Competition Authority through the Ministerial Directive to ensure that "headroom" remains in the notified electricity prices. In effect, this is pushing electricity prices higher than the market would otherwise provide.

I encourage the committee to consider these reservations while voting on the *Appropriation Bill 2010*.

Yours faithfully

A handwritten signature in black ink, reading "John-Paul Langbroek". The signature is written in a cursive style and is underlined with a single horizontal line.

John-Paul Langbroek MP
Leader of the Opposition
Leader of the LNP
Member for Surfers Paradise

John-Paul Langbroek MP
Leader of the Opposition
Leader of the Liberal National Party
Member for Surfers Paradise

Statement of Reservations – Estimates Committee A

Department of Arts

I refer to the committee's adopted report and the resolution to agree to the proposed appropriation; following are a statement of my reservations to that resolution.

May I commend the Chair for his even-handed approach in the administration of his committee duties and express my gratitude to Research Director Mrs Ali Jarro and her Executive Assistant Tamara Vitale for their support.

General reservations with the Estimates Process

There are a number of general reservations to be made in relation to the Queensland Estimates Committee process:

- The structure of the Budget Papers, and in particular the Service Delivery Statements, do not provide sufficient detailed information to enable proper scrutiny of activities and expenditures undertaken by Government
- Insufficient time is allocated for hearings by Estimates Committees when considering particular portfolios.
- Insufficient opportunities are provided for hearings by Estimates Committees throughout the year.
- Opposition Members are provided with insufficient time during Estimates Committees Hearings to pursue issues.
- There is a continued failure by Government Ministers to allow Public Servants and Statutory Officials who exercise direct responsibility for the conduct of activities to directly answer questions posed by Members.
- No mechanism exists to require full, direct and honest answers to Questions on Notice.
- No mechanism exists to require Ministers to fully, directly and honestly answer questions posed during Hearings

Specific reservations from the hearing

- The Premier has demonstrated a lack of concern that the competitive grant process has continued to exclude, on multiple occasions, highly talented artistic groups. That groups who have been rejected on multiple occasions have gone on to create works of award-

winning standards should not be seen as a positive of this process. It instead indicates this system has failed to identify worthwhile talent on multiple occasions.

- Continuing on from last year's estimates hearings, the Premier has again shown a lack of concern by failing to demonstrate that the CEO of Screen Queensland has been suitably insulated from the decision-making processes which agreed to undisclosed settlement of legal proceedings in which she was named as a party prior to her current role.
- Questioning revealed that there is no methodology in place to support and encourage Queensland Artists as part of the purchasing process for Queensland's leading art galleries. While it is important to ensure that the quality of these collections continues to be of the highest standard, it also remains an important goal to provide opportunities for Queensland artists to strive to have their works included in such esteemed company.
- Despite receiving more applications for regional events, the Queensland Events Corporation supported 56 fewer events in 2009-10 as part of the Regional Development Program. For the Premier to attempt to claim that what Queenslanders saw was highest level of support for events, despite actually supporting 56 fewer events is not a sustainable argument.

I encourage the committee to consider these reservations while voting on the *Appropriation Bill* 2010.

Yours faithfully

A handwritten signature in black ink, reading 'John-Paul Langbroek'. The signature is written in a cursive style and is underlined with a single horizontal line.

John-Paul Langbroek MP
Leader of the Opposition
Leader of the LNP
Member for Surfers Paradise

Tim Nicholls MP
Shadow Treasurer
Shadow Minister for Employment and Economic Development

STATEMENT OF RESERVATION

TREASURY – DEPARTMENT OF EMPLOYMENT, ECONOMIC DEVELOPMENT AND
INNOVATION

I refer to the recommendation of estimates committee A and submit this statement outlining my reservations.

There are a number of general reservations that need to be made in relation to the Queensland Estimates Committee process:

- The structure of the Budget Papers, and in particular the Service Delivery Statements, do not provide sufficient detailed information to enable proper scrutiny of activities and expenditures undertaken by Government.
- Insufficient time is allocated for hearings by Estimates Committees when considering particular portfolios.
- Insufficient opportunities are provided for hearings by Estimates Committees throughout the year.
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- There is a continued failure by Government Ministers to allow Public Servants and Statutory Officials who exercise direct responsibility for the conduct of activities to directly answer questions posed by Members.
- No mechanism exists to require full, direct and honest answers to Questions on Notice.
- No mechanism exists to require Ministers to fully, directly and honestly answer questions posed during Hearings.

The 2010-11 Budget by the Bligh Government continues its past failures in fiscal management. Despite an increase of nearly \$13 billion over last year's forecasts in General Government revenue between 2009-10 and 2012-13, the budget remains in deficit. The problem can be found in the failure to manage government expenses. Over the same period, government expenses will be \$5 billion more than was forecast last year.

A spendthrift government that cannot control costs has led to the explosion of debt that has cost Queensland its cherished AAA credit rating and is having ongoing damaging impacts.

In relation to the committee's recommendation for these two portfolio areas, I have the following reservations:

1. The failure of the Government to manage the growth of expenses.

The credit rating agency Moody's and the LNP have consistently warned the Bligh Government of the dangers that the unaddressed growth in expenses has on business and the States credit rating. Unless action is taken to address this situation, Queensland will remain in deficit. The government's solutions seem to consist only of raising fees, taxes and charges. Increases in taxes and charges are having a detrimental effect on Queensland businesses. During the public hearing I put it to the Treasurer that the Queensland Budget is in "structural deficit". A structural deficit is one where the persistent and medium-term outcome of the budget is a deficit. It arises from a situation where ordinary revenues are insufficient to meet the ordinary expenses of the Government. I therefore have two reservations in relation to the growth of expenses; first that expenses are not being controlled and are growing at a level that exceeds the growth of revenue – a situation factually evidenced in the budget papers. My second reservation is that the Government does not intend to address this issue, and will wait to quietly increase revenue sources to meet expenditure growth. I am of the opinion that the more appropriate course of action for addressing this structural deficit in the Queensland finances is to control the growth of expenditure, rather than raise taxes.

2. The failure by the Bligh Government to properly manage Government debt.

Under questioning in the estimates process in 2008, the Premier and then-Treasurer said that the proceeds from the sale of the Brisbane Airport Corporation share would be used for debt retirement or infrastructure investment. When this issue was considered during the public hearing, the Premier confirmed that the proceeds of the BAC share sale was in-fact spent, not used to retire debt. In answers to questions on notice number 1804 of 2009, the Premier stated that the proceeds of the asset sales would be used for *both* debt retirement and infrastructure investment. The use of the proceeds of the BAC share sale sets an alarming precedent for the proceeds of the Government's "Renewing Queensland Plan". I continue to be concerned that the proceeds of this sale will not be used for debt-retirement, and will be used for further expenditure.

3. The failure of the Queensland Government to advocate against the impact on Queensland of the Federal Government Mineral Resource Rent Tax.

During the public hearing I raised with the Treasurer the issue of the Federal Government's Mineral Resource Rent Tax, the second version of the Federal Government's failed Resource Super Profits Tax. The Treasurer confirmed that he anticipated 40% of the expected \$10.5 billion to be raised by this big new tax will be raised from companies operating in Queensland. I went on to raise with the Treasurer what return the people of Queensland could expect, as compensation for this additional tax levied on Queensland enterprise and resources. I made this point because the Mineral Resource Rent Tax is predominately levied on businesses operating in Queensland and Western Australia. The Treasurer refused to say whether he considered the proposed return of \$150 million per

annum over 10 years an adequate return to Queenslanders. I hold the reservation that this amount is an insufficient return to Queensland.

4. The asset sales process has so-far only returned fire-sale prices.

I raised with the Treasurer the \$603 million return achieved from the sale of Forestry Plantations Queensland and how it compared to the return achieved by the Victorian Government 12 years ago. The Treasurer was unable to explain satisfactorily why the return for the Queensland assets was far less than that achieved 12 years ago in Victoria and in fact only equal to approximately 50% of the book value of the assets of FPQ of approximately \$1.2 billion. Accordingly, I hold the reservation that the asset sales process has so-far been a fire-sale. Given the current state of the equity markets in Australia, I am also concerned Queensland will see a sub-standard return from the IPO of QR National Ltd.

5. There is significant disparity in the protection and collection of state revenue

I raised with the Treasurer the situation of Freemasons Queensland, as an example of a number of charitable institutions who have, for one reason or another, been subject to a review of their exemption from various charges and fees. By way of a contrast, I raised with the Treasurer the situation of trade unions in Queensland, who operate commercial property rental businesses. It seemed that land tax was not being paid by these unions and the Treasurer was not able to offer any satisfactory answer other than to refer to the interest the Commissioner of State Revenue takes in public proceedings. It is also interesting to note that the exemption of the Trade Union movement is \$658,000.

6. Investment in Queensland Bio Capital Fund

I hold reservations over the past investment strategies involving Queensland Investment Corporation and the investment in the bio-tech sector. Of the \$91 million of taxpayers money invested since 2002 the value of the shareholdings has dropped to \$42 million. This highlights the dangers of government trying to "pick winners". I am concerned to support bio technology and knowledge based industries but this must be done effectively and not with this magnitude of loss to Queensland taxpayers.

Yours faithfully



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 Mrs Ali Jarro and her Executive Assistant Tamara Vitale for their support.

General reservations with the Estimates Process

There are a number of general reservations to be made in relation to the Queensland Estimates Committee process:

- The structure of the Budget Papers, and in particular the Service Delivery Statements, do not provide sufficient detailed information to enable proper scrutiny of activities and expenditures undertaken by Government
- Insufficient time is allocated for hearings by Estimates Committees when considering particular portfolios
- Insufficient opportunities are provided for hearings by Estimates Committees throughout the year
- Opposition Members are provided with unsatisfactory time slots to adequately pursue issues
- No mechanism exists to require full, direct and honest answers to Questions on Notice
- No mechanism exists to require Ministers to fully, directly and honestly answer questions posed during Hearings

Specific reservations from the hearing

- Inconsistent approaches by different Ministers to the estimates process require clarity. Current interpretation of standing orders indicates that questions must be asked through the chair to the appropriate Minister. While questions must be addressed to the Minister, there is no consistent approach to determining who answers these questions.

Both the Premier in Estimates Committee A and the Attorney-General in Estimates Committee E insisted that, as the responsible minister, it was their duty to answer questions. This position was contradicted by the Public Works Minister who continued to state his view that these were departmental estimates and would allow questions to be answered by the Director-General and other staff.

- During hearings, there is no requirement for the Minister being examined to answer the specific question put to them which diminishes the effectiveness of these hearings.
- Staged questions from Government Members waste time that would be better spent actually scrutinizing budgetary items. Listening to a Minister read from a prepared speech insults the Estimates process further.
- The Minister further diminished the respect for this process by engaging in cross chatter with staff while supposedly answering opposition questions. The Minister displayed both a lack of respect to the estimates committee and to the estimates process as a whole by not listening to the questions put to him. On more than one occasion, I was asked to repeat questions because the Minister and his staff were too busy talking amongst themselves.
- The Minister's willingness to pass many questions directly on to the Director-General answers revealed a lack of understanding and/or interest across all areas of his portfolio.

Signed

A handwritten signature in black ink that reads "Jann Stuckey". The signature is written in a cursive style with a large, sweeping flourish at the end of the name.

Jann Stuckey MP

Member for Currumbin

Shadow Minister for Public Works and Information and Communication Technology