

TUESDAY, 9 OCTOBER 2012

ESTIMATES—FINANCE AND ADMINISTRATION COMMITTEE—PREMIER AND CABINET

Estimates Committee Members

Mr MJ Crandon (Chair)
Mr CW Pitt
Mr R Gulley
Mr IS Kaye
Mr TS Mulherin
Mrs FK Ostapovitch
Mr EJ Sorensen
Mr MA Stewart

In Attendance

Hon. CKT Newman, Premier
Mr B Myers, Chief of Staff, Office of the Premier
Department of the Premier and Cabinet
Mr J Grayson, Director-General
Mr G Robson, Director, Economic Policy
Ms J Dudurovic, Executive Director, Business Services
Mr I Maynard, Commission Chief Executive, Public Service Commission

Committee met at 10.32 am

 **CHAIR:** I declare the estimates hearing of the Finance and Administration Committee open. On behalf of the committee, I welcome to the hearing the Premier, officers of the department and related entities, and members of the public. I am Michael Crandon, the member for Coomera and chair of the committee. Joining me on the committee are Mr Curtis Pitt, who is yet to arrive; Mr Reg Gulley MP, member for Murrumba; Mr Ian Kaye MP, member for Greenslopes; Mr Tim Mulherin MP, member for Mackay; Mrs Freya Ostapovitch MP, member for Stretton; Mr Ted Sorensen MP, member for Hervey Bay; Mr Mark Stewart MP, member for Sunnybank; and Anastacia Palaszczuk MP, member for Inala.

The committee will now examine the Appropriation Bill 2012 and the estimates for the areas of responsibility administered by the Premier. The committee will consider the estimates for the Department of the Premier and Cabinet and related entities until 12 noon. We will then take a break and resume at 1 pm to examine the remaining estimates for the Department of the Premier and Cabinet and related entities. This will conclude at 2.30 pm.

The proceedings today are lawful proceedings and subject to the standing rules and orders of the Queensland parliament. As such, I remind all visitors that any person admitted to this hearing may be excluded by order of the committee in accordance with standing order 208. In relation to media coverage of the hearing, the committee has resolved to allow television film coverage and photography at all times during the hearing in accordance with the media broadcasting rules.

Before we begin, I ask that all mobile phones be now switched off. For the benefit of Hansard, I ask advisers if you are called to give an answer to please state your name before speaking. I now declare the proposed expenditure of the areas of responsibility administered by the Premier open for examination. The question before the chair is—

That the proposed expenditure be agreed to.

Premier, the committee has resolved that you may make an opening statement. Do you wish to do so?

Mr NEWMAN: Yes, I do.

CHAIR: Premier, you have five minutes.

Mr NEWMAN: It is a delight to be here today to allow the process of government to scrutinise this very important, once-in-a-generation budget. I come here today most enthusiastically to talk about this budget and allow the committee to have a good look at what we are trying to deliver here for Queensland. I stress that we have had to make tough decisions. We have had to do some things that have been very difficult, but they are done in the best interests of the future of Queensland and the people of this great state.

We did inherit a terrible financial mess. The Commission of Audit report chaired by Peter Costello has found that, if we did not take urgent action, we would have debt of \$100 billion in 2018-19. We cannot allow that to occur. That is why I, the Treasurer and the Cabinet Budget Review Committee have worked tirelessly with all members of cabinet to come up with the budget that we have. We are determined to do more with the current dollars that we have. We are determined to deliver services more efficiently. We are determined to return the budget to fiscal surplus and that happens in the 2014-15 financial year.

In this budget we have delivered savings of \$7.8 billion, and we have also delivered a budget turnaround of \$11.5 billion, which over the next four years saves Queenslanders a staggering \$1.3 billion in interest. That is what this is all about. It is also about ensuring we take the cost-of-living pressures off Queenslanders; that we do not keep asking Queensland families to pay more in taxes and charges which would increase that level of hurt on them. That is why we have delivered on commitments to lower stamp duty on the family home—\$7,000—to freeze family car registration, to freeze tariff 11 electricity prices, to provide an \$80 rebate on South East Queensland water bills in this current financial year. There is a range of other things that we have done as well to take the burden off particularly small business.

Today I think I need to reflect on something that is very important to this government and that is pertinent to the way forward in terms of the release of government information. Today I am announcing that our open data, open government e-revolution is kicking off. Today I have announced that Mr Ray Stevens, the Leader of the House and member for Mermaid, has been appointed as an assistant minister. Ray will be working with me, the entire cabinet and the directors-general of the state departments to deliver a whole range of information and data services that have never been able before to Queenslanders.

What we propose to do is really throw out everything that the government has onto a new website to ensure that Queenslanders can scrutinise this government, can look into every nook and cranny of what is going on, to ensure that they are totally informed. We are modelling this on some of the groundbreaking things that are going on overseas. I particularly draw the committee's attention to the New York City open government initiative, where there is a wealth of information that has now been made available to the citizens of that city.

Why are we doing this? I have talked about the fact that we need to be open with Queenslanders, but there is a whole range of benefits that we believe will apply. Once upon a time—over 100 years ago—governments often granted land as a way of stimulating the economic development of this state. Today in the information age by releasing information we believe that will actually stimulate the economy and stimulate improvements in productivity.

So what is this all about, to get into the nitty-gritty? Well, imagine in a few months time when this has really started to get a head of steam. We propose that you will be able to find out where the speed cameras are located. You will be able to find out the hospital emergency statistics and general statistics on the performance of our hospitals. You will know the electricity consumption of the various state schools and government departments. You will have access to the traffic counts done by the Department of Transport and Main Roads. There will be a wealth of information out there.

How does that help the community? If you are a transport logistics company, having the traffic counts and the most recent information available free of charge on the government website will mean that you will be able to re-plan the way your business operates ensuring that your trucks avoid roads during congested periods and the like. This is going to be a very exciting thing.

Perhaps before I close I can talk about what has happened overseas. We are seeing very significant savings in the United States. For example, in Texas they reported \$8.7 million in savings directly attributable to their transparency website in just the first year of operation. I quote from the *Sydney Morning Herald* and this is what we will be doing with financial information—

Opening the government books to an army of online citizen investigators has uncovered waste and duplication and made junkets or pork-barrelling spending near impossible. Corruption and rotting cannot occur when the records are freely available. Sunlight truly is the best disinfectant.

I am really delighted that Ray Stevens has taken up this challenge, and I know that this is going to be a quiet revolution in the state of Queensland.

CHAIR: Thank you, Premier.

Ms PALASZCZUK: Premier, I refer to page 84 of Budget Paper No. 2, which sets out the full-time equivalent redundancies to be around 14,000. Premier, will you advise how many actual people make up those positions?

Mr NEWMAN: I am delighted—

CHAIR: Premier, just before you start, I remind the people in the gallery that recording devices are not allowed. That goes for sound devices and photographic devices. If there is anyone in the gallery who is contemplating or has commenced recording of any description, I ask them to turn those devices off. You will be removed from the gallery if that is found to be occurring.

Mr NEWMAN: I am delighted to answer that question. The table in the budget documents sets out a couple of things, but to elaborate on this we are seeing a program of 10,600 redundancies and the net effect in terms of the FTE staffing levels of the Queensland government across all departments actually sees a net reduction of 8,726. So we are comparing how many people in the Queensland government are employed from the FTEs in 2011-12 versus 2012-13. So there is a reduction of 8,726. My point is this: as we have said before, there will be reductions through voluntary redundancies—10,600. As I recall, there will be another 4,000 or 5,000 people who were on temporary contracts who will also be leaving, but in the meantime the Public Service is growing and hence there are two different figures because we are employing more front-line staff. We are employing more nurses, more police officers and the like. So that is why there is a difference between those figures.

Ms PALASZCZUK: Premier, with all due respect, that is not answering my question. I want to know exactly how many actual people have lost their jobs. Will you take that on notice under standing order 181?

Mr NEWMAN: I do not have any detail on the absolute headcount, but I would like to clarify whether you are talking about the people who have lost their job as of today or at the end of the financial year.

Ms PALASZCZUK: As of today. We want the actual figures broken down, and you have time to table that under standing order 181 if you want to take that on notice.

Mr NEWMAN: I will certainly take that on notice.

Ms PALASZCZUK: Thank you. My next question is: Premier, will you today rule out any further job cuts for the remaining term of your government?

Mr NEWMAN: I need to clarify what the Leader of the Opposition is asking in relation to what part of government?

Ms PALASZCZUK: All parts of government.

Mr NEWMAN: Does that include government owned corporations?

Ms PALASZCZUK: Yes, it does.

Mr NEWMAN: In relation to the government itself, we have announced these figures, the 14,000—or the 10,600 voluntary redundancies, and that is the intention of the government. In relation to GOCs, as the honourable member would know, they are run by independent boards. We do not dive into the day-to-day operation of those organisations. That is my answer.

Ms PALASZCZUK: Premier, what was your role with regard to communicating job losses to government workers? Did you oversee how that communication was carried out? As you will appreciate, it was a very stressful time for a number of people. Most of that occurred on budget day. What role did you take in maintaining that due process and consideration was given to those workers who were affected by your government's decision to axe their jobs?

Mr NEWMAN: In relation to this issue I can merely advise that this has been a very difficult period for many people, and we understand that, as I have often expressed my deepest sympathy to people who have had to bear the brunt of these tough decisions. But the Leader of the Opposition was a member of the former government that employed people on borrowed money. If they are looking for someone to blame, I am afraid they do need to take it up with the Leader of the Opposition. That is the sad fact and all the data supports that. All the information out there supports that.

In relation to communication about the government's position, I have tried at all times to state the case, to state the position unequivocally without the normal spin that we would see from people in the Labor Party at both a state and federal level. I have tried to tell people the truth, hence my early comments in the parliament after the Commission of Audit was handed down about the potential overstaffing level of 20,000. Subsequently, we have at all times tried to get the information out as to where the government is going.

In relation to the way that things were communicated, I have always impressed, both to my director-general, Mr Grayson, and also at cabinet meetings, that ministers need to do their utmost to ensure that people are treated with dignity and respect and that the government's program is communicated properly. I have done my best to ensure that people were informed about what was going on and to ensure as well that people were given all the information and advice that they needed.

Ms PALASZCZUK: I refer to your comments in parliament on 14 September that—

... not one permanent employee has been 'sacked' as a result of the budget process. It is simply not true to say that this government has 'sacked' or 'cut' 14,000 people.

Premier, do you stand by these statements when 14,000 people have found themselves without a job?

Mr NEWMAN: In relation to this question, at the time that I made that statement I certainly believed it to be true and I still stand by that statement in terms of the context at the time it was said. We have a voluntary redundancy program where people are offered the opportunity for redeployment within the Public Service. I know, for example, of one case that was highlighted in the media where someone claimed that they had been sacked. When I looked into it—and I am not going to breach their privacy today—I found that that individual actually had been offered multiple alternative employment options within the Queensland Public Service but had chosen not to take them instead of taking a voluntary redundancy. In relation to the figures, as at 28 September, 3,573 voluntary redundancies had been offered to staff of which 78.1 per cent, or 2,790, had been accepted and 640 people were yet to decide whether they wanted to accept the offer. That is about 17.9 per cent, and 144 staff, or four per cent, have declined to take a VER—so that is a very low number—and requested to be placed on the employees requiring placement register. My point is that the vast majority of people—78 per cent—are choosing to take very generous voluntary redundancy payouts and find alternative employment within the private sector or other governments, whether they be local or federal.

Ms PALASZCZUK: Premier, I refer to your statement in a view to the *Courier-Mail* that the first 100 days in office of your government has been 'a lot of fun'. Is this still the case now that it has been revealed that those days involved the planning of slashing thousands of jobs and hundreds, if not thousands, of services across Queensland and that this has had an impact right across the state? Do you still stand by your statement that it has been 'a lot of fun'?

Mr NEWMAN: I say today unequivocally that I have had no joy. There has been no fun in making tough decisions to clean up the mess that the honourable members to my left have created that I have inherited. It has been a very tough time for my entire cabinet and obviously a tough time for the people who were employed by people like the Leader of the Opposition and Mr Mulherin when they were in cabinet who allowed the numbers to get out of control that increased taxes and charges on Queensland families. That has been very tough, very hard. It certainly has not been fun to clean up the mess that they created through their poor and reckless financial management.

Mr STEWART: My question is to the Premier. Has the Premier and his department contributed to the government targets to reduce spending on advertising, consultants and travel?

Mr NEWMAN: The answer to that is yes, indeed we have. We have made a lot of tough decisions ourselves and that is across government. We had to show some leadership there. I can advise that we set a target to cut consultants, travel and advertising by 20 per cent. That was part of a broader commitment to save approximately \$270 million in the 2012-13 financial year. If we talk to advertising, in the April to June quarter 2012, advertising was \$4.07 million. I compare that to when the people to the honourable member's right were in charge, they spent \$16 million in the same quarter last year. We have taken a \$16 million advertising spend—\$16 million under Anna Bligh, Annastacia Palaszczuk, Tim Mulherin and the Labor Party—down to \$4 million. I think that is a pretty good example of what we have done. If the honourable member wants more information, we would be delighted to provide it.

CHAIR: Do you have a follow-up question?

Mr STEWART: Not directly on that particular topic.

CHAIR: Member for Murrumba?

Mr GULLEY: Premier, in your opening comments you were talking about open data. What is open data? Can I have some more detail? What role will your Department of the Premier and Cabinet play in delivering that open data?

Mr NEWMAN: I thank the honourable member for the question. Basically, this is going to be a revolution in terms of the way that we run the business of government in Queensland. It is my intention to release everything that we possibly can. So, for example, today the Labor members here will

probably ask questions about expenses, travel, the Government Air Wing and staff numbers. It is going to take time to get there, but we intend to release that information on a regular basis. There is a whole range of financial information that we propose to release—expenses. As an example of what is going on in the United States, there is a website usaspending.gov which provides the details of all US federal government expenditure of more than US\$25,000. It cost less than \$1 million to set it up and the software to use it is available free of charge in the public domain. That is why I go back to my quote from the SMH about the benefits of openness and transparency. If people can see all the money that government is spending—for example, if we had that initiative in Queensland, someone else might have blown the whistle on the so-called Tahitian prince matter. There is an example of the governance of government—the scrutiny from the citizens. That is where we are going.

To take other examples, I mentioned traffic counts. I could put all those up. What if we publish, for example, all the records of babies' names that have been registered in Queensland going back year after year and we do that from now on? For example, they are doing that in New York. You can see a table of the top 500 girls' names and the top 500 boys' names. What might that do? If I am in a business where I am trying to manufacture cards for the birth of babies or birthdays, that data actually has real commercial value for people who stock such cards. It gives you an indication of how many birthday cards you should stock in terms of proportion for girls who have the name Emily. All sorts of stuff can come out of this. If we publish information on hospitals such as the waiting times for emergency departments and the performance stats, think about the competition between the 17 hospital health boards that we have set up. There will be real time competition. Also I am sure it will not be too long before some smart young 20-something writes an app for an iPhone or other smart phone such that if you are wondering, 'What emergency department should I present to if I am ill?', it will tell you statistically which has the lowest waiting time. We actually encourage people to create a demand management tool to help our hospitals do the job. All sorts of things will come from this.

What is the role of my department? As I said, Ray Stevens will be appointed as Assistant Minister for E-government. There will be one member of staff, an SES level individual who is already employed. So we have not employed anybody else. They will support him in the role. Their job will be to go around the various government departments telling the ministers and the directors-general to determine what information they have and to get it up on the internet as soon as possible. We are going to go for the low-hanging fruit first—the easy stuff, the stuff that is there—and then progressively we will go into more levels of detail. The DPC role is to define the objectives and information required to coordinate the contributions from departments and to work with Minister Ros Bates's department SITIA to actually handle some of the IT policy and hardware issues. You may be interested to know that we have established the site. It went live on 7 September. It is data.qld.gov.au. There is some information there at the moment but this is just the beginning. Again I refer honourable members to the New York City site, which has an amazing amount of information that people can access.

Mr SORENSEN: One of the four pillars of the Queensland economy is agriculture. What has the government done since coming to power to support growth in this industry that was neglected by the previous government?

Mr NEWMAN: I thank the honourable member for that. The sad fact of it was that for the last three years prior to us coming to office there was not an agriculture department. There was not an agriculture department. It is extraordinary but there was a complete lack of focus on one of the traditional mainstays of the state of Queensland. Our very first act was to establish a stand-alone agriculture department and the budget for that is \$442.4 million this financial year. That is the investment that we are putting into agriculture.

Some of the important things that we are working on at the moment include that, firstly, you would recall there is a rather damning report into the agricultural colleges, a legacy of waste and mismanagement which now needs to be addressed. Why is it that Queensland agribusiness families choose to send their children from North Queensland and Far North Queensland—canegrowers' sons and daughters—to agricultural colleges in Victoria? Why is that happening? We have to do better. Surely we should have world-class agricultural training facilities in Queensland. Minister McVeigh is currently dealing with the issues left by the former minister for agriculture, who is in this room today. That is one of his big things, and I know that there is more that he will be bringing to parliament in the coming weeks and to the community on that.

In terms of investment, we are investing in R&D. We announced only the other day the fulfilment of our commitment. There was a signing ceremony that I attended in Mackay. There is \$4.6 million over the next few years with BSES Ltd, the sugar research people. There is \$4.8 million for research to develop Queensland into the food bowl of Asia, with a particular focus on pulses. Members will note that I will be going to the Indian subcontinent at the end of November, start of December. That is, again, about promoting the state of Queensland, but agriculture will be right up there, and a key market for pulses is India.

There will be \$3.5 million to improve training opportunities and the availability of skilled workers in the agricultural workforce. We will be spending \$10 million over two years in the fishery industry. There is a voluntary buyback going on—\$9 million for commercial fishing licences and certain classes of netting licences. There is \$1 million for sustainability measures as well.

There is \$11 million for land, weed and pest management. There is \$6 million over four years for the additional 15 front-line biosecurity officers that we promised. There is an agricultural land audit going on at the moment which is all about identifying the amount of land available for cropping in Queensland. The agenda is to increase the productive capacity of that land and meet our goal of doubling food production by 2040. There is a lot more I could talk about there, but I would like to give other members a go.

Ms PALASZCZUK: Premier, can you outline how many government employees, since you have come to office, have taken stress leave or sick leave as their workloads have increased to cover for their colleagues who have lost their jobs?

Mr NEWMAN: I will just have to confer with my officials to see if we have that data. We might have to take that one on notice.

Ms PALASZCZUK: So you are happy to take that on notice under 181?

Mr NEWMAN: We will take that one on notice. The way the question was framed assumed that there has somehow been some sort of increase. I am not aware. I must say to the committee today that I have certainly received no briefing at any time about any such increase. There was a certain assertion and also a tone in the way the question was asked. I am not aware of anything like that occurring, but we will get information for the committee.

CHAIR: Could you try and get that back to us before the close of the hearing today?

Mr NEWMAN: We will see if we can today.

Ms PALASZCZUK: Just in that context, I was stopped by someone at Mount Ommaney whose whole unit had been disbanded except for them and they were taking stress leave because they now had to cover for the equivalent of six to eight people in that particular workforce. So it is actually happening. People are very concerned. I thank you for taking that question on notice.

Mr NEWMAN: In response, I just need to again go back to what I said earlier. There was a case a few weeks ago—it was very prominent in the media—of a certain individual who claimed to have been sacked. That individual had not been sacked. I personally wanted to find out about the individual's circumstances. When I looked into it, I found that that individual had been offered over—I stress, over—20 alternative positions within government. It was actually more than that, but they had chosen to take a voluntary redundancy. Yet they claimed in the media that they had been fired.

I am more than happy to believe the Leader of the Opposition in terms of the instance just given, but I am afraid that there is a lot of misinformation that has been put out there as well. Perhaps the honourable member, the Leader of the Opposition, would like to provide some information about that so that we can look into that specific case as well. If such a thing had been going on, I would want to get to the bottom of that and I would want to ask some questions of the minister and hear a response from that minister in relation to that assertion.

Ms PALASZCZUK: Thank you. We now go back to the 14,000 full-time equivalent jobs that have been lost from your budget. I understand that 500 positions have gone from Queensland Rail. Will you now outline the job losses across all of the government owned corporations? If not, will you take that on notice?

Mr NEWMAN: I have already dealt with that matter.

Ms PALASZCZUK: I do not believe that you have.

Mr NEWMAN: These are run by independent boards. We do not dive into the detail of that. We have top-quality people who are running those organisations, and those are matters for them.

Ms PALASZCZUK: In the past, the opposition has asked questions of the government in relation to government owned corporations. If the transport minister can say—I understand that he said 500 jobs have gone from Queensland Rail—then surely the other ministers can provide to you as Premier a detailed account of those jobs that have gone from the government owned corporations.

CHAIR: Member for Inala, I think the Premier has already covered that off. Please move on to another question.

Ms PALASZCZUK: It is a legitimate question, Chair.

CHAIR: If you have no further questions—

Ms PALASZCZUK: No, I have lots of questions here.

CHAIR: Okay. Move onto another question, thank you.

Ms PALASZCZUK: Premier, did your department provide any advice on the number of potential job losses in the community sector from the cuts in grants outlined in Budget Paper No. 4 of \$368.4 million to Communities, \$120 million in Health and \$18 million in Local Government? If so, will you release this advice?

Mr NEWMAN: Mr Chairman, I just want to clarify. What is the Leader of the Opposition referring to? What organisations?

Ms PALASZCZUK: There are a series of grants that you have axed and those grants actually provide employment for people. So when you are axing, for example, the healthy communities programs, you are actually axing people's jobs. So you may say that 14,000 full-time equivalents have gone from the Public Service, but in terms of the community sector out there thousands of jobs have gone in the areas of health, communities and local government. We are trying to get to the bottom of this—these are the estimates where we can examine the budget—and no details have yet been forthcoming about the number of people who have lost their jobs in the community sector by your government axing the grants.

Mr NEWMAN: I am not aware of specific advice in the way that the Leader of the Opposition has asked. I certainly do not recall ever seeing such advice. What I do need to say is that this government intends to partner with non-government organisations—if that is what we are talking about, NGOs—far more in the future.

Let me give an example. The Leader of the Opposition was part of a government that in the previous financial year, 2011-12, spent approximately, if I recall correctly, \$145 million on a division of the communities department called Accommodation Support and Respite Services, ASRS—\$145 million to look after people with significant disabilities, people with high needs. I am advised that—again, I am just trying to recall the specific information—the number of clients looked after by ASRS did not exceed 550. If you do the math, that is about a quarter of a million dollars a year, by my reckoning, to look after those individuals with high needs. I have spoken to a number of non-government organisations, for example Multicap, and they have advised me that that is, in their view, highly excessive.

We envisage partnerships with NGOs in the community sector in the future where they can do a whole lot of this work. The great benefit of that is that they are in touch with the community. They are very much part of the community. I believe that they will not only show great efficiencies in the way taxpayers' money is expended but also, I think, do a much better job and a personal job in the way that services are delivered to people with need in our community.

I again say that I am not aware—I have never seen any advice of that type that I can recall, but what I do say is that we intend to work with NGOs, community organisations, to deliver services far more extensive in the future. So watch this space. We will be doing a whole lot more with NGOs in the future.

Ms PALASZCZUK: I will put that question on notice under standing order 181. Premier, I note that you were just talking about Accommodation Support and Respite Services. Have you actually gone to visit any of the accommodation and respite services you were alluding to?

CHAIR: Before you proceed with that, Premier, it is entirely up to you if you accept that question on notice from the member for Inala. You do not have to accept—

Mr NEWMAN: I go back to what I said, Mr Chairman. I cannot recall any such advice. That is the answer to the question, so I certainly do not accept a question on notice. In relation to this next question, I am trying to see the relevance of it to the budget.

Ms PALASZCZUK: In your answer you were talking about Accommodation Support and Respite Services. Have you been to visit any? Yes or no?

Mr NEWMAN: I have not been to visit them, but I have certainly visited—

Ms PALASZCZUK: Well, can I suggest that perhaps you do take the opportunity to go and visit, because sometimes the non-government organisations cannot handle the people with a disability who have dual diagnosis. That is why the government looks after these people. I am more than happy to accompany you to visit one of these services, because I have been to dozens across the state.

Mr NEWMAN: Mr Chairman, I think we have just heard the problem in Queensland today that we have inherited: there is a philosophical divide between the Labor Party and my team. We intend to find new ways to do business, to actually deliver more with the same amount of money. Indeed, we have increased the funding for disability services in Queensland. But we are not going to accept situations of waste—\$250,000 per year to look after people with high needs when others in the NGO sector are saying that it can be done for a lot less. They are reputable organisations, credible organisations, and the Leader of the Opposition—

Ms PALASZCZUK: Yes, they are.

Mr NEWMAN: I am glad that the Leader of the Opposition acknowledges that. They are credible. They can do it for less. So rather than look after 500 to 550 clients with a certain amount of money, I would hope that in the not-too-distant future—

Ms PALASZCZUK: But you have not gone to visit one single client in an accommodation support and respite service?

Mr NEWMAN: I have gone to a number of NGOs who—

Ms PALASZCZUK: No, have you gone to visit any clients in the accommodation support and respite services?

Mr NEWMAN: Mr Chairman, I have just answered—

Ms PALASZCZUK: Yes or no?

Mr NEWMAN: Mr Chairman, I just answered that question.

Ms PALASZCZUK: Was that a no?

Mr NEWMAN: I answered the question before.

Ms PALASZCZUK: Yes or no?

Mr NEWMAN: Well, I suggest you look at the transcript and start listening, with the greatest of respect. Mr Chairman, I visited a number of NGOs that look after people who have disability—

Ms PALASZCZUK: So your answer is no. I have a question to the director-general.

Mr NEWMAN: Mr Chairman, with the greatest of respect, I have not concluded answering this question. It would be great if the Leader of the Opposition would show some courtesy and respect this morning.

CHAIR: Continue, Mr Premier.

Mr NEWMAN: I have visited a number of NGOs who look after people with disabilities and I have spoken to them about how they can better deliver services to the needy in this state, to the disadvantaged in this state, to people with high needs. What we heard from the Leader of the Opposition before is the problem in Queensland—that they would not work hard enough, that they would not find ways to better spend taxpayers' funds. They have this fundamental belief that government can do it better. We have a belief that government can do some things well and that businesses can do other things probably better and NGOs can do things better as well. So we will not make any apologies for looking at ways to save money or drive it further. In this case, we are not cutting funding for disability services; we are spending more. There has been an increase. I think the budget this year is around \$956 million, if memory serves me correctly. We want to drive those dollars further. That is why we are making a series of reforms—to ensure we can look after more people with disabilities across Queensland.

CHAIR: I call the member for Greenslopes.

Mr KAYE: Premier, could you please provide an update on the government's work to reduce debt by taking advantage of market demand for QRN shares?

Mr NEWMAN: I am delighted to talk about the very important announcement that the Treasurer made yesterday on behalf of the government. The government will sell shares over the next few weeks. There is about \$1 billion worth that will be the subject of a share buyback by QRN itself and another \$500 million that will be essentially guaranteed in terms of that purchase by UBS which will be placed with a number of its private clients—long-term infrastructure investors. What we have done has been seen by the market and indeed the financial commentators as quite a positive development—a real coup for the people of Queensland, because what has been going on is that the markets had been anticipating that these shares would be sold and many players in the markets have engaged in a practice known as short selling which has depressed the price of QRN shares, and those shares of course are owned by the people of Queensland ultimately.

So the government has managed to achieve a higher share price than has been achieved, and there are a number of measures in terms of the average prices over a period of weeks, months et cetera. A very good price of, if I recall, \$3.47 a share was achieved. That money that we receive from that sale will be going straight into the repayment of debt. I stress that we were asked about this before the election. What we are doing is exactly what we said we would do. It means that we then get a positive commentary. In particular, I draw members' attention to what is in the *Financial Review* today and also the response from Fitch Ratings and those very important ratings agencies that have commented very positively on this development. So it is a good price. We still have a percentage of shares that we will continue to own—about 16 per cent or 389.2 million shares—and at this stage we have no further plans to sell those shares. But it is about reducing debt, it is about sound financial management and it is consistent with what we said prior to the election.

Mrs OSTAPOVITCH: My question is for the Premier. Premier, could you please tell us what is happening across the road at 1 William Street? How can this facilitate the government to deliver a better workplace for public servants, better amenity for the city and how will this save money at the same time?

Mr NEWMAN: I thank the member for Stretton for her question because it does give me an opportunity to talk about the 1 William Street project because, in a lot of cases, it has not been accurately reported what the government's agenda is. The government has several hundred thousand square metres of office space that it either owns or leases in the Brisbane CBD today, and there are a number of buildings in this part of the Brisbane CBD that are involved here. The overall picture is to better utilise the office space we have, to revitalise this part of the Brisbane CBD, to provide jobs during construction and to ultimately save money and to provide the opportunity for a new five-star hotel development and/or a casino. So there are a range of things going on.

The first piece in this jigsaw puzzle is the redevelopment of 1 William Street as a commercial office tower. So we have a piece of real estate of some size which has sat there as a car park for many years. I will stop right there and say that this is just an example again of the poor and reckless financial management of those at the other end of the table. So for years we have had a piece of real estate—valuable real estate—owned by the people of Queensland that should have in some way been utilised. As we look across Queensland, there are many examples of land that has not been properly used but is still on the balance sheet, if you like, of the Queensland government which is owned by the people.

So we are going to redevelop 1 William Street as an office tower. We have commenced a process where the private sector has been invited to build an office tower, to pay for that office tower—to invest in it; they will own it—and the plan is that we will take up at least 75 per cent to 80 per cent of the space and maybe the whole building and we will lease it. That will allow us then to commence the process to rationalise our other office holdings, whether they be leasehold or freehold, where we have other Public Service departments and hardworking public servants. It then allows us to deal with that very large site between William and George streets starting at Alice Street and going all the way back to the Treasury Casino and Hotel. The objective is to undertake the current EOI tender process, roll it into a proper detailed tender process—a competitive tender process—and then select a proponent and then over the next two to three years we would see that building being built and then that would allow us to move people out.

In terms of Public Service accommodation, much has been said in recent days about the standard. Public servants have been working in some office accommodation that is not conducive to delivering for Queenslanders. It is old and run down, it is not open planned, it does not allow collaboration and teamwork and it is not the sort of new government that we are trying to create. I have said before that we want the best government in Australia for Queenslanders. So the new building that is constructed will be open planned and it will have natural light. It is about providing decent office accommodation and working conditions for people.

In terms of savings, just sort of pulling this back in terms of a budget context, it is believed that right now the government has 100,000 square metres more office space than it really needs. So if magically the current workforce in the Brisbane CBD was in new and open planned buildings that I have described, we would need 100,000 square metres less of office accommodation. That equates to a minimum \$60 million a year saving. I hope that gives people a feel. Maybe a follow-up question is in order, Mr Chairman, because this is a very exciting project. It is about a whole lot more than office accommodation. It is, as I said, about saving money. It is about revitalising the CBD. It is believed that it will generate 18,000 jobs over five years. There is a whole lot to this, but ultimately it is about a better outcome for the people of Queensland.

CHAIR: Thanks, Premier. I call the member for Inala.

Ms PALASZCZUK: Premier, I refer to the Capital Statement Budget Paper No. 3 where pages 12 and 13 talk about capital delivery projects for Queensland. Can you please outline any new infrastructure projects to be delivered in the LNP's first budget?

Mr NEWMAN: Mr Chairman, can I just clarify how the member defines 'new'?

Ms PALASZCZUK: It is on pages 12 and 13 of the Capital Statement.

Mr NEWMAN: But how does the member define 'new'?

Ms PALASZCZUK: New—initiated under your government, new. For example, the new executive building would be an example of one.

Mr NEWMAN: I would talk about the \$50 million for the Toowoomba ring-road—unless the Leader of the Opposition is claiming that the former government was going to build that. There is an example of new infrastructure. There is \$24 million for Blakeys Crossing in Townsville. The former government used to talk about it and announce it, but it never did it. So I do not know if the honourable member defines that as 'new'. I think it is new when you are actually going to do it rather than make ongoing announcements of studies and the like but never do anything. So there is a couple of examples. Is that enough?

Ms PALASZCZUK: So that is it?

Mr NEWMAN: You asked—

Ms PALASZCZUK: Two projects?

Mr NEWMAN: I am just recalling your question.

Ms PALASZCZUK: I asked the question.

Mr NEWMAN: Mr Chairman, I believe the honourable member asked for any new infrastructure. There is a couple—

Ms PALASZCZUK: Okay. So there is three. Thank you.

Mr NEWMAN: No. Mr Chairman, come on! Mr Chairman, I have answered the question as it was asked. If the honourable member wants to know all of the new projects, I would be happy to take that on notice and provide it to her. Is that what she would like?

Ms PALASZCZUK: Thank you, Premier. Turning to your new executive building in William Street and the demolition of the existing Executive Building, can you outline when you made the decision on this demolition and rebuilding program?

Mr NEWMAN: While I made the decision that we would do this early in the term—and I cannot recall a precise date—I made the decision after seeing the appalling working conditions that the Leader of the Opposition and members of the former government were prepared to ask public servants to put up with—the threadbare carpets, the dingy corridors, the chipped paint, the threadbare furniture, the cramped conditions. That is why I find their protestations to actually be the friends of the Public Service right now to be just so much hogwash. There is another interesting aspect to this as well. What we discovered when we got into office was that the previous government, of which the Leader of the Opposition was part, actually had a plan to redevelop the 1 William Street site. It did have a plan which I had not—

Ms PALASZCZUK: And we did not see it as a priority so we did not go ahead with it.

CHAIR: Carry on, Premier.

Mr NEWMAN: Just like Blakeys Crossing, Mr Chairman, they had a plan to deliver Blakeys Crossing but they never did, because they did not care about the regions and they did not care about infrastructure. Mr Chairman, they had their own secret plan to develop 1 William Street. They did not do it because—

Ms PALASZCZUK: Mmm.

Mr NEWMAN:—they did not—

Ms PALASZCZUK: Next question, Premier?

Mr NEWMAN: I am still answering the question. Mr Chairman, this is quite a performance from the Leader of the Opposition today.

CHAIR: Premier, continue.

Mr NEWMAN: Yes. They had a secret plan to develop 1 William Street, but they did not have the financial wherewithal or skills to deliver it as a public-private partnership. This government is delivering a whole range of benefits that I outlined before by undertaking the 1 William Street project, which will unlock a whole lot of value for Queensland taxpayers. Great financial management and innovative ways to deliver infrastructure will deliver much better outcomes for Queenslanders rather than having blocks of dirt sitting all over the place that are not being used. Even in regional Queensland—places like, for example, Atherton—there is government land sitting there vacant, idle. It is on the books—it costs money to purchase originally—and it can be used to provide affordable housing, social housing and housing for people with disabilities, and that is what Dr Flegg is doing. I would love to take a question on what we plan to do on the land stocks that we have. In summary, the difference between those to your right and us is they talk and they make announcements and that is the whole focus of the Labor way of supposedly governing. But we deliver. We actually do stuff. We make stuff happen. We build roads. We build infrastructure for Queenslanders, and it will be the chalk and cheese difference by the time this term is over.

Ms PALASZCZUK: Premier, I refer to the answer to non-government question on notice No. 8 and in particular draw your attention to the director-general of the Department of State Development, Infrastructure and Planning spending some \$24,054 in upgrades to level 12 at 100 George Street and also the Coordinator-General within the Department of State Development, Infrastructure and Planning on level 12 at 100 George Street spending some \$38,566 on upgrades. Also on level 5 of the Executive Building another \$6,000 was spent by the director-general of the Department of Science, Information Technology, Innovation and the Arts. If your plans are to move into a brand-new executive building, why would you spend all of this money now on refurbishments?

Mr NEWMAN: That is probably one of the more sensible questions that we have had in this session to date from the Leader of the Opposition. I am delighted to answer it. There has been a change in government. New staff were coming in and new structural arrangements were made to government. I believe, for example, that in the case of the Coordinator-General it involved the Coordinator-General and another nine staff.

So just to explore the \$38,000 figure as an example—I am happy to go through all of them—this is what was done: provision, relocation and installation of office and work space for the Coordinator-General and nine staff involving demolition, alteration of existing partition; installation of new sound rated partition, new doorways, replacement of damaged carpet tiles, relocation and installation of workstations; installation of new workstation screens and office furniture; rewire of power and data; adjustment of lighting, air balance and emergency and fire services for compliance. So for the Coordinator-General and nine—10 individuals—\$38,000. When I think about the cost of just the computers, an average of about \$3,800 per staff member in that particular work unit, if I can call it that, sounds reasonable to me.

In relation to the question about why would you do it if you are then going to change the building, I think it is very clear that they will be there for at least two years—probably more like three years. Those costs certainly had to be incurred to provide that office space. Is the Leader of the Opposition seriously suggesting that they should not have received that sort of accommodation? I know there were questions in the earlier committee meeting today about arrangements for the opposition for their move, but I point out that the Leader of the Opposition is quite happy no doubt for expenditure on that move. If it had not occurred, about \$28 million was going to have to be spent in the Annexe to remodel certain areas anyway. The bottom line is that people have to have some place to work and these are not unreasonable expenses in a building that will be around for at least two to three years.

Ms PALASZCZUK: Thank you, Premier, but I will put it on notice that the opposition was more than happy to have remained on level 6. There would have been no cost to the taxpayers at all.

Mr NEWMAN: I might just respond to that, if I may, to that?

CHAIR: Absolutely.

Mr NEWMAN: The Leader of the Opposition is being quite cute. The Leader of the Opposition knows only too well that plans were afoot under the former government to spend \$28 million to remodel the relevant floors of the Annexe here at parliament. So this actually saved money. The move of the opposition to where they are now saved money.

One of the interesting things—and I am welcoming probably a question about staff numbers in the ministry at some stage; I know we will get that from the Leader of the Opposition—is I note that the Leader of the Opposition has not offered up anything in the way of savings while my own team have offered savings. The Leader of the Opposition has 22 staff—exactly the same as the previous opposition, which had over 30 members. They currently have seven members. But they have taken every bit of their entitlement and have jealously guarded it. I am disappointed that they would not have offered savings themselves.

CHAIR: Thank you. I might just move to the member for Murrumba.

Mr GULLEY: Premier, can you outline to the committee the steps the government is taking to renew the Queensland Public Service?

Mr NEWMAN: I might start on this one, but then ask the Public Service Commissioner, Mr Maynard, to talk about this, because this is something I am very excited about. I will start with the overall vision. We want the Queensland Public Service to be the best in Australia. What do I mean by that? What I would like to see achieved is in five years time—and I hope the people of Queensland continue to support us so we can achieve this vision, because this is all about them ultimately—is for people around Australia to go, 'You know, the Queensland Public Service is the best in the nation.' What do I mean by that? What is the best? There are a number of ways that we could measure this—and we will: responsiveness, trust, service delivery, value for money, quality of service. These are things that we can do research on and we can measure and, as I said before, we will. So we are trying for a cultural change. The open government initiative that will be headed up by Assistant Minister Ray Stevens is about achieving cultural change. Yes, we have had to make tough decisions in terms of staffing levels, but those changes have been announced and are now being implemented. In going back to the Leader of the Opposition's question earlier, we do not intend to see any more change there in terms of staff numbers. Indeed, the Public Service will grow.

We now turn to the exciting task of remaking the public sector. But what does it all mean at the end of the day? It is about a better deal for Queenslanders—that they actually get great roads, great schools, first-class public hospitals—that the treatment times and the waiting times et cetera, the responsiveness of the public sector is just much better than it is today. I go back to the open government initiative. When all of this data is going to be there, Queenslanders can have confidence about their administration. So it is exciting what we are setting out to do. I might now invite Mr Maynard to talk about some of the things in terms of the detail of the reform program.

Mr Maynard: Thank you, Premier. The Public Sector Renewal Board has been established to work with agencies and departments to assist them in identifying the most effective ways of delivering services. Essentially, what we are looking for is focusing on what Queenslanders need, the outcomes that Queenslanders are looking for and, instead of focusing on regulation and service delivery, ensure that services are being delivered to meet the outcomes and expectations of Queenslanders. In addition, there a number of reviews that are being undertaken to look at the effectiveness of internal services within government—for example, the way we procure and source goods and materials to ensure that we are the most efficient at that process and deliver the greatest value for money through well negotiated and well managed contractors to ensure that we deliver corporate services—the back office services—as efficiently as possible and, rather than replicating services, look at how they can be consolidated. We are also ensuring that our workforce—our important Queensland public servants—are being managed and led to ensure that we are not overly bureaucratic, we are not prescriptive, but we are providing enabling support to agency and departmental heads to effectively manage their workforces.

CHAIR: Thank you.

Mr SORENSEN: The tourism industry is an important industry for the Queensland economy, especially in my area of Hervey Bay. What has the government been doing since it has come to power to support this industry, especially in regard to how we are opening up our national parks to Queenslanders and tourists. I have seen increased numbers already on Fraser Island since we have come to power.

Mr NEWMAN: I thank the member for Hervey Bay. A lot is going into the tourist space right now. Minister Jann Stuckey has got going in a very impressive way, along with the support of Minister Steve Dickson on some of these things. In the first 100 days we established the tourism cabinet subcommittee. We held a DestinationQ forum in Cairns, which saw 390 delegates, 320 of whom were industry representatives. I will just stop for a second and say that is the first time that anyone can remember—and I believe it is over 20 years—there was such a forum to bring the government, the RTOs and the actual businesses themselves together. It was long overdue and I think that has been profoundly important. It has kick-started a whole lot of things and there is a lot of confidence out there now.

This budget has the \$8 million over the four years for attracting aviation investment funds. This is the fund that is there for airports, RTOs and, indeed, local councils to bid for both domestic and international flights to come into their local areas. There is the Tourism Investment Attraction Unit, which has been set up as well. Very exciting, though, is the allocation by the Treasurer of \$20 million for the additional funding of the state of Queensland interstate and overseas. That will be particularly important in delivering on the DestinationQ 12-month action plan. I know there was a lot of ill-informed commentary prior to the budget that suggested somehow that tourism funding—the promotion of Queensland—will be slashed. This is \$20 million extra. I was very excited that we were able to do that, because that is the sort of effort that we need to make to get people coming to this state again.

In relation to the opening up of national parks, I want to be very clear: this is going to be done sensibly and carefully. It is about ensuring that we allow access for adventure and ecotourism in a sustainable way. I would have thought that there would be nothing but unanimous agreement for that across all sides of politics in this parliament, given the previous government's position in relation to ecotourism and in national parks. So Minister Dickson has been working to try to deal with that.

In terms of results, it is early days and these sort of initial things should be treated with caution, but we have seen a very positive few months. We have seen in July, August and September increased passenger movements across Queensland through our airports. For example, the month of July 2012 compared to July 2011 at the Gold Coast I believe—if I recall correctly—saw a 10 per cent increase in passenger movements through the airport. We have had some successes with airlines. Some of it is due to attracting aviation. I think some of it is due just to the positive can-do nature of this government. We have seen China Eastern, China Southern, Etihad, Scoot airlines and Qantas all commit for extra capacity to Queensland airports. I was particularly excited by the announcement by Qantas to restore direct full services from Sydney to the Gold Coast. If I recall correctly, that was going to provide about 400,000 extra seats a year into the Gold Coast.

So in summary, already we are seeing some very positive signs. I want to thank the member for Hervey Bay for his really strong advocacy for his region, which has done it tough. The whale-watching people at Hervey Bay and all the other tourist operators and people who operate tours on the island have done it tough for the past few years. I know that Mr Sorensen has been a strong advocate for his community and we will be looking for any ways that we can continue to support his region and the businesses there.

Ms PALASZCZUK: Premier, I refer to your role in overseeing the government administrative precinct and the appointment of Jones Lang LaSalle to oversee the process. Did the government put this work out to tender in an open process or was Jones Lang LaSalle exclusively offered this work?

Mr NEWMAN: I just want to make sure that I am totally correct in my answer, so I just need to confer with my officials on that one. Just on that one, my understanding of that—and the director-general has confirmed my recollection—is that that was certainly not requested by the government itself; certainly no politician, whether that be Minister Flegg, myself or the Deputy Premier. My understanding and recollection is that Queensland Treasury Corporation on its own volition as an independent statutory arm of government went out and asked Jones Lang LaSalle to do that work. I can assure the committee that there was no communication between myself or my office in relation to that decision. It was a decision that they took, as I understand it, and they were working at the time to look at a few things that Public Works had asked them to look at. If the Leader of the Opposition has a follow-up question, I would be happy to answer, but certainly no minister had any role in that and I do not believe that any director-general had any role. That is my understanding

Ms PALASZCZUK: That is all right. Did you want to take that on notice?

Mr NEWMAN: I would be happy. I believe it was a QTC decision. We will try to get the information about the process there. But I will be up-front: my understanding is that they appointed JLL.

CHAIR: So you want to take that on notice?

Mr NEWMAN: I will, just to confirm these details, but my understanding is that JLL was appointed by the QTC, but it came nowhere near any member of the ministry or, indeed, as I understand it, any director-general. QTC operates very independently.

Ms PALASZCZUK: I refer to Capital Statement Budget Paper No. 3 which outlines projects that were largely constructed and initiated under the former Labor government and at which yourself and other ministers have been at ribbon cutting events for, such as the \$1.7 billion Airport Link, the \$570 million Supreme Court complex and the \$731.6 million Northern Busway. These projects, of course, generated a number of jobs. Premier, do you support these projects?

Mr NEWMAN: Yes, I do support the projects. Essentially we are talking about Airport Link and the Northern Busway and we are talking about the Supreme Court site. I think the new Supreme Court building is something that was well and truly overdue for our senior members of the judiciary and I was very happy to be there at the opening with Her Excellency the Governor and the Attorney-General. I was very happy to be there for that. It does, of course, give us the opportunity to also pursue the redevelopment of the old Supreme Court site for a hotel and retail.

In relation to Airport Link and the Northern Busway, it allows me to deal with some sort of a nuance there in the way the question was asked. If the Leader of the Opposition had been there I think, if I recall correctly, I actually acknowledged that the former government had made the decision and I think I was fairly generous, as I recall, in my praise of former Premier Peter Beattie for his role in making that happen. As I recall, it was a Beattie government decision and I recall strongly that it was a partnership at the time between Premier Beattie and the Brisbane City Council. As I recall, the actual Airport Link project was proposed first in the TransApex prefeasibility study that was released in March 2005 by the BCC. So the route was proposed by the BCC while I was the Lord Mayor and it was then the subject of detailed discussions by myself and the former Premier and the then minister for transport and ultimately the state government, under Premier Beattie's leadership, decided to undertake the project. So, yes, I support Airport Link. I also supported the Northern Busway. Frankly, though, I think there are aspects of the project in relation to the busway which could have been done more economically and if I had been the Premier, with Scott Emerson as the Minister for Transport, I know that we could have saved significant dollars on the busway component.

Ms PALASZCZUK: Premier, during the previous government there were some reports that were done by various economists that basically suggested that additional spending on infrastructure is necessary rather than speeding the path to the AAA credit rating. Do you support that notion or do you reject that outright?

Mr NEWMAN: Could you state that again, please?

Ms PALASZCZUK: Sure. That there should be additional spending on infrastructure rather than speeding the path to a AAA credit rating.

Mr NEWMAN: Can I clarify when that was said, please, and what reports these were and whether you can table them?

Ms PALASZCZUK: Sure. It was said in 2010 and it was by Access Economics. Do you support that statement?

Mr NEWMAN: Hopefully Queenslanders know that I am and always have been a very strong supporter of the need to deliver infrastructure. I cast my mind back to 10 years ago, I think it was around February 2002, and the reason I put my hand up to go for the lord mayoralty was that the Jim Soorley administration was not doing enough in relation to both public transport and road infrastructure. That is, indeed, the reason why I got involved in the first place. I note that many commentators—I am only reflecting what they have said—say that the burst of activity by people like Peter Beattie and Paul Lucas on the infrastructure front was due to the things that the Brisbane City Council was leading and I think

we set a bit of an agenda there. So, look, I believe in infrastructure, and the focus of this government will be to deliver infrastructure over the next few years. Right now though we have some very difficult financial circumstances. I think in the Treasurer's budget presentation he pointed out that infrastructure a few years ago was being funded to a small extent by debt. I am going back, say, to 2003, 2004, 2005. I do not have the figures in front of me, but back in those days infrastructure was being funded to a certain extent by debt but mainly by the normal cash flows of government, by the revenues from the tax base. If we fast forward to the 2011-12 financial year we see that infrastructure is being funded almost entirely by borrowings. I can get these figures if you like.

Ms PALASZCZUK: No, thank you.

Mr NEWMAN: I have not quite finished. What has happened is because of the poor and reckless financial management that we are now dealing with, not only were the previous mob spending more than was coming in on the operating budget and there was quite a deficit there—I should say they were spending more than was coming in—there was nothing left to fund any capex so it all had to be done through borrowing. So this financial year, even with the tough decisions we have made, we are going to have to borrow a significant amount of money to fund infrastructure and to meet the operating deficit requirement.

What do we do in such circumstances? Well, that is why we have set up Queensland Projects. Queensland Projects is a division within Treasury, so overseen by Treasurer Tim Nicholls, and its brief will be to find innovative ways to undertake public private partnerships. We have talked about 1 William Street. Another example, a hypothetical example but nonetheless real, is, say, for a new component to the high-voltage electricity transmission grid. There might be a new mine being built somewhere in Central Queensland and they will need electricity to power the drag lines and the coal preparation plant and the like for those mine operations. Under the previous government hundreds of millions of dollars would have been spent to build the extension cord to the mine. What we are going to do, what is proposed, is that Queensland Projects will look at that transaction or that requirement, will package it up so the private sector can provide it, so the private sector can put the money into it, can actually have it built—and it can be built by Powerlink still or by the private sector as well—but then the servicing of that funding requirement can be directly on the private sector proponent. The large mining company can do a deal with the private sector proponents to directly fund the requirement for that power transmission line. You know what? That is very important because it means the taxpayers are not paying for something that ultimately the private sector is getting. The private sector are quite able to then, and cheerfully, pay for the usage charges of that piece of transmission infrastructure to meet their needs because it is just for their needs.

There is an example of the ways that we can try to keep the capex up in the state, have that investment in the future of Queensland, while not borrowing money ourselves and asking the taxpayers to underwrite. There will be a lot more of that. We need to do that given these difficult financial circumstances.

Ms PALASZCZUK: Just going on to—

CHAIR: Member for Sunnybank?

Ms PALASZCZUK: Sorry, I have not finished yet. I have one more question.

CHAIR: I call the member for Sunnybank.

Mr STEWART: You mentioned the government aircraft earlier and my questions specifically relate to the organ retrieval service. How many organ retrievals were performed by the government aircraft wing over the past year, what is the value of this service and will it continue if the management structure of the air wing service changes?

Mr NEWMAN: The first thing I want to stress upfront is that this is a very important service for Queensland and for all Queenslanders to know that that service is there. I will grasp the thistle and talk about the market sounding process that has kicked off and I say notwithstanding what the ultimate decision is for the provision of air wing services there will be a fully-funded, ongoing, committed organ retrieval service for Queenslanders, whether it is provided in-house as it is now or by the private sector. Our commitment to the organ retrieval service is rock solid. It will continue.

Up until the end of June 2012, 42 sectors have been flown for the organ retrieval service: 34 by the Hawker jet and eight by the King Air. During a period of heavy maintenance for the Hawker jet—that was in December 2011, January 2012—I understand that an additional 10 sectors were flown by the police air wing jet, giving a total of 52 sectors flown by all aircraft owned by the people of Queensland for the financial year 2011-12. I also add that in the previous year, 2010-11, 55 sectors were flown in support of DonateLife Queensland. The organ retrieval flights have cost, for 2011-12, a total of \$235,583 GST exclusive; in comparison to 2010-11 where the cost was \$196,669 GST exclusive. So those were operating costs that were also recovered.

Mrs OSTAPOVITCH: My question is for the Premier. In recent years schools across the state have reported a flood of maintenance problems, many of which are becoming health and safety risks for our children and teachers. What does this budget deliver for school maintenance?

Mr NEWMAN: I was shocked when I became the Premier to establish that the maintenance backlog in our state schools across Queensland amounted to \$292 million: peeling paint, uneven surfaces, trip hazards, plumbing that backs up, whether it be stormwater or sewerage, broken bubblers, faulty lights, insecure facilities and, indeed, there are some schools in my own electorate that I have particularly seen that have concerned me greatly. We have allocated \$200 million over the next two years—\$100 million this financial year—to kick this off where we will be providing the opportunity for P&Cs and, of course, the principals and the senior teaching staff to apply for funding over the next two years of up to \$160,000. Why the P&C-principal route? Because this just gets the money straight to the schools, cuts out the bureaucracy soaking up dollars on the way through and will get the most amount of money to fixing those sorts of issues. We are determined to support our schools, to give a safe working environment for our teachers and a great place for our kids to learn. It is long overdue, but again this is one of the things that I think is particularly exciting about this budget. I was very pleased that the Treasurer and his team, with the Minister for Education, were able to allocate these dollars to deal with this very important problem.

CHAIR: I will call on the member for Greenslopes to ask one final question before lunch.

Mr KAYE: My question is to the Premier. Premier, could you outline why the government has chosen to abolish Labor's waste tax and what the benefits are to Queensland business?

Mr NEWMAN: The waste tax was supposedly brought in to prevent or reduce solid waste going to landfill. Frankly, it is a spurious sort of assertion in the first place—a spurious notion in the first place—given that Queensland has wonderful local governments who in the urban areas have, of their own volition over the past two decades, set up some fantastic world-class municipal recycling schemes and have seen very significant levels of resource recovery. This was brought in as a new tax on business to raise money that could be then diverted to other areas, to various so-called green initiatives and, frankly, to what I would call a green slush fund. This impost of \$35 per tonne was going to raise, as I understand it, about \$372 million over the next four years. It was a drain on business and a drain on the economy. A small restaurant in suburban Brisbane or, indeed, any regional city, at the end of the day, with the sort of waste stream they have, have very little opportunity to reduce their waste and yet they are hit with a higher charge which is passed onto the community.

We got rid of this because we believe it is a drain on the economy, a cost on mums and dads and businesses and it would have done nothing ultimately to improve resource recovery in Queensland.

CHAIR: The committee will now take a break and resume at one o'clock to examine the estimates for the remaining areas of responsibility administered by the Premier.

Proceedings suspended from 12.00 pm to 1.00 pm

CHAIR: Welcome, everyone. The estimates hearing for the Finance and Administration Committee is now resumed. I call the member for Inala.

Ms PALASZCZUK: Thank you very much, Chair. In our previous questioning I asked the Premier about some projects that he has been opening that were initiated under the former Labor government. He essentially stated that he did support those projects. I then raised an issue about a report in relation to Access Economics, talking about additional spending on infrastructure rather than speeding the path to a AAA rating. Premier, I now table a letter from you in which you, as chairman of the Council of Mayors of SEQ, wrote to Anna Bligh about the need for increased infrastructure. You wrote—

We wish to commend your Government on your efforts in recent years to start to address that backlog with the development of the SEQ Infrastructure...

You also quote Access Economics, which stated—

... the costs of ... infrastructure provision remain high, there is a strong case that such revenue gains (or at least a portion of them) should be allowed to flow through to additional spending, rather than speeding the path to a AAA credit rating.

I now table that. It was April 2010. Premier, do you wish to comment on that letter?

CHAIR: Before you comment, Premier; member for Inala, are you seeking leave to table that document?

Ms PALASZCZUK: Yes, I am seeking leave to table that document.

CHAIR: All those in favour. Yes, thank you. Thank you, Premier.

Mr NEWMAN: I thank the Leader of the Opposition for her question. In relation to that, I think that bears out everything I said before. I support infrastructure. I supported infrastructure in South-East Queensland. April 2010, though, was quite a long time ago. Since April 2010—I do not have the figures in front of me—the debt of Queensland has gone through the roof. Before we finish today, I will endeavour to get the debt figure as of April 2010, perhaps the end of the fiscal year 2009-10 will suffice. Mr Grayson, could you please get that?

I think that is an important context, because at the start of this financial year the debt was in the vicinity of \$65 billion. As we have said in the budget estimates, it will continue to go up, as is forecast, past \$80 billion. Back in April 2010, the debt of the state of Queensland was much lower. I would venture to say, completely off the cuff this afternoon but I am pretty confident, tens of billions of dollars less would be my initial guess. We will get that information.

My point is this: I support infrastructure. I have always been a proponent of infrastructure. I believe that the measures that this government is putting in place will allow the delivery of important infrastructure in ways that the previous government was not prepared to undertake. Particularly the establishment of Projects Queensland is a very important initiative. As I have said before in the public domain on a number of occasions, there was indeed a lot of opposition in the state of Queensland to public private partnerships in the past, embedded resistance in various parts of government against PPPs and quite simplistic, if I might say, views on their efficacy. What we are doing is looking to undertake infrastructure delivery across Queensland utilising this new group within Queensland Treasury, Projects Queensland. I think I outlined quite comprehensively how we would undertake, for example, an electricity transmission line project. I also direct people's attention to my earlier comments in relation to my support for infrastructure.

Ms PALASZCZUK: Thank you, Premier. I refer to emails from 18 June 2012 released under right to information from the director of the government media unit to the managing director of a Brisbane television station. In the responding email, it confirms that the network provided assistance with the Premier's one-minute address about the Costello Commission of Audit broadcast on all television stations on 24 June. Premier, what was the cost of the filming of that advertisement and who paid for it?

Mr NEWMAN: Mr Chairman, we will see if we have that information to hand, but it is my recollection that that had already been provided. My memory has been refreshed. There was a large credit, if you like, held within the TV network concerned and other networks in relation to TV advertising that has been undertaken. My understanding is that was how the address was funded.

Ms PALASZCZUK: Premier, the—

Mr NEWMAN: I have not quite finished, Mr Chairman.

CHAIR: Carry on.

Mr NEWMAN: In relation to that, why was there such a generous credit built up by the Queensland government? Again I go back to an earlier answer. In terms of the April to June quarter 2012, this government spent \$4.07 million on advertising. If we look at the same quarter of the previous financial year, the previous government spent \$16 million. I do venture to comment that the Bligh Labor government must have been a wonderful advertising client with that sort of level of advertising expenditure. No wonder there was a credit there. We will check and see if there are any other costs, but my understanding is that it was all paid for in that way.

My final comment for the Leader of the Opposition is these important issues need to be outlined to the people of Queensland. Surely we should be talking about the need for the tough decisions. That address was all about leading into that period and explaining to people that there was a difficult financial situation or a very bad financial situation that, as a new government, we were intending to address. Certainly I stand by the decision to undertake that television address.

Ms PALASZCZUK: Thank you, Premier. Did the government pay the cost of filming this advertisement or did the television station absorb the cost as the managing director indicated they would in her email? I also drew the Premier's attention to the *Australian* newspaper report which says that the final cost of the commercial was \$1,226 plus GST for the production. Who paid for the production?

Mr NEWMAN: My understanding is that there was no cost of the filming. It was done, again, on that credit basis in terms of that advertising credit that had been built up with the network concerned. My understanding of the \$1,000 or \$1,200 you have just quoted was associated with the approval of the advertisement with Free TV Australia. In terms of who paid for that, I assume it was the Department of Premier and Cabinet.

Ms PALASZCZUK: Can I ask the director-general, Mr Grayson?

Mr NEWMAN: It was paid by DPC, but by all means, Mr Grayson.

Ms PALASZCZUK: The \$1,226 was paid for by the department?

Mr Grayson: Yes, that is correct.

Mr NEWMAN: Can I offer a comment: we spent \$1,226 on an advertisement that informed Queenslanders of the diabolical financial circumstances that we had inherited. In contrast, again, the Leader of the Opposition was part of a government that spent \$16 million in three months in the previous financial year. I will stand by the decision to undertake that advertisement. I think it was very important to inform Queenslanders and provide context to the recent budget.

CHAIR: We will go to the member for Sunnybank.

Mr STEWART: I have a follow-up question in relation to the government Air Wing. Premier, did the previous government detail the full costs of the government Air Wing and will this government provide a detailed cost of the government Air Wing?

Mr NEWMAN: In response to the honourable member for Sunnybank, who I know is someone who is determined to ensure that government is efficient and does not waste taxpayer's money, I am more than happy to answer. I am not sure that the previous government appropriately reported the costs of the government Air Wing or its usage. I was not privy to previous estimates sessions and their responses to that. I suppose we could have a look at that in *Hansard* and compare it to historical information. Today, in the interests of openness and accountability, I will table the full data for January to June 2012, which outlines the use of the government Air Wing by ministers and, indeed, the Governor of Queensland.

CHAIR: Are you seeking to table some documents?

Mr NEWMAN: I seek to table it.

CHAIR: Does the committee agree? Thank you, Premier.

Mr STEWART: To ask a follow-up question on that, do the documents that you have tabled cover the former government and their costings?

Mr NEWMAN: Could he repeat that, please, Mr Chairman?

Mr STEWART: Does the material provided cover the former government's time and costings for Air Wing?

Mr NEWMAN: I believe it covers some of that, but we will get more information. What would the honourable member like to know about? Is there a particular period?

Mr STEWART: Just to be able to look over the previous costings as opposed to what we are—

Mr NEWMAN: We would be more than happy to provide perhaps 2010-11, 2011-12 financial year data, if that would suffice?

Mr STEWART: That would be great, thank you.

Mr SORENSEN: Premier, just on local government issues, part of the LNP plan to get Queensland back on track was to return power to local governments. How is this government proceeding with the local government reforms?

Mr NEWMAN: In answering that question, I have to first talk about where the relationship between the state government and local government had gone over the past 10 years. Today I say quite proudly that I had a very good relationship with Premier Peter Beattie. There was someone who actually wanted to work with local government. Near the end, I am afraid, the relationship soured a little bit. I am referring, of course, to the forced amalgamations process. That did not have an impact on the Brisbane City Council so I continued to have a productive relationship with Mr Beattie, but I know that for many local government's across the state the relationship was terribly poisoned by that act. I know how concerned you are about this because you were a former mayor.

That was then compounded by the previous government's new Local Government Act and, indeed, the City of Brisbane Act which in the period 2009-10 went through this parliament. Frankly, that took things back a huge amount. It essentially stripped councils of power, autonomy, responsibility, but most importantly it made it difficult for local government to deliver for local communities. Today I am happy to say that it is one of the motivators for myself personally to have put my hand up for this high office in March last year.

My team and I believe that the best way to run a large geographically diversified state such as Queensland is to empower local communities. You empower local communities by empowering the local government. Minister Crisafulli has set to work to deliver on the government's commitment. He has been consulting widely across the state. It is my understanding that he has now talked to every local government. He has been on an extensive visit program. As a result of the feedback he has had from mayors and councils across the state and the Local Government Association of Queensland, on 13 September he introduced the Local Government and Other Legislation Amendment Bill, which will reverse this insidious trend that we saw in the past three or four years. It will make mayors and councils more accountable to their local community, but it will also empower them to do a better job.

The exciting thing is that councils are welcoming these changes. They are very clear that many rules and regulations that were imposed on them by the former government had real cost and prevented them from delivering in an efficient way, and we have been determined to address that. Particularly I think it is important that mayors be in charge of councils. If you asked any person across Queensland, 'Is the mayor in charge?', the expectation would have been, yes, the mayor is in charge, but indeed that was not the case. But under the new act the mayors will be put back in charge. There are a whole lot of measures there to cut red tape for local government to assist them in making local laws, to hold referendums on issues of significant local interest and to ensure that the conflict of interest provisions are not only up to current contemporary standards but also efficient and work well rather than the somewhat bureaucratic and confusing regulations and red tape that we saw before.

In summary, we believe in local government. We have great faith in local government. We know that mayors and councils given the authority that we are giving them will do a fine job for the people of Queensland. We merely asked, as the quid pro quo, that they work in partnership with us to develop Queensland, to create jobs, to facilitate business growth and of course to protect the environment. I am very excited about what Minister Crisafulli has been doing.

Mrs OSTAPOVITCH: Premier, students who are struggling in our schools either with their education or with other personal issues can often find their results and behaviour affected sometimes to the point where continuing at school becomes unviable. What is this government doing to help students get help when they need it?

Mr NEWMAN: My heart goes out to kids but also to parents who have children struggling in the school system for various reasons. As the member for Ashgrove, I on a number of occasions now have had meetings with parents who have children with issues like dyslexia or autism. I have taken their views forward to the Minister for Education, John-Paul Langbroek, and also on at least one occasion I have facilitated a meeting with a couple of mothers who had some very good policy points to make on dyslexia, and I thought it was appropriate that they actually got to talk to John-Paul himself. So we arranged that in recent months.

There is a lot more that we will be doing policy wise in the future as we find the financial resources to fund important programs. But I can tell the honourable member right now that there are a number of things that we have funded in this budget. The government has announced additional funding of \$1 million over four years to support chaplaincy services. In terms of the literacy and numeracy issue, which are the fundamentals of our education system, or should be the fundamentals—they are the important basics—there is a \$6.5 million program to enable principals to devise/select those programs. There is also of course our commitment to start the rollout of full-time teacher aides. So this year we have \$4.9 million to provide 150 prep classes with a full-time teacher aide.

For special schools, dealing with children with very high needs, we are rolling out etablets—iPad type technology. So 20 etablets will be provided to every state special school at a cost of \$3.5 million. There is also an inclusion of up to 10 etablets for each state or non-state school offering a special education program. There is also \$1.4 million to expand support for students with a disability. This will particularly see an additional 30 speech language pathologists in Queensland state schools.

I just hope that that is enough for the member today. I particularly acknowledge that the member has had a long relationship with the state schools and other independent and Catholic schools in her electorate. The member for Stretton is passionate about education and has been a real advocate already as the local member, and I want to thank her for her support for her electorate and her community.

CHAIR: Thanks, Premier. I call the member for Inala.

Ms PALASZCZUK: My question is to the director-general, Mr Grayson. I seek leave to table an article from the *Australian*.

CHAIR: Is leave granted? Leave is granted.

Ms PALASZCZUK: In this article, Mr Grayson, it says here very clearly by Rosanne Barrett—this is in relation to the filming of the advertisement—

What's more, he did not have to pay for it—

referring to the government. You have said on record that the cost of the \$1,226 plus GST was paid for by the Department of the Premier and Cabinet. Can you produce that invoice?

Mr Grayson: Is the member wishing to have the invoice tabled here?

Ms PALASZCZUK: Yes.

Mr Grayson: I can see if we can extract that. It is for a minor amount and may take some time to get. I am advised we can get it.

CHAIR: You can get it?

Mr Grayson: Yes.

CHAIR: Before the end of proceedings today?

Mr Grayson: We will attempt to do that.

Ms PALASZCZUK: There was an email that was sent in relation to this matter and the email clearly states that essentially there would be a full-time crew, except for audio, which Channel 9 will absorb the cost for. Did Channel 9 absorb the cost for any part of the filming or did the Department of the Premier and Cabinet pay for the entire filming of that ad?

Mr Grayson: The Premier has outlined the cost to the government. There were no costs for filming incurred by the government. The fee of \$1,200-odd was the cost to the government and that was—

Ms PALASZCZUK: That included the crew which it says here very categorically Channel 9 will absorb the cost for?

Mr NEWMAN: Mr Chairman, if I may—

Ms PALASZCZUK: Sorry, the question is to the director-general, Premier.

CHAIR: That is fine. Member for Inala, the Premier can step in.

Mr NEWMAN: And he is answering it. I am more than happy to jump in as well and have a bit of a say. Let's just deal with this again. There were no costs of production. The \$1,226, as I very clearly said before, was for approval for the ad with Free TV Australia. Maybe the honourable member is not aware but advertisements have to receive approval prior to going to air. I have not got the article from the *Australian* in front of me but I believe, if I recall correctly, it refers to the cost of production. There were no costs of production incurred by the Premier's department.

CHAIR: It seems like a fairly clear response.

Ms PALASZCZUK: I want to table the email. I seek leave to table the email.

CHAIR: Is leave granted? Leave is granted.

Ms PALASZCZUK: It says here that Channel 9 would absorb the cost. My issue here is essentially did the Department of the Premier and Cabinet pay for the total production or was there any gift given by Channel 9 as part of the filming of this particular commercial?

Mr NEWMAN: My information, as I have already said, is that the production costs were met by Channel 9 and the costs of—

Ms PALASZCZUK: Sorry, the production costs were met by Channel 9?

Mr NEWMAN: That is my understanding. I will seek confirmation of that. That is my understanding. That is what I have been advised, that it was met by Channel 9. You have an email that you have been quoting from that seems to reflect exactly that. So I am a little nonplussed when you have document in front of you that says that. My understanding is that it was met by Channel 9 and the costs of airing it were met through—

Ms PALASZCZUK: By the Department of the Premier and Cabinet.

Mr NEWMAN: No. The costs of running it were paid for through the credits that had been built up by the advertising account that the Queensland government had with the various networks. Why did we do the ad? Well, we did the ad because we have to deal with issues like the Health payroll system, the Tahitian prince, the Queensland Rail maintenance issues. Those were all the things that we have to deal with. Why were there credits? Because the Leader of the Opposition was part of a cabinet that allowed \$16 million to be spent in one quarter compared to the \$4.07 million that we as a new government spent in the corresponding quarter a year later. I think it is pretty clear where we are on this one.

Ms PALASZCZUK: Premier, I refer to section 3.3 of the Queensland Ministerial Handbook, which provides—

Ministers and staff should not ask for or encourage the offer of any gift or benefit in connection with the performance of their official duties.

I further refer to the email dated 18 June from the director of the Government Media Unit, which says—

If you can help us out with this I'd be really grateful. I need to record a one-minute spot—the Premier straight to camera. Looking for lighting, audio, camera and autocue.

Premier, would you consider this email asks for or encourages a television station to make a gift of those services?

Mr NEWMAN: Mr Chairman, what a ludicrous proposition. The Ministerial Handbook talks about gifts to individuals. This was not a gift to me as Premier or indeed to a minister in my cabinet. It was a television station being asked to use the credits that the previous government had built up through a lot of advertising. So I reject the assertion most strenuously.

Ms PALASZCZUK: Premier, I refer to section 69B of the Parliament of Queensland Act pursuant to which a member is required to give to the register a statement of the interests of the member at the time of their election. Essentially the standing orders require a statement of interest by a member to contain details of any gifts valued at more than \$500 from one source. If any of the production was done by Channel 9 as a gift in kind to you, why is that not on your pecuniary interest register as a gift?

Mr NEWMAN: Mr Chairman, I think I have answered the question. This is a ridiculous, preposterous line of questioning.

Ms PALASZCZUK: We get to ask the questions, Premier, with all due respect.

CHAIR: Can I just ask the member for Inala what section of the budget papers she is referring to?

Ms PALASZCZUK: Sure. It is under the SDS where the Premier is accountable for the draft ministerial code of conduct. Also, the Integrity Commissioner is here today. These questions are legitimate questions to be asked in the estimates hearing because they are relating to expenditure by the government.

CHAIR: Move on to another line of questioning. I think we have had enough on this line of questioning. I ask you to move on to another line of questioning.

Ms PALASZCZUK: All right. I just want to clarify that we will get those invoices tabled.

Mr NEWMAN: Mr Chairman, I would be happy to round this one off. The director-general has said that he will provide the invoice.

Ms PALASZCZUK: Thank you.

Mr NEWMAN: There is no need for the ongoing hectoring of him. He has made the statement. He will deliver. I am going to go back to the article in question. I have it in front of me now. It is very, very clear that it talks about the cost of the commercial. Contrary to what the Leader of the Opposition said when she introduced this in about the third or fourth question ago, it actually says—

The final cost of the commercial was \$1226 plus GST.

It also talks about the fact that there was no cost other than that—no cost of production, no cost of airing it. So the Leader of the Opposition has been quite cute in the way this was introduced today by not quoting the article fully. There it is in black and white—\$1,226—and we have indeed confirmed that.

Just to round this out: this is not a gift or a benefit to me personally and that is what the Ministerial Handbook is all about. This is how the Labor government got the state of Queensland into the mess that we are in. Let us just examine why I just said that. What would the Labor Party have done? They would have simply said, 'We're going to do the ad. We're going to spend tens of thousands of dollars on production and then goodness knows how much on air time.' We chose to do it economically, to find a way to do it without cost other than \$1,226 for approval, with the free-to-air TV organisation to approve the ad. That is sound and sensible and prudent financial management, not poor and reckless financial management that saw them spend \$16 million in the period April to June 2011 on advertising—just in that one quarter alone.

CHAIR: We will move onto the member for Murrumba.

Mr GULLEY: Will the Premier please provide an update for the committee on the preparations for the G20 to be held in Queensland in 2014?

Mr NEWMAN: I believe the G20 is an event that if we do right will ultimately provide significant benefits for the state of Queensland. Ultimately, of course, the decision on the G20 and its hosting is a matter for the Prime Minister. On 11 July Julia Gillard announced that Brisbane would host the G20 summit at the Brisbane Convention and Exhibition Centre on 15 and 16 November 2014.

What we have done is set up a G20 state planning unit within the Department of the Premier and Cabinet. That commenced operations last month—September 2012. It will continue through to the event itself and finally wind up in December 2014. The role of the G20 state planning unit is to act as a facilitator between the Queensland government, departments and agencies and the Commonwealth's G20 task force.

I wish to advise the committee that Mr Terry Crane commenced duties as the head of the G20 state planning unit on 18 September. He has had significant experience in similar specialist roles, including as the Perth CHOGM task force chief, the senior adviser security operations for CHOGM in 2002 and head of security at Parliament House in Canberra. We are getting on with those preparations.

This will also be a partnership between ourselves and Lord Mayor Graham Quirk. We need to seize every opportunity to sell Brisbane and Queensland at a time when thousands of people will be in our city. There will be the leaders of course, their entourages, the international media and the business people who will inevitably come along to the G20. We will be really looking to put Queensland's best face forward.

I merely ask forbearance from the citizens of Brisbane for the inconvenience that they will no doubt incur over 15 and 16 November 2014. I assure my fellow Queenslanders that that inconvenience will be well and truly worth it in the long term when it comes to the economic benefits that we intend to see ultimately delivered to this state.

Mr KAYE: This government is big on driving down costs of living for Queenslanders. Can you outline what initiatives are delivered in the budget to cut the cost of living?

Mr NEWMAN: One thing that this government understands, which unfortunately many others do not, is that the cost of living is the most important issue for people across this state. That continues to be the most important issue. This government is working for them. We will always work for them. We know that constantly putting up taxes and charges to pay for the government sector is not on, particularly in tough economic times.

I have outlined in earlier answers how I feel the previous government got it terribly wrong. It is sad to reflect on the line of questioning we had before. If we look at the words of the Leader of the Opposition it is though she was advocating that we should have spent money to put an ad on TV and should not have used the credits in terms of the advertising spend. We reject that line of thought.

The government has made tough decisions to save money so that we do not have to put taxes and charges up across Queensland. The other mob felt that they could just keep milking people. There are so many examples. They ignored the concerns of various South-East Queensland councils about the drought back in 2005. Then they had to build a whole lot of water infrastructure in a great rush and a great panic so that we would not run out of water. So they spent far too much and wasted money. As a result, we now have a burden of debt that has to be serviced and we have people being hit with high water charges.

I make the point that they would not listen to local government. Somebody who is on the public record as saying that the previous government would not listen is Jim Soorley. Former minister Palaszczuk—and I am not talking about the current Leader of the Opposition here but her father who was a former minister responsible for water—ignored my calls when I said there was a water supply emergency developing. The government at the time would not listen and as a result they wasted many, many precious months and we saw higher water prices.

What are we doing about it? We are not going to jack up charges and taxes and make Queensland families pay. That is why we have made the tough decisions. What are we delivering on? Here are some of the things we are delivering on. This budget allocates \$63 million this financial year to freeze tariff 11 electricity prices. That is the residential electricity tariff. I know this is important to the member because he is passionate about looking after the families in the Greenslopes electorate. I know he is fighting in their corner. That is why he supports the tough decisions that we have had to make in the budget. This is a very important one.

Another one is \$132.3 million over three years to freeze family car rego. That is 2.5 million family vehicles where the pressure will be taken off for families. Remember we saw huge, double digit increases—they were over 30 per cent—from the Labor Party in the last few years when it comes to family car rego.

There is \$917 million over three years to implement our reinstatement of the principal place of residence stamp duty concession. People will be potentially paying \$7,000 less on the average family home purchase. We think that is such an important thing. Homeownership is critically important. When you have to fund that extra \$7,000 that is ultimately money that you have to keep paying in loan repayments and interest each year. That is really giving something back.

There is \$92 million in the budget to deliver a rebate of \$80 per household in Queensland on water bills. We are trying through our reform process that Minister McArdle is leading to do a whole lot more in that space.

I know the Leader of the Opposition is interested in this one. There is \$158.2 million over the next four years to halve the public transport fare increases that she personally supported. When the Leader of the Opposition was the minister for transport she signed off on 15 per cent fare increases. We are halving those. There is also \$39 million over four years to deliver free travel on the TransLink network when using go cards after people have undertaken nine journeys in a Monday to Sunday week.

They are just some of the initiatives that we are putting on the table. The potential projected savings for families in SEQ—it is a bit less in other parts of the state for obvious reasons—will be as much as \$339 per household.

In conclusion, the trouble with the Labor Party is that they mouth platitudes but they do not care and never cared about the cost of living. They still do not get it. That is evident from all of the things they have been saying over the past few months in relation to cost savings and the tough decisions we have had to make in terms of the Public Service. They do not want us to get to the bottom of the Health payroll system and find out whether we can recover money because they will not release that legal advice freely. We reject totally that approach. We are going to do the right thing by Queensland families.

Ms PALASZCZUK: Yes, the Labor Party does care about keeping people in jobs. I refer to your New York vision. Can you advise further how you developed your vision and detail what information has been released under this brand new strategy to date following the first meeting to progress this initiative on Monday, 1 October?

Mr NEWMAN: I make the point that the internet has been around for a couple of years now. I recall my first internet experiences back in 1995. Yes, you had to use a dial-up 28k modem, but it was still pretty exciting for those days. I make the point that the Labor Party had from 1995 to March 2012 to get on with initiatives in relation to open government.

We have been around for six months. We are going to do this. The question is: when did I decide to do this or when did the government decide to do this? This has been something that I have had in mind for some time. It was something that I was about to implement in the Brisbane City Council as lord mayor of this city, but events overtook that and I ended up down here. I have been a passionate advocate for this approach for some time. We have now made the announcement and are getting on with it.

In relation to information release, I described earlier that the website data.qld.gov.au was established as a trial or test bed in August and went live in September—on the date I gave earlier. It will now be populated in the days, weeks, months and years ahead with a wealth of data. I know Mr Ray Stevens, as the assistant minister, will be relentless in going around government departments and searching out material that can be put up on the web. That is exactly what he is charged to do. You are not going to have everything there tomorrow or the next day, but I can assure Queenslanders that there will be a quite significant ramp up in available information over the days ahead. He is very excited about that, as am I.

Ms PALASZCZUK: Thank you, Premier, for your vision in relation to this new openness in government. I draw your attention now to a discussion paper from the Public Service Commission entitled 'Innovations in ICT for improving service delivery' which was published in February this year, which was before you became the Premier. It talks about this new openness and the New York style. It is a very comprehensive document. Premier, this does not seem to be your brand new idea. This idea has been floating around under the previous government.

Mr NEWMAN: I see the look of triumph and delight in the Leader of the Opposition's eyes. I know that I am being asked the questions, but I will ask a rhetorical question. Why didn't they do it? They never did it. Here is the difference. We do things. We do not do government by press release. We do not do government by spin and nonsense—we deliver. By the way, I have been passed a note that there might have been an earlier draft about two years ago. We will look into that if the Leader of the Opposition really wants us to get to the bottom of this. I guess it only begs the question again: why didn't they do it?

There is no monopoly on good ideas. I think I have been very generous in my praise of former Premier Peter Beattie who wanted to work with people. When I gave my speech at the Airport Link tunnel opening I was generous in my praise of his leadership in getting that project going and working with me at the time. What is the Leader of the Opposition's point?

Ms PALASZCZUK: That it is not actually your vision. It was raised by the former Labor government.

Mr NEWMAN: Again, Mr Chairman, there is no monopoly on good ideas. Anybody can have a good idea. Anybody can make an announcement. I note, for example, that one thing I would be critical about Premier Beattie was in I think September 2005—if I have the year wrong, it was September 2006; it is immaterial, though—when he announced Cross River Rail. You know what I am saying, Mr Chairman. The previous government announced stuff; they did not deliver stuff. They announced stuff. We heard another example today from the Leader of the Opposition about announcing or having a report on something but not doing something. We will do and just watch this space.

Ms PALASZCZUK: Premier, in relation to your announcement this morning about a new open data approach by government, can the Premier explain how his cuts to library staff across key government departments will impact the quality of information and the depth of information provided to the new open data process?

Mr NEWMAN: Again, I need to help the Labor Party out with this view on staff numbers somehow equating to the delivery of a service. I know it is the Labor way, and I know it is the Labor way because the Labor Party is controlled by unions and unions are about membership and numbers, but that is not the way things really work in the world. Once upon a time we had large typing pools in government in the private sector. Where are the typing pools today? They are not there anymore. Why? Because technology has changed the world. Once upon a time we had armies of clerks and, euphemistically, bean counters who toted up the costs of running city councils and sent out rates notices. For a number of years now we have had things called computer systems which do that work.

The other example I give again today, at the risk of derision from the Leader of the Opposition, is that once upon a time in this city we had garbage trucks with a driver and two garbos driving around the streets picking up the garbage bins. Today that work is done by one driver with one truck. It is called technology. In relation to this information-sharing initiative—this revolution that we are kicking off—it will be achieved notwithstanding any assertions about staff numbers.

If I turn directly to libraries, libraries have changed. Many of the schools that I visit around the state, even some in my own electorate, are talking about the way that they are progressively going to be doing away with books, and libraries will be information resource centres where people essentially get it all from a computer in the library. There is a consequential reduction in the number of printed publications or books. I think that answers the question of the Leader of the Opposition: technology is changing the way that libraries operate. This will have no impediment on our delivery of information onto data.qld.gov.au.

May I add that I do not believe most of that data was being dealt with in the libraries of the Public Service. I am talking about traffic count data that is held in TMR, and I want to put that on the internet so people can see it. I also want to put that hospital data on the performance of our emergency departments onto the internet. I am sure that is not held in a library in Queensland Health. Well, maybe it is but I would have thought that line managers would have that information and we are just going to make sure they release it.

Ms PALASZCZUK: Premier, this morning in your opening statement in relation to your New York style of openness, you mentioned that you would be releasing everything. Did you want to qualify what will be released? It is a very, very broad statement.

Mr NEWMAN: I reject the quoting back to me of my remarks because I often find that the Labor Party says that I have said something but indeed that is not exactly what I have said. We saw an example only 20 minutes ago in relation to quoting supposedly a newspaper article from the *Australian* where just a couple of pertinent facts were left out. What I said is that we are going to do our best to release as much information as we possibly can. Of course we are not talking about commercial-in-confidence material, privacy related issues which will come to the fore, cabinet deliberative materials and cabinet in confidence materials. But we are talking about all the data that we can of government.

Ms PALASZCZUK: Can you give some examples?

Mr NEWMAN: I will give an example. We are going to release where the speed cameras are set up real-time. We are going to ask the Queensland police to regularly post where they are putting the cameras. We are going to release the traffic count data—the road usage data—on state controlled roads. We are going to release information on the electricity consumption of state schools, government departments and various agencies of government.

Ms PALASZCZUK: Are you going to release the number of people who have been sacked in government owned corporations for openness and accountability?

Mr NEWMAN: If we are asked a question about how many people were employed on a certain date and then how many people are employed today, we are happy to get that information for the Leader of the Opposition but again—

Ms PALASZCZUK: But earlier in response to my question about the number of staff being sacked by government owned corporations you said that you were unable to deliver that information because it was controlled by a board, and now you are saying that you can actually deliver that material?

Mr NEWMAN: With the greatest of respect, what I was saying is that we have independent boards. What I say to you is that I am more than happy to openly report what has happened. I have been given questions today which were prefaced—see, this is the important thing. This is the Labor Party way. You ask one question; you get a precise answer, but then later on you say that that was the question and that was the answer and it is quite different. It is called verballing and it is going on now.

CHAIR: Order!

Mr NEWMAN: The Leader of the Opposition can snigger about it, but I think this is what is going on here. I was being asked to tell the committee what was planned to occur in the GOCs, and that is why I said what I said. We have no plans for the government owned corporations and their staff numbers. That is a matter for the independent boards. If the Leader of the Opposition wants to know what they have done, when it is done and on an ongoing basis, that is a matter I am quite happily and cheerfully prepared to have the government report. I am more than happy to have them post their headcount on a regular basis on an ongoing basis. I think we will get to that eventually, as indeed we will do for government departments, but that is the answer to that question and that is quite different from what I was asked this morning in our first session.

CHAIR: We will call on the member for Hervey Bay.

Mr SORENSEN: In regional Queensland the racing industry was really trashed by the previous government. There are a lot of benefits to having racing in country areas and even right throughout Queensland. How is the government proceeding with the plans to revitalise racing in Queensland? I know a lot of the benefits because the Torbanlea Picnic Races are this Saturday week and they raised \$50,000 last time for the community. So I know the benefits but could you outline some of the benefits from country racing?

Mr NEWMAN: Again, I thank the member for Hervey Bay for his question. I know he is a passionate advocate, as I said earlier, for his community in relation to not only tourism and racing but also the important benefits that accrue to the community generally, as is our colleague the member for Maryborough. I know that racing has the opportunity to inject real dollars into the local community. There are so many people who are involved in racing so it is a great employer. We also see important cultural and social benefits. If a race meeting is on in a regional centre, we get people drawn in from the surrounding hinterland. We see spin-off activities or festivals surrounding those events. They bring people together and maintain a true spirit of community. So I think many of these changes are tangibles, but my team understands the importance of racing to regional Queensland.

We are rejuvenating the racing industry. We have dealt with the unacceptable way the industry was being run by the previous government. We are committed to establishing separate control bodies for each of the codes—the trots, the gallopers and the dogs. That will allow each of the respective industry codes to have a greater say and ownership of the way that their code progresses, and then we will have an overarching all-codes racing industry board which will deal with the whole-of-industry issues—the funding, TV rights and TAB negotiations. We have also committed to continue the provision

of \$110 million through the Racing Industry Capital Development Scheme. That will provide funding for infrastructure upgrades and, interestingly and importantly, that will be done without requiring the clubs to stump up with equity. There was a quite inappropriate thing going on under the previous government where Racing Queensland was fronting up and saying, 'You are going to do this and you are going to allow us to buy in if you are going to get \$10 or \$30 million.' It was very inappropriate. We will see that scheme being funded by redirecting 50 per cent of the wagering tax over a five-year period.

In terms of country racing, there is \$4 million over the next four years to fund extra race meetings. There is almost \$5 million over two years towards the Queensland Thoroughbred Investment Scheme to support the breeding industry. We believe that will free up funds in the industry towards things like prize money. The more prize money, the more reasons to be involved in racing. I think that is the gist of it.

Just a final thing, we believe there are 30,000 people across Queensland employed in the racing industry. They should know that this government supports them 100 per cent. We think they make a wonderful contribution to Queensland's cultural, social and economic life.

Mr GULLEY: Would the Premier provide the committee with further information regarding the progress of the new Ministerial Code of Conduct?

Mr NEWMAN: The Ministerial Code of Conduct is something that I committed to review, and I have spoken about this in the chamber on previous occasions. I am going through a quite deliberate, careful progressive series of steps to ensure that we get this right. Frankly, the situation we inherited was a bit of a dog's breakfast in that ministers are ministers but they are also MPs, so we have those rules that apply to the parliamentarians as well. The way that I have gone about this is to develop a code that meets community expectations and maintains public confidence in the way that this government and its cabinet are conducting themselves.

I particularly started this off by seeking the advice of the Integrity Commissioner and The Clerk of the Parliament. I was particularly interested in their views on shares and directorships. I received that advice and you will recall, Mr Chairman, that I spoke about that in the parliament. I put out the advice on 16 July for community consultation and comment. Then on 1 August I made a ministerial statement and tabled a draft Ministerial Code of Conduct that had been prepared in draft form by the Integrity Commissioner and the officers of my department, and I put that out for public consultation.

What I intend to do is table the new finalised code in the Legislative Assembly in the not-too-distant future when parliament sits again. It has been based on that advice from those two independent statutory officials. It has also been subject to that community consultation in terms of the advice and the draft code so I feel that we have done all the right things in terms of getting this finalised in the right way.

Mrs OSTAPOVITCH: Premier, I wish to continue on education. By the way, thank you for noticing that I am passionate about our children and their education and how that is crucial to Queensland's future. You mentioned in your last answer that literacy and numeracy are the foundation of education. Unfortunately, we have had a bit of a problem with that in recent years in Queensland. Could you tell us what this budget is doing to address that problem?

Mr NEWMAN: There is probably a bit of an overlap in terms of this answer. I gave a bit of this before, but I will focus more specifically on this. I thank the member for the question and the opportunity to talk about it. We have been concerned about the NAPLAN test results. They are a guide as to how our students are doing compared to their interstate counterparts. While I acknowledge that there was a slight improvement this year, there is obviously a lot more that needs to be done. The first thing is this provision in the budget where we are giving the principals the opportunity to choose literacy and numeracy programs that best meet the needs of their students. There is \$6.5 million for this program. It has these features of flexibility and choice. The principals will get to decide what those priorities are and they will be able to acquire the programs that best address those needs.

There is also the big picture, which is the introduction of independent public schools. I have been quite interested to know where the opposition stands on this because I have not noticed too much commentary on it. For quite a while the Teachers Union has opposed independent public schools. The government was elected on the basis that we would implement this. I notice that the federal Labor government seems to have a program that sounds eerily similar. I hope the opposition does support us on this one. We have \$3 million to get IPS going in Queensland. If memory serves me correctly, 26 schools have signed up to the program this year. One of them, I am delighted to say, is the Ashgrove State School, and it looks like the member has one as well. This will allow the schools to be run far more autonomously. The school community with the principal and the school board or the school council will have the opportunity to take that single-line budget and then decide how they truly will run the school to meet the needs of their kids within that community. I think there is going to be a wealth of opportunities and possibilities to better direct resources and effort to where the kids need it. If the issue was something to do with reading, then the principal and that school council can say, 'We're going to shift the emphasis over here to assist the kids to lift their performance.' That is what IPS is all about; it is about freeing school communities, particularly the principals as the leaders of those schools, to do what is needed rather than this centralised command and control approach that has been with us for many, many years.

Mr MULHERIN: My question is directed to the director-general of the Department of the Premier and Cabinet. Can you advise if there have been any breaches of the ministerial handbook since 24 March?

Mr Grayson: Can you just give me a moment to consult with my colleagues? I am certainly not aware of any breaches.

Mr NEWMAN: While Mr Grayson is checking on that, I have a couple of things that I should advise, if I may, from earlier questions. Firstly, in relation to the Queensland Treasury Corporation and that JLL issue, it is as I said, that the appointment of JLL was done by Queensland Treasury Corporation. It was not a competitive process. It was based on discussions between QTC and the Department of Housing and Public Works on which company was the most appropriate one to undertake the work. I stress again that there was no ministerial involvement in the appointment initially. Subsequently, JLL's appointment was continued when the project transferred to Projects Queensland within Treasury and Trade. I am advised that the subsequent appointment of JLL was approved by the Under Treasurer. I am also advised that the Projects Queensland appointment process was oversights by a probity adviser, BDO Kendalls, and again I stress there was no ministerial involvement in the appointment. That hopefully deals with that one.

Just in relation to the earlier question and commentary from the Leader of the Opposition about an open government document, I am advised that the open government document was first published in February 2010. The former Labor government sat on the report for two years. That is hardly open, hardly transparent and certainly not 'can do'. Mr Grayson, do you have that information?

Mr Grayson: I can confirm for the honourable member that there have been no reported breaches of the ministerial handbook.

Mr MULHERIN: My next question is directed to the Public Service Commissioner. Will the commissioner outline how many Queensland government workers are now considered non-front-line, both the total number and as a proportion of the total workforce?

Mr Maynard: I thank the member for that question. I can confirm that, prior to an audit that was undertaken in May to June of this year, 83 per cent of full-time equivalent public servants were considered to be front-line and just over 16 per cent were considered non-front-line. Following the audit, 68 per cent of public servants were considered front-line and just over 31 per cent were considered non-front-line.

Mr MULHERIN: Was there a change in definition of 'front-line' during that period?

Mr Maynard: No, the definition remain unchanged.

Mr MULHERIN: I refer to a document that was put together by the Public Service Commission around voluntary separation program status as at 23 July 2012. This document refers to an expression of interest pool. Could the commissioner please explain what this means? Were those workers to be sacked or to be invited to nominate for the voluntary program?

Mr Maynard: If I can clarify with the member—

Mr MULHERIN: I seek leave to table the document.

CHAIR: There is no need to do that.

Mr Maynard: To clarify, the member is referring to the previous government's voluntary separation program?

Mr MULHERIN: Yes. It is a Public Service Commission document. It is the voluntary separation program status as at 23 July referring to the previous government. There is an EOI pool. I have asked: could the commissioner please explain what that means? Were they workers to be sacked or people invited to nominate for the voluntary program? You can see a number of tables in that document.

Mr Maynard: Yes. My understanding is that the previous government had identified just over 40,000 Queensland public servants who were potentially to be offered voluntary separation.

Mr MULHERIN: Voluntary? That was non-front-line by definition?

Mr Maynard: I was not here at the time so I cannot explain how those roles were defined. Those staff were written to, were offered a voluntary separation and expressions of interest were received back.

Mr MULHERIN: On the second page it has non-front-line. That was the definition of the total pool. What happened if they nominated—out of that 40,000?

Mr NEWMAN: Mr Chairman, if I may just cut in, the Public Service Commissioner, Mr Maynard, only joined us in the last month or so. That question was asking about things that well and truly predate his stewardship. I am more than happy to try to get an answer for the member for Mackay, but I do not think Mr Maynard is able to directly answer that last question as to what was actually happening. By the way, I do point out that of that 41,000, 13,000 were front-line staff—and that is in the table—13,000 front-line staff were going to go under the previous Labor government. That is the truth of the matter, sadly, Mr Chairman.

Mr MULHERIN: No, it is not.

Mr NEWMAN: Mr Chairman, if I may, he has asked the question. We are here to answer the questions. We never heard about that. But, more importantly, the public servants never heard about the 41,000 overall number, nor the 13,000 within it that were front-line workers.

Ms PALASZCZUK: Offered. Not sacked, offered.

Mr MULHERIN: Offered.

Mr NEWMAN: Mr Chairman, they are being disingenuous. If someone receives a letter saying, 'You are being offered a VSP,' you are hardly in a position to know that 40,999 other co-workers also got a similar letter. This goes to the whole issue that I talk about today. This government is about openness and transparency. It is about truth and substance and telling people the truth. The previous government would not tell people about this 41,000 list nor would it tell—

Mr MULHERIN: Mr Chair, under standing order 181 I have the right to put the question to the Public Service Commissioner. I have asked the Public Service Commissioner, as the appropriate officer, to respond. If you look at this document, it totals the number in the pool, the number who were offered, the number who nominated, the number who accepted, which was the final figure. I want to explore this issue with the responsible officer under standing order 181. It is a document that has been published by the Public Service Commission, not by a ministerial office.

CHAIR: Premier, we will go back to the commissioner and ask him whether, given that he has only been in the role a very short period of time, he can do his best to answer the question.

Mr Maynard: If I can just clarify the question. I think the last question you asked me was pertaining to the definition of—

Mr MULHERIN: You asked about the definition. I said it referred to non-front-line service in that EOI pool of 41,000. The question I asked is: what happened if, out of that pool of people, there were nominations? What was the next part of the process?

Mr Maynard: The definition continues on the final page. It is very small to read but it highlights that included in that total were 13,000 front-line staff who were written to. When employees responded, if they expressed an interest, then consideration was given to whether a voluntary separation was offered to that individual employee.

Mr MULHERIN: So it was voluntary?

Mr Maynard: It was voluntary.

Mr MULHERIN: How many workers were offered the voluntary separation packages?

Mr Maynard: According to this table, 4,212 were offered and accepted. So more than 4,212 were offered and 4,212 accepted. The terms of that voluntary separation were 30 weeks pay plus three weeks salary for every year of service up to a maximum of 60 weeks.

Mr MULHERIN: Did the Public Service Commission provide advice to the government—that is the LNP government—that the total number of positions being targeted through this process was more than 5,000?

Mr NEWMAN: I do not quite understand the question, Mr Chairman.

Mr MULHERIN: I am asking the Public Service Commissioner.

Mr NEWMAN: I know, but I do not quite understand the question. If he does not understand the question, he needs some clarification.

CHAIR: Would you like to repeat the question?

Mr MULHERIN: Did the Public Service Commissioner provide advice to the government—that is, the LNP government—that the total number of positions being targeted through this process was more than 5,000?

Mr Maynard: It is my understanding that the government received 9,600 expressions of interest. Offers to separate were made to 5,200 employees and just over 4,200 employees accepted that offer.

Mr STEWART: I have a question in relation to law and order. What steps is the government taking to reduce the incidence of hooning and hooning related offences taking place on Queensland streets?

Mr NEWMAN: This government is committed to dealing with antisocial and dangerous use of motor vehicles right across Queensland. I say today that we will create the laws, provide the resources and the tools for the police and enforce those laws to crack down on illegal street racing and hooning. I will outline some of the things we will be doing in the future. We will clamp cars and take them off the road for three months for a first offence. We will see cars forfeited or crushed for any subsequent offence within five years. Also, a hotline will be established to allow people to directly and promptly advise the police of these antisocial offenders.

We are determined to send a very clear message to those who think they can escape the consequences of their actions by speeding away and leading police on high-speed chases particularly. There have been some terrible tragedies, sadly, in the past five or six years. I have to say: no stolen vehicle and no stolen property is worth the life of any innocent Queensland. That is why under the current pursuits policy police only chase if the need to catch the person justifies the risks involved. That is about ensuring the safety of all road users.

Deciding not to pursue someone is a difficult decision for the police; however, we are also enabling police to deal with those who do speed away from them. On 29 August the government increased the penalty for evade police to a minimum fine of \$5,000 and automatic loss of licence for two years, making it very clear that speeding away from police will not be tolerated.

We are also intent on delivering on our commitment to have two dedicated police helicopters, for the Gold Coast and South-East Queensland, by 2014-15. That will provide that aerial support and surveillance. I think that is one of the most effective and safe ways to deal with these sorts of high-speed pursuits as well as many other offences when criminals are trying to get away from police.

Illegal street racing, burnouts, doughnuts, drifting and speeding are all extremely dangerous activities. They are disruptive to people's lives in suburbia and they will not be tolerated. The police have our full support. We are confident that these new measures are going to make a real difference in the months and years ahead.

Mr KAYE: Premier, can you provide an update on the implementation of the recommendations from the Queensland Floods Commission of Inquiry?

Mr NEWMAN: The Floods Commission of Inquiry made a large number of recommendations which do need to be very carefully implemented in a very systematic and carefully controlled way. That is why the cabinet has established a very rigorous framework for monitoring and coordinating the implementation of all of the recommendations of the inquiry. We have set up five implementation groups, all chaired by responsible directors-general. The groups are related to planning, building, environment and mines, emergency management, and dams. The implementation groups have representatives of relevant agencies but also local government—so councils themselves and the LGAQ. Mr Grayson then chairs a CEO subcommittee which is keeping a very close eye on implementation progress. So we have project plans and progress reports from each of these implementation groups flowing up through him.

I can advise the committee today that as of 31 August this year 20 final report recommendations have been completed, and progress has also been made on important recommendations such as engaging the US Bureau of Reclamation and the US Army Corps of Engineers to undertake an independent review of Seqwater's flood event report for 2011. We have introduced the Water Legislation (Dam Safety and Water Supply Enhancement) and Other Legislation Amendment Bill 2012 to amend the water legislation to improve the framework for dam operations. We are also conducting public consultation on a revised new part of the Queensland Development Code on building in flood hazard areas. We are progressing arrangements for the conduct of the Brisbane River catchment flood study in consultation with relevant councils. We are also completing a review of risk assessment guidelines to support pre wet season mine inspections.

Our priority at the moment is to get ready for the upcoming storm and wet season so that we are in the best possible position to respond to anything that might arise. Of course, we are conscious of the BOM's longer range forecast, which is stressing more neutral conditions in terms of the El Niño-La Niña balance. At this stage we are not expecting a repeat of what happened in early 2011. Indeed, I think we can all observe that, to date, the conditions are markedly different from those in late 2010. So let us hope that we do have some breathing space to get on and deal with all of these matters. Indeed, that is exactly what the government intends to do.

CHAIR: I am aware of the time. We have something like seven minutes until the end of proceedings. There were some items about which we asked you to come back to us before the end of proceedings. Premier?

Mr NEWMAN: There are a number of things I can deal with here. I will try and deal with them quickly. These are in no particular order in terms of the questions asked. We were asked to outline how many government employees have taken stress leave due to increased workloads following the departure of their work colleagues. I am actually pleased to advise that the latest data from WorkCover indicates a reduction in the number of psychological injury claims since my government took office. Between 26 March 2012 and 19 September 2012 the average number of psychological injury claims per month was 90, down from an average of 95.2 claims per month during the last nine months of the former government.

Ms PALASZCZUK: The question was about sick leave, not workers comp.

CHAIR: Premier, the figures you are giving us here now—

Mr NEWMAN: I am trying to continue on.

CHAIR:—are to do with stress leave?

Mr NEWMAN: Well, I am giving the figures that I have, and I am about a third of the way through answering the question. I know that the Leader of the Opposition gets excited. I am more than happy to answer the question, but if I am interrupted midstream I will never finish answering the question and I will have to provide the information in accordance with standing orders, in writing.

CHAIR: Carry on.

Mr NEWMAN: In relation to sick leave, there has been a slight increase in the average sick leave taken per employee across the Public Service for the 2011-12 financial year, with 7.16 days per employee compared to the previous financial year with 7.04 days per employee. While the increase is marginal, we would expect to see an increase in sick leave during times of significant change. This has been the experience in past voluntary early retirement schemes and with the Voluntary Separation Program across the Public Service as employees draw on their sick leave entitlements during their last working days. Again, it is my expectation that directors-general ensure that workloads for remaining employees are effectively managed and adjusted to reflect reductions in staff.

I acknowledge that these are difficult times for employees and their families. That is why the government has put in place an enhanced employee assistance program on top of the existing employee assistance and professional counselling programs—to provide practical support to employees to access new employment pathways, skills and retraining and career advice. As part of this program, specialised support and intensified case management will be provided for people with disabilities, employees of Aboriginal and Torres Strait Islander descent and employees from culturally diverse backgrounds. Some \$4.5 million has been allocated for that in this budget. The government is working very hard to ensure that these necessary changes are being implemented as sensitively and effectively as possible so that we can stabilise the workforce and build the best Public Service in Australia.

The next answer relates to how many people have lost their jobs, as opposed to full-time equivalent numbers that do not reflect the full extent of individuals affected, as at 9 October. In the state budget, the Treasurer announced a reduction of approximately 14,000 positions across all Public Service departments. This includes, as I have said earlier, approximately 10,600 full-time equivalent redundancies for permanent Public Service employees. The balance is being achieved by not filling vacant positions or extending temporary contracts in non-front-line roles that are not considered by directors-general to be essential to front-line service delivery. As at Friday, 5 October 2012, 3,826 offers of a voluntary redundancy package have been made to permanent Public Service employees across all Public Service agencies. Of these, 3,162—that is, 82.6 per cent—have accepted a redundancy package and 496—that is, 13 per cent—are still considering the offer. Since my government took office and up to 30 June 2012, there were 4,039 temporary contracts in non-essential, non-front-line roles that were not extended.

I was asked a question by the Leader of the Opposition about comments in a letter back at the start of 2010. I think it was April 2010. I said that I believed the debt was much lower than it was today. This was the context back then. The figure I have here is that at the end of the 2009-10 financial year—so 30 June 2010—the debt of the state of Queensland was \$51.7 billion. In 2011-12, when this government came to office, we inherited a debt of \$62.4 billion. So I do not have a debt figure for April, but I am happy to go and get the debt figure. It was definitely less than \$51.7 billion. So my point is: from 30 June 2010 to when we came into office it had gone up from \$51.7 billion to \$62.4 billion.

Now, what do we know? We know that it was projected to increase to \$74.2 billion in 2012-13, \$81.4 billion in 2013-14 and \$85.4 billion in 2014-15. How do I know that? I know that because Andrew Fraser, a former colleague of the member for Mackay, who is continuing to not listen, said it in his Mid Year Fiscal and Economic Review. So former Treasurer Andrew Fraser released the figures I just gave.

The point is this: I love infrastructure, this government loves infrastructure and this government is looking for new and innovative ways to fund infrastructure. But when those comments were made in the letter back in April 2010, we were not aware that they would continue their reckless drive into financial uncertainty. We were not aware that they would continue to employ people that we could not afford to pay. We were not aware that they were continuing to just expand the size of the Public Service on borrowed money. So there you go—

Mr MULHERIN: But your argument was to spend more when the debt was \$42.8 billion.

Mr NEWMAN: I will respond to that interjection again. The member for Mackay should start to listen. I said very clearly: the debt at the end of the financial year 2010 was \$51.7 billion. It was even lower in April, when that letter was signed.

CHAIR: We are out of time. I see that you have something there. Are you about to table a receipt? There was a receipt that you were trying to—

Mr NEWMAN: No.

Mr Grayson: Sorry, Mr Chairman. I do not have that.

CHAIR: That is fine. If you can make that available to us, I believe you have until Thursday at 3 pm. The time allotted for the consideration of the proposed expenditure for the areas of responsibility administered by the Premier has now expired. Thank you, Premier and advisers. The committee has resolved that answers to any questions taken on notice or additional information must be provided to the committee secretariat by 3 pm on Thursday, 11 October 2012. The committee will have a break and resume at 3 pm to examine the estimates for the areas of responsibility administered by the Treasurer and Minister for Trade.

Mr NEWMAN: Mr Chairman, I would like to thank you and the committee for all your efforts today.

Proceedings suspended from 2.31 pm to 2.59 pm

ESTIMATES—FINANCE AND ADMINISTRATION COMMITTEE—TREASURY AND TRADE

In Attendance

Hon. TJ Nicholls, Treasurer and Minister for Trade

Queensland Treasury and Trade

Ms H Gluer, Under Treasurer, Office of the Under Treasurer

Mr A Beavers, Deputy Under Treasurer, Office of the Under Treasurer

Ms P Elliott, Assistant Under Treasurer (Acting), Commercial Monitoring

Mr D Molloy, Assistant Under Treasurer, Fiscal and Macroeconomics

Mr C Turnbull, Executive Director, Corporate Services



CHAIR: The estimates hearing for the Finance and Administration Committee is now resumed. On behalf of the committee, I welcome to the hearing the Treasurer and Minister for Trade, officers of the department and related entities and members of the public. I am Michael Crandon, the member for Coomera and chair of the committee. Joining me on the committee are Mr Curtis Pitt MP, member for Mulgrave and deputy chair; Mr Reg Gulley MP, member for Murrumba; Mr Ian Kaye MP, member for Greenslopes; Mr Tim Mulherin MP, member for Mackay; Mrs Freya Ostapovitch MP, member for Stretton; Mr Ted Sorensen MP, member for Hervey Bay; and Mr Mark Stewart MP, member for Sunnybank.

The committee will now examine the Appropriation Bill 2012 and the estimates for the areas of responsibility administered by the Treasurer and Minister for Trade. The committee will consider the estimates for Queensland Treasury and related entities until 4.30 pm. We will then take a break and resume at 5 pm to examine the remaining estimates of the Queensland Treasury and related entities and Trade. This will conclude at 6.30 pm. The proceedings today are lawful proceedings and subject to the standing rules and orders of the Queensland parliament. As such, I remind all visitors that any person admitted to this hearing may be excluded by order of the committee in accordance with standing order 208. In relation to media coverage of the hearing, the committee has resolved to allow television film coverage and photography at all times during the hearing in accordance with the media broadcasting rules. Before we begin, I ask that all mobile phones be now switched off. I now declare the proposed expenditure for the areas of responsibility administered by the Treasurer and Minister for Trade open for examination. The question before the committee is—

That the proposed expenditure be agreed to.

Treasurer, the committee has resolved that you may make an opening statement. Do you wish to do so?

Mr NICHOLLS: Thank you, Mr Chairman; just a short one. Mr Chairman, this budget—the first Newman budget delivered for the LNP—is the most important budget in a generation. Importantly, it will break the addiction to debt and deficit that characterised Queensland's finances under the previous administration that saw debt balloon and deficits become the hallmark of the former government. It is incumbent on us as a new government to get Queensland's finances back in the black and back on track, and this budget delivers that. It does it by delivering a fiscal surplus in 2014-15 of \$652 million, meaning that our requirement to go to market to borrow to fund the operations of government to support the budget will come to an end. It will deliver an operating surplus of \$17 million a year earlier. It will continue the path of fiscal repair as recommended by the independent Commission of Audit and addresses the concerns outlined by Queensland Treasury in the incoming government brief provided to me and addresses the issues about the increasing debt, deficit and interest levels outlined in the incoming government brief issued by the Queensland Treasury Corporation to me as incoming Treasurer. It does so while dealing with the cost of living and ensuring that Queenslanders continue to enjoy the benefits of the commitments that we made in the election campaign to deliver all of our cost-saving and cost-of-living saving measures including such things as controlling the cost of electricity and water, delivering a motor vehicle registration freeze for the family car, abolishing Labor's waste tax and reintroducing the principal place of residence concession that was abolished by Labor only a year ago, adding up to \$7,000 to the cost of a family home. It does all of that and also puts us back on the path to fiscal repair. For that reason, it is the most important budget in a generation and I look forward to this budget being implemented over the future year.

CHAIR: Thank you, Treasurer. I call the member for Mulgrave.

Mr PITT: Thank you, Mr Chair, and thank you to the Treasurer and all who are appearing before the estimates hearing today. Your time is appreciated. Treasurer, I refer to Budget Paper No. 2 and ask: do you consider the reductions in the Public Service in the 2012-13 budget to be the end of the matter and that the Public Service is now—I think you call it—the right sized Public Service as a result?

Mr NICHOLLS: In my budget speech I indicated that I had hoped that this would be the extent of the reductions in the size of the Public Service necessary to undertake the fiscal repair task. I indicated that I hoped that neither this government nor any other government would be required to undertake a fiscal repair task of such magnitude again in order to fix up the mess that we had been left—such things as a pathway to \$85 billion worth of debt, \$62 billion worth of debt at the conclusion of this year and also the ongoing structural deficits. So it was necessary to make those tough decisions, as I have indicated. I also indicated in my budget speech that the nature of government is dynamic and that there would continue to be changes in the Public Service, as there always have been. I expect those to occur in the normal course of business for the general government sector to be able to continue to meet the needs of Queenslanders and to deliver the services that Queenslanders expect at a price they continue to pay. In terms of the fiscal repair task—that is, the job of fixing up the debt and deficit—this is, I believe, the extent of the changes that we will need to make.

Mr PITT: Treasurer, if you say in those terms in your response that there are not going to be any further job cuts and that you will find efficiencies, as I think you have said before—none of which, by the way, I think have been practically set out in the budget papers; this is about meeting your employee expense target of 2.5 per cent—is this not a repeat of the LNP's unsound election costings of claiming that a similar outcome could be achieved through natural attrition with no redundancies to fund election promises?

Mr NICHOLLS: In fact, I did not say that there would be no further job cuts. I said I hoped that this would be the end of the job cuts necessary to undertake the fiscal repair task in order to fix the problems that your former government, of which you were a cabinet minister, left us, that is, quite clearly a \$62 billion debt as at 30 June—that is incontrovertible—heading towards an \$85 billion debt which the former government, of which you were a member, outlined in its midyear fiscal review that was released back in February. So in terms of undertaking the fiscal repair task that we are obliged to do to restore Queensland's finances back to a state of soundness, I hope that this is the end of it. But I did say that there would continue to be a dynamic Public Service and that that Public Service would continue to be flexible enough to meet the needs of Queenslanders. For example, we are employing 1,100 new police over the next three years and we are putting on additional park rangers. We are putting on additional staff in terms of biosecurity. So obviously the Public Service will change. It will grow in areas where front-line service delivery is needed. It will respond to the challenges of whatever the future holds for us. But in terms of the fiscal repair task, I do hope that this is the case.

In terms of our election costings, of course we did release a full document. I have tabled that document in the parliament. I have explained that document a number of times to you and to all members of the parliament in relation to it, and page 17 of Budget Paper No. 2 outlines the total cost. I believe we are probably the first government that has actually put a consolidated number around the costing of our election commitments into a document. Unlike the previous government, which went to the last election promising the earth and ended up having to sell most of the assets of Queensland, we have not had to do that. We have delivered our election commitments as we said we would in accordance with our election document that we released on the first day of the election campaign. I do reflect on the fact that the former government in its election costings provided a two-page document and also chose to use \$460 million of additional GST to fund its election commitments—your election commitments—and of course that GST never materialised. Had your election commitments, as scant as they were, been put in place, we would have been \$460 million further in debt than we already are.

Mr PITT: Treasurer, in my reading of your response to question on notice No. 533 you concede that your election promises were funded in part by redundancies. I believe that on numerous occasions you said that this is not the case. On my reading, either your question on notice answer is wrong or you did in fact use redundancies to fund election promises. Which is it?

Mr NICHOLLS: No. Our election commitments were funded, as indicated during the course of the election campaign, through our commitment to put a cap on employee expenses growth of three per cent and by finding additional revenue. For example, we were upfront and said that we were going to increase the penalty units for fines. So our election commitments were funded as we said they would be and as outlined in Budget Paper No. 2 at table 2.2 on page 17. Expenses are on page 51 of that document, and you can see that. The other election commitments we have made in terms of the expenses measures are contained in Budget Paper No. 4 in the Budget Measures document. So we have detailed in complete openness and transparency the cost of our election commitments. What we have done is also undertake a fiscal repair task and, as I have indicated many times, that fiscal repair task became evident after the report of the independent Commission of Audit. That independent Commission of Audit highlighted the growth in expenses, the growth in the size of the public sector and

the fact that Queensland's finances had become unsustainable. It simply confirmed what had already been advised to us from the independent officers of Queensland Treasury and the Queensland Treasury Corporation that Queensland's finances needed urgent fiscal repair in this term of government.

Mr PITT: This is the last one of this series, if that is okay. If you used redundancies, including to front-line positions, as is set out in your question on notice answer to fund election promises, how can we trust that your promise to find budgeted savings through so-called reductions in waste and mismanagement and efficiencies this time around are not the slashing of jobs and services?

Mr NICHOLLS: I reject the notion of your question. That is a fairly poor attempt to verbal what I have said. I have not made that comment at all.

Mr PITT: I am not trying to verbal you, Treasurer.

Mr NICHOLLS: Then perhaps you might rephrase the question to say that we have funded our election commitments as we said they would be funded by imposing a three per cent employee expenses cap, which again I detailed at a very extensive, if I recall, press interview that went for something like 50 minutes when I said that this is how we would fund it. Budget Paper No. 2 explains how we have brought forward the three per cent employee expenses cap in this year to give public servants certainty for the future. In terms of the other savings that we have been able to achieve as a result of the work we have done, that is in order to undertake the fiscal repair task in order to repair the damage to the budget that was done by your government.

Mr PITT: I am happy to keep going if time allows.

CHAIR: Yes, carry on.

Mr PITT: Treasurer, can it still be asserted that redundancies have nothing to do with paying down debt when you achieved savings of \$2.64 billion in employee expenses compared to the midyear review when making \$6.5 billion in new spending decisions and revenue cuts?

Mr NICHOLLS: Sorry. Can you say that again?

Mr PITT: Can it still be asserted that redundancies have nothing to do with paying down debt when you achieved savings of \$2.64 billion in employee expenses compared to the midyear review while making \$6.5 billion in new spending decisions and revenue cuts?

Mr NICHOLLS: The budget papers identify, I think, nearly \$7.5 billion worth of fiscal consolidation over the forward forecasts up until 2014-15. We identify that and the budget papers identify the savings measures where they are included, so there are savings measures I think higher than that figure of \$2.5 billion that you mention. There are revenue measures of a net \$800 million and there are capital measures of about \$1.2 billion there as well. So we have identified them, and again I refer you to page 17 of Budget Paper No. 2 which identifies the fiscal outcomes on the way through. You can see that in the net operating balance there and also in the fiscal balance. So the detail of where the savings can be found and the details of the expenses are clearly set out on pages 17 and 51 of Budget Paper No. 2. I can also refer the member back to question on notice No. 9. The total fiscal balance impact of all measures is a saving of \$5½ billion across the forward estimates, increasing to \$7.8 billion in 2015-16. That is consistent with the figures provided in tables 4 to 6 of Budget Paper No. 4.

Mr PITT: Thank you, Treasurer.

Mr GULLEY: Treasurer, with regard to QR National, does the Treasurer have a view on claims made by the shadow Treasury spokesperson, Curtis Pitt, that the shares should have been retained so that the government could use the dividends?

Mr NICHOLLS: It will not surprise you, member for Murrumba, that I do have a view in relation to those claims made. My view is that should Queensland ever be unfortunate enough to have the member for Mulgrave as the Treasurer of Queensland we would see a path to increased debt and deficit. Members may not recall, but once the sale and privatisation of QR by the former Labor government had been completed, the shares were owned by the Queensland government. They were then transferred to a company called Queensland Treasury Holdings. Queensland Treasury Holdings borrowed in order to buy those shares and funnelled that money straight back through to the Queensland government, thus freeing up \$2 billion plus worth of funds for the government to spend. Of course, debt continued to increase. The profile for debt prior to asset sales was that it would top out somewhere north of \$82 billion. Of course after asset sales we now know from the midyear financial document provided by the previous government that it was going to \$85 billion.

That being said, the member for Mulgrave has indicated in recent media reports—and at other times, I might say, including in the parliament—that dividends from the shares held by the government through QTH in QR National could be used to reinvest in jobs or other activities. Dividends are approximately \$61 million on the total shareholding that was then held at the time. Of course, the interest component on the debt is \$180 million. So the member for Mulgrave proposes spending \$180 million in order to earn \$60 million leaving, of course, an annual deficit of \$120 million. What has occurred is that that deficit has been capitalised—that is, added to the debt every year—thus increasing

the interest year on year that the taxpayers of Queensland through fees, taxes and charges would have to pay. That is why a proposal such as that put by the shadow Treasurer would only see debt and deficit continue to increase. It would not release funds in order to be able to make further investments in those assets that Queenslanders need.

CHAIR: Thank you. Member for Greenslopes.

Mr KAYE: Thank you, Treasurer. My question is in relation to payments of leave entitlements to public servants. Can you advise the committee of the government's commitment to ensuring public servants taking voluntary redundancies will receive all entitlements owed to them?

Mr NICHOLLS: Absolutely, and I thank the member. I know that he, like other government members, is concerned to ensure that the appropriate processes are followed and that those people who are leaving the Public Service regrettably are properly covered for their entitlements. I did notice in the *Courier-Mail* this morning a report in relation to the provision made in the budget for funding those people who are leaving us—and I do want to reflect that those people who are leaving is no reflection on them; it is a reflection on the mismanagement of the prior government that has allowed people, I think, to become convinced that employment in government has no price when we know that it does have a price: increasing fees, taxes and charges and the abolition of things such as the principal place of residence concession that was abolished last year and the abolition, of course, of the fuel subsidy, which was abolished after the previous government made a commitment that it would not be.

The \$800 million provision in 2013 has been established based on the 10,600 redundancy payouts identified in the budget, not the 14,000 as quoted in this morning's newspaper story, at an average cost of around \$70,000 with a contingency that enables us to deal with some fluctuations. That \$800 million does not include a provision for annual and long service leave, because that annual and long service leave is funded out of separate accounts that have been established by government going back over a decade now. So those payments are the payments that have already been provided for in separate accounts for annual leave and long service leave. The purpose of those schemes was to set aside funds against which agencies can draw when employees take leave or depart from the Public Service. They work in a similar way to superannuation in that regular components of the departments' salary costs is deposited into those accounts and it becomes available when employees leave.

I just want to clarify and to reassure these people who are leaving that they will receive their full entitlements. Had we included them with the \$800 million we would have, in fact, double counted, because the provision is already made for those payments out of those separate accounts. So clearly, that report did not fully understand or comprehend the arrangements that the government has put in place to ensure that those employees who are leaving the Public Service are properly and fully compensated and it does not come at a further cost that is not already provided for in the budget.

CHAIR: I call the member for Stretton.

Mrs OSTAPOVITCH: I have a question for the Treasurer. You have already answered part of this question in answer to the member for Murrumba, but could you outline any further benefits that the Newman government's decision to sell \$1.5 billion worth of QR National shares will deliver to Queensland taxpayers?

Mr NICHOLLS: Thank you, member. As members of the committee will, of course, realise, the decision to privatise QR National was not a decision of this government; it was a decision of the previous government and a decision that, of course, caused much angst in the community because of their failure to tell the people of Queensland what it was they were proposing to do. That being said, the government does own shares and it was the position of this government, as it was the position of the then government of which the opposition members here today were a part, to exit out of the remaining shares owned by the government in QR National.

There has been an immense amount of speculation about that. One of the issues that the government faced was to how to maximise the value out of those shares. We, of course, committed to, if we did sell those shares, maximise the value and the return for Queenslanders and to apply that to debt reduction. The announcement I made yesterday sees \$1 billion worth of those shares being sold back to QR National and QR National, subject to the approval of their annual general meeting, will then cancel those shares. So the supply side of shares will reduce. We are also allocating, as part of the transaction, \$500 million worth of shares to cornerstone investors. These are non-traditional investors in QR who will take large chunks and they will effectively remove them from the market as they hold them for the long term.

So in effect, we are reducing the amount of shares available for the market to access by \$1.5 billion value worth. That means that the remaining shares become more valuable. That means, for example for the state of Queensland, the remaining shares that we hold, about 18 per cent of the capital after the cancellation, will be worth, as at I think the close of business yesterday, an extra \$66 million—a good return I am sure you will appreciate for the people of Queensland. We will also be applying that money immediately to the pay-down of debt. So that will immediately reduce the interest payments that the state of Queensland has to meet or reduce our future financing requirements. But what it will

effectively mean is that we will be able to continue to deliver services for Queenslanders at a price they can afford and it starts the process recommended by the Commission of Audit of stabilising Queensland's debt.

I think it is important to note that the price that we achieved at \$3.47 is at a premium to the average share price traded over the last five, 10, 30, 60 and 90 days and is at a premium that is better than has been achieved by similar transactions over \$500 million since 2009. I would like to acknowledge the work of the Queensland Treasury Corporation, Queensland Treasury and our advisers in achieving what I think is widely regarded as an outstanding result based on the return that we have received. We will be doing the right thing by Queenslanders in ensuring that it pays down debt, which is what they want to see happen.

CHAIR: Thank you. I call the member for Mulgrave.

Mr PITT: Treasurer, I apologise in advance that this is a bit of a complex question in the sense that it is asking for maybe a bit much that you can provide today. I am happy to ask in advance that you take that on notice. Can you advise the expected savings to be achieved from the total reduction in FTE positions estimated at 14,000 in each year from 2011-12 to 2015-16? Can you do this separated out from other savings?

Mr NICHOLLS: I think we can provide with you that answer, member.

Mr PITT: Thank you.

Mr NICHOLLS: We have brought all of those savings forward into the 2012-13 year. So we have accounted for all of those reductions. You will recall that, in order to firstly reduce the size of the separations—initially, the Commission of Audit recommended approximately 18½ thousand too many public servants given the size of Queensland relative to comparable states and populations—we took into account the impact that such a reduction would have on people. So as a result we worked hard to reduce that and we will be spending \$600 million over the forward years in order to reduce the number of FTE separations by 6,000. We also then brought it all forward into this year, hence the \$800 million allowance in this year for separation payments as well as bringing forward the three per cent cap that we committed to as well as also making provision for the previous government's voluntary separation program, which had not been completed and which was a much more expensive program on account of the fact that it did not receive Australian Taxation Office compliance requirements for voluntary early separations. In order to make it a more successful program and acceptable to employees, the government, in fact, had to pay more to each employ, which resulted in a net transfer of Queensland taxpayers' money to the federal government via income tax. So we decided that that was a very expensive method to go around the separation program, because effectively we were transferring tax dollars from Queensland into the Commonwealth Treasury.

So if I can say to you in Budget Paper No. 4 on page 4 we say there the reductions which will be achieved in employee expenses by department and if you go over the page there you will see that each year in 'Table 1—fiscal repair savings measures, departments 2012-13 to 2015-16'. That is on page 5 of Budget Paper No. 4. It outlines it by department. I am happy to take you through that. You will see that, for the Department of Aboriginal and Torres Strait Islander and Multicultural Affairs, the savings in the first year are 1.7 and then going to 3.4, 3.4 and 3.4 and then for the Department of Agriculture, Fisheries and Forestry. They are all detailed there on page 5 of the document.

Mr PITT: So where are the employee savings separated out?

Mr NICHOLLS: Page 5 of the document. Page 5 of the document details the fiscal repair savings measures by departments. As I say, page 4 states—

... expected reductions which will be primarily achieved in employee expenses, by department.

That outlines for you, I think, the answer to your question.

Mr PITT: Treasury, pages 16 and 17 of Budget Paper No. 2 do not explicitly detail a cap. The question on notice asked where the cap is to fund promises in the budget papers. The answer referred to the table of redundancies. Do you stand by that answer?

Mr NICHOLLS: Yes.

Mr PITT: I want to refer the Treasurer to page 18 of the SDS for the Department of the Premier and Cabinet for the 2012-13 budget and to page 1-13 of the same SDS for last year. I seek leave to table that particular SDS from last year.

CHAIR: There is no need to seek leave.

Mr PITT: Why does the Treasurer require four additional staff members than the previous Labor Treasurer with one fewer portfolio, being State Development? How does the Treasurer justify hiring more staff to do less work while he oversees the sackings of thousands of government workers?

Mr NICHOLLS: Member, you referred to page 18 of the SDS for the Department of the Premier and Cabinet. I do not have that SDS here. I am here to answer Treasury. Have you got a Treasury portfolio SDS that refers to it? Our Treasury SDS details what we are doing. I am happy to answer questions on Treasury; I am not here to answer the Premier's questions, Mr Chairman.

Mr PITT: So you are not going to address the core of the question, which is why you have four additional—

Mr NICHOLLS: If you asked me a question in relation to my portfolio with reference—

Mr PITT: It is in relation to your office, Treasurer, with respect.

Mr NICHOLLS: Here is the Treasury SDS. The Premier has just finished. I have observed him very calmly and clearly answer questions from the Leader of the Opposition—for the time being—for the last three hours. So I am sure if there was a question in relation to the Premier's department and the Premier's controlled expenditure—and I am sure ministerial services were there; I saw Mr Street sitting in the background—they would be able to answer that question. But from our perspective, I am prepared to answer questions relating to the Treasury SDS—Treasury employment numbers—without any trouble whatsoever.

Mr PITT: This is referring to your office specifically and you do not have a position and any control over the number of staff in your office as per the portfolios you have been allocated.

Mr NICHOLLS: I am happy to answer a question to which I can answer through the SDS through the matters that I control. However, that is a question that I would think appropriately you would ask of the Premier, because the Ministerial Services Branch, which actually controls the employment of staff in ministerial offices, is under the control of the Premier and his department. I note that we have less staff in terms of total staffing numbers than the previous government did in 2011-12. Your staffing in 2011-12 was 245. I understand that we have fewer staffers, but have allocated them differently across ministerial offices.

Mr PITT: Thank you, Treasurer, for that response. My question is to the Under Treasurer. I welcome the Under Treasurer and thank her for being here. If the government claims that the Public Service is now of right size, why does the budget factor in a drop in average annual wages and/or the number of government workers to population with employee expense growth of 2.5 per cent compared to inflation plus population over the same period of at least 4.5 per cent?

Ms Gluer: Sir, I think that might be a question on notice that the government has answered; is that right?

Mr PITT: I am happy for you to take that question on notice.

Ms Gluer: No, sorry, I think it is a question on notice that we have actually answered.

Mr PITT: Can you point to which question on notice that may be

Ms Gluer: I think you might find that it is question No. 9 on notice, to which the Treasurer referred to before, and also question on notice No. 5, which dealt with those employee expenses before as well.

Mr NICHOLLS: For the sake of completeness, I am happy to re-read the answer to the question into the record for you.

Mr PITT: No. It is talking about being unable to reconcile ambiguous figures provided in the question. An answer has been provided in this instance by the Treasurer. I am interested to see what the Under Treasurer's view is; if it is consistent with the answer provided by the member for Clayfield.

Ms Gluer: Certainly I can advise that the question on notice answers I am in full agreement with.

Mr NICHOLLS: That would be question No. 5 on notice. So you are looking at either 9 or 5.

Mr PITT: Thank you, Treasurer, for your input.

Mr NICHOLLS: Pleasure. I am always happy to help.

Mr PITT: Under Treasurer, I refer to question on notice answer No. 6 as part of this year's estimates: can you advise the number of likely redundancies by government owned corporations as part of the \$256.28 million efficiency dividend? Does Treasury still monitor staffing levels in GOCs and, if so, why can't Treasury advise of likely staffing reductions as part of this efficiency dividend?

Ms Gluer: I can advise that Treasury does monitor government owned corporations but in terms of what the staffing numbers may be over the coming fiscal year, that is a matter for the boards of the various GOCs and other statutory authorities that Treasury monitors.

Mr PITT: So Treasury is going to leave that completely to the boards and they are not going to be monitoring staffing levels in GOC corporations?

Ms Gluer: We do monitor those, yes.

Mr PITT: You will be continuing that process and providing that advice to government?

Ms Gluer: We will continue to monitor them and provide advice to government on what that monitoring reveals, yes.

Mr PITT: Thank you.

CHAIR: We might go to the member for Hervey Bay, please?

Mr SORENSEN: We were both colleagues in the last parliament and we sat down and listened to Andrew Fraser when he was selling all the assets off. What are your views on the recent comments by members of the opposition in relation to the sale of QR National shares?

Mr NICHOLLS: Thank you, member for Hervey Bay. We were sitting there together. In terms of the sale of QR National shares I, in fact, sat next to the former Treasurer at a radio program where he said that the government had no plans to sell assets and then three months after being elected proceeded to go down that path I think at the same time that they cancelled the fuel subsidy and made some other changes to increase the cost of living for Queenslanders and that indeed, I think, did something to the trust that Queenslanders had in that government obviously. Before the 2009 election Labor said it would not sell assets like Queensland Rail and three months later it did.

Before the 2012 election Labor said it would sell the remaining shares that it held in QR National and we now hear them say they will not. I think you have to draw your own conclusions about whether you can accept what is said and measure that against the reality that is being delivered.

CHAIR: Thank you. Member for Sunnybank?

Mr STEWART: In relation to the Queensland Investment Corporation, can the Treasurer outline how the Newman government's instructions to the QIC regarding expenditure on entertainment and sponsorship differs from the instructions provided to the QIC from the former Labor government?

Mr NICHOLLS: I see there was again a report on the front page of today's *Courier-Mail* in relation to expenditure, and this is one of the areas that as a government we have taken a very firm line on. One of the first things that I did as a shareholding minister in government owned corporations is write to all corporations advising them of the government's position in relation to sponsorships. You will recall that we had a focus at that stage on corporate boxes. The government made the decision to relinquish its use of corporate boxes at stadia that were owned by the Queensland people. I think that that has been widely acknowledged as a sensible move.

In terms of QIC expenditure, 75 per cent of that expenditure that was referred to in the article this morning occurred prior to 31 March 2012—that is the sponsorship expenditure. Again 75 per cent of corporate entertainment for 2011-12 occurred pre 31 March—again under the former government—and 88 per cent of donations for 2011-12 occurred pre March, again under Labor. In terms of the budget for 2012-13, QIC's budget is yet to be approved by the shareholding ministers but as a result of correspondence that I wrote to QIC on 21 May it is now proposed that QIC will reduce its hospitality expenditure by 20 per cent and it will also have a 70 per cent reduction in donations. This is in accordance with our proposals that while we are asking the Public Service and others to meet the costs of having to fix the budget and to address the debt and deficit issues, that all parts of government, all parts of the community, make that contribution.

I have had this discussion also with the chairman of the Queensland Investment Corporation who understands very clearly that times are not what they were. We all recall, of course, the gravy train affair where members of the ALP policy committee were able to dial up their own QR train and go for a bit of a jaunt around the place, including lunch I think at Roma Street, and also the Riverfire experiment that QR was keen to have, I think it was something like a \$25,000 event being hosted that was subsequently cancelled by the then transport minister. We are taking action now to ensure that government owned corporations reflect what the community standard is in what are now tougher times. I am pleased to see that QIC understands that. We will be working closely with all government owned corporations to ensure that in that sense they do reflect sensible policies to curtail expenditure in those areas that might otherwise have been acceptable.

CHAIR: Member for Greenslopes?

Mr KAYE: I actually have a two-part question. It is in relation to the State Penalties Enforcement Registry. The first part is what is the current value of fees and fines owed to the Office of State Revenue? The second part is how does the Newman government plan to recover these outstanding fees and fines?

Mr NICHOLLS: Thank you, member for Greenslopes. SPER is one of those areas that again under the former government was allowed to run riot, if I can put it that way. We had instances of debts going back last century, debts that were being paid back at the rate of \$5 I think a month that would take several lifetimes to repay, with no clear plan as to how those debts were to be recovered in a timely fashion and no clear plan as to how we could perhaps improve the position. The total value of debts, as I recall—and we can check that number for you—is something north of \$770 million. Many of those debts are now over three years old, making their recovery that much more difficult. They have been allowed to age. They are so old, in fact, some of them have whiskers on them.

What we committed to during the election campaign was to trial the use of debt collection agencies to recover those debts because obviously the system had not been working under the previous government. I have asked the Office of State Revenue—to whom SPER has now been transferred and who has experience in collecting debts, as you might imagine, as the Office of State Revenue—to undertake a review of the age and status of these debts to provide us with a profile and to provide us with a proposal for recovery of those debts through a debt collecting method.

The Australian tax office uses commercial debt recovery operations in order to recover tax debts. I think in its first year of operation they managed to recover \$435 million worth of outstanding tax that was due to the Australian Taxation Office. The method has been used in New South Wales and we propose trialling it here in Queensland over the next little while. At the moment, as at 30 September 2012, SPER was managing a fine pool valued at \$770,489,748 consisting of over 895,000 debtors and approximately 2.88 million debts. In terms of the 2011-12 debt pool performance, a total of 947,000 debts valued at approximately \$311 million were lodged with SPER and a total of 718,000 valued at approximately \$220 million were finalised. So you can see that the total keeps getting higher and higher each year as a result of that program.

We want to ensure that Queenslanders get that cash in the bank. Whilst we account for it under accrual accounting methods in our revenue statement, we still have to borrow to fund the cash component of it that we do not receive. We think that for those people who have incurred those fines it is appropriate that they pay them, like many people do. I hope that you, of course, are not one of those who has many fines outstanding, I am sure you would not be, but nonetheless those people who do get them in the majority do pay; those who do not make it a much tougher obligation for those of us who do should we be unfortunate enough to get those fines. The total debt pool is \$777 million with slightly over 895,000 debtors.

CHAIR: I call the member for Mulgrave?

Mr PITT: Treasurer, I refer to non-government question on notice No. 9 where you say that the LNP's costings are independently audited. Can you table evidence of your election costings being audited as per the Australian auditing standards and if not why not?

Mr NICHOLLS: Thank you, member, and I do refer to them being independently verified by Mr Len Scanlan. I do fortunately have a copy of the document here, the *LNP cando action: Costings and savings strategy*. I would have thought by now that it would be a document that you would have been familiar with.

Mr PITT: I have that one right here with me.

Mr NICHOLLS: Indeed you do. That is great. I am glad of that because at the front of it it has a statement by Mr Len Scanlan, a respected Auditor-General—in fact, I think he might have been appointed by the Labor government and certainly at the conclusion of his term as Auditor-General he was solidly supported by the then Premier who thanked him for his many years of good and solid work. I think your government appointed him also to review the Health payroll system, that then \$200 million now expected to go towards \$1 billion system that we have also had to deal with. Mr Scanlan says—

I have reviewed the assumptions used, the expertise and qualifications of third parties involved, and the accuracy of the calculations made in preparing the costings and savings, and I am satisfied that the assumptions adopted are reasonable and all commitments have been accurately prepared in all material respects.

That was the statement that was made in relation to our costings. Obviously from opposition you do have to make some assumptions; you do not have the full resources of government. I would contrast that, of course, with what I have here: *for Queenslanders. Queensland Labor. Labor releases fully funded plan for Qld's future*—this two page document here.

Mr PITT: Of course I have that one here for you which is 32 pages. That has already been tabled in the parliament.

Mr NICHOLLS: It would have been good if people had had it before the election. It refers to the spending of funds that had not yet materialised from the GST revenue. We know that there was \$462 million in there that was spent without being received and that \$462 million of course never materialised. Ours were audited by Mr Len Scanlan, a respected Queensland Auditor-General.

Mr PITT: So they were audited?

Mr NICHOLLS: I am giving the answer. Our costings were verified by Mr Scanlan. You see the statement at the front of the document prepared by Mr Scanlan, a Queensland Auditor-General with experience of Queensland finances, previously appointed by a Labor government and reappointed by a Labor government, and we have detailed the value of those expenses on page 17 of Budget Paper No. 2, unlike any previous government who might have, for example, indulged in asset sales and breaking promises in relation to the delivery of fuel subsidies.

Mr PITT: Your question on notice answer says that they were audited. Do you stand by the fact that they were audited?

Mr NICHOLLS: You can play semantics, which I notice is a favourite game of your friends the Walkers in terms of these sorts of things. I think everyone understands that Mr Scanlan provided verification that the assumptions used for the preparation of our costings were valid, that the expertise used was valid and that the numbers were correctly verified. Most people would understand, when we say that those documents were audited, that they were verified and supported by Mr Len Scanlan who I note somewhat shamefully was attacked by the then Treasurer in relation to his activity in undertaking that independent verification for the then opposition at the time.

Mr PITT: Treasurer, you have already referred to the LNP's election costings document which you held up before. It has no funding for the LNP's electricity and water promises. Will you admit that your costing blow-out of \$63 million on the electricity promise is equivalent to 630 government jobs as per the government's formula, and the blow-out in the water election promise of \$92 million is equivalent to another 920 jobs based on that formula? That is a total of 1,550 positions just from these two cost blow-outs alone. Do you concede that?

Mr NICHOLLS: Not in the slightest. What we have done is deliver our election commitments at a cost of \$63 million, as I indicated when I provided the budget speech and in the budget documents. I refer you again, as I have in the parliament, to page 17 where we indicate the overs and unders. For example, there were savings in terms of delivery of the return of the principal place of residence concession. There were savings in terms of our overestimate of the costs of employing an extra 1,100 police. The net effect of everything was \$63 million to the bottom line of the budget. That is detailed in full on page 17 of Budget Paper No. 2, also on page 51 of Budget Paper No. 2 and also in Budget Paper No. 4, Budget Measures.

What I would say is that in terms of the fiscal repair task and the separation of Public Service employees, that has been brought about through the mismanagement of the accounts of the state of Queensland by the former government. What is incontrovertible is that Queensland had a systemic deficit. What is incontrovertible is that under your government debt reached \$62 billion in the 2011-12 year. What is incontrovertible is that your government predicted debt would reach \$85 billion by 2014-15. What we have done in this budget is reduce that debt. We are going to have a fiscal surplus by 2014-15 and over the forward estimates we will reduce interests payments by \$1.3 billion, none of which was going to be achieved had the previous government been re-elected.

Mr PITT: I refer to page 14 of your election costings. There was no increase in credit card fees on car registration, as page 132 of Budget Paper No. 4 says. Why was this not included in your election costings document? Was it simply an oversight?

Mr NICHOLLS: I am here to answer questions in relation to the budget, not in relation to our costings document. If you have questions in relation to the costings document—

Mr PITT: Treasurer, I have just referred to Budget Paper No. 4.

Mr NICHOLLS:—please feel free to raise that at the appropriate time.

Mr PITT: So you are not going to answer that question? It is related to Budget Paper No. 4, page 132.

Mr NICHOLLS: What is your question in relation to Budget Paper No. 4?

Mr PITT: It includes credit card fees on car registration. Why was this not included in election costings? There is a disparity between the two. Are you not going to address that question just because it is mildly outside of scope?

Mr NICHOLLS: No, I am very happy to answer the question. Our commitment was to deliver a motor vehicle registration freeze for the first term of an LNP government on the family vehicle. That is what we have delivered. Registration fees are not increasing as a result of any decision that this government has made in relation to the cost of registering a vehicle. I note that that was a promise that was followed somewhat slavishly a little while later by your own then government, which tried to—if my memory is right—gazump the LNP by promising an even bigger registration freeze over more vehicles at the time.

Mr PITT: Including motor bikes and utes.

Mr NICHOLLS: It was going to include tradesmen's utes, if I recall correctly, and other vehicles and equally, like other promises made by your government, funded by money that they did not have and were unlikely to have. In terms of the credit card fees, people do not need to pay the credit card fees. People can simply write in a cheque; they can do an electronic funds transfer. That fee is charged by the credit card companies in relation to the delivery of their service. It is not an increase in car registration fees. Car registration fees, under the LNP government, remain frozen for the first term of an LNP government.

Mr PITT: I refer again to Budget Paper No. 4, page 138, with some latitude from the Treasurer as it relates again to election policies. The LNP's questions and answers in that policy document mention that 20,000 businesses will benefit, which is the total number of businesses paying payroll tax. Treasurer, can you advise how your payroll tax policy will benefit every Queensland business?

Mr NICHOLLS: As the payroll tax threshold increases over time, businesses benefit from the increase in the threshold. You either fall out of the net because your payroll is below the threshold increase or, as it proceeds, there is a change, as I understand it, given that there is a claw-back provision, once you get over the threshold of a one for four, that businesses start improving in terms of their availability and access to that threshold. The first increase has been legislated for. It is \$1.1 million. We propose that will increase as outlined there in the budget paper measures.

CHAIR: We might move on to another member. The member for Stretton might like to ask a question.

Mrs OSTAPOVITCH: Treasurer, could you explain the intent behind the state's adopting a set of fiscal principles as far back as the early 1990s, what benefits have adherence to these principles brought to the Queensland economy and have there been any alterations to these fiscal principles over time?

Mr NICHOLLS: Thank you, member for Stretton. Fiscal principles are, I think, an important component of the discipline that is applied to governments when they deal with money that is not essentially theirs but is the taxpayers of Queensland. I think it is important to note that the Commission of Audit reflected on fiscal principles. The fiscal principles that had applied in Queensland are outlined in chapter 4 of this document. Previously, there had been what was known as the trilogy of fiscal principles that were applied by the last conservative government, the Liberal National Party coalition in 1995-96. The government adopted a low-tax principle and had three principles: fully funding long-term liabilities such as superannuation and workers compensation; funding social capital assets such as schools and hospitals from recurrent revenues; and only borrowing for economic assets that can generate an income stream. And maintaining Queensland as the low-tax state. That was a consolidation of principles that had been adopted from the early 1990s.

Adherence to those principles resulted in large operating cash surpluses and a strong balance sheet for the state. It put Queensland ahead of its state counterparts. We were renowned as the low-tax state with a strong balance sheet and a substantial surplus of assets over liabilities. What, of course, happened over time is that governments with less fiscal discipline and less ability to control their wanton expenditures started moving away from those principles. Of course, during the last term of the previous government, we saw a complete rewriting of the principles simply to suit their own particular political purposes and a failure to even meet their own rewritten somewhat easier fiscal principles on the way through.

The adherence to those fiscal principles is an important thing. That is why this government, in its response to the independent Commission of Audit recommendations, has adopted the four new fiscal principles that are outlined in the budget papers.

Mr SORENSEN: Treasurer, can you provide an example of some of the former government's green schemes and the cost of those schemes to the Queensland taxpayer? What savings has the Newman government realised by winding up some of those failed green schemes?

Mr NICHOLLS: I thank the member for Hervey Bay for the question. In terms of the green schemes, what we know is that the federal Labor government broke its commitment not to introduce a carbon tax and has done so. The economics of it is that if there is a carbon tax is put in place that is meant to address people's consumption of things that generate carbon, there is no place for another scheme that is meant to do the same thing. Why should Queensland taxpayers pay twice for failed carbon schemes? That was the principle that we took to the last election. Again, we identified in our costings document the duplication of expense as a result of the delivery of those schemes. We identified savings there. Things such as the Solar Dawn project: \$75 million. We all recall the ZeroGen project: \$110 million out of the Queensland Future Fund that we will never see again at the whim of the former Labor Party. There are many other similar green schemes that actually added to the cost of living for Queenslanders. We made a determination to reduce those. In 2011-12 the cost savings from the abolition of redundant green schemes will be just over \$50 million, rising to \$144 million next year, \$135 million the year after that and \$100 million after that.

In terms of the savings, it was almost impossible as a government for us to be able to identify the total number of green schemes that, for some reason, had been allowed to grow out of control in the office of climate change, I think it might have been at that time. Over \$442 million was spent on those schemes up until the time when we put a stop to them. They include, as I said, ZeroGen, the Climate Change Fund of \$118 million and the Smart Energy Savings Fund of \$38 million. Of course, many people are now paying the price for those fanatical schemes in terms of increased electricity prices. It was one of the worst forms of chardonnay socialism that you could think of: subsidising putting green solar panels on people's roofs and pushing the cost back onto consumers who could not afford to buy those schemes. The people who needed the most help were receiving the highest electricity expenses as a result of it. You will see that is why we made the decisions we did to slow those schemes down, to exit those schemes where we can and to get out of them, simply because they were making the cost of electricity for less well-off people much higher.

Mr GULLEY: My question relates to the independent Commission of Audit. Why did the Treasurer engage the independent Commission of Audit to review the state's finances?

Mr NICHOLLS: I thank the member for Murrumba for the question. I think it is important that we do reflect on why we put that independent Commission of Audit together. It was a commitment, of course, that we had outlined well before the election. It was a commitment that we made in our economic policy document, which we released on the first day of the election campaign. When we were elected on 24 March, we received those incoming Treasury briefs. I do not know that this message has

got out as well as it ought to have, although not for want of trying. Simply, we did have the report of the independent Office of Treasury, prepared before we were elected under the auspices of the caretaker provisions. That independent brief read—

Queensland's fiscal position and outlook is unsustainable and restoration must be an urgent priority for this term of government.

We had the Queensland Treasury Corporation report, which stated—

The State's debt has reached unprecedented levels. Together with its published forward estimates showing an even greater volume of debt required, Queensland is now in uncharted waters with respect to the volume of debt on issue and the resultant interest bill.

Those are quite clear warnings and the independent Commission of Audit was established to identify, if you like, the parameters of how bad the situation had been and to come up with some clear recommendations. So we took the decision to appoint the independent Commission of Audit. We appointed Mr Peter Costello, a federal Treasurer who has delivered more surplus budgets certainly than the Labor Party and certainly he has delivered more budgets than any other Treasurer in Australia's history. He oversaw two upgrades to Australia's credit rating, established the Future Fund with \$25 billion, if I recall correctly, of funds in it and an Education Fund with \$5 billion worth of funds in it. We appointed him as the chair of that commission, along with Dr Doug McTaggart from QIC and Professor Sandra Harding from James Cook University, to give us an all-round view of the situation. They have done that. The independent Commission of Audit report came out and it recommended stabilising debt. That is the process we have undertaken with this budget, mapping out stabilising debt at about \$81 billion in 2015-16 and then we have the next task ahead of us, which is reducing the stock of debt. That is a debate that we will have with the community about how that best can be done. That is why the independent Commission of Audit was done and I think it has done a good job.

Mr PITT: My question is to the Under Treasurer. Has Treasury costed the LNP's election commitments as they were made prior to the March 2012 election?

Ms Gluer: Yes, they have and that is reflected in Budget Paper No. 2.

Mr PITT: That is on page 17?

Ms Gluer: Yes.

Mr PITT: That is costing their election commitments that were made prior to March 2010?

Ms Gluer: That costing is implementing the LNP's election commitments. I am sorry; I am not trying to obfuscate. The election commitments that the government said they wanted to implement, Treasury has costed those and put them in the budget and the cost of those is reflected in Budget Paper No. 2.

Mr PITT: Have any costings been done by Treasury of election promises as they have been implemented after the election? You are saying that that is on page 17.

Ms Gluer: That is the outcome of the work that Treasury has done on the costings of the election commitments, yes.

Mr PITT: So you are able to advise of the difference between the pre-election costings and the post-election costings?

Ms Gluer: I have not looked at the pre-election costings, sir. I am simply saying that the election commitments that the LNP government wanted introduced were costed by Treasury and are reflected in the budget.

Mr NICHOLLS: It might be prudent to reflect that Treasury does not look at pre-election costings, because the act prevents them from doing so as they would prevent them from looking at your costings on the way through. It would be in breach of the legislation.

Mr PITT: Thank you. Under Treasurer, I refer to the payroll tax promise that was made prior to the election. As the Treasurer alluded to earlier, it talked of a flood exemption which was modified after the election in the Treasury (Cost of Living) and Other Legislation Amendment Bill to lower the cost of the promise. Will you confirm or correct media reports that Treasury costed this promise at \$950 million? I am happy for you to take this on notice if need be.

Ms Gluer: Budget Paper No. 2 at page 17 reflects the net cost of all the LNP election commitments that have been put in place. Every election commitment is separately identified in Budget Paper No. 4 through that whole document. Every commitment is separated in Budget Paper No. 4 and then it is grossed up in Budget Paper No. 2 at page 17 at a net of 63.

Mr PITT: If that pre-election promise was put in place with the flood exemption, would that \$950 million be correct or not?

Ms Gluer: I cannot comment on pre-election costings, I am sorry. I can simply tell you that the LNP election commitments as they have asked Treasury to implement are reflected in full in Budget Paper No. 2 and Budget Paper No. 4.

Mr PITT: I refer, Under Treasurer, to the Commission of Audit, which was established and assisted by Queensland Treasury as per page 4 of the SDS and page 195 of the Commission of Audit interim report. Under Treasurer, on this page it states—

... any wage settlements in excess of 3% must be offset by commensurate downsizing of the workforce.

It states that, as part of the government employee expenses cap—

... Government should examine the current provisions for growth funding in the forward estimates, particularly in the health and education sectors.

With the recent EB decision in education of 2.7 per cent and previously for nurses of three per cent, would this warrant any revisiting of the budgeted growth for health and education on the basis of the employee expenses cap policy?

Ms Gluer: Could you please refer me to which page of the budget you are talking about?

Mr PITT: The Commission of Audit—

Ms Gluer: No. In the budget, sorry.

Mr PITT: I am referring to the Commission of Audit, which is overseen by Queensland Treasury. It exists within Queensland Treasury.

Mr NICHOLLS: No, it is not. The Commission of Audit was appointed by this government as independent commissioners to report on the state of the finances. The Commission of Audit reported back—

Mr PITT: I am asking a question to the Under Treasurer.

Mr NICHOLLS: Let me explain it to you because I do not think you quite grasp it.

Mr PITT: I am asking a question to the—

Mr NICHOLLS: At this stage of proceedings the independent Commission of Audit was commissioned by the government to carry out a review.

Mr PITT: The budget—

Mr NICHOLLS: The Queensland Treasury—

Mr PITT: Mr Chair?

CHAIR: Treasurer.

Mr PITT: Mr Chair, I refer to Budget Paper No. 2, pages 1 to 7, 10, 12 to 16, 19 to 20, 22 to 24. These are all references to the Commission of Audit interim report. I can keep going—26, 47, 55, 57, 59—

Mr NICHOLLS: It is a very good report. There is a lot of good stuff in there.

Mr PITT: The Commission of Audit is referenced extensively in the budget papers.

Mr NICHOLLS: Absolutely.

Mr PITT: I think this is well within scope. I am asking the Under Treasurer to address the issues as I have raised.

Mr NICHOLLS: What I was simply pointing out is that the Under Treasurer had no input into the independent Commission of Audit. As I have said in parliament on a number of occasions, it was an independent Commission of Audit that was carried out by Mr Costello, Professor Harding and Dr McTaggart. It was provided with secretarial assistance through Treasury and information through Treasury including through, for example, the provision of MYFER documents that had been prepared by your government. So it represents a different document to the budget papers, which actually have the facts and figures in them as based on the decisions made by this government.

Mr PITT: As I have said, I will repeat this section of the question. I have referenced the Commission of Audit and given you some information as contained in that document. I am actually talking about the recent EB decision in education of 2.7 per cent and previously for nurses at three per cent. I am asking would this warrant any revisiting of the budgeted growth for health and education on the basis of the employee expenses cap policy?

Ms Gluer: I really do not follow the question, I am sorry.

Mr PITT: Essentially is the employee expenses cap policy correct? We have talked before about the approach related to population growth and whether that is included in the employee expenses cap. I am asking has there been any change that you can see in regard to education and health areas? Is the budget tracking properly in that regard or is it actually not budgeting for the growth required in health and education?

Ms Gluer: No. We certainly think we have budgeted appropriately over the forward estimates for growth in health and education.

Mr NICHOLLS: Those recommendations that you refer to are recommendations that have been put forward by the independent Commission of Audit. They are recommendations that were open to government to adopt or not to adopt. We made a number of serious changes on the way through to our calculation. For example, we brought the three per cent employee expenses cap forward all into this year so that we would not have to implement it over the future years. That is the document that we referred to earlier where I identified the savings that have been brought forward. We accounted for the previous government's failed Voluntary Separation Program in this year. We brought that in as well, as well as the fiscal repair task.

So there are a number of recommendations made by the independent Commission of Audit. The decisions in relation to those recommendations are decisions made by executive government and implemented through the budget. So in that sense the budget reflects the advice of Treasury and the compilation of the work of Treasury after executive government has made its decisions in relation to it. We made a decision to bring forward the employee expenses savings cap, the previous government's VSP program and other measures so that they are all taking place in 2012-13.

Mr PITT: Thank you for that input, Treasurer. Under Treasurer, in your role as a corporation sole of Queensland Treasury Corporation, can you advise how Queensland Treasury Corporation selected Jones Lang LaSalle as consultant on the government administrative precinct? Why wasn't this put out to tender in an open selection process?

Ms Gluer: I think the Premier may have addressed that. I am happy to give a further answer if I am advised to.

Mr PITT: I would be keen to hear your response to that question.

Ms Gluer: So my understanding is that, with Queensland Treasury Corporation, that was following discussion with the Department of Public Works. But, more particularly, when the project transferred to Projects Queensland, which is under my direction, that went through a full assessment of Projects Queensland including under the auspices of an independent probity adviser. I am totally satisfied that the processes followed for the appointment of Jones Lang LaSalle follow all good project governance. More particularly, there was even no conversation with any politician, certainly from Treasury's perspective, or indeed Queensland Treasury Corporation.

Mr PITT: So there would not have been any briefing notes the Queensland Treasury Corporation provided to the Treasurer or his office in relation to the appointment of Jones Lang LaSalle?

Ms Gluer: When that was first done, sir, as I understand it—and I can check with Projects Queensland in a moment—that project transferred to Projects Queensland very soon after once the 1 William Street project started to continue. At that time Projects Queensland went through a full assessment of how and when to appoint an adviser for the 1 William Street project and that included all of it being overseen by a probity adviser. So I am totally satisfied with the processes that were followed.

Mr PITT: Just so I am clear, were the briefing notes that would have occurred in this process provided prior to or after the appointment?

Ms Gluer: Projects Queensland appointed Jones Lang LaSalle for an ongoing role within Projects Queensland after they had been asked to provide information about their role to Projects Queensland and then that was fully assessed using evaluation criteria and was overseen by a probity adviser.

Mr PITT: I am not trying to be smart about this. I am just asking for the briefing process.

Ms Gluer: No, and I am not trying to be obfuscatious.

Mr PITT: When would there have been a briefing note from Queensland Treasury Corporation to the Treasurer? Was it before or after the appointment?

Ms Gluer: Certainly there has been no briefing to the Treasurer from Queensland Treasury Corporation to my knowledge—

Mr PITT: So none.

Ms Gluer:—but I am happy to check that. Certainly once the appointment of Jones Lang LaSalle occurred after it came to Projects Queensland, that was done under my hand, not under the hand of the Treasurer.

Mr PITT: Thank you. I would appreciate it if you could follow that matter up for us if that is possible.

Ms Gluer: Sure.

CHAIR: I call the member for Sunnybank.

Mr STEWART: Can the Treasurer outline how agriculture's future as one of the four pillars of the Queensland's economy has been secured with the Newman government's first budget?

Mr NICHOLLS: Thank you, member for Sunnybank. It is interesting to reflect on the history of Sunnybank as a former market garden supplier for Brisbane and so on. I think it was well known for providing lettuces and various other horticultural products. So it has changed dramatically in the last 20 years.

As you know, we went to the last election with a commitment to grow the four pillars of the Queensland economy, unlike the previous government, which put all its eggs in the resources boom, relying on what had been provided under the ground. We actually want to take some active roles in growing the other pillars of the economy, and agriculture is one of those. We have done that by establishing a stand-alone department of agriculture, appointing the Hon. John McVeigh as the minister—someone with experience in relation to agriculture, coming from the land himself and knowing what is going on there. We have set the ambitious target of doubling food production in Queensland by 2040, and this budget is the first step in achieving that outcome over a period of time.

The allocation of \$442.4 million has been invested into the now stand-alone agriculture department and it has been directed into several key areas, including \$7.6 million over four years towards agriculture research and development aimed at increasing the productivity of Queensland's key export sectors. This includes \$4.6 million for sugar research development and extension to increase the productivity of Queensland's \$1.2 billion sugarcane industry and to support the sector's ability to address emerging challenges and capitalise on export and emerging market opportunities. If memory serves me correctly, I think the Premier launched that scheme some three weeks ago to provide additional support to obviously the very valuable sugar industry as part of the agricultural sector—an area I know that is close to the Premier's heart and to many members of this government, unlike the former government which sadly ignored agriculture to the state's detriment. It also includes \$3 million to rebuild research and development including support for barley breeding, irrigated agronomy including in the Flinders and Gilbert catchments, a new agronomist for the Central Highlands and work on managing tree size in horticultural tree crops.

We are also keen to improve labour availability. Labour shortage, as we know, has been one of the banes of the agricultural sector for many years, particularly given the growth in the resources sector and the competition for skilled workers. Simply put, the wages being paid have made it very difficult to either attract or retain people in the agricultural sector. There is \$6 million to employ an additional 15 front-line officers. I mentioned earlier that we are in fact increasing the size of the front-line services to provide better surveillance and detection efforts. I note the member for Nanango has been a keen advocate for that program. She will be delighted to hear that I am sure.

Capital program highlights include \$3 million to upgrade the Spyglass beef research facility, outside Charters Towers. A number of other research stations are being upgraded on the way through. Of particular interest to me is the funds that will be made available to investigate the growth of tropical pulses to see how things like that are going to be able to be produced in order to supply emerging markets, particularly markets like India, who obviously have a growing middle class and a growing protein requirement but for a variety of cultural and religious factors do not eat beef. They will need ongoing protein support and Australia, I think, or Queensland will be well placed to provide that. So we have provided in this budget additional support in that area as well.

So agriculture in Queensland under the Newman LNP government is alive and strong. It may no longer be the prevalent industry in Sunnybank, but it is certainly still one of the four pillars of the Queensland economy, and we look forward to seeing it continue to grow and prosper in the future under this government.

CHAIR: I call the member for Murrumba.

Mr GULLEY: My question is on the 2012-13 state budget. In your opening statement, Treasurer, you made the comment that this was the most important budget in a generation. The question is: how will this budget build a brighter future for Queensland?

Mr NICHOLLS: Thank you for the question. This is an important budget because it does break the addiction to debt and deficit that had characterised previous budgets, with no plan that anyone could see for reducing the requirement to continue to borrow, to continue to increase debt. So it is important in the sense that it breaks that addiction to debt and deficit. It is important in the sense that it charts a path back to fiscal probity and soundness for the Queensland government. I made this point on a number of occasions. Queensland's opportunity is immense. The Queensland economy has the potential to be enormously strong and to grow well, and that is why we are focused on growing areas in the four pillars. But Queensland's state government finances have been let slip and we need to fix those state finances. This budget sets about that path of doing that.

It will deliver, as I indicated, a fiscal surplus of \$652 million in 2014-15 and it will deliver an operating surplus a year ahead of where we expected to be and certainly much earlier than the previous government expected to be in 2013-14. It will stabilise debt by 2015-16, and that debt will be \$6.6 billion lower than the Commission of Audit predicted when it released its report on 14 June. This means effectively that we will be able to spend more on delivering the services that Queenslanders need at a price that they are prepared to pay and we will be able to reduce the level of debt. The debt saving over

the forward estimates is estimated to be \$1.3 billion. That is \$1.3 billion we can use to employ more doctors, more nurses, more teachers, more front-line service providers. We can do that as a result of not having to pay that additional interest on the way through.

People will recall of course that the debt profile under the former government was such that Moody's in their investor report of August highlighted the fact that debt was continuing to increase and that the worst of that was occurring here in Queensland under the former government. The deficit gap in Queensland was the highest at 16.4 per cent. It stated—

Again in 2011-12, Queensland is expected to post the highest gap at 16.4 per cent of revenues. Profiles for individual states vary with the largest deficits over this period—

this is the period since 2008-09—

generated by Queensland, averaging a high of 14.9 per cent a year.

So we move away from the chart of debt and deficit. Members will recall the debt burden of all states and territories chart produced by Moody's which showed Queensland heading outside the AA1 rating towards the AA2 rating. So in that sense this budget is the most important in a generation as it starts to stabilise debt, ensures we go back to a fiscal surplus and starts charting a path back to regaining the AAA credit rating that was lost by the previous government.

Mr MULHERIN: My question is to the Under Treasurer. I refer to page 85 of Budget Paper No. 2 where it states—

... the Government considered that achieving fiscal repair may have required a reduction of up to 20,000 FTEs in the public service.

Did Treasury ever advise the government to consider removing 20,000 full-time equivalents from the Public Service or was this the government's consideration?

Ms Gluer: I would have to check through Treasury's records on that. Certainly Treasury's very strong advice was that the position was completely unsustainable, that we were at risk of a further credit downgrade and that unless an urgent repair task was undertaken the state was undoubtedly going to continue to pay a lot more for its debt and would have to look at asset sales, which is clearly not something the government wants to do in this term. In terms of employee expenses, I would need to check whether the 20,000 was ever advised to government. My recollection is that it was, but if I could check that I would appreciate it.

Mr MULHERIN: Yes. Has Queensland Treasury ever provided any advice or evidence that the government has been directly burrowing to pay the wages of 20,000 workers? If so, will you release that evidence?

Ms Gluer: If I could, I will refer you to a letter that was tabled by the Premier in parliament on 1 August 2012 which is from Dr Doug McTaggart, one of the authors of the Commission of Audit report. He confirms in there—

So it is clear that additional borrowings were required to support the budget operating deficit position i.e. the previous Government borrowed to meet operating expenses.

Mr MULHERIN: So the current government is doing the same?

Ms Gluer: Absolutely. In the next year or two we are going to require a lot of consolidation which is why the Treasurer said we have actually brought this forward into the current fiscal year of 2012-13. We have tried to front-end load a lot of the employee expenses that need to reduce in order to achieve the fiscal principles that the government set out. That will require \$800 million being provided for this financial year to meet those redundancy costs and a consequent fiscal deficit this coming year as well as an operating deficit.

Mr MULHERIN: Under Treasurer I refer you to Budget Paper No. 4 which outlines that the LNP government adopted all the previous Labor government's midyear review savings measures bar one. I refer to the foregone savings of \$450 million from abandoning the previous government's voluntary separation program which is outlined on page 13 of Budget Paper No. 4. Can the Under Treasurer advise the total number of public servants who left this program and how many voluntary separations were being offered under this program?

Ms Gluer: That was answered by the Premier in the previous session.

Mr MULHERIN: With all due respect, it is Treasury budget paper where it refers to a number of budget savings. I am asking you the question. Can the Under Treasurer advise the total number of public servants who left the program and how many voluntary separations were being offered under this program?

Ms Gluer: We will adopt the Premier's answer to that.

Mr NICHOLLS: Quite clearly the Public Service Commissioner answered that question. He indicated that your government had identified 41,000 potential applicants for voluntary separation. As I recall, you asked him whether there had been more than 5,000 people given an offer and he told you that your government had offered more than 5,000—they had offered 5,200—and the number adopted

had been 4,900 and something. You have a full and detailed answer from the Public Service Commission in relation to the extent of that program. Do you want two answers or do you want the same answer given twice?

Mr MULHERIN: Can I put it another way to the Under Treasurer. So there was no budget planning for the separation of 41,000 public servants?

Ms Gluer: In last year's budget?

Mr MULHERIN: Yes.

Ms Gluer: I think the numbers you are referring to on page 13 are actually the savings from that program as it was not implemented.

Mr Molloy: The \$150 million figure that is shown there is the savings that were identified in the midyear review if the second tranche voluntary separation program had occurred. What this reflects is the fact that the government decided not to proceed with that program but to approach the task in a different away.

Mr MULHERIN: But they never budgeted for the sacking of 40,000-odd public servants?

Mr NICHOLLS: In much the same way as you never budgeted for the Health payroll system, I would suggest.

Mr MULHERIN: The question was to the Under Treasurer.

Mr NICHOLLS: The answer is the same.

CHAIR: Just before you go on member for Mackay, the Under Treasurer indicated a short while ago that she would get confirmation on some figures. I think it was the first question the member for Mackay asked. Treasurer, are you happy to take that as a question on notice?

Mr NICHOLLS: I think we have since answered that. If you repeat the question I am happy to—

CHAIR: It was with respect to employee expenses. The options we have here are that you can endeavour to have that information back to us by the end of our hearing today or if you take it on notice you need to respond between now and three o'clock on 11 October.

Mr NICHOLLS: I am just unsure as to which question you are referring to.

Mr MULHERIN: The question I asked the Under Treasurer, if it may assist you, Mr Chairman, was: I refer to page 85 of Budget Paper No. 2 where it states that the government considered that achieving fiscal repair may have required a reduction of 20,000 full-time equivalent public servants? Did Treasury ever advise the government to consider removing 20,000 full-time equivalents from the Public Service or was this the government's consideration? There is a difference?

Mr NICHOLLS: We will come back to you before the conclusion of today's questioning.

CHAIR: The reason I brought that up is that we did have it noted as something that was going to be taken on notice. Under the standing rules and orders we need to clarify that with you.

Mr NICHOLLS: We will come back before we finish this afternoon.

Mr PITT: My question is to the Under Treasurer. I refer to page 30 of Budget Paper No. 2. Have Treasury's growth forecasts been factored into revenue measures undertaken in the budget, including increases in coal royalties? If not, why not?

Ms Gluer: The revenue figures in this year's budget and for the forward estimates absolutely do take into account the increase in coal royalties under the budget, yes.

Mr PITT: I refer to page 38 at chart 3.1 where it details a significant pick up in expected mining capital expenditure in 2012-13. Can you advise how this forecast is tracking after the first quarter of this financial year? Has there indeed been a significant pick up in mining capital expenditure?

Ms Gluer: As per page 39 of Budget Paper No. 2 as well, we are expecting business investment over 2012-13 to increase by 19.3 per cent. That is a forecast figure. That is reflected in the graph on page 38.

Mr PITT: That is the forecast figure Under Treasurer.

Ms Gluer: That is right.

Mr PITT: I guess what I am asking is: how is that tracking to date? Do you have any figures as to how that is tracking to date given that there have been public reports of a downturn in mining activity?

Mr Molloy: We remain confident in that forecast.

Mr PITT: There is no data available that you—

Ms Gluer: No, I would think we are still a few weeks off actually seeing what the numbers were for the end of September if you are talking about the first quarter. We still remain very confident those forecasts will come through.

Mr KAYE: Treasurer, you mentioned Professor Bob Walker's name in one of your answers previously. Professor Bob Walker, in his critique of the Commission of Audit, has criticised the audit's treatment of the state's assets and liabilities. Is the audit's approach to these metrics consistent with those used by Australian governments and international credit agencies? Does Professor Walker offer an alternative approach?

Mr NICHOLLS: Thank you, member for Greenslopes. Professor Walker and his wife—Walker and Walker; the so-called experts on public finances—are a source of constant amusement to those who actually have to make things work. His treatment of the state's assets is something that does not bear any particular reconciliation with reality. For example—and I have explained this on a number of occasions—he determined that the state's assets, including our \$27 billion worth of investments in the superannuation assets for employees of the state, are available to pay down debt. I notice that the Queensland Council of Unions chose to adopt Professor Walker as someone who is somewhat expert in this area, thereby seemingly agreeing with the fact that state public servants' superannuation could be used to pay down debt in a number of areas. The commission's analysis of assets and liabilities was based on the key debt metrics used by international rating agencies such as Moody's, Standard & Poor's and Futures, especially the nett financial liabilities to revenue ratio which, for ease of understanding—and obviously not the understanding of Walker and Walker—was labelled as the debt to revenue ratio in section 2.4 of the independent report.

The previous government's midyear financial and economic review released in January 2012 also used the same debt metric as the independent Commission of Audit used as a key fiscal principle. It was this key fiscal metric that was critical to the decisions of the credit rating agencies to downgrade Queensland's credit rating under the former Labor government in 2009-10.

This is not a new metric. This is not something that the Commission of Audit has miraculously dreamt up. This is the key metric used by the major rating agencies to downgrade Queensland's credit rating in 2009 when the former government continued to spend because they had no gas left in the tank. So Professor Walker's suggestion to include the \$28 billion of assets held by QTC in debt measures but to exclude the liability—that is, the obligation to pay the public servants their superannuation—is inconsistent with the approach of every other organisation with a reputation that has to act in the real world. It is somewhat amusing—and one of the very few areas where I did agree with the former Treasurer—that the former Treasurer described Professor Walker as low rent.

CHAIR: We will take a short break. When we resume we will continue examining the estimates for Treasury.

Proceedings suspended from 4.29 pm to 4.59 pm

CHAIR: The estimates hearing for the Finance and Administration Committee is now resumed. I call on the Treasurer who I believe has a couple of answers for us.

Mr NICHOLLS: Prior to the break the Under Treasurer indicated that there were two matters that the opposition—I think one question from the member for Mulgrave and one question from the member for Mackay—had asked about and we committed to getting back to them. One was in relation to the appointment of JLL to the government precinct program. We can confirm that no briefing note was provided by Queensland Treasury Corporation to me in relation to that matter. I certainly have no memory or knowledge of the appointment process. As the Under Treasurer indicated, the appointment in Projects Queensland was undertaken under the auspices of a probity auditor solely by the Under Treasurer. That answers that issue.

A question was asked regarding advice to the incoming government in the incoming Treasury brief—and I am prepared to read from the incoming Treasury brief—in relation to employee numbers. I will do that now. The incoming Treasury brief states—

To put that into context if the size of the Public Service had remained at the same percentage of the population as in 2000, in 2010-11 employee numbers would have been 188,195 i.e. 18,600 FTEs lower and expenses would be around \$1½ billion lower (all things being equal).

That is the number that was subsequently adopted, I believe, independently by the Commission of Audit because I do not believe they had access to that. The independent Commission of Audit also adopted a number of 18,500 based on that number. I have many times in the parliament indicated that the source of that rounded figure of 20,000 is the independent Commission of Audit report. The independent Commission of Audit calculation has now been verified by that extract from the incoming Treasury brief. I also remind members that that incoming Treasury brief is prepared by the independent officers of Treasury, not by either the former government or ourselves. It would be interesting to note, however, if such advice had been given to the prior government.

CHAIR: We will now resume questioning. I call the member for Stretton.

Mrs OSTAPOVITCH: Treasurer, the government is now committed to a new set of fiscal principles. Prior to these fiscal repair measures undertaken by this government, what was Queensland's projected level of debt and what impact would this level of debt have had on the state's future credit rating and the government's cost of borrowing? Could you also indicate whether this government is on track to achieve these measures?

Mr NICHOLLS: The government did adopt four new principles and they are as outlined in Budget Paper No. 2. They were also outlined in my response to the independent Commission of Audit where I indicated that they would be adopted. They are simply that we should stabilise debt, we should achieve a fiscal surplus, we should fully fund our long-term service obligations to our employees and we should maintain our low-tax status. Those are the four fiscal principles that we agreed to. Had we not adopted those four fiscal principles, particularly around stabilisation of debt, the Commission of Audit predicted that gross debt would be \$92 billion in 2015-16 and \$100 billion by 2018-19 in the absence of any policy changes. If things had continued for the next five years as they had continued in the prior five years, we would have been at \$100 billion.

The debt-to-revenue ratio was projected to peak at 132 per cent in 2013-14. It is important to note that this is not the Commission of Audit's projection. The Commission of Audit simply adopted the figures provided by the midyear economic forecast put out by the prior government. So the prior government's own predictions showed that debt would have increased such that its debt-to-revenue ratio would be at 132 per cent. Without that firm corrective action, it is our view that a further ratings downgrade would have been inevitable. In fact, Queensland had already been paying higher rates on its borrowings. As a result of the loss of the AAA credit rating, Queensland was the first state to actually have to access the Commonwealth guarantee in order to be able to access debt markets to fund its operations back in 2009. As at the date that I delivered the budget Queensland was paying a higher interest rate than the state of Tasmania. I am pleased to report to the committee that our interest rate is now less than the state of Tasmania. So that is a good sign.

However, it is not all beer and skittles at this stage. As people would be aware, Fitch Ratings agency issued a revision of the state's credit rating. Fitch is based predominantly in Europe and takes a less robust view of growth in Queensland than Moody's and Standard and Poor's—perhaps the two major ratings agencies that Queensland relies on. Nonetheless, Fitch Ratings indicated that, because of the behaviour of the past four years of the then government in terms of the accumulation of the stock of debt, they felt it necessary to downgrade Queensland's credit rating to AA. They did indicate, however, strong support for the measures that we had taken in the budget and indicated that this government had started taking a path to stabilising the situation. We are a long way from getting that AAA credit rating back, as both Moody's and Standard and Poor's indicated in their reports following the budget. But they all acknowledged that this government has finally started a fiscal repair task and is demonstrating its commitment to doing so.

This is the world that Walker and Walker do not inhabit and that their friends in the Queensland Council of Unions do not inhabit. They would have us believe that we do not need to adopt the same metrics as ratings agencies and that we can continue on our merry way. As I say, I would certainly be interested to know the attitude of the current shadow Treasurer as to whether he adopts the Walker and Walker ratings special or whether he adopts the ratings metrics that are used by the ratings agencies that impacted on the loss of our AAA credit rating under his government—a government of which he was a member—and also the increased interest payments. People will recall that was \$100 million a year in additional interest payments.

CHAIR: I call on the member for Hervey Bay.

Mr SORENSEN: To follow on from that, what was the state's projected debt level when the Newman government took office and what was the previous Labor government's level of unfunded liabilities? What was the previous Labor government's level of interest repayments?

Mr NICHOLLS: We have a number of reports. We have the former government's own midyear economic forecast which, as I indicated, showed debt heading towards \$85-plus billion and going on from there. We had interest payments on that \$85 billion of \$5.2 billion a year, \$600,000 an hour. To put that in some sense of perspective, \$600,000 is more than the average cost of a home in Brisbane. That was being paid in interest every year. As at 30 June 2012 it is \$62 billion worth of debt and our interest payments are around \$3.1 billion a year. Had we continued down the path of the previous government that they had mapped out in their midyear economic forecast, we would have gone beyond \$85 billion. As a result of the fiscal repair measures we have undertaken, we will slow down that debt. Debt will still continue to increase, as I indicated in the budget, because those commitments are already made. However, we are slowing that down and we will slow that down in 2014-15 so that it will be \$81 billion. In that year that will save us \$500 million in interest payments alone. Half a billion dollars in interest payments will be saved as a result of the fiscal repair measures and the tough decisions that we are making that the former government was unable or unwilling to make.

There are a number of figures. Let me go through them for you. The commission's report indicated that debt would reach \$64 billion in 2011-12—we are slightly less than that as indicated—\$92 billion in 2015-16 and \$100 billion by 2018-19. Contributing to this figure in terms of unfunded liabilities are things such as Queensland Health's payroll system, which the Minister for Health has clearly identified. We knew of \$200 million. We did not know of the extra billion dollars required to keep the system operational and to ensure that we can continue to pay people in that health system. That is an additional cost that was not taken up in the books. We have IT systems in a number of government

departments. The Department of Community Safety, for example, is running on a system that has not been renewed for 10 years and that is going to require some funding. Minister Bates is doing a top job in terms of identifying IT needs across government that the previous government had failed to address. Of course, the impact of the carbon tax had not been taken up in any of the forward estimates over future years by the previous government. That, of course, would have led to further expenses.

Interest payments under the former government, as I indicated, are actually slightly more than \$3.2 billion—they are \$3.5 billion a year, \$67 million a week or \$400,000 an hour. Of course, interest is the fastest growing component of the expenses side of the state government budget. People might think that Health would be a faster growing area of expenses. They might even think Education would be a faster growing area. But in fact interest expenses are the fastest growing area of the Queensland budget. That is the situation that was delivered to us on 24 March. This is why this budget is the most important in a generation.

Mr PITT: I just have two questions of clarification for the Under Treasurer following on from the previous session. I refer again to page 30 of Budget Paper No. 2 and also to pages 60 and 61 of Budget Paper No. 2. Have Treasury's economic growth forecasts factored in coal royalty increases undertaken in the budget? I think you made reference previously to revenue. What I was getting at was whether Treasury's economic growth forecasts have factored in coal royalty increases undertaken in the budget?

Ms Gluer: Yes.

Mr PITT: The short answer is yes?

Ms Gluer: Yes.

Mr PITT: There is a second thing that I want to clarify. I refer to the advice you gave in the first session of today's hearing that Projects Queensland oversaw the appointment of Jones Lang LaSalle. Earlier today the Premier said that it was his understanding that Queensland Treasury Corporation oversaw this process, which seems to be a contradiction of what we just heard. I just wanted to seek clarification that it is indeed Projects Queensland that is overseeing the process.

Ms Gluer: If I could just clarify what I said earlier, initially Queensland Treasury Corporation were engaged by the Department of Housing and Public Works for initial assessment of the 1 William Street project. That work concluded between Queensland Treasury Corporation and Jones Lang LaSalle in June. Then subsequent to that, Projects Queensland assessed what it required in terms of independent advice going through. An approach was made to Jones Lang LaSalle given they had already done some work for Queensland Treasury Corporation and, in addition, given their standing in the market. That assessment, when it was received, was overseen by an independent panel within Projects Queensland which was also overseen by a probity auditor.

So Queensland Treasury Corporation did engage Jones Lang LaSalle for a piece of preliminary work. That work then concluded and then Projects Queensland separately engaged Jones Lang LaSalle within the auspices of a probity auditor then to do ongoing work for Projects Queensland for that development. But at no stage was a briefing provided to the Office of the Treasurer by either the Queensland Treasury Corporation or Projects Queensland.

Mr PITT: Just so I am clear, the initial work done by Jones Lang LaSalle was through Queensland Treasury Corporation, but subsequently the actual full approach was by Projects Queensland?

Ms Gluer: That is correct.

Mr PITT: There has been some miscommunication in terms of the Premier's answer verses what you have provided. I just wanted to seek that clarification. Thank you.

Mr NICHOLLS: Perhaps I can assist you.

Mr PITT: I am happy.

Mr NICHOLLS: Projects Queensland is a division of Queensland Treasury.

Mr PITT: I understand that.

Mr NICHOLLS: The head of Projects Queensland answers to the Under Treasurer. So QTC initially engaged JLL as I am informed. Then the project transferred to Projects Queensland. Projects Queensland, through the process the Under Treasurer described, engaged JLL. The Under Treasurer, as the senior bureaucrat responsible for Projects Queensland, has given you the response. That is how I understand it to work. At no stage was I involved in that process.

Mr PITT: I thank you for the clarification. Under Treasurer, this may be reminiscent of a previous question and it may be the same response. Referring again to page 30 of Budget Paper No. 2, how is the forecast for business investment of 19¾ per cent in 2012-13 tracking against the first quarter? Again, is that something that you may not have available yet?

Ms Gluer: As I indicated, actual results for the first quarter are not through yet. Certainly all indications are that we believe the estimates we have in place for fiscal 2012-13 will be met.

Mr PITT: Treasurer, I refer to pages 14 and 16 of the SDS where it details that a reason for the 2012-13 first homeowner grant applications being 7,657 grants lower than the 2011-12 estimated actual is due to changes in eligibility criteria. Are you able to provide advice of exactly how many fewer grants are expected to be paid out each year under the changed eligibility criteria?

Mr NICHOLLS: We anticipate, as I recall, that the number of grants for the first homeowner's construction grant scheme will be about 4,000.

Mr PITT: That is a definitive figure?

Mr NICHOLLS: That explains the difference. It is now a first homeowners construction grant scheme, not a first homeowner's grant scheme. Quite clearly, the issue in Queensland is around construction of a property. Our commitment was to support that industry. We have increased the grant to assist people who are buying a new home that is either being built and is unoccupied or is purchased off the plan. We anticipate that that will result in about 4,000 of those grants being made each year.

Mr PITT: Treasurer, I refer to page 67 of Budget Paper No. 2, page 20 of the 2011-12 MYFER and page 97 of Budget Paper No. 2 in the 2011-12 budget. I wish to table these documents. I just want to see if you can explain why taxation per capita in Queensland has increased by \$76 compared with the previous government or, in terms of tax as a percentage of economic growth, from 3.68 per cent up to 3.74 per cent?

Mr NICHOLLS: I do not have all of those bits of paper in front of me.

Mr PITT: I am happy to get them to you.

Mr NICHOLLS: That is fine. What I can say is that table 4.11 on page 67 details Queensland's tax competitiveness and shows that Queensland, under this government, retains, on a taxation per capita basis, a very competitive position. As compared to the average of \$2,842, we are at \$2,347. That is better than New South Wales, Victoria, Western Australia, South Australia and the ACT. The only places that we are not better than are Tasmania and the Northern Territory, and we know what has happened there. Tax effort is at 89 per cent and as a percentage of GSP it remains well below the average and below just about everyone again, except both Tasmania and the Northern Territory.

So together with the freeze on car registration, the reintroduction of the principal place of residence concession, the abolition of the waste levy, the freeze on electricity and the rebate for South-East Queensland water users, we believe that we are doing everything possible in order to deliver cost-of-living savings for Queenslanders over the term of this LNP government and have delivered in full on our election commitments at a cost, as I have indicated, of \$63 million.

Mr STEWART: Treasurer, you undertook your first official trade mission in July this year. What messages were you looking to deliver on this mission and how were those messages received?

Mr NICHOLLS: An important part of my portfolio obviously is trade. I was very happy to lead a trade mission. It was a joint mission in certain aspects because I combined the obligations of the Treasurer to do with what is known as the QTC roadshow to Asia, to speak to some of our most important markets, to reassure them that Queensland is heading in a new and solid direction, with a trade trip that saw us engage with Japan as our largest trading partner and with China as our second largest trading partner. It does surprise some people to know that Japan is still our largest trading partner, with slightly more than \$14.5 billion of two-way trade between Queensland and Japan, and that there is slightly more than \$11 billion of two-way trade between Queensland and China.

So we combined those two trips into one. In doing that, we saved a considerable amount of money compared to the last overseas trade mission by the former government. I think we were at something less than half the total cost of that. We took a number of people over there from 15 to 29 July. We went to Japan, China and the United States. We were there to promote, obviously, trade and investment opportunities in tourism and energy and to meet with key global financial institutions to highlight the advantages of Queensland as an investment destination. We were accompanied by 42 delegates on that trip, so it was very well subscribed. Japan and China were the areas of main interest. As a matter of interest, I received a number of very complimentary letters on the benefits obtained out of that trade mission. In fact, many of the people are reconvening every three months to discuss opportunities that they had there, which I am very pleased to see had occurred.

In Japan we met with the major financial institutions who are major financiers of Queensland's debt and reassured them that Queensland's economy remains strong—that there are good and sound prospects for growth, that the resources industry remains a solid pillar of the Queensland economy, and that the new government is focused on growing agriculture and tourism as well as the property and construction industry. We were most, as I have consistently been, solid in terms of saying that Queensland remains a sound place to invest.

The other area that we were most keen to address was the perceptions of the state government's own finances. Inevitably when we met with people from financial institutions the question was asked about getting the AAA credit rating back and the impact that that had on their ability to invest. Many of these institutions have, if you like, parameters that set for them where they can invest, and the lack of a

AAA credit rating reduces the number of people we can go to to ask for funds. We need to go back to them and convince them that Queensland under the new government has a plan to restore Queensland's fiscal prosperity at the state financial level.

I know that there have been a number of comments in relation to that trip about the messages I was giving. Very clearly, the message is that Queensland is a solid place to invest. Queensland has enormous potential, and I have said that from day one. But equally, the state needs to get its own finances and its own financial house in order, and I have said that from day one. It seems that there is no difficulty amongst foreign markets, particularly in Japan and New York, where we also spoke to financial institutions, in understanding that message. As a result of that, after our return I understand QTC issued a bond line into 2019, I think it is from memory, which is a year where we do not have funding allocated, for over \$1.6 billion. I understand that that was subscribed within 24 hours by our major investment partners, who understand that the new government is solid on its commitment to reform the state's finances and also appreciate being updated on the opportunities that are available here in Queensland.

Mr GULLEY: My question is on the state budget again. I note that Murrumba is a high-growth area of Queensland when it comes to housing.

CHAIR: As is Coomera.

Mr GULLEY: Yes, but Murrumba is Aboriginal for 'good place'. That is why they come to Murrumba.

CHAIR: Coomera is Aboriginal for 'better place'.

Mr NICHOLLS: Clayfield is Treasury for 'the best place'.

Mr GULLEY: The question is: how do Queensland's grants and concessions for first home buyers compare to other Australian states?

Mr NICHOLLS: Well, we have just had a discussion about that. Obviously, one of the four pillars of the Queensland economy is around property and construction. This government made a very deliberate decision, on the basis of economic advice and commentary by many people over a period of time, that the \$7,000 first home owners grant had served its purpose. It was actually introduced as part of the response to the GST and the downturn in world markets back in 2000. It had not been lifted up in some 12 years. It had had a couple of short-term sugar hits, but it had not changed.

This government deliberately has focused on supporting the property and construction industry through the construction of new residential dwelling, which in Queensland has fallen off a cliff over the past four or five years. Our grant, at \$15,000, is the most generous in Australia, equal with that which is now offered in New South Wales. Together with the exemption of \$500,000 for a first home buyer, if you are buying an average home in Brisbane and surrounds, including Murrumba—the average price of a new home is around \$385,000; the average Brisbane home is \$500,000—you will pay no stamp duty and you will receive \$15,000 in a grant from the government. In those areas where growth is underway, like Murrumba, we hope to see long-term, sustained growth in new housing.

We need to increase our housing stock. Over the period of the previous government, for the first time—I recall this going back to 2010 and making this point—we created a class of economic refugees out of Queensland to Victoria. The price of housing in Victoria had actually slipped below the price of housing in Queensland, despite the differences in our states and the vast available amount of land here. We are determined to turn Queensland back into an economic growth state.

Also, I should say: whilst our \$15,000 grant is equalled by New South Wales, theirs actually stops in October next year. Ours will continue and will continue to provide funding all the way through. I will just confirm that for you: New South Wales has announced it will provide a \$15,000 grant from 1 October 2012 but it is a temporary grant and it will expire. So when their grant expires, ours will continue.

I should say that this enables the construction industry to plan with some certainty for the future. When you are building new apartments, building new houses or doing new land subdivisions, it takes time to bring those projects to market. You cannot just do it in three months; you have to go through an entire approvals process. So this will provide certainty for the construction industry that they have been asking for. I do note with thanks the support of the Master Builders, the HIA, the UDIA, the Property Council and all of those involved in construction and providing new houses and new dwellings for Queenslanders.

Mr PITT: Under Treasurer, I refer to consumption growth nearly halving, as set out at page 36 of Budget Paper No. 2, this financial year from last financial year. Is it possible to quantify how much of the projected drop in consumption growth is a result of a softening in the labour market mentioned on this page?

Ms Gluer: I would refer you to both page 39 of Budget Paper No. 2, which sets out a number of factors across the state, and page 34 of Budget Paper No. 2, which also sets out economic forecasts and projections. I would also refer you to, essentially, a lot of the chapter titled External Environment. I suggest, Mr Pitt, that there are a lot of things that are contributing to that, yes, I agree.

Mr PITT: Thank you for that. At page 42 of Budget Paper No. 2 it states that fiscal consolidation is a factor toward lower employment growth forecasts in this financial year. Can you confirm that this reference to fiscal consolidation includes 2012-13 budget measures?

Ms Gluer: Yes, I can confirm it does. Could I also refer you to the answer to question on notice No. 2, which also sets out further details in regard to the question you have just asked.

Mr PITT: And you have nothing to add to the response provided to the question on notice?

Ms Gluer: No.

Mr PITT: Okay. Thank you. Page 34 of Budget Paper No. 2 mentions fiscal repair as a factor for slowing economic growth in 2013-14. Can you advise whether fiscal repair here refers in any way to measures taken in the 2012-13 budget?

Ms Gluer: No, I cannot confirm that. I refer you to answer to question on notice No. 4.

Mr PITT: With respect, we generally were not satisfied with that response. We were looking for a more fulsome response and I was hoping you would be able to provide that to us today. You have nothing to add to the response provided to question on notice No. 4?

Ms Gluer: No, I do not.

Mr PITT: I refer to pages 32, 55 and 56 of Budget Paper No. 2. Do you concede that, considering that interest rates have already fallen below Treasury's projections this financial year, transfer duty revenue could be higher than forecast? Would you expect that the Commission of Audit would then look at these forecasts again?

Ms Gluer: I can confirm that revenue for the year to date is essentially tracking at the numbers that were indicated for fiscal 2012-13. So as late as the figures for the end of September, those figures are tracking in line with budget numbers. There has been very little variation.

Mr PITT: So beyond September, if that situation is in any way different, there is no need to be reviewing or revising that, or will that be left for the midyear review?

Ms Gluer: I am sure that if there is a subsequent change in October that would come through in the midyear review, but I can confirm that the numbers to the end of September are tracking in line with the budgeted forecasts.

Mr PITT: Will that exercise be undertaken by Queensland Treasury or will it be undertaken by the Commission of Audit, given they have an ongoing brief in this regard?

Ms Gluer: Certainly Treasury will have the carriage of producing the figures for the midyear review. I am sure the Commission of Audit will retain an ongoing interest in the performance of Queensland's finances.

Mr NICHOLLS: Perhaps if I can just intervene here, the Commission of Audit was given terms of reference. It reported on the first two terms of reference. That is the report that we released on 14 June. That highlighted the state of Queensland's finances, the debt, the deficit and the position that Queensland found itself in. Of course, that did reflect the incoming government brief, which I have referred to.

The Queensland Commission of Audit has now moved on to the other items of reference in terms of the task that the government has set it. So whilst it maintains an ongoing interest in it, the commission's current operations, including visits that have been made to North Queensland and to the GOCs and other aspects of the economy, and its next report will report on those other areas, and it makes that quite clear in its own report here as to what its work schedule will be and what it is going to do. In terms of the midyear review, the government will be, as has been past practice, relying on the advice of Treasury in terms of the preparation of the midyear forecasts.

Mr PITT: Just to clarify, Treasurer, yes, I understand that there is a program of work that the Commission of Audit has, but if there is any substantial change to the advice it has provided to your government from the first section—and I asked this during the briefing that we undertook—is there not a responsibility for the Commission of Audit, whilst maintaining that ongoing brief, to revisit some of those assumptions that it has made if they are proven to not be correct?

Mr NICHOLLS: The assumptions are the assumptions that the government has made in relation to the forward revenue forecasts. They again are decisions that we have made in terms of putting those together. They are not assumptions that the independent Commission of Audit made. The independent Commission of Audit found a number of areas where it felt the previous government's assumptions, particularly around transfer duty revenue growth of 14 per cent year on year, were unrealistic. The government then made decisions in relation to assumptions for future growth in transfer duty. Should there be a change that is reflected as a result of outcomes, then the government will make a decision about what are the appropriate assumptions based on the advice we receive from the Treasury officials to put in the midyear forecast. For example, I think last year's midyear economic forecast revised down transfer duty by something like \$370 million as a result of those overoptimistic forecasts not being met.

They did not change their assumptions, but they revised the revenue down. We will come back and tell people exactly what it is we think the revenue has been and what we think it will be over the forward years.

Mr PITT: Thank you, Treasurer, for the additional commentary. Under Treasurer, I refer to page 42 of Budget Paper No. 2. What is the total impact assessed by Treasury on employment growth from savings measures announced in the budget?

Ms Gluer: I think they might be two different questions, Mr Pitt.

Mr PITT: I am happy for you to answer that as broadly as you need to.

Ms Gluer: Within the budget papers there is a calculation as to what Treasury anticipates will be the savings from the reduction in FTEs over the forward estimates. I will get that page number for you, Mr Pitt.

Mr PITT: Take your time. That is fine.

Ms Gluer: With regard to what impact the overall public sector spending has on nominal gross state product, that is at page 39 in table 3.3. The overall impact over the forward estimates of the reduction in employee expenses is at page 84.

Mr PITT: Thank you very much. Again I refer to Budget Paper No. 2. It seems we are visiting it quite frequently, and I thank you for your patience. Page 34 mentions fiscal repair as a factor in slowing economic growth in 2013-14. Does this impact include cancellations to government owned corporation projects such as the Abbot Point multicargo facility and the Connors River dam?

Ms Gluer: I would need to check, Mr Pitt, but certainly my very firm understanding is that neither of those projects were in the forward estimates because they had not received formal project approval. I am advised that that is correct.

Mr PITT: Thank you. That is all for the moment.

Mr NICHOLLS: So essentially they were unfunded and then there was no difference because they were not in the budget in the first place. So they were unfunded pipedreams that had not yet been properly costed.

Mr KAYE: I refer to the Walker report. Professor Bob Walker has tried to debunk some of the claims made about the rise of employee expenditure. How does Walker suggest this expenditure be measured and are there any flaws to this approach?

Mr NICHOLLS: There are many flaws to Mr Walker and Mrs Walker's approach. It is difficult to enumerate them all. This one in relation to claims about the rise of employee expenses is that they should be measured as a proportion of total expenses. As employee expenses are a key driver of total expenses and total expenses have been rising rapidly, it is obviously a spurious measure because as one grows so the other grows. So all you are going to do is continue to see the same rate of growth. It is no measure against an absolute number, which is the way you would think a responsible person—not an honorary professor and his wife—would go about dealing with it. So it is a completely spurious measure to suggest that employee expenses should be measured as a proportion of total expenses. To say that they have remained stable as a proportion of total expenses simply means that employee expenses were increasing at the same rate as total expenses were increasing. So it is no measure of savings; it is no measure that would be appropriate.

That is why it is appropriate to take a measure of population and say that the size of the Public Service as a measure of like-size populations is appropriate. These are the unavoidable facts in Queensland, and again Mr Walker or Professor Walker or whatever Walker he is—he might be the 'ghost who walks'—has conveniently ignored the fact that the number of public servants in Queensland increased by 60,480 from 2000-01 to 2010-11 according to the figures provided by the Public Service Commission. So that is an increase of 41 per cent over that period. There is no way in the world Queensland's population increased by that number; in fact much less than that. The size of the public sector increased from 4.1 per cent of population to 4.5 per cent of population. Again, that leads to the advice that was provided in the incoming Treasury brief, which I provided earlier in response to a question by the non-government member, that the number of employees as a proportion of population was about 18,600 more than would have been the case had it stayed the same at a cost of \$1½ billion more. I note independently the independent Commission of Audit has come up with the same number. So there you have two checks—the independent officers of Treasury who have made that recommendation to government in the incoming Treasury brief and the independent Commission of Audit, and then you have Walker and his wife Walker who prefer to use a measure that no reputable person would ever use—except perhaps the Queensland Council of Unions.

Mrs OSTAPOVITCH: Treasurer, could you please provide an update on the outlook for the Queensland economy and what challenges you foresee—for example, the impact of the carbon tax or current global conditions?

Mr NICHOLLS: There is a substantial amount of uncertainty in the world these days in relation to what is going on, but Queensland is well positioned by virtue of the abundance of our natural resources—and I have made this point on a number of occasions—and no government can claim responsibility for the work of nature. Our proximity to Asia also means that we are well positioned. Part of my trade mission to China was to open another office, our third office in mainland China in Beijing, to support those trade and investment opportunities. Previously economic growth had been knocked around by the floods and cyclones, and we make no bones about that. But we anticipate that world financial circumstances will continue to have an impact on Queensland. That is why we are predicting growth for 2012-13 of four per cent. Previously the prior government in its prior budget predicted growth of 5¼ per cent. That was subsequently reviewed down and the outcome has been four per cent. We think that is a reasonable number—a conservative number—to adopt in terms of economic growth for the next 12 months or so.

The situation in Europe remains very volatile. There was some relief that was granted when the European Central Bank made a commitment to spend whatever it takes to bail out countries such as Ireland and others that might be in substantial financial strife, but it continues to have an impact because Europe is the biggest—surprisingly—customer for products made out of China. If Europe is not buying from China, then Australia is not selling its raw materials at the same volume as it is. Over the longer term—and I think this is a view shared by most economists—we see a continued strength in the resources sector in coal and iron ore, although it has come off a little bit in the last period of time. We expect the US recovery to sit well below two per cent and, again, that will have an impact because the US is a major consumer of Chinese produced manufacturing products. Also, China itself is undergoing a consolidation and a change in the way it runs its economy from being a manufacturing base to being a domestic consumption base, so they are trying to actually get their population to consume more internally. They are not a big internal consumer nation.

So all of those areas are having an impact on growth in the Queensland economy but nonetheless we think Queensland will continue to grow at four per cent, second only to Western Australia. We continue to work well in areas such as tourism. I know this is an area that the Premier is particularly proud of, and we allocated \$20 million in this budget to expand tourism attraction and investment here. I see that tourism is doing well relatively over the last six months or so in terms of increased flights into Queensland.

In terms of the carbon tax, we believe that the carbon tax will have an impact. It has already had an impact on electricity prices. We have frozen electricity prices absent the carbon tax, which is a federal government tax that has occurred. Modelling undertaken by Queensland Treasury and Deloitte's shows that compared to the no carbon case Queenslanders will be paying a heck of a lot more. Queensland's gross state product is likely to be reduced by up to \$9.6 billion in 2020 in constant 2011 dollars. The impact on jobs could be as much as 21,000 jobs by 2020 and average real wages are likely to be reduced by up to \$2,940 by 2020.

So whilst we have done what we can to ease the burden of cost of living in terms of power prices, the federal Labor government has increased the cost for Queenslanders by about \$192 on the average bill. Queensland itself will suffer a knock in terms of revisions to valuations on things like our power plants of up to \$1.2 billion over four years, and at a worse case scenario it could be \$1.6 billion. So there is a very significant impact of the carbon tax introduced by the federal Labor government and of course, as we know, supported by Labor governments throughout the country, including the former Labor government in this state. I am not sure where the opposition stands on it today.

Mr SORENSEN: With regard to infrastructure building in the future, what is the Newman government doing to ensure that value for money is obtained through the government's capital expenditure?

Mr NICHOLLS: The government—and I am particularly pleased with this aspect of our agenda—has established the office of Projects Queensland within Treasury Queensland. We have discussed the 1 William Street project, but Projects Queensland has a very wide remit to look at all sorts of projects, including the delivery of major social and economic infrastructure. It does so by virtue of harnessing the abilities of the private sector to deliver projects. We know that there are significant opportunities there to access funding that is not available to the government now because our credit card has been left maxed out by the former government. We are committed to pursuing with Projects Queensland public-private partnerships where appropriate as a means of delivering real value for money. One of the key areas where we have been able to demonstrate that just recently is the new Sunshine Coast University Hospital, which is being delivered, after many promises by the former government, with a project that has been signed off by this government that will be delivering it more economically than had been previously proposed and as we thought it could be, as we indicated last year. Projects Queensland will, in my view, continue to drive value-for-money outcomes for major capital projects, whether that is addressing issues such as the Bruce Highway upgrade, the second range crossing, additional schools or further hospitals. There are a wide range of projects. There are many places where it is still appropriate for government financing to be used, but there are also far greater opportunities that we should avail ourselves of in the private sector in order to expand our capacity to deliver infrastructure.

I note earlier today the Premier indicated his longstanding support for major infrastructure projects, whether that be projects such as Airport Link and the northern busway or other major infrastructure projects such as the \$1 billion we have put aside over the next 10 years—although it is not our responsibility—to assist funding upgrades of the Bruce Highway. So Projects Queensland will be undertaking that project and we will consider that on the way through. The other thing that Projects Queensland will do, together with the Office of Best Practice Regulation which has been established in the Queensland Competition Authority, is ensure that we are not left with legacy projects such as the Tugun desalination plant, for which \$1 billion has been spent and which is now running simply to keep the filters going and not providing any water and not likely to be necessary to do so for 10 years; the \$350 million spent on Wyaralong, which has not been connected to the South-East Queensland water grid; and the enormous blow-out in the costs of the Children's Hospital over at the Mater, double what was first estimated with a cost of \$1.4 billion from an original \$700 million estimate. And, of course, I think the epitome of Public Service maladministration and failure to accept responsibility as well, certainly at a ministerial level, the Queensland Health payroll system, which cost \$220 million and is now going to cost even more. So Projects Queensland has a clear remit to look at the best-value-for-money delivery options together with the Office of Best Practice Regulation to ensure that we are delivering in an economic way the projects that Queenslanders need at a price they are prepared to pay.

CHAIR: Thank you. Over to the member for Mulgrave.

Mr PITT: Thank you, Mr Chair. Under Treasurer, I just want to confirm the testimony again from the first session of today's hearing of Treasury and Trade that there has been no advice from Queensland Treasury that the government was directly borrowing to pay the wages of 20,000 government workers. I know you have seen the letter, but I wish to table the letter from Dr Doug McTaggart that you referred to earlier. I know you are aware of this letter, but it merely sets out that the budget was in deficit. We are aware of this fact. What I was seeking is what evidence Queensland Treasury has in writing that there is a direct link of a government borrowing directly to pay for 20,000 Queensland government workers. I do not believe that letter actually says that. What it says is that the budget was in deficit for the periods outlined by Dr McTaggart. I am interested to find out what Queensland Treasury has on hand that says that that claim that has been made on numerous occasions is, in fact, correct.

Ms Gluer: I am not aware that I have made that claim, Mr Pitt. You are asking me—

Mr PITT: No, I am not suggesting that you have made that claim.

Ms Gluer: No.

Mr PITT: But you would certainly be aware of that claim.

Ms Gluer: Yes.

Mr PITT: And that you referred earlier to the letter from Dr McTaggart.

Ms Gluer: Yes.

Mr PITT: That letter says that the budget was in deficit over the periods that he outlines.

Ms Gluer: That is right.

Mr PITT: He does not categorically say that the government was borrowing to pay the wages of 20,000 government workers. I am asking is there any formal advice that Treasury can provide either to this hearing or that has been provided to the Treasurer that actually stipulates that?

Ms Gluer: Mr Pitt, my understanding is that, given the size of the deficits that were forecast under the midyear economic review last year, certainly the borrowings would have been for a lot more than 20,000 workers.

Mr PITT: So you have some evidence to back that statement up?

Ms Gluer: After the midyear economic review last year, when you look at the deficits going forward, it is difficult to understand what was paying for them, given you were talking about the deficit. I think that is what Doug McTaggart is referring to in his letter—though, of course, I would suggest that you ask him if you are trying to further explore his letter.

Mr PITT: Under oath he did say that that was not the case and clarified with the letter. What I am getting at is I am still yet to see any evidence that that claim is indeed correct. I would just be interested to see what Queensland Treasury can provide in that regard. I understand you can be in deficit and could be paying for a range of things. You could also be paying for a range of other things besides government workers. I am keen to find out if there is some direct link, because this is a claim that has been made on numerous occasions by the executive here in Queensland. I am asking what Queensland Treasury has that can back that up.

Ms Gluer: Certainly, that is talking about an operating deficit. There is no capital when you talk about an operating deficit or an operating balance. Therefore, it was expenses that that was paying for. I can certainly confirm that if you are talking about operating expenditure. Is that—

Mr PITT: I am asking if you have anything that you can provide in writing that backs this claim.

Ms Gluer: Absolutely. The Budget Paper No. 2 talks about the fact that there are operating deficits both in fiscal 2013 and across the forward estimates.

Mr PITT: And there are not other expenses contained in operating expenses besides wages?

Ms Gluer: Absolutely.

Mr PITT: Okay. Under Treasurer, I refer to the sale of the government's remaining stake in QR National that was announced yesterday. Can you confirm that none of the sale proceeds were factored into the 2012-13 budget position?

Ms Gluer: Sorry, for the QRN sale?

Mr PITT: Yes.

Ms Gluer: Can I just check that and come back to you in a moment?

Mr PITT: I am happy for you to take the time to do so.

Mr NICHOLLS: Perhaps I can provide some assistance here. There are—

Mr PITT: Does this response, Treasurer, relate to the question that I have just asked to the Under Treasurer?

Mr NICHOLLS: I am happy to answer both of them.

Mr PITT: We have moved on to another question.

Mr NICHOLLS: While the Under Treasurer is doing that, let me take the shadow to page 150 of Budget Paper No. 2. You will see there that you have other key aggregates. The net acquisition of non-financial assets is \$1.2 billion, I think it is. Then you have net lending, which is borrowing \$2.4 billion. So what that means is that you are borrowing more than you are using to acquire assets. What that means and what the operating deficit means—and you ask, 'Does the Treasury have any indication of what is being borrowed to pay for wages'—is you have income of \$43 billion, you have expenses of \$46 billion and you have a deficit of \$3 billion. What is the biggest single component of expenses in the Queensland government operating expenses chart? It is wages. What are you borrowing for? You are borrowing to pay your operating expenses. What constitutes operating expenses? Nearly 50 per cent of your operating expenses is wages. Some of it will be supplies—the petrol you put in the tanks of cars—some of it will be electricity when you turn the lights on when you have public servants coming to work. So, member, what evidence is there that the government was borrowing to meet operating expenses? The evidence of your budget documents, which show a systemic deficit that had not been addressed for five years that showed—

Mr PITT: That is not the claim that was made.

Mr NICHOLLS: Absolutely. That showed revenues were less than expenses and had been for a period of time. Where do operating expenses go, member? Do you think that they go and get buried in a hole in the backyard? Of course not. They get spent on paying the wages. They get spent on putting the fuel in the cars of police officers. They get spent on providing patient services in hospitals. That is what operating expenses are.

Mr PITT: So you are disregarding all the natural disaster spending?

Mr NICHOLLS: I am happy to take you to the natural disaster spending, because when you go back to the midyear review and see what was going on there and the natural disaster spending and the payments for it in relation to that, when you strip those out you find that the situation was even worse under your government in the midyear financial review. It is page 13. What we find there is, in fact, an underlying net operating balance for 2011-12, \$3 billion, for 2012-13, \$2.48 billion, for 2013-14, \$1.58 billion and for 2014-15, \$1.16 billion. Every year for the forward outputs, after stripping out the NDRR payments, you are still in an operating deficit. You had a systemic deficit. You had no plan to get out of it.

Mr PITT: That is not correct.

Mr NICHOLLS: You had no plan to get out of it and what you were doing was borrowing funds to meet your operating expenses. What do operating expenses consist of? They consist of wages, salaries, fuel, expenses and all of those other items that were in the pie chart in Budget Paper No. 2. You may be with Mr Walker and his wife and deny the reality of the world that saw our AAA credit rating go down to a AA and saw our interest expenses pay \$100 million more—in fact, worse than the state of Tasmania. You may deny that that is the reality. But that is not the reality that the taxpayers of Queensland have had to fund as a result of the removal the fuel subsidy, the sale of assets and the increase in debt.

Mr PITT: So Under Treasurer, do you have an answer to the question. That was not quite as good as elevator music while you were finding the answer, but I am certainly keen to hear the response.

Ms Gluer: Thank you, Mr Pitt. It is quite a technical answer, so I apologise in advance.

Mr PITT: No, I am happy to hear it.

Ms Gluer: For the purposes of the budget it was assumed that the QRN shares would be sold in 2012-13. However, I want to be very clear that the primary reason for that was the change in the sectoral treatment of Queensland Treasury Holdings, because back on 24 January 2012 the ABS, which, as you are aware, are the arbiters of the government's finance statistics, advised that it was their view that the QTH should be reclassified to the public non-financial corporation sector. As a result, QTH, along with its assets and liabilities, was moved into the PNFC sector and, hence, the non-financial public sector, which is, as you know, the general government plus the PNFC sector.

So as at June 2012, the value of the QTH assets were \$2.8 billion. The borrowing was \$2.4 billion. As at June 2012, the value of the QRN shareholding was \$279 billion and the borrowings \$2.26 billion. That reclassification had the effect of increasing the borrowings in the non-financial public sector. Because of the change in the sectoral treatment of QTH, the failure to include an estimate of the proceeds of the sale of the remaining QRN shares in 2012-13 would lead to an increase in the PNFC. For this reason, it is agreed that the sale of the remaining QNR shares would be factored into the 2012-13 budget, which is consistent with the approach of including the best estimates possible in the budget given the information available.

However, I should stress that that does not imply that the government is planning to sell those assets or all of those assets in 2013 or that it is willing to accept the price equivalent to the value of those assets as at 30 June. It simply represents a technical budget assumption.

Mr PITT: Thank you for that very complete answer. I refer to the government's target of a debt to revenue ratio of 60 per cent at page 7 of Budget Paper No. 2, which is well below the threshold for a AAA credit rating of 110 per cent. Under Treasurer, has there been any economic modelling on how structurally lowering expenditure to achieve that objective will impact on Queensland's economy?

Ms Gluer: Which page is that on?

Mr PITT: Sorry, page 7 of Budget Paper No. 2. Did you need me to repeat the second part of that question?

Ms Gluer: No, you are right.

Mr PITT: What I was getting to further is that, if that economic modelling has been undertaken, is Treasury able to provide or release any of this modelling?

Ms Gluer: I think you are referring to the independent Commission of Audit's report recommendations, which are published on page 7. I do not believe that we have done any modelling to support the 60 per cent target. I can certainly assure you that, following discussions with the Commission of Audit, it is because of the plethora of natural disasters that faced Queensland and the importance of having gas in the tank should something occur. But no, to my knowledge, no economic modelling has been undertaken within Treasury on that assumption.

Mr PITT: Considering the potential significant impacts on the economy and subsequently future revenue streams from this target, I question why that modelling was not undertaken.

Ms Gluer: Can I suggest, Mr Pitt, certainly my understanding is that it is not something that the government has undertaken to do at this stage in terms of achieving the 60 per cent. I think indeed the Commission of Audit stated that that would involve asset sales and, as I think the Treasurer has previously explained, any asset sales would be taken to an election. So at this stage those have not been factored into the forward estimates.

Mr NICHOLLS: Perhaps I can clarify. The member may be under a misapprehension. That was a recommendation by the Commission of Audit. I have said on many occasions—many occasions—that this matter is something that the government will consider, has made no decision on accepting or adopting that that is the appropriate ratio to get to, and we will have that discussion. Our first task is to stabilise the position and that is what this budget sets out to do. It is interesting, however, to note that the 60 per cent ratio referred to by the independent Commission of Audit was the ratio that was in place only six years ago before the previous government went on its debt and deficit spending spree. That just goes to show how difficult it is to retain a position once it has been lost and that just goes to show why it is so necessary for us to do the work that the previous government was enable or unwilling to do and put it out in this year's budget.

So for the member's clarification, the government has not adopted that outcome or that target. That is a recommendation from the Commission of Audit to get to 60 per cent. The reality is that the AAA credit rating may come back before then, but it will not come back without a lot of hard work.

Mr PITT: I have some further questions. This is to the Treasurer. The Under Treasurer has made reference to asset sales. You have also today earlier referred to the terms of reference of the Commission of Audit to include the review of 12 government owned corporations. Treasurer, will you rule out selling these government owned corporations both in this term of government and the next term of government?

Mr NICHOLLS: What this government has said quite clearly in the lead-up to the last election is that any asset sales will only be done after we have taken any decision in relation to that to the people of Queensland. I am not so imperious as to think that we should make that decision without talking to the people of Queensland. There are others who thought that way and they, of course, were colleagues of yours. We have made it abundantly clear that we need to have a debate about the outcomes that the electorate of Queensland seeks to achieve. We have said that we will commence the fiscal repair task. That is what this budget does. It delivers a fiscal surplus of \$652 million over the forward forecasts. We have said that if you want to get the AAA credit rating you have to reduce the stock of debt. There is no sensible economic commentator who would say otherwise. How you go about that is something that the government is yet to consider, but we have made it abundantly clear that, unlike the previous government, we will not go to an election promising one thing and then delivering another.

Mr PITT: So at this stage you will not rule out seeking that mandate?

Mr NICHOLLS: What I have said quite clearly is that this is a matter that the government has not yet discussed. What I have said is that, before we would go about any process that would see a divestment of government owned assets, we would have that debate with the people of Queensland. I would not be so, as I say, presumptuous as to say to them, 'We know what your decision is on that matter.' That is something that we would certainly wait for the people of Queensland to deliver an outcome on. We would not promise one thing before an election and deliver another thing three months after.

CHAIR: We might just go across to the member for Sunnybank for a question.

Mr STEWART: Can the Treasurer outline how the Newman government's first budget will improve tourism outcomes for Queensland?

Mr NICHOLLS: I have already indicated, thank you member for Sunnybank, that the government will be providing an additional \$20 million to enable overseas tourism attraction. Under the previous government tourism obviously was falling well short of the mark. People will recall the heyday of Queensland tourism in the seventies and eighties where Queensland was the tourist destination to come to. That fell off very substantially over a period of time. We recognise that. That is why it is one of the four pillars of the Queensland economy that we promoted and that is why we have put \$20 million in the tourism attraction fund to have more people come here and to provide additional support to the tourism industry. Of course we had, in accordance with our commitment to the public in the election campaign, our Destination Q forum that was held within 90 days. It was held up in Cairns. The Premier, myself, the Deputy Premier, the transport minister, the tourism minister, the minister for national parks—a plethora of ministers all attended in order to demonstrate the commitment.

Whilst I was recently overseas on our trade mission, the tourism minister and I signed a deal with China Eastern that will see additional flights come from October for the northern winter in a trial period to assess the viability of that flight program. We have additional flights from China Southern, some previously started, more coming as a result of that. I also had some preliminary discussions with airlines in Japan who are interested again in coming back to Queensland. It may surprise members of the committee to know that only a decade ago there were something like 37 direct flights a day into Queensland. There are now none out of Japan. I think people would be astounded to realise that tourism under the former government was allowed to decline to such an extent. That is why we are so keen to support tourism; to support those small businesses in the tourism industry who have been knocked around so badly by not only natural events but by increasing fees, taxes and charges.

We have more than doubled the amount of funding available for regional tourism organisations from \$3.1 million to \$7 million a year in recognition of the role they play up and down the coast and out west in Queensland. We are going to be providing almost \$14 million in capital works funding towards enhancing national parks visitor facilities in 2012-13 and half a million dollars to attract a friends of parks program to coordinate better volunteering and ecotourism. The previous government, you may recall, was promoting opening up national parks and, of course, failed to open up any in three years. I know Minister Dickson is very keen to work with Minister Stuckey and to report back to the Premier on opportunities for ecotourism in our national parks. We do not believe in locking them up and keeping Queenslanders out of them. We believe in opening them up, having sensible environmental protections in place and ensuring that Queenslanders and all our guests from around the world enjoy our natural beauty here in Queensland and get to enjoy that very unique experience that is Queensland.

CHAIR: Member for Murrumba, please?

Mr GULLEY: Before and subsequent to the election this government made several commitments to revitalise front-line services. What are the funding programs within the 2012-13 state budget to meet those commitments?

Mr NICHOLLS: In terms of revitalising front-line services we have made significant commitments to support the Health department: an increase of \$800 million in the Health department's budget this year. I know there are some who think that is not enough, but it is a substantial—I think 7.6 per cent—increase in that budget over a period of time, bearing in mind that that minister also has to deal with the

debacle that was the alleged fake Tahitian prince and his ability to walk out the door under the auspices of the previous government with \$16 million in his pocket and the \$220 million Health payroll debacle which, of course, continues to provide concern for all of us.

In terms of revitalising front-line services, one of the great announcements in this budget is \$200 million over the next two years to go to dealing with the maintenance backlog left by the prior government. It was identified in the Independent Commission of Audit. \$300 million was outstanding so we are providing \$200 million over two years, up to \$160,000 for every state school in Queensland, to address the underlying backlog in maintenance for schools; from things as simple as fixing up peeling paint and rotten gutters to, for those of us who have a lot of older schools in our electorates, the well-used male urinals and others that tend to block up after 90 or 100 years. I am sure that there are those at Ascot State School and Eagle Junction State School in my own electorate who will be very keen to see that.

We are putting in \$147 million over four years to deliver 1,100 new police officers. As I said, we have the highest Health budget in Queensland's history. We are providing nearly \$30 million under our Mums and Bubs initiative, which we took to the last election, for additional access to home visits and community clinics during a baby's first year of life providing support for new mums and their bubs. I know that is something that will be invaluable. There will be 150 prep classes each year that will receive additional teacher aides and we will also be putting \$1 billion over 10 years into the Bruce Highway upgrade. As I said in the budget speech, we remain ready, anywhere any time, to talk to the federal government. It is their responsibility, it is their obligation. Remember that the federal government is basing its revenue and its return to surplus on the revenues it will earn out of mining in Queensland and yet in this year's federal budget the federal government made no new funding commitments to upgrade the Bruce Highway. We remain ready, willing and able to talk. We have put our money on the table. We would certainly be very keen to see whether Mr Swan, a Queenslander, is willing to look after his own state or whether he is, as he has indicated, waiting to put money into marginal seats in northern New South Wales.

CHAIR: Member for Greenslopes?

Mr KAYE: In relation to Commonwealth government funding, can you confirm what funding the Commonwealth government has committed to Queensland under its Regional Infrastructure Fund which is supported by the MRRT?

Mr NICHOLLS: You raise a subject very close to my heart, member for Greenslopes, and I perhaps touched on it just briefly. It is interesting to note that the federal Treasurer, a Queenslander, is so reluctant to put funds into his own state. He would almost be expected to be backing the Blues in a State of Origin game. The Commonwealth has committed to provide \$2 billion over 11 years to Queensland from the Regional Infrastructure Fund as part of a \$6 billion commitment across Australia to 2020-21. However, hardly any of this funding has actually been committed in their forward estimates. Like all things Labor do, they say one thing but when you actually look at the budget documents you see there is no allocation—or very little of that allocation—there. In Budget Paper No.3 from the Commonwealth government 2012-13 there is an allocation of just over \$400 million for Queensland in the period up to 2015-16. So for the next three years \$400 million, despite promising \$2 billion over 11 years.

We now know, of course, that the federal budget is under enormous stress, that the federal government is falling into the traps of Labor governments past and that is an inability to control the growth and expenses with no real plan to address the budget blow-out. This funding of \$400 million includes \$100 million for 2011-12 and it relates entirely to election commitments made by the federal ALP in their 2010 election campaign, including contributions to the Peak Downs Highway and Townsville Ring Road. So they are using those funds to meet their election commitments from two years ago now.

It is unclear, in any event, given the very serious doubts around the Minerals Resource Rent Tax, whether it will raise the funds that are necessary to meet that funding obligation, once again leaving Queensland shortchanged under the auspices of a short-term and a short-term thinking federal Labor government.

CHAIR: Thank you, Treasurer. I might call now on the member for Mulgrave.

Mr PITT: Thank you, Mr Chair. I refer to Treasury's role in establishing Projects Queensland referenced at page 3 of the SDS for Treasury and Trade. In a report by the Queensland Treasury Corporation it assumes a 20 per cent reduction in the number of government workers in 2017. I am just interested if you could advise why Queensland Treasury Corporation or Jones Lang LaSalle would make this assumption?

Mr NICHOLLS: Did you say page 3 of the SDS?

Mr PITT: It makes reference to the establishment of Projects Queensland in that regard. I am happy to table the report. This is the Project X QTC report which has an assumption that includes a 20 per cent reduction in the number of government workers in 2017. I am interested to see where that assumption may have come from or if you could provide some more details in that regard.

Mr NICHOLLS: The report you refer to, of course, is the stolen report out of QTC and that I do not believe was provided to me. I think it was provided at a very early stage to the Department of Housing and Public Works, as I recall, and if I recall correctly, and I am not aware of the provenance of this report—as I say, it is not a document that has been provided to me—and if it has emerged in the public sector it obviously has been stolen by someone from QTC and I know they take the theft of their documents very seriously. I see it is stamped 'draft' all over as well. I am reluctant to comment on such a document not knowing its provenance. What I can say, from what I observed in the newspaper that printed this report, is that the assumptions that have been made in relation to this were the assumptions made by the Department of Housing and Public Works, they were not assumptions made by QTC. QTC were, as I understand it, engaged by the department, they were fed information—assume A, assume B, assume C, assume D—please provide us with a preliminary report. In their modelling themselves, if I understand correctly from what I have seen here, they indicate the very real limitations on the model that they have provided. They do not warrant the reliability of it and they also make it abundantly clear that there are a wide variety of outcomes that could be accepted as a result of it.

As I say, a stolen report, its provenance unknown, stamped 'draft' with a range—if it is an accurate report—of qualifications that say effectively 'this is a very early stage of our assessment of it, you should not rely on it.' It contains, as I understand it, half a page of limitations and qualifications citing that the Department of Public Works' analysis presented an unsophisticated approach to understanding and analysing the various options available to the state in dealing with its accommodation portfolio. So there you have it. As I say, a stolen document, stamped 'draft', with half a page of qualifications and certainly not something that forms the basis of the much more substantial Projects Queensland investigation into the 1 William Street project.

Mr PITT: I thank you for your answer. Taking on board your response, and I appreciate the circumstances in which the document has been released, and it may obviously influence your next answer, why would Projects Queensland support an initiative that does not deliver a positive net present value under any scenario but instead delivers a net present cost of up to \$435.6 million?

Mr NICHOLLS: There are a couple of things. Firstly, it was not released, it was stolen. Let us make that clear.

Mr PITT: I am not trying to be smart.

Mr NICHOLLS: No, but let us call it what it was. It was the property of QTC that was stolen, if it is what it purports to be and we do not know that. I do know that QTC are very concerned that something is flashing around purporting to be from them in that respect. The other thing that we need to realise in relation to that document is that it contained a half a page of those limitations as I indicated to you. So the results that it provides would have to be read subject to all of those limitations that are put there. That is why the project sits now with Projects Queensland under the auspices of Mr David Stewart, someone I am sure you would be aware of because he was director-general of the Department of Transport and Main Roads in your government—in fact, appointed by your government—and Mr Stewart is undertaking his own, as part of the Projects Queensland program, evaluation of that project. What I can say about the 1 William Street project is that this is a project, as I understand it, that has been on the backburner since 1974 and that we anticipate, through a combination of amalgamation, a new building, delivery of services, the net saving to the people of Queensland will be around about \$60 million. That is what we anticipate. Mr Stewart is currently working on that project through Projects Queensland and we will take his advice when it is delivered up.

But our intention is to engage the private sector to deliver this project, as we said we would. We have now concluded the expressions of interest process. We had 13 expressions of interest. We have six proponents approved to proceed to the request for proposal stage. They are Cbus out of Victoria, Growcom, Lend Lease, Leighton Properties, Brookfield and Westfield. We are getting on with the project that has been sitting on the backburner for far too long and we believe it will save taxpayers around \$60 million a year—a good outcome.

Mr PITT: I refer to a report from 8 August 2012 from Jones Lang LaSalle, which states—

The rapid growth of the mining and resources sector has led to a construction boom and has stimulated activity in the CBD.

If that is the case and there is demand for a new office building each year to 2020 as asserted by Jones Lang LaSalle, why does the government feel a need to intervene in this market while other priorities, for example, contributions to the National Disability Insurance Scheme, are unfunded?

Mr NICHOLLS: The government is not contributing to this scheme, because it is being undertaken by the private sector. That is the essence of Projects Queensland and this government's desire to seek private sector investment. We are asking the private sector to provide a solution for us in terms of accommodation that will save \$60 million a year to the taxpayers of Queensland. I certainly reject the notion that the government is intervening in a way to upset the market. We are simply asking the private sector to provide an accommodation solution to consolidate us.

I think currently the Queensland government is located in something north of 23 buildings in the city, some of which it owns, some of which it leases, some of which are beyond their fit-for-purpose use, some of which for a variety of reasons have not been upgraded. I know Treasury itself is located in at

least two buildings. Queensland Health is in an old building that is not up to standard. We aim to provide our employees with suitable working conditions for what is anticipated in the 21st century and at a saving of \$60 million. I think most people would agree that that is something to be supported. I know the construction industry and the property industry have applauded the government for its actions in moving on 1 William Street and for asking for private sector involvement to deliver a new landmark building for Queensland.

Mr PITT: Just on that basis, you can guarantee a positive net present value for the development and no net present cost?

Mr NICHOLLS: The mark of NPVs and NPCs and those areas are all being reviewed by Mr Stewart. We have also appointed an expert panel to advise government on the outcomes that are coming through. That includes Ms Renaye Peters, who is the development manager at Brisbane Airport Corporation; Mr Andrew King, who is a long-standing member of the Brisbane property community and a former director of DTZ, which is the most recent one he has been a member of; and Mr Bevan Lynch, who is a well-respected architect. We will take that advice and go through the request-for-tender process with the six organisations that are putting forward their propositions. We will be looking for a value-for-money outcome.

Mr PITT: Thank you for that, Treasurer. This is probably my last question, given the timing allotted by the chair. Given that today there have been a few government member questions to you regarding the assessment of the finances in Queensland by Walker and Walker, I am interested to know why we have not heard much in terms of your response to Federation Fellow John Quiggin. In relation to the Commission of Audit, one note that he made was that the commission had not discovered any black holes or substantial misstatements in the budget estimates of the outgoing Labor government. Is your reluctance to talk about Professor Quiggin's analysis because you cannot dispute his detailed analysis?

Mr NICHOLLS: Professor Quiggin is well known for his Keynesian view of economics. Professor Quiggin, I think you will find, was equally critical of the former government's proposals in relation to asset sales—

Mr PITT: Hence his independence.

Mr NICHOLLS:—as was Walker and Walker. Of course, we remember the memorable phrase by the former Treasurer, 'those low-rent people'. Quiggin makes similar arguments to Walker and Walker regarding the debt issue. We have addressed those and the Commission of Audit has addressed those in the same way. On the comments that we make in relation to the debt issue raised by Professor Quiggin, the responses are the same in relation to that so far as it goes.

I think you will find that what we have said consistently is that the debt has continued to increase. I have certainly said it consistently. I said it last year in my budget reply speech and I said it the year before in my budget reply speech. We certainly know that the deficits have continued to increase. We know that there have been unfunded liabilities and I have identified some of those today around things like the Health payroll system and mine water in dams. I think a report had been received but put in the bottom drawer for two years that incurs ongoing liability. The report on the IT system for the Department of Community Safety that had not been addressed for a period. The commission identified a significant number of risks in relation to the previous government's assumptions. Transfer duty I have indicated, the Health payroll funding I have indicated, the Community Safety payroll at \$100 million, the Child Safety deficit of \$50 million, expiring national partnership payments of \$220 million for improving public hospitals; there were a number of deficits on the way through. If you like, I am happy to say that those holes were left in the budget by the outgoing government.

Mr PITT: Just Quickly on the issue of net debt: you continue to refer to gross debt figures. In terms of the net debt position in Queensland being less than that of Victoria and New South Wales, that places Queensland quite well given the servicing of debt by government owned corporations, by commercial revenues. Do you have anything to add in that statement or is net debt not an important measure?

Mr NICHOLLS: I have had this discussion with Treasury officials. There is a lot of discussion about the worth of the net debt calculation. What we do know in Queensland is that total debt has continued to increase. What we do know in Queensland is that our net financial liabilities to revenue ratio has continued to get worse. What we do know in Queensland is that our AAA credit rating has been taken away from us by the ratings agencies. What we do know is that the cost of servicing the borrowings has increased and we estimate it has cost more than \$700 million since the loss of the AAA credit rating. What we do know is that it costs us more to borrow money, that the interest rate in Queensland was higher than the state of Tasmania. What we do know is that in order to get that AAA credit rating back it will have to reduce a power of debt. What we do know is that the rate of general government sector debt has increased 10-fold in the past six years. The independent Commissioner of Audit reports that.

There are a number of things that we do know, all of which have had a negative impact on Queensland's debt profile, have increased the cost of borrowings and have made it more difficult for the state and for governments of this state, of any persuasion, to be able to continue to deliver services at

the price received. So page 105 of Budget Paper No. 2—our old friend, member for Mulgrave—puts the net debt measure into some perspective because of the way we have structured our financial instruments to cover our long-term liabilities, including superannuation. You will recall that your government transferred the Queensland Motorways Limited into the long-term asset fund of the Queensland Treasury Corporation, administered by the Queensland Investment Corporation, in order to fill a hole in funding the superannuation liabilities of public servants in Queensland. In the way that we hold that asset, and both sides of politics agree that that is a good fiscal principle to maintain, those funds are not available to pay down gross debt. The net debt figure is necessarily distorted as a result of that figure being put forward. What we need to look at is what ratings agencies have looked at, what the cost of borrowing is and all of those have declined or cost has gone up but the ratings have gone down. The independent Commission of Audit says—

As the net debt measure includes investments, it takes account of the large investments Queensland uses to offset its superannuation liability—

Which I have just said—

but it does not take account of the liabilities.

That is, the obligation to pay out those things. Net debt is going to look good because it includes the assets we hold, but it does not include the obligation to pay it on the way through.

Mr PITT: I have no more questions, but I want to place on the record my thanks to those who have appeared before the committee today on behalf of non-government members. I want to say thank you for the frank responses we have received. Thank you also to the Hansard reporters.

CHAIR: Treasurer, three members on my left would each like to ask a question and I have five minutes. The member for Stretton I will call now, then the member for Hervey Bay and the member for Sunnybank if we have time.

Mrs OSTAPOVITCH: Treasurer, in the face of greater global competition for mining investment, what steps is the government taking to ensure that Queensland remains an attractive overseas investment?

Mr NICHOLLS: The Queensland government, of course, committed to a 20 per cent reduction in red tape in order to improve business across the board, not just for mining but for everyone across the board. That was one of the commitments we have taken and that is why we have established the Office of Best Practice Regulation. My assistant minister, the member for Nanango, has responsibility to me to make sure that office is up and running. It has been established. It was established in the first 90 days, as we committed. It has been funded in this budget to deliver savings in terms of red tape. It will take responsibility for a lot of what was previously done by Treasury in terms of red tape reduction, I think on 1 November. That is certainly one area that helps all business and not just the resources industry.

As I announced in the budget, we have established a cabinet committee comprising the Deputy Premier, myself, the Minister for Natural Resources and Mines and the Minister for Environment. Our aim is to reduce approval times, to cut red tape, to ease the regulatory burden and to reduce the costs. We have already had a number of meetings. That committee now meets at least on a fortnightly basis and often more frequently. We have engaged with the Queensland Resources Council and we are discussing a variety of measures that we can undertake in order to speed the process up.

It is interesting to note that about two years ago I was talking to Mr Keith De Lacy, a former Labor Treasurer in this state. He was lamenting the fact that when the Macarthur coal mine was originally set up, it took less than two years to get approval, from an idea to actually having dirt dug out of the ground, and now it takes more than five years. That is simply not good enough and the markets change in the mean time. We are aiming to get on with business and grow the economy.

Mr SORENSEN: Treasurer, one of the questions that I get asked most of all around the countryside is, what did the previous Labor government do with the money from the asset sales? Did they retire debt or did they just spend it?

Mr NICHOLLS: This is a good question and it is a question I also get asked all the time. It is particularly puzzling when you look at the debt profile. Prior to asset sales being announced, it was going to head to \$82 billion and after asset sales were completed debt was heading to \$85 billion. That is something that I have described as a 'Labornomics'. We also know that the sale of the Abbot Point coal operations was used to fund the state's share of the natural disaster relief and recovery arrangements, again because the state had no gas left in the tank as a result of its spending ways. We know that after the sale of QRNational, the state transferred shares and borrowed another approximately \$2.2 billion in order to fund that and push that back through the system.

The funds from the asset sales were used, to some extent, to retire some of the debt that was incurring. Obviously, some debts had to be paid off. Queensland Motorways, for example, when it was transferred into the QSuper superannuation fund, was carrying a substantial portion of debt. The net return to the state after the sale of Queensland Motorways was, if I recall correctly from the report, some \$14 million. The balance of it was used to pay off the debt on that particular asset. There was a mixture

of things it was used for. Some was the NDRRA recovery because we had no gas left in the tank, some of it was to pay out some of the debt that was held in those assets because they would not otherwise be acceptable on the way through. But we know that the net result was that Queensland still ended up with an increasing debt profile, which is why we have taken the steps we have to reduce that and to stabilise it at around \$81 billion. That will save us a substantial amount of interest over the forward forecasts.

Mr STEWART: Treasurer, I can take you back to the trade mission to Japan, China and America. Did the international investors raise any concerns with you about any potential barriers or impediments to investing in Queensland at all?

Mr NICHOLLS: In terms of the financial investments, yes, certainly. As I indicated earlier, one of the issues for financial investors is the carbon tax and the mineral resources rent tax. Both of those are impediments. They want to know and understand what impact they will have. They say, 'How can the government say one thing and deliver another?' If I said, 'Well, that's the Labor Party', they did not understand that so I had to explain it in a little more detail for them. Certainly the carbon tax was an area where they wondered why we were doing it to ourselves, given world markets and so on. Those taxes have a significant effect on the resource states of Queensland and Western Australia, which are the engine rooms of economic growth, despite the slowdown that we are experiencing. People, I think, scratch their heads and wonder why, in tough economic times, further taxes such as the mineral resources rent tax and the carbon tax are being implemented at the level they are to deliver the outcomes that are being delivered. Mr Chairman, I understand the Under Treasurer may wish to make a small statement in relation to an answer she gave earlier. I would like to have corrected on the record.

Ms Gluer: If I could just clarify a point. I had said prior to today that my view is that additional borrowings were required to support the budget operating deficit position, ie, the previous government did borrow to meet operating expenses. I have said that prior to today. I do not believe I have published that, but I certainly have said that before today. I am sorry for any confusion.

CHAIR: Thank you very much. The time allotted for the consideration of the proposed expenditure for the areas of responsibility administered by the Treasurer and Minister for Trade have now expired. We thank the Treasurer and advisers. The committee has also concluded its examination of the matters referred to it by the parliament. On behalf of the committee, I thank officers of the Parliamentary Service for their assistance with today's hearings. I declare the Financial and Administration Committee's estimates hearing closed.

Mr NICHOLLS: Mr Chairman, having noted that, I thank the committee for its time this afternoon. I acknowledge the questions and the interest shown by all members, obviously non-government members and government members, and the courtesy extended to myself. I would also like to thank the staff of Queensland Treasury who, over the past three months, have done a mighty job putting together the budget, ensuring a new government knows a little bit more about what it is doing than when it started. I thank my Under Treasurer, Helen Gluer, my Assistant Under Treasurer, Alex Beavers, Mary-Anne Wilson from the Under Treasurer's office, Dennis Molloy who had been here today and all the officers who made their time available. I thank the LNP members for their interest in the examination of the Treasury accounts. I look forward to seeing you all again next year.

CHAIR: Thank you, Treasurer.

The Committee adjourned at 6.31 pm