THURSDAY, 17 JULY 2014

ESTIMATES—FINANCE AND ADMINISTRATION COMMITTEE—TREASURY AND TRADE

Estimate Committee Members

Mr SW Davies (Chair)
Mr CW Pitt
Mrs EA Cunningham
Dr B Flegg
Mr R Gulley
Mrs FK Ostapovitch
Mr MA Stewart

Members in Attendance

Hon. A Palaszczuk
Dr Alex Douglas

In Attendance

Hon. TJ Nicholls, Treasurer and Minister for Trade
Mrs L France, Assistant for Finance Administration and Regulatory Reform
Mr R Silver-Thomas, Senior Policy Adviser
Mr T Braban, Policy Adviser
Queensland Treasury and Trade
Mr M Gray, Under Treasurer
Mr A Beavers, Deputy Under Treasurer
Ms M Curtis, Acting Deputy Under Treasurer
Mr D Quinn, Executive Director, Projects Queensland
Mr A Tulloch, CEO, Trade and Investment Queensland
Ms E Goli, Commissioner, Office of State Revenue

Committee met at 9.00 am

CHAIR: Good morning. I declare the Finance and Administration Committee public hearing for the examination of the Appropriation Bill 2014 open. This is the second of two public hearings being held. On behalf of the committee I welcome the Treasurer and Minister for Trade, departmental officers and members of the public. I am Steve Davies, the member for Capalaba and chair of the committee. Joining me on the committee are Mr Curtis Pitt MP, deputy chair and member for Mulgrave; Mrs Liz Cunningham MP, member for Gladstone; Dr Bruce Flegg MP, member for Moggill; Mr Reg Gulley MP, member for Murrumba; Mrs Freya Ostapovitch MP, member for Stretton; and Mr Mark Stewart MP, member for Sunnybank. The committee has also given leave for other members to participate in the hearing today.

The committee will now examine the Appropriation Bill 2014 and the estimates for the areas of responsibility administered by the Treasurer and Minister for Trade. The committee will consider the estimates for the portfolio until 5 pm. The committee will suspend proceedings for the following breaks: at 10.15 resuming at 10.45 am; at 12 pm resuming at 1.15 pm; and at 2.45 pm resuming at 3.15 pm. In this first session the committee will consider the estimates for Queensland Treasury.

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 the hearing today 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. The committee's hearing is being broadcast live via the Parliamentary Service's website and to receivers throughout the parliamentary precinct.

Before we begin, I will ask that all mobile phones be either switched off or turned to silent mode and remind you that no calls are to be taken inside the hearing room. For the benefit of Hansard I ask advisers, if they called to give an answer, to please state their name before speaking.

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 of no more than five minutes. Do you wish to do so?

Mr NICHOLLS: Thank you, Mr Chairman, I do. I welcome the opportunity for the examination by the committee of the Treasury and Trade portfolio. I ask you to bear with me if my voice starts faltering. I am battling the impacts of a little cold at the moment. I am joined today by the Under Treasurer, Mr Mark Gray, and the executive management team of Treasury and Trade together with, later in the day, officers of Trade and Investment Queensland. I believe the committee has also asked for Mr Damien Frawley, from Queensland Investment Corporation. He will be here later in the day as well.

For the last two years our government has taken a careful and methodical approach to getting the state's finances back on track and back in the black. We have implemented fiscal repair measures totalling around $7 billion, with a projected return to surplus in 2015-16. That will be the first surplus of that type in a decade. We have reined in government expenses to stop taxpayers moneys being squandered. We have stopped the long descent into debt that Labor charted with its locked-in deficits of the last half dozen years.

While maintaining tight control of finances, we have delivered on our promises to grow a four-pillar economy, to revitalise front-line services, to deliver better infrastructure and planning, to keep downward pressure on the cost of living and to restore government accountability. We have reversed the trend of Labor governments past that saw general government expenses grow on average 8.9 per cent a year in the decade to 2011-12.

Queensland's economy is strong. It is forecast to grow at three per cent in 2014-15—along with New South Wales, the strongest growth rate of any state in the nation. This budget underscores our commitment to responsible financial management. It lays the foundations for strong and sustainable economic growth into the future.

We are also getting on with delivering better services through better management. However, we cannot grasp the bright future that beckons while we are burdened by an $80 billion debt that costs us $4 billion a year in interest. So we have embarked on our Strong Choices campaign. Through that campaign I travelled more than 19,000 kilometres around the state talking through the options we face to pay down that debt with Queenslanders from all walks of life. I heard from more than 20,000 people in community meetings and virtual town halls and we have received more than 55,000 written and online submissions.

As part of the budget I released the Strongest and Smartest Choice draft plan to reduce debt through a series of asset transactions and to set up a series of infrastructure funds to build the brighter future that Queenslanders want. This plan sees $8.6 billion being made available for infrastructure like roads, public transport, community hospitals and regional economic development. It will enable us to establish a future fund to hedge against costs of any devastating natural or man-made disasters which may strike Queensland. Queenslanders have told us they want funding certainty into the future. That is what this LNP government will deliver. By making the strongest and smartest choice to reduce debt and fund infrastructure, we are continuing on a path to secure a bright future for our great state.

I would like to provide the committee with a brief overview of just some of the smart choices being undertaken by my department and associated statutory bodies. First I mention Projects Queensland. Our government established Projects Queensland on 1 July 2012 to take responsibility for funding innovative, cost-effective methods of delivering infrastructure. Some of the projects underway are the $1.7 billion Toowoomba second range crossing road project, which will be shovel ready in 2015 and create 1,800 new jobs through its construction and operation; and a 10-schools PPP. In the past months we have seen the first sod turned on three of the 10 new schools we are delivering through a $1.38 billion public-private partnership, with $59 million allocated to the project in 2014-15. In terms of the Queen’s Wharf redevelopment project, construction is well underway on the first development in that underutilised precinct: the 75,000-square-metre office tower which will become a home to Queensland’s Public Service, saving taxpayers around $60 million a year. And we are also delivering 75 new trains for South-East Queensland—new-generation rolling stock representing a better deal for Queenslanders and saving taxpayers almost $11 million per train compared to those bought under Labor.

In the Office of State Revenue, the State Penalties Enforcement Registry is undergoing reform. In recent years the volume and complexity of debts referred to SPER have increased greatly, and our forecasts showed that unless reform was undertaken the balance of the debt pool was likely to reach $1 billion in 2016-17. Following successful trials last year, changes to improve effectiveness and efficiency will see a new service delivery model implemented, with new debt referred to a panel of debt collection companies managed by a broker appointed by government. Companies engaged to do the work will be specialists in the area of debt collection. In fact, just a couple of days ago expressions of interest for debt services managers was formally issued by Treasury.

Trade and Investment Queensland became a statutory authority on 1 October last year, as recommended in a comprehensive review of that agency. Trade and Investment Queensland has been refocused to become Queensland’s shopfront to the world. Freeing TIQ from the confines of departmental process has allowed the organisation to focus on its core role of assisting Queensland businesses and attracting investment.

The budget continues on with the work of this government’s first two budgets. We are determined to address the debt and deficit left by previous governments. This budget delivers on our strong plan and real action for a brighter future for Queensland.

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

Mr PITT: Thank you, Mr Chair. Welcome, Treasurer. Welcome to all who are appearing before the committee today. I refer to page 9 of the Service Delivery Statements for Queensland Treasury and Trade which details the role of Projects Queensland in scoping and management of divestments and outsourcing arrangements. Treasurer, will you advise how much has been spent to date on asset sale scoping studies for Ergon, Energex, Powerlink, Stanwell, CS Energy, Port of Townsville, Gladstone Ports Corporation, SunWater pipelines and the Mount Isa rail line? If not, why not?

Mr NICHOLLS: I thank the member for the question. As I indicated in my opening statement, we have embarked on a very careful, planned and methodical approach to getting the state’s finances back in the black. People will recall that we have had, as I said, a decade of expenses growth of nearly nine per cent—almost double the rate of revenue growth. People often ask me how a state like Queensland could have ended up in such dire financial straits at a time when Australia, and indeed Queensland, was experiencing the best terms of trade in its history, when coal was going out the door in record volumes at record prices; how the income we earned from, if you like, the rivers of gold that were flowing to Queensland could have been wasted; how we could run, under a supposedly prudent government, half a decade of structural and fiscal deficits that saw our debt increase in the general government sector from around $6 billion in 2004-05 to something in the region of $28 billion by 2010-11.

So we have a big problem to deal with. As I indicated, we had an $80 billion debt problem. It would have been $85 billion if not for the careful, methodical, planned approach we took in our first two budgets to stop it getting to that level. While we still have that $80 billion worth of debt we are not in a position to invest in roads, schools and infrastructure—the things a growing population will need. I think that has been highlighted in our *Economic and fiscal challenges* document, prepared by the Treasury officers. This shows that unless we do something to reduce that debt we will not be in a position to make those investments and in fact over the longer term, beyond the current forward forecasts, if we do not do something to address that debt we will slide back into structural deficits. This is something that in the past the member for Moggill has made statements about. I remember when I was first elected here he first identified and highlighted the problems we were facing as the then government continued to embark on a debt frenzy and continued to incur those debts. Indeed, *Economic and fiscal challenges* shows us that if we do not deal with that debt we will go back into a deficit situation and we will not be able to do the things we have been able to achieve.

When we look at what we have been able to achieve over the last 2½ years, I think we can see that the government is focused on delivering services for Queenslanders. We have been able to reduce to zero the dental long-service waiting list—that is, those people waiting more than two years to see a dentist. We have been able to reduce the waiting times for people wishing to get in to see a doctor in our public health system. No longer do you hear stories of ambulance ramping, of people being treated on gurneys in corridors, of people being treated in waiting rooms, of people not receiving the service they deserve and expect from our health and hospital system. We are also seeing improvements in our education system through the investments we are able to make through the education department—our Great Teachers = Great Results grant and the $300 million we put into addressing the maintenance backlog in schools when we came to government.

But we still have that $80 billion debt problem. We are engaging with Queenslanders very openly, as I have always said, and in a very mature fashion. We are not saying one thing and doing another; we are doing what we said we would do in a very planned and methodical way. Part of that is the discussion about how we pay down that $80 billion worth of debt. In order to have that discussion, we need to have information. We need to present the people of Queensland with reliable information. It cannot be facts and figures that are flying around the place that have no reliable basis. So we undertook scoping studies. I announced that in December last year. Those scoping studies are part of the normal prudent, planned, methodical approach of government to understand just what it is we own, what the constraints on those businesses are in terms of how they operate, where they operate and the regulatory environment they operate in and, of course, the value of those businesses.

A government will always have a view as to what it should do with the things it owns—businesses it owns, assets it owns, property it owns. We have determined as a result of the consultation we undertook with Strong Choices that the smartest and strongest choice is to engage in a series of asset transactions that will free up $33.6 billion. That will enable us to put $25 billion into debt reduction. That will see the debt reduce from a peak of just over $80 billion to $55 billion and also give us $8.6 billion to invest in infrastructure funds that I have mentioned.

In terms of the scoping studies, as is the normal course those are commercial-in-confidence. The previous government undertook scoping studies before it embarked on its assets sales and privatisation program. The previous government maintained the confidence of both the scoping studies and the cost of those scoping studies until the conclusion of its asset divestment program, at which stage it gets reported in accordance with the requirements for reporting the outcomes of asset sales in a final report, as required by the processes and policy established by the previous government. I intend to continue to follow that process to make sure people understand what it means, what it costs and what the contents of those scoping studies will be. That will be at the end of the process. We do not intend to hand to people a competitive advantage so that the people of Queensland do not achieve the best possible value for those assets should the people of Queensland at the next election decide to choose to support the government's policy.

Mr PITT: My second question is to the Under Treasurer. Mr Gray, welcome. I table a letter detailing that asset sales scoping study consultants have been hired through the Queensland Treasury Corporation, which, incidentally, the government has refused to add to schedule 7 of the standing orders so that QTC could be examined under parliamentary scrutiny at these estimates, despite a couple of requests from this committee. Under Treasurer, why has the Treasury Corporation, which is also exempt from right to information, been used to hire these consultants?

Mr NICHOLLS: Mr Chairman, that calls for speculation. It makes an inference in relation to the activities of QTC. Indeed, QTC is not reported in these documents. I would ask you to rule on the relevance to the expenditure as outlined in the Service Delivery Statements in relation to that question—

Mr PITT: That did not take long.

Mr NICHOLLS:—which actually contains an inference and calls for an opinion.

Mr PITT: That did not take long.

CHAIR: Member for Mulgrave, if you would like to rephrase the question to take away the inference and the—

Mr PITT: It is a matter of fact, not an inference. Queensland Treasury Corporation is exempt from right to information and it has been used to hire these consultants and I have asked the Under Treasurer why.

Dr FLEGG: Point of order, Mr Chairman.

CHAIR: I call the member for Moggill.

Dr FLEGG: Could you perhaps ask the member to speak audibly because we are not able to clearly hear the question he is asking up this end of the table.

CHAIR: I was also having issues here.

Mr PITT: The Treasurer seemed to be able to understand the question enough to ask whether it was relevant. I will repeat the question. Queensland Treasury Corporation is exempt from right to information—that is a matter of fact; that is not an inference. I have asked why Queensland Treasury Corporation has been used to hire these consultants?

Mr NICHOLLS: Mr Chairman, I would again ask you to rule whether this is a matter for inquiry by the committee because it is not covered by the Service Delivery Statements. It is not a matter of expenditure that is contained within the Service Delivery Statements. As the member does point out, QTC is not here today. QTC has never been here. Under the previous regime, QTC were never here.

Mr PITT: It is an oversight.

Mr NICHOLLS: QTC is effectively the bank to government that operates in a commercial environment. As I understand it, for very good reasons—that have never been questioned before in relation to the way QTC operates—it is not covered by right to information rules because of—

Mr PITT: Mr Chair, can I briefly interrupt. There is an SDS reference at page 9 which talks about Projects Queensland and the scoping and management of divestments. In the absence of QTC, we have no other avenue to ask about the cost of these scoping studies if we do not ask why QTC was involved and not Projects Queensland.

CHAIR: We had this debate regarding QTC in coming here. Historically, it has never happened so I rule that question out of order. If you would like to ask another question, do so.

Mr PITT: I am not asking to question anyone from the Queensland Treasury Corporation; I am asking the Under Treasurer a matter of fact.

Mr NICHOLLS: Mr Chairman, again I refer to the SDS.

Mr PITT: I will move on.

CHAIR: He is moving on.

Mr PITT: So I am clear, if I wish to ask a question as to why the Queensland Treasury Corporation was not involved in other matters I am unable to ask that, is that correct? I am not even allowed to talk about the Queensland Treasury Corporation today? That seems to be the ruling. I have not asked to directly question anybody from the Queensland Treasury Corporation. It does not mean that the question is not within the scope of this estimates. They are directly related to the Treasurer’s portfolio.

CHAIR: You can ask questions relevant to the SDS.

Mr NICHOLLS: In the absence of a question it is impossible to ask that sort of thing.

Mr PITT: I will ask my question of the Under Treasurer.

Mr NICHOLLS: Let us not deal with a hypothetical. Let us ask a question that goes to the content of the SDS. I am happy to answer questions that go to the content of the SDS, as I always am.

Mr PITT: Under Treasurer, why was QTC not involved in the sale of the seven CBD office buildings but is now responsible for asset sales under this government? This is directly related to a matter that the Treasurer spent close to 10 minutes speaking to us about previously. Asset sales are of great interest and they feature prominently within both the budget papers and the SDS. So the question relates back to why was QTC not involved in the sale of the seven CBD office buildings, as you are aware related to 1 William Street, but is now responsible for asset sales under this government?

Mr NICHOLLS: Sorry to interrupt again. If I understand the question being asked of the Under Treasurer correctly, it is why QTC was not involved in the sale of seven office buildings but is involved in the scoping studies and Strong Choices program in relation to the businesses that the government is considering divesting, is that right?

Mr PITT: Correct.

Mr NICHOLLS: Mr Chairman, can I say this—

Mr PITT: The question was to the Under Treasurer.

Mr NICHOLLS: Perhaps I can assist in the sense that the Under Treasurer in fact was not here when that decision was made. The Under Treasurer has only been in this position since late last year.

Mr PITT: I was not asking whether he made the decision, Treasurer. He is also in a position which is an office-bearing position, a senior executive position, in government. Whether he made that decision or not is irrelevant.

Mr NICHOLLS: I think his understanding of it will be limited because he was not here at the time when the decision was made.

Mr PITT: Maybe the Under Treasurer could answer for himself.

CHAIR: Member for Mulgrave. Mr Gray, if you would like to respond as you are able considering you were not here. You may not be able to answer that question. I ask you to answer it as you are able.

Mr Gray: As the Treasurer indicated, I was not here at the time that decision was made. I have no understanding or background as to the decision-making processes. I would make the general observation that QTC does not have any expertise in respect of property acquisition or property management. That is clearly an expertise held by the QIC. QTC does have general commercial expertise and experience relevant to other commercial transactions such as asset sales.

CHAIR: I now ask the member for the Murrumba to ask a question.

Mr GULLEY: I note in the budget papers that Queensland is set to become the fastest growing state in Australia next year and I refer to Budget Paper No. 2 and the economic performance and outlook chapter. Treasurer, are there any challenges to Queensland realising this growth?

Mr NICHOLLS: I thank the member for Murrumba for his question. I note that during debates in the chamber and at other times, as someone formerly involved in the finance industry, the member is quite interested in what is occurring in the Queensland economy and has the interests of business, particularly the small businesses which make a large proportion of businesses in his electorate, at heart.

We forecast economic growth in Queensland to be three per cent in 2014-15. I know that there is some substantial discussion about growth in the budget papers. One of the challenges we face—and I have said this on a number of occasions—is the transition from the construction and investment phase in the LNG sector to the production phase. We go from, if you like, the labour intensive, capital hungry business of building things into the productive phase—that is effectively and efficiently producing and exporting LNG to the rest of the world.

The member for Gladstone is, of course, at the centre of that growth. I have often described the member for Gladstone's town as the muscle town of Queensland. It is one of my favourite places I visit.

Through the work and investment by companies over a number of years and support, as the Deputy Premier acknowledged last night at a function, of governments of both persuasions, we will see growth of six per cent in 2015-16 on the back of LNG exports. We will also see growth continuing on the back of increased domestic consumption. That is the local consumption of product in Queensland. We see a return in building approvals. We have seen strong growth in building approvals over 14 months.

That growth is potentially hampered by a number of issues. Foremost, as an exporting state, the issue that we have to deal with is the high Australian dollar. I have often described the Aussie dollar as a currency that you cannot kill with an axe. At the moment, we would like to see that dollar come back down. It may well be that that dollar will come down as the US finishes its quantitate easing program. It is tapering down so that by October it will no longer be effectively printing money and buying financial assets. Interest rates would be expected to start to pick up slowly in the US, providing a better return than they currently get here in Australia and therefore create a more competitive environment for our export markets, particularly around coal, gas and agricultural exports. There is a risk that that does not happen. That is an ongoing risk to growth here.

In Queensland we always face the normal risks of the vagaries of the weather. Over the past probably five years we have had something in the order of $9½ billion worth of reconstruction works to undertake and they have cost the economy. Cyclone Yasi did have an impact on the economy. No-one would be so foolish as to deny it did not have an impact on production and so on.

But far and away the thing that we can do something about in relation to the challenges to growth is deal with the $80 billion worth of debt that this government inherited from the previous government—an $80 billion debt that was built up over the last decade or so as the previous government went on a spending spree and spent in the belief that the good times would last forever and that we would never see a downward trend in the cost of coal. It spent, as it were, like, I say, sailors on a spree—others might say like drunken sailors. That has now burdened us with $80 billion worth of debt.

When we came to government the opening statement from the independent office of Treasury—from the incoming government briefing book prepared before we were elected—was that the state of Queensland's finances was unsustainable and fiscal repair was an urgent priority for this term of government. We have embarked on that fiscal repair task, as I indicated. We are undertaking a consolidation of what we spend so that we are spending less than we earn. Anyone who runs a family budget knows that in the long-term you must spend less than you earn otherwise the credit card bill keeps going up. When you cannot pay the credit card bill it goes on to the mortgage. Then the mortgage gets too big and you lose everything. We have taken steps in that regard.

The big issue we need to deal with is the $80 billion worth of debt. That is why we have undertaken a comprehensive campaign to talk to Queenslanders throughout this great state about how we deal with that $80 billion worth of debt, the choices we face to pay it down and what those choices mean to them. We have done it in more than just seven second grabs. We have done it in town halls throughout the state. We have done it through virtual town halls. We have done it through public meetings. We have done it through the interactive Strong Choices website.

Financially, the state has great prospects. The state's economy is based on sound fundamentals. The government remains committed to growing the four pillars of the Queensland economy. We are taking steps to fix our finances. We will have a fiscal surplus in 2015-16 barring any unforeseen circumstances that will knock us around—from Mother Nature or man-made causes. But the real challenge for us is paying down the $80 billion worth of Labor debt that we inherited.

CHAIR: The member for Stretton has a question.

Mrs OSTAPOVITCH: Just to further elaborate on what you have just said about the $80 billion worth of debt, I notice that at table C.1 in Budget Paper No. 2 at page 184 it shows the total government borrowings growing from $30.9 billion in 2007-08 up to, as you have quoted, more than $80 billion. Could you further elaborate on what the cause of this substantial growth in debt was?

Mr NICHOLLS: Thank you. This is a matter that I mentioned in one of my earlier answers. This started occurring about the time that I first entered this place—that is, a substantial amount of debt. If we look at where we were in June 2008 we were at just about $30.9 billion. Interestingly, most of that debt was held in the corporations sector—debt, if you like, that was able to earn a return. The general government sector debt was about $6.3 billion.

I think that reflected what had long been held to be the accepted standard in Queensland for managing the budget. That was the trilogy—that you did not borrow for social infrastructure; that you borrowed to invest in corporations for products that were self-supporting—that is, the income earned would pay the interest; and that you fully funded your long-term superannuation obligations. Around about 2007-08 that trilogy was thrown out the window and the fiscal principles that the previous government adopted started changing almost to meet the circumstances as they landed on them.

So, if you like, the government of the day did not maintain a commitment to a strong fiscal principles program. They changed their principles to suit what they wanted to do—always a dangerous path for any government to travel. You can see on page 184 the decline in the state's finances as a result of the increase in general government sector borrowings. This is borrowings that are not supported by income-producing assets. These are borrowings that are, in effect, financed by increased fees, taxes and charges on everyday Queenslanders, and that means increases to the cost of living. So in 2007-08 the general government sector went from $6.3 billion such that by 2012-13 increases to the tune of nearly $30 billion had occurred and in 2012-13 the figure hit $37.8 billion. So where did we go? As I said, we had record terms of trade. Notwithstanding those record terms of trade, notwithstanding the opportunity that would have been to put money away for a rainy day, notwithstanding the opportunity that would have been to invest and make sure we had a strong future, that money was frittered away.

While revenues moderated after 2007 as we hit the global financial crisis as other events occurred, the government continued to spend and capital expenditure, instead of being funded from free cash flows from operating surpluses, increasingly was funded by debt. In 2005-06 just 34 per cent of capital expenditure on things such as new roads, hospitals and schools was funded by borrowings, but by 2011-12 96 per cent of all capital investment in the Queensland public sector was funded through borrowings. We were borrowing effectively as a state under the previous Labor government for every cent that was going into capital. We were not using the proceeds from maintaining a strict budget discipline and, as a result, in 2009 the state lost its AAA credit rating and we are paying the price and continue to pay the price for the loss of that AAA credit rating by paying interest of hundreds of millions of dollars more than we would otherwise need to.

Mr PITT: My question is to the Under Treasurer. Does Projects Queensland have access to the scoping study reports and, if so, would they not have access to their costs as well?

Mr Gray: Thank you. I think the Treasurer has answered the question in respect of costs. The Treasurer has previously indicated the government's position in respect of costs. Those costs will be provided at the end of the process, as is the normal case.

Mr PITT: The reason provided previously has been that the asset sales scoping studies have been commercial-in-confidence. Even if we were to concede that the contents of those scoping studies were commercial-in-confidence, the costs are not. Can you respond to that?

Mr NICHOLLS: Indeed I am happy to do that because I—

Mr PITT: I am speaking with the Under Treasurer.

Mr NICHOLLS: Yes, but I commissioned the scoping studies prior to the Under Treasurer—

Mr PITT: Again, Treasurer, with respect, I am asking the Under Treasurer. He holds a senior executive position in government and I am asking his view as the person who currently resides in that position. Whether he made the decision or not is irrelevant.

Mr NICHOLLS: And I appreciate that, but I want to make sure that the answers are as fulsome as they can be. Obviously you want to know what those scoping studies cost. The government—as all governments past have—has determined that both the cost and the content of the scoping studies remain commercial-in-confidence until the conclusion of the transaction, and there are good reasons for that. The good reasons for that are that when we go to market to seek advice and advisers—as all governments do—should we proceed down and be given permission by the people of Queensland to proceed down the path of implementing our Strong Choices, we do not want to tip our hand to the advisers because they also are a component of the cost or expense of going around the Strong Choices program. You do not tell people how much you paid in the past for services in order to make sure you get the most competitive price for those services in the future. That is just good business practice, and the practice has obviously been accepted as being good business practice because it is the policy not of this government but the policy of government that was followed by your government as well that the price not be disclosed until the conclusion of the process when a full report is made. If we take, for example, the situation with Aurizon or Forestry Plantations Queensland or any of the other businesses that you said you were not going to sell but subsequently did sell, the report at the end of it shows clearly the costs that were incurred in doing so, including the cost of scoping studies.

Mr PITT: Treasurer, can you name an example where QTC has engaged and paid for asset sales scoping studies in the past?

Mr NICHOLLS: Can I?

Mr PITT: Can you name any examples where Queensland Treasury Corporation has engaged and paid for asset sales scoping studies in the past? This goes back to my earlier question about the fact that they are not covered under right to information and—

Mr NICHOLLS: I heard your question. I think it is important that we put this in context, and the context is this: as a state we have an $80 billion debt problem. We have three choices to deal with that debt. We can either massively increase fees, taxes and charges, and that is something that some people have supported. The Queensland Council of Unions have said we want to increase land tax and we should increase payroll tax. The ETU have said we should increase payroll tax and land tax. The adviser to the ETU, Mr Quiggin, has said we should have taxes. You yourself in a response to this budget aired on ABC said clearly we need to look at the revenue side of things. So that is one option and that is a viable option—

Mr PITT: By the way, which does not always mean taxation, but that is another discussion.

Mr NICHOLLS: That is one option.

Mr PITT: No, discussion.

Mr NICHOLLS: If it does not involve increasing taxes, you might be willing to tell us what you think it might mean. We are waiting with bated breath to find out—

Mr PITT: The great thing is, Treasurer, I am asking the questions today.

Mr NICHOLLS:—what it is that an exceptionally well resourced opposition's plan is, because there is an acknowledgement that debt is a problem. You yourself acknowledged that debt is a problem. You acknowledged it, as I often say, in the old Mythbusters friend of ours that debt is a problem and that too much debt is a problem—

Mr PITT: It only took you 40 minutes, Treasurer.

Mr NICHOLLS: We are having a fulsome debate about your question. So we can increase taxes, and taxes come up. You said quite clearly that we will be dealing with issues that this government does not want to deal with, and that is of course revenue and growing the economy. That was it. You can reduce services. I do not think that, in a state with a growing population where we are going to have to educate an extra 400,000 children and where we are going to have another 650,000 people, myself included, over the age of 65 in the next 20 years, reducing services is practically something that we are able to do. So then you need to ask: what is the other realistic and practical option, and that is the option—

Mr PITT: Treasurer, I bring you back to the question. The question was a specific question. I understand you try to provide contextual information, but you have had several long contextual opportunities. Can you name any example where Queensland Treasury Corporation has engaged and paid for asset sales scoping studies in the past?

CHAIR: The Treasurer is answering the question.

Mr PITT: I do not believe he was getting there very quickly.

Mr NICHOLLS: I am going to get there. I do like putting things in context, Mr Chairman, and explaining why we need to do some of these things, because there is a lot of community debate about it and I think it is important that we do have a proper discussion about why this government as a matter of policy has decided to move down that way. When we decided to consider this as an option, we said to the people of Queensland, 'We are considering this as an option,' and I issued a media release and did a press conference where I said that we are undertaking scoping studies to see what it is are the constraints around these businesses, what their potential value might be, how it should look and how it might work. I did that on the basis of advice I received from the independent officers of Treasury, and the independent officers of Treasury advised me that the previous government had undertaken through their transactions team their transactions through QTC. So this is not something novel or new that this government has thought about. This is something that was undertaken in exactly the same way by the previous government when they undertook their asset sales program.

Mr PITT: So the scoping studies were done?

Mr NICHOLLS: The officers undertook that, including the scoping studies, as I understand it. I was not there. I was on the other side at that stage of proceedings, but those scoping studies were undertaken by the transactions team through Queensland Treasury Corporation.

Mr PITT: Was a probity adviser appointed to oversee the selection process for scoping studies consultants and, if not, why not?

Mr NICHOLLS: Yes, indeed. Every step has been taken in accordance with the requirements in terms of the appointment of advisers, as it has been done throughout all cases, to make sure that a probity adviser is in place for the process of going through it. We follow the policy requirements for the selection of consultants.

Mr PITT: And the probity adviser was?

Mr NICHOLLS: My understanding is that the probity adviser was appointed.

Mr PITT: And the probity adviser was? Who was the probity adviser?

Mr Gray: I think it was Argyle Consulting and a guy by the name of—

CHAIR: You can take that on notice.

Mr PITT: And that is fine; I am happy for you to take it on notice.

Mr NICHOLLS: Absolutely.

Mrs OSTAPOVITCH: Treasurer, I refer you to table 1.1 of Budget Paper No. 2 at page 5. It quantifies debt in the non-financial public sector. How does Queensland's debt compare to other jurisdictions? Do other states have the same debt problem as Queensland?

Mr NICHOLLS: I think the short answer is that other states would not want to have the same debt problem that Queensland has and are doing their damndest to avoid entering into that position. One of the obligations of treasurers is to speak to your counterparts in other states and attend the Standing Council for Federal Financial Relations meetings. I speak to other treasurers and they look at us, particularly states like New South Wales and Victoria, and say, 'How did Queensland end up with $80 billion worth of debt? How did a state so rich in resources that was experiencing such a boom time end up with $80 billion of debt? It's almost beyond belief that that could occur.' The reason for that is because Queensland will have the largest debt of any state. A point again that Dr Flegg, the member for Moggill, and I share and have shared for a long time is just sheer bewilderment at how a government that we saw from opposition could put Queensland in such a precarious position and lose its AAA credit rating. Queensland will have the largest debt of any state. New South Wales is forecast to have debt of $67.6 billion. So with a population of 7.3 million, they have a debt of $67.6 billion; with a population of 4.1 million, we have a debt that will be $80 billion. Victoria, which still in my view is operating under the benefits of reform that was carried out in the early nineties, will have a debt of $48.7 billion and Western Australia—if you like, our comparator in terms of being a resource state, although a very different economy in many other respects—will have a debt bill of $36.9 billion.

In per capita terms, Queensland has the largest debt at over $16,694 per person in 2014-15 compared with an average of $9,254 per person in other states. Debt per capita is forecast to be $13,900 in Western Australia—and I do note that Western Australia for some time seemed to embark on the same strategy as here but has since taken action to start recovering its position in the west—$8,900 per person in New South Wales and $8,500 per person in Victoria. Debt to revenue ratios—another indicator of the ability to fund debt repayments—are also higher for Queensland than any other state, with debt at 141 per cent of revenue as at 30 June. That compares with ratios of between 70 per cent and 90 per cent in other mainland states. If you look at chart 1.2 on page 14, you will see just how those numbers pan out—a salutary lesson in how not to manage finances in the lead-up to the repair work that we started undertaking in 2012-13. So Queensland's high rate of debt was driven by the deficits that we spoke about, the increases in general government sector debt—it has all gone on to the general government sector—and it continues to be the single biggest problem that we deal with as a state in terms of the state's finances and our ability to invest in infrastructure into the future.

Mr STEWART: Treasurer, the budget papers show that the situation has now been stabilised and the budget will be back in fiscal surplus from 2015-16. Continuing over the forward estimates on table 1.1 in Budget Paper No. 2 at page 5, why can we not just post a consistent fiscal surplus as a way of reducing Queensland's total debt?

Mr NICHOLLS: Indeed, and it is a good thing to be able to ensure that over time you continue to operate in a surplus position, because the opposite leads to the situation we found ourselves in. However, just making a small profit, if you like, a small surplus, is not going to be sufficient to reduce $25 billion worth of debt in a short period of time. The independent Commission of Audit that we undertook in accordance with our promise to the people of Queensland that we would undertake outlined a two-stage strategy to restore Queensland's AAA credit rating.

The first was to stabilise the state's financial position, to arrest the deterioration in the state's finances. The second stage was to pay down the debt to restore Queensland's financial strength and to put us on the path to regaining the AAA credit rating. The figures that you pointed out show that we have been successful in stabilising the patient, as it were. The patient is not going to pass out and die in front of us right now. We have done the hard work that was necessary to make sure that our finances are in a stable position, that we are spending less than we are earning. We will do that very much in 2015-16 as we reach a fiscal surplus, as I say, subject to anything else that might occur from left field.

But the reduction in debt cannot be done simply by adjustments to the operating statement alone. To illustrate, if the government were to achieve a consistent fiscal surplus of one per cent of revenue—and our revenue is roughly around about $46 billion a year—year after year it would take 50 years of that one per cent revenue surplus to reduce the debt by $25 billion. That is ignoring increases in the base case, obviously. So you can see that we would not be able to pay down debt other than over a very long period of time and other than by governments maintaining an extraordinarily strict financial discipline to provide themselves with a one per cent surplus of revenue year after year after year with no allowances for any of the vagaries or shocks that might occur in the world economy.

Most recently, in this document, the *Economic and fiscal challenges,* that I released and tabled in the parliament in March it showed projections that our rate of economic growth in the coming decades should be stronger than of the rest of the nation. However, we face some very significant structural changes in the form of lower rates of a working age population. So as people get older, we have lower rates of work undertaken in the economy. Productivity growth has slowed and we need to refire up productivity growth as labour force participation will decline as we have an older and ageing population. So unless we have policy action to address these challenges, economic growth is expected to be lower over the longer term than it has been in the past. We did live in a golden age for about a decade or a decade and a half, but the changes to our demography—and as the chairman of the Commission of Audit, Peter Costello, said, demography is destiny—will make it harder for us to maintain the productive growth that we have become used to perhaps in the decade up to 2007-08.

So that is why we also need to deal with that debt problem. That is why we need in take a strong and smart choice to reduce that debt problem, because simply making a one per cent, for example, surplus—that is the $450 million a year each and every year for 50 years that would be taken to pay down that debt—quite simply, we do not have enough time to do that and also to invest in the infrastructure that we know we are going to need. Only recently this week, the education minister released a plan showing the schools that we are going to need over the coming years. They cannot be paid for unless we address some of these issues. So that is why simply growing the economy, important as that is, is not going to be enough to pay down the debt so that we can invest in the future.

Mr STEWART: What action has the government already taken to stabilise the budget situation to date?

Mr NICHOLLS: Since 2006-07 Queensland, as I have said, spent more than it earned. Some of the figures are quite astounding. I will give you a couple of them. We have accumulated deficits of $29 billion between 2006-07 and 2011-12. So each year that a deficit was incurred added to the previous years and we have had $29 billion worth of deficits now. When you make a loss, you cannot stop paying people—and people were still being paid here—and you cannot stop putting fuel in the tanks of the police cars, or the ambulances, or the fire brigade engines. That still needed to be paid for and it was paid for by the Queensland government going to world markets and asking the rest of the world to fund our lifestyle, to fund the expenses that the previous government did not have enough capacity to be able to control. We have now taken the steps and introduced a range of measures to repair the budget and, as I said, we are now on track to return to a surplus in 2015-16 and that will be the first in a decade.

Net measures since the election in March 2012 are delivering savings of $7 billion in the general government sector over the period from 2012-13 to 2015-16 and they are made through a continued strategy to exit from activities that are not the domain of the Queensland government, a reduction in waste and inefficiency in government activities and the implementation of some specifically targeted revenue measures. Page 17 of Budget Paper No. 2 shows the improvement in the general government fiscal balance over the period from 2012-13 to 2015-16 and that is as a result of the changes that this government has made up to and including the 2014-15 budget.

Had we not made those decisions, the fiscal balance would in the period be around $7 billion worse. We would be going back to the world and asking for an additional $7 billion had we not made those changes—and, in fact, in my view, potentially even worse, because the income figures that were provided to us in the last midyear financial statement from the former government were inflated with things such as revenue growth from transfer duty anticipated to grow at 14 per cent. Everyone knows that those figures were simply pie in the sky. The property market, as we know, was not growing at such a rate as to support stamp duty and transfer revenue growth of 14 per cent year on year, which was factored into the forward forecast of the budget. So I believe that probably would have been more in the region of $9 billion had we taken a realistic view of the forward income earning potential of the state.

The story of this budget has been the story of being able to control expenses growth. In 2012-13, expenses grew by 0.2 per cent—the lowest rate of expenses growth, we believe, ever recorded, but our numbers for accrual accounting only go back to 1998. So we have managed to make sure that we have not spent more than we have earned and we have kept expenses growth to 0.2 per cent, the lowest since accrual accounting was introduced in Queensland. For 2013-14, we anticipate expenses growth of 2.2 per cent, the second lowest for Queensland since accrual accounting was introduced. So we are maintaining a tight discipline on what we spend. We are spending on the things that Queenslanders want us to spend on: on education, on health, on law and order, delivering better services for Queenslanders by cutting down waste and inefficiency. I guess the real story is the comparison between what happened in the prior decade. Whilst in our first full two years of government growth has averaged around two per cent, in the last decade of the previous government, growth in general government expenses was around about 8.9 per cent.

Part of being able to deliver on our strategy to control expenses, to make sure that we are getting the best services for Queenslanders, will also involve the government entering into the realm of contestability. We saw this in the Commission of Audit report, endorsed by the government, and that is that the government is the enabler, not necessarily the doer of all things. There are certain things that we will continue to need to do—there is no doubt about that—but we should always be testing the delivery of our services against a competitive market to see if we can do them more effectively or more efficiently or if there are others out there in the non-government sector, or in the private sector, who can deliver those services at a better price and with the same or better service. We have exited from businesses like Goprint. As I often say, the first budget that we produced was printed by Goprint. I was told, ‘Treasurer, we must use Goprint. They are the only people who can securely and safely produce this document on time for us without any difficulty with leaks.’ Leaks are obviously the bane of all treasurers’ lives, particularly out of Treasury. So we said, ‘Let’s test that’ and we went to the market for the second and third budgets. So the papers that people received this time around have been provided by the private sector and they have been provided more economically and as securely as they were under Goprint. So we have existed from that business. What has that meant? That means that we have been able to take those funds and redeploy them into areas and services that Queenslanders want. They want better schools, so we are able to employ more teacher aides. They want better health services, so we are able to provide more services in the health area and return the savings from running a printing business into actually running the businesses and services that government should offer. We have done that in the nursery business as well. We have done it in the fleet business as well. We are moving out of the businesses that are not government’s true domain, that divert time and resources away from doing what government should be doing: delivering front-line services for Queenslanders. As a result we have been able to improve service delivery whilst at the same time containing growth and expenses.

Mrs CUNNINGHAM: Could I acknowledge the assistant minister and member for Pumicestone, Lisa France, too. Treasurer, yesterday the Premier was either unable or unwilling to answer a question he was asked on several occasions and referred the questioners to you. So I will put that question. After the federal government failed to fund the pensioner discounts, you delivered the budget in Queensland and advised the pensioners that those losses would be passed on to them and then subsequently reviewed that decision. I believe Queenslanders appreciated that review, but it meant that there was over, I think it was, $54 million that you had to find after you delivered the budget. Where is that money going to come from?

Mr NICHOLLS: I thank the member for Gladstone for her question. Yes, you are right. The situation was that there was a national partnership agreement that was entered into by the Commonwealth with the states. I will come to your question. I think it is interesting to know the history behind that national partnership agreement to then understand the subsequent decisions. That national partnership agreement was entered into because the former federal government decided unilaterally to extend the range of people who were eligible for concessions. So they increased the cohort of people who could apply without reference to the states. But in doing so, by increasing the eligibility, for example, for a pensioner’s card, everyone who holds a pensioner’s card is also eligible for a concession here in the state in relation to, say, electricity or their rates and so on. They did so without consulting the states. They said, ‘We’re just going to increase it all.’ The states, as I understand it—and I was not in government at the time—put up their hands and said, ‘Hang on a second. You are now passing to us the responsibility to fund concessions for our services without telling us what it is you were going to do.’ The former federal government said, ‘We understand that’ and so they said, ‘We will provide you with the funding necessary to make up the difference for our decision.’ That is the national partnership agreement that was in place.

Obviously, the new government in Canberra, faced with the responsibility of repairing their federal budget, took some steps. We do not necessarily agree with all of those decisions—and I am sure people understand and we are taking up the cudgels in relation to those decisions. But one of those was in relation to pensions and concessions. So you are right. The government did take the view that, as this was an area of federal responsibility, we would continue to fund our component of pensions. In fact, we increased our component of the pensions concession scheme by just under 10 per cent. Our funding, that is our contribution to the total, increased but it was not enough to make up for the shortfall as a result of the federal government withdrawing.

I have to say that there was a certain amount of response to that by people who did come to rely on those concessions. The government, after hearing that response, I think properly, listened to what people had to say—people like the National Seniors, people like constituents who we all have who contacted our offices. I make particular mention here of a good friend of mine Melissa, who is known as the Queen of Nundah. Melissa, for a variety of reasons, relies on pension assistance and concessions assistance. She is a great worker for the local community around Nundah. She distributes the *Nundah Spirit* everywhere. She has been a great friend of mine, but I think I might have stretched the friendship that week with that concessions decision. So we listened to what people said and as a result we were prepared to say that we were going to change our mind on that and we were going to make sure that the concessions scheme that we are responsible for would be fully funded.

I think the important thing here for the concession cardholders, the people who are able to apply for those concessions, is that they can rest assured that they will receive the full value of those concessions, that they need not worry in any way, shape or form that this government will be making a change to that scheme and that we will be continuing to deliver on the concessions that we already provide and we will be topping up the difference.

In terms of the top-up, the Premier indicated that we would look to see where there are payments that are made by the state to the Commonwealth, where there are avenues to, if you like, balance the books up against what the Commonwealth pays us in terms of delivery of services and other contributions that we may make. In my role as Treasurer I will be working through the budget documents and I will be working with Treasury officials and with our federal Treasury counterparts to find the funding that will be necessary and we will, of course, report back through the midyear financial and economic review on the sources of funding in order to make up the $54 million that the federal government has ripped through. So, we will be providing that information as part of the midyear financial review in terms of where that funding will come from, but in the meantime that funding is assured there. The government and Treasury do have sufficient funds to be able to make sure that applies.

Mrs CUNNINGHAM: Thank you. I refer to the muscle town that you talked about earlier and the income that will be received from the LNG transition into production. The question that has been asked of me in relation to the budget decisions regarding the port is the wisdom of effectively selling the port for 100 years when income will grow year on year. Why would the government sell an asset with such positive growth potential? And can you clarify in the 2014-15 budget what projected payments or income to government will be received from the Port of Gladstone?

Mr NICHOLLS: Sure. I think it is a good question because it is a debate that we have had and I had it as we travelled throughout the state and we spoke with those 20,000 people via the virtual town hall, the 15 civic and community leaders meetings I held and at the public meetings that we held. It is an important, I guess, question for government to consider and that is: what do you gain by a sale? In the Port of Gladstone’s perspective it is a lease that we are more than likely considering. We have spoken about a lease there. We have not made any final decision about the term and other issues in relation to it. But what do you get in relation to a payment now for the loss of income over the long-term? And it is something that measures up. In the Strong Choices document we indicate that in total the difference between what we pay in interest versus what we receive in income is broadly about the same. So, netting it out there would be broadly the same effect: the income would equal the interest payments. We would, of course, be well on the path to getting our AAA credit rating back and we would in that sense be in a much more financially secure position. It is difficult to say precisely what would happen there because we do not know precisely what the sale price would be, but generally when businesses like this are put up for divestment you bring to book the income you expect to receive over forward years. So it is not just the value, if you like, of the ground and the things that are built on it, but it is the potential income stream that you will receive over that period of time.

We have seen recently that people are prepared to pay a very substantial premium in relation to these types of businesses. The Port of Newcastle, which was recently put under a long-term lease, and is very similar to the Port of Gladstone in terms of being a bulk commodity port, was sold at around about a 27 times earnings multiple. So, buyers out there valued it at 27 times what it was able to return on an annual basis over that period of time—so, a very substantial uplift in value. Those sorts of things would need to be taken into account to understand the true value proposition of the sale or long-term lease of any of those businesses and that is something that we would take advice on in terms of the value proposition for us. We think it is still the best decision because the alternatives to paying down the debt are increasing taxes or reducing services. We had a discussion up in Gladstone with Mayor Gayle Sellers, and I acknowledge her contribution to the debate and her passion for Gladstone, as is yours, and she did say, 'What about growth? Will that solve the problem?' And as I have indicated, growth will not solve the problem. We need to do something to reduce that $25 billion or $30 billion worth of debt in a very rapid way.

So, one of the assessments we make is whether the loss of income is outweighed by the benefits of paying down the debt, and we believe that in total that is the better decision to make—that is, that whilst we lose that income, the payment of the principal, the reduction in debt, and the avoiding of capital expenditure in that port is in the total a better outcome for the people of Queensland and that is how we have come by the decision that we have made. In terms of where the income is shown, obviously the Port of Gladstone produced an annual report, which I am sure you are quite keen on, and I think, if I can just get some information, the Gladstone port, the figures are that we can expect probably about $73 million in net flows to government. So that is dividends and tax equivalents. In the 2014-15 budget we are expecting about $75 million in inflows and we will be spending on that business about $120 million in 2014-15 in the development of the port. So, we receive $75 million but we are actually spending $120 million. That is the capital expenditure on the asset there in the port. So that is what we anticipate. And the net profit after tax we think is expected to be around about $61.4 million.

Mrs CUNNINGHAM: One of the ironies, I guess, of the Labor government's sale of rail—and I can only speak for my electorate——was that subsequent to the sale the community didn't know about there were additional assets included in the bundle and the government afterwards, rightly, had to repurchase some of those assets back. That was a double whammy to the community of Queensland. If the long-term lease of the port goes ahead I have already asked in parliament about the obligations that the port has assumed over time in relation to community assets. Will the new owner be required to pay down those debts, because they have obviously got to be honoured, or will the government assume those as a CSO and therefore there will be a double cost to the community?

Mr NICHOLLS: Well, as you have asked, and I think the question you asked in the parliament was in relation to the jointly funded car park and facility in Gladstone there up the top of Goondoon Street.

Mrs CUNNINGHAM: And the entertainment centre, yes.

Mr NICHOLLS: And I think I indicated quite clearly that the Port of Gladstone would continue to meet its obligations as a co-borrower or a co-sponsor of that process. I think I wrote to you subsequently and mentioned that as well. The community areas, such as those that you have mentioned, and I know down where CQ University and the marina are, and I think also we have discussed the Port Curtis Yacht Club, which is not on Port of Gladstone land but is on its own separate, I think, long-term lease at the moment, if I recall correctly.

Mrs CUNNINGHAM: They would call it a short-term lease, but, yes.

Mr NICHOLLS: It all depends on your perspective.

Mrs CUNNINGHAM: Absolutely.

Mr NICHOLLS: Often how long you have got to go, obviously. It seems a long time when you start. It is a bit like estimates. We work our way through it, member for Gladstone. It seems a long time at the beginning but time is flying when we are having fun. There are a number of things that we might focus on in terms of as an example of how things might be structured at the Port of Gladstone. I am not saying that this will be the case, but I am very conscious of the matters you raise and I think I have spoken to you directly about that, as I have to the mayor as well. We can obviously, as part of the lease and the terms and conditions of the lease, compel access or enable access to areas such as the marina and those areas for public use. Any lease arrangement the government may enter into would look to maintain existing access to the harbour for the Gladstone community. So they can expect to retain access to the waterfront facilities such as down there at Spinnaker Park, I think it is. Maritime Safety Queensland will still be responsible for the shipping and the small craft that go there. So, if you like, the regulatory function, the operation of it, will still be retained by MSQ in terms of that operation. Any contractual obligations that are existing will be continued to be met by the Gladstone Ports Corporation and the Gladstone Regional Council. That would include such things as the entertainment and convention centre. So, those are the sorts of steps that we can take in order to protect public amenity and community amenity in those areas. Those are the sorts of things that we would take into account. We would be prepared, obviously, to discuss with any prospective long-term lessee, together with the council and the local member, as to the important key issues that the community do want to see access to. So, those are the sorts of things that we would take into account.

I have to say I agree with you, I think the previous transaction process was flawed, and not just in relation to that area but there are other examples where things were sold without a clear process. I do want to emphasise, as I have said all along, that this is obviously not going to be a rushed, last minute hatchet job. This is something where we have spoken to Queenslanders very clearly about the options for a long period of time. We will go through it in a planned and methodical way and we will not be rushed into these things. We have taken steps to stabilise the budget. We will reach a fiscal surplus in 2015-16 barring unforeseen events. We will do it to ensure that we achieve the maximum value for Queenslanders and also to ensure that the benefits to the local community are maintained.

CHAIR: Thank you, Treasurer. We probably have time for one more question. Member for Moggill?

Dr FLEGG: Thank you, Mr Chairman. Could the Treasurer outline for the committee the fiscal principles adopted by this government and why these principles are fundamental to getting the state's finances back on track? The reference for this question, fiscal principles, is pages 19 and 20 of Budget Paper No. 2.

Mr NICHOLLS: Thank you, Dr Flegg. I mentioned earlier fiscal principles and the necessity to stick to fiscal principles and it is interesting—I know this might sound somewhat odd, but I was late one night before going to bed reading a report from the OECD in relation to the importance of maintaining fiscal principles because people often ask me, they say, 'Treasurer, the government's doing a great job. You're getting the finances back in the black. You are controlling expenses. You are delivering on front-line services and you've got a plan to pay down the debt. What we're concerned about is what happens if things go awry and the government changes and a subsequent government doesn't have the same commitment to fiscal rectitude and responsibility that this government has?' And the reality is, of course, that you can only do it if you have a set of principles that not only you but other governments generally adhere to. In Queensland for many years we had the fiscal trilogy, and it didn't matter which side of the political divide you sat on it was adhered to. It was implemented, if you like, by the former coalition governments and it was adhered to subsequently by Labor governments as well. It was only around about 2004, 2005 that those principles started changing. And much like trying to change the facts to make the circumstances, the former government started changing its principles to meet its spending requirements and as a result threw out not only its own charter of social and fiscal responsibility, but also mortgaged the future of Queenslanders, because we know debt is, in fact, a tax on future generations—it has to be paid for—and whilst intergenerational equity is important, it is equally important that we don't indulge ourselves at the unpayable cost of future generations who will have to pay for it and won't be able to enjoy it.

So the government, in its response to the interim Commission of Audit report in 2012, adopted four fiscal principles as recommended by that Commission of Audit. They are: to stabilise and then to significantly reduce non-financial public sector debt; to achieve and maintain a general government sector balance by 2014-15—and much to my chagrin we have not been able to achieve that, but we will achieve it in 2015-16. The reasons for that primarily revolve around ex-Tropical Cyclone Oswald and the damage that occurred there and some changes that were made in some federal funding arrangements that made it difficult for us to achieve that. And then to maintain a competitive tax environment for business—we think that is vitally important. We want to remain a competitive state. We want the economy to grow. And to target full funding of long-term liabilities such as superannuation in accordance with actuarial advice. Those are the four fiscal principles. Certainly maintaining a general government sector balance by 2014-15 was a very, very high bar to set for ourselves. Through our fiscal consolidation efforts we have been able to stabilise the debt. In fact, we have reduced from it a projected $85.5 billion to just over $80 billion by 2014-15 and I think that is a very substantial effort and I want to thank all of my colleagues who have joined with me in making that effort. It is not just Treasury alone that does that. The figures are provided for you there on page 21. But debt will continue to grow to that $80 billion and we need to deal with that.

The second principle: we will have a small operating surplus in 2014-15 and a fiscal surplus of $862 million in 2015-16, the first in a decade. And, of course, we remain a competitive tax environment and the budget papers outline how we stand compared to the rest of Australia. And we continue to fully fund our obligations to our public servants to make sure that their future is secure as well. We don't propose that the assets held in superannuation for our public servants in particular but others is available to raid to pay down the debt, but I do know that there are others who believe that that should be the case. I refer, of course, to Messrs Walker and Walker, those highly regarded and well-known academics from the University of Wollongong or Newcastle or wherever it might be, who suggest that we should be able to raid those funds in terms of being able to address our debt issue. We, of course, totally refute that notion. Those funds need to be held and invested wisely for the benefit of superannuants throughout Queensland who rely on the prudent financial management of the state's financial superannuation fund to guard their future and we will be maintaining that.

CHAIR: Thank you, Treasurer. The committee will now take a break and resume at 10.45.

Proceedings suspended from 10.15 am to 10.44 am

CHAIR: The committee will now resume its examination of the portfolio of the Treasurer and Minister for Trade, including Queensland Treasury. I call on the member for Murrumba.

Mr GULLEY: Thank you, Chairman. Is the Treasurer aware of any other fiscal guidelines being proposed and can he outline the possible implications if these principles were to be adopted?

Mr NICHOLLS: I thank the member for the question. I guess there are a number of guidelines that are available. We have obviously chosen the four fiscal principles that we have adopted including, as I say, that very high bar of a fiscal balance by 2014-15, which is proven that we have to do it in 2015-16. There are others and there has been some discussion around using net debt as the prime indicator of the state's financial position. I guess this follows on from the answer I gave previously, before we broke, in relation to consideration of the measures and the assets that are available to the state in order to meet its obligations. In terms of net debt, and I think the opposition has spoken about debt on a number of occasions including in the budget reply speech, it is important that when we consider debt the gross debt is considered rather than focusing on net debt. We are focusing on gross debt, the debt of the state. Net debt is the sum of advances received and borrowings less cash and deposits; advances paid and investments, loans and placements. A key problem with using net debt as a measure is that it takes into account the assets that the state holds in order to meet its superannuation and other long-term employee entitlements, but it does that without also taking into account the accruing liability. It chooses to use the assets we hold to meet that obligation, but it does not take into account the obligation itself. So it gives you a false reading, if you like, in terms of the importance of gross debt. It is inconsistent with the principle of successive governments of both sides of the political fence and the fiscal principle of targeting full funding of long-term liabilities such as superannuation. The net debt measure lacks balance and it provides a misleading picture of the state's financial position.

There has also been discussion about using the fiscal balance, which we have chosen to use, rather than the net operating balance; fiscal balance, of course, including expenditure on capital items, not just the ins and outs on the operating statement. When we consider the state's annual financial management, we focus on the fiscal balance. We do that because debt is our problem. The build-up of debt over the last half decade by the former Labor government is the problem that we are dealing with here in Queensland, unlike any other state. Our circumstances are different from other states in that sense. We have chosen the principles and the measures that are appropriate to the circumstances of an $80 billion debt problem, and that is why we have chosen that balance rather than the net operating balance.

As an example, in the five years from 2007-08 to 2011-12, the aggregated net operating balances was a deficit of $3.3 billion. So operating losses over that period, ups and downs, were $3.3 billion negative. However, the debt increased by $27.2 billion over that same period. If you recall, in my earlier answer I indicated that we had gone from about a 34 per cent borrowings basis for funding in capital to a 96 per cent borrowings basis for funding in capital. The difference in terms of doing that has been picked up here. The fiscal balance which aggregated to a deficit totalling $28.7 billion over those five years is a much better measure of a state's borrowing requirements over the period. That is because capital spending is not included in the net operating balance, which only reflects the current operational revenues and expenditure, which I have mentioned.

That is why, from our perspective, the measures that we have chosen, including gross debt and the fiscal balance, are the appropriate measures to deal with the problem that we inherited and that problem is the $80 billion worth of debt that was coming our way, that was factored in by the previous government through a variety of obligations that they signed up, as well as the accumulation of deficits over a period.

CHAIR: Thank you, Treasurer. The next question is from the member for Mulgrave.

Mr PITT: Thank you, Mr Chair. Under Treasurer, I table a document paid for and distributed by taxpayers as part of the Strong Choices campaign that states, 'We are being held back by long-term debt, accumulated by previous governments, of almost $80 billion. Under Treasurer, you would well know that total gross debt was $62 billion in the final MYFER for 2011-12 under the previous government. The answer to question on notice No. 18 for this committee states that debt will reach $80 billion in 2014-15, not that debt was $80 billion in 2011-12. How is it justified that taxpayers' money has been used to produce material for this campaign when the statement is clearly factually untrue?

Mr Gray: Thank you for the question. The information that was presented in the 2011-12 MYFER was based on projections at that time and also locked in future deficits, so it was not just a static measure at that point in time. Commitments, particularly expenditure commitments, made beyond that time into the future locked the incoming government into levels of expenditure and, therefore, accumulating debt beyond the $62 billion identified at that time in 2011-12—

Mr PITT: It does not actually talk about projections. It says that the debt was accumulated by previous governments. That is not correct.

Mr Gray: The debt was locked in at the time—

Mr PITT: So every measure was locked in? There was nothing that this government could have done to change decisions? That amount was entirely locked in; is that correct?

Mr Gray: This government has taken a number of measures, which I think the Treasurer has previously outlined, amounting to over $7 billion to address the debt problem.

Mr NICHOLLS: Perhaps if I can take it a bit further, what we do know is that in 2013-14 the gross state debt was some $76 billion—that is over $16,000 for every man, woman and child—and in 2014-15, the current financial year, debt will be $79.956 billion. At the time that the documents were being circulated, we were locked in to a debt position that was $80 billion.

Mr PITT: But this refers to previous governments, Treasurer.

Mr NICHOLLS: Yes, indeed. Absolutely. Previous governments had accumulated debt of $80 billion.

Mr PITT: You said $76 billion, so rounding up by $4 billion is acceptable?

Mr NICHOLLS: I can do better than that. I can refer you to page 34 of your government's—

Mr PITT: I have seen the projections, but you are the government now.

Mr NICHOLLS: Indeed, and I am answering your question. If I look at page 34 of the last midyear economic and fiscal review produced by your government, in 2013-14 liabilities, borrowings, were projected to be $81.378 billion heading towards, in 2014-15, $85.378 billion. I have indicated to you my view was that that, in fact, was an under representation of the amount of debt that would have been necessary because of the optimistic projections in the forecasts that had been put there previously.

Mr PITT: I am just asking for clarification: I think you used the term earlier about that MYFER of May 2012 being 'pie in the sky'; is that correct

Mr NICHOLLS: It would have been the MYFER of December 2011—

Mr PITT: Prepared by the same Treasury that serves you. I think that is a slur on the previous Treasury, if those figures were pie in the sky.

Mr NICHOLLS: Absolutely not.

Mr PITT: You do not think that is appropriate?

Mr NICHOLLS: Absolutely not. What happened is that in our first budget, you might recall, we wrote down the expectations of revenue based on the view that we formed, in conjunction with the Treasury officials, that those expectations were too high and they were, in fact, recorded in the independent Commission of Audit. What we have undeniably is a debt that is anticipated, in our budget this year, to be $79.956 billion. That is an $80 billion debt problem. That is the problem we face.

Mr PITT: Not accumulated by previous governments, as you state in your letter.

Mr NICHOLLS: You have the opportunity, I guess, in government to make decisions about how you are going to run the state's finances. You have the opportunity to concentrate on the major issues that the state faces. We have all seen that debt is a problem. We know that too much debt is a problem. I believe you know that too much debt is a problem. I believe you knew that too much debt was a problem back in 2009-10. Your government knew too much debt was a problem. You knew you were heading towards a big number in terms of debt and that is why, after going to an election and saying 'We have no plans for asset sales', your government, of which you were a member and you sat around the cabinet table for, in 2009, after saying you would not sell assets, chose to sell assets. You did so for a variety of reasons. It was never particularly clear which one it was, but I presume part of it would have been to reduce the debt that was coming down the road at you like a steam train. That is the choice that you made at that stage. There are a number of comments about why you made that choice. Of course, I do refer to—

Mr PITT: Before you get onto your favourite hobbyhorse, Treasurer, I asked the question of the Under Treasurer originally which related—

CHAIR: Member for Mulgrave, please do not interrupt. The Treasurer is answering the question.

Mr NICHOLLS: In the normal course, as always, you ask the question in the way that you deem fit and I answer the question in the way that I deem fit.

Mr PITT: It is also an inquiry. It is not simply blocks of questions.

Mr NICHOLLS: Indeed. You are correct: it is an inquiry. You ask the questions and I will provide the answers. There is not much point in you asking the questions and giving your own answers. If I have a look at this, what are we talking about?

MYTH: Our reduced credit rating is no big deal.

FACT: The credit rating is a big deal because it determines how much interest is paid on loans.

The loss of the AAA credit rating will cost the state an extra $270 million over the forward estimates. Queensland is the only state without a AAA credit rating …

That is a fact, according to your Mythbusters sheet. There are a number of other facts here in relation to taxes and services and how appropriate it is for government to run things such as the forestry plantations of Queensland and coal railways. However, the fact that we are now dealing with is the fact that we are heading towards an $80 billion debt. In fact, in 2014-15 it will be $79.956 billion.

Mr PITT: Treasurer, again you use the term 'heading towards' when the question that I asked the Under Treasurer related to a taxpayer funded document that said almost $80 billion was accumulated by previous governments.

Mr NICHOLLS: Indeed.

Mr PITT: That is factually incorrect.

Mr NICHOLLS: No, it is not, because if I can take you to table C.1 of budget paper No. 2, at page 184, let us look at the accumulation of debt. I think it is instructive. In 2007-08, general government sector borrowings, $6.3 billion; non-financial public sector borrowings, $30 billion. In 2008-09, general government borrowings, $10.278 billion. So that is a—

Mr PITT: The figures that you rattle off will not add up to $80 billion.

CHAIR: Member for Mulgrave, just a minute.

Mr NICHOLLS: That is a $4 billion increase in the general government sector on a $6 billion base. That is a 60 per cent increase in borrowings in the space of one year from 2007-08 to 2008-09, and then from 2008-09 general government sector borrowings 10.2 to 15.9. That is another 50 per cent on top of the previous year's 60 per cent increase in debt. From 2009-10, we go from 15.9 to 25.089. Again, another 60 per cent increase in debt in the general government sector. Then from 2010-11 to 2011-12, we go up another $4 billion. You can see how debt went from $6.3 billion in 2007-08 to just under $30 billion in 2011-12. In the space of four years, debt has gone up five times in the general government sector. Are you seriously now suggesting that that debt was not accumulated under previous governments—

Mr PITT: Not the entire amount, Treasurer, and certainly—

Mr NICHOLLS:—because clearly it was.

Mr PITT:—you continued with a capital program that you could have made the decision to axe except you realised that they were very good decisions to have made; necessary capital.

Mr NICHOLLS: Let me finish. Then, because of decisions that your government made we have been locked in to increases that will see that debt increase to $37 billion in 2012-13, $44 billion in 2013-14 and topping off at $48 billion in 2014-15. That is in the general government sector. And they are decisions that your government made that we have been locked into. They are contracts that have been signed for things that are underway. No-one would realistically suggest that we should walk away from the contract, for example, for the new Children's Hospital being built at Mater Hill, notwithstanding that there were substantial questions about how that ought to be built and the cost of that. But the contract that you signed we will continue to honour. The deal that you signed in relation to the water assets, which locks Queenslanders in to debt—a debt funded water grid—will continue to be honoured by this government. But that debt continues to mount up over the forward years because it is not recouping the full cost of its operations.

So the $80 billion worth of debt we are dealing with has been locked in by past governments. We have done our best. We have reduced it from that potential trajectory that would have seen it at $86 billion in 2014-15. We have got it down to $79.956 billion. We are topping out at just over $81 billion and we will continue to work to reduce it. But the reality is that $81 billion is too much debt. It has to be paid down.

Mr PITT: I return to the—

Mr NICHOLLS: You have asked that.

Mr PITT: I return to the point I made earlier—

Mr NICHOLLS: You have said it is too much debt, so how do you pay down that $80 billion worth of debt?

Mr PITT: I return to the point I made earlier. It relates to the fact that this is taxpayer funded material which contains a statement which is factually untrue. You can talk about what may have been projected, but there are no qualifying statements that I can see in your material. You have clearly used this as political propaganda.

CHAIR: The Treasurer has answered. We need to move on.

Mr NICHOLLS: I have answered the question. I think the important thing that needs to be acknowledged is that there is an accumulated $80 billion worth of debt. You have to have a plan to pay down that debt. You have to say what your plan is, you have to say how you are going to achieve it and you have to have a discussion with the people of Queensland about how you are going to achieve it. We have spent money—yes, we have; I have said that from the beginning—in relation to talking to Queenslanders and having a mature debate about how we pay down the debt. We are not doing it in seven-second sound grabs and we are not saying one thing before an election and doing another thing after an election.

Mr PITT: Except on electricity and a few other issues.

CHAIR: That is a statement.

Mr NICHOLLS: I can recall a question being asked of the then transport minister in question time in parliament—'Do you have any plans to sell Queensland Rail?'—and the then member for Ipswich, then transport minister, standing up and saying, 'There are no plans to sell Queensland Rail. We will not be selling Queensland Rail.' The following day—the very next day—the then government made an announcement that it would be selling the Central Queensland coal assets of Queensland Rail. We have not done that. We have said all along, and I have been saying for 18 months, that we need a mature debate about this. How do you have a mature debate? You have it by putting the facts in front of people.

Mr PITT: If you want to get into a debate around saying one thing before an election and doing another after, let us talk about the efficiency dividend for the Public Service which no-one understood was to lead to 20,000 job cuts.

CHAIR: Your continual interjecting is not helping.

Mr NICHOLLS: What we are now doing through our Strong Choices campaign is engaging with the people of Queensland in a way they have never been engaged with before, in a manner they have never been engaged with before, about a very significant public policy issue. We believe that the best way to do that is to make sure they are informed. We have done that in a way that is unique in Australia. We have done it through the People's Budget electronic tool on the website; we have done it through shopping centres where people go; we have done it by speaking to people through virtual town halls; we have done it through civic and community leaders meetings; and we have done it through public meetings held throughout the state. I have travelled 20,000 kilometres doing it for four months, between February and the end of May.

We have engaged with people about it. I know that not everyone is going to agree with what we are saying—I have never said anything different—but we are doing it in a way that has not been done before, where we are taking the people of Queensland into our confidence, where we are showing them broadly what the choices are that we face as a government, that any government would face, and we are asking them, 'What do you think about it?,' and we are asking them, 'How would you make that decision?' And then we are doing what we said we would do. We are going to make that decision and we are going to take it to the people of Queensland and we are going to ask them for their verdict on the decision that we make when we go to a general election.

I do not think, in terms of government engagement on such a significant issue, that any government at a state level or at the federal level has engaged so widely on such a difficult problem and so effectively. The responses that we have received I think indicate that—over 55,000 responses to the Strong Choices website, with people spending on average 20 minutes doing it. This is not a tick-and-flick, A, B, C survey on a news website; this is a substantial contribution made by people taking the time and wanting to be involved and engaged. Almost 20,000 people took the time to phone in and engage in the virtual town halls—people from Mount Isa to Winton to the Fitzroy down to Goondiwindi and the border engaging in what is an enormous task.

So, yes, we have spent money on it. Yes, it has been important to make sure that people do understand what the facts are and the choices we face. To do anything less, in my view, would be to treat the people of Queensland in the way that your government treated them, and that is to say one thing and do another.

Mr GULLEY: Can the Treasurer inform the committee what the consequences of a further credit downgrade would be?

Mr NICHOLLS: I thank the member for the question. We know that the previous government threw away the state's long-cherished AAA credit rating. It must have been, indeed, a sad day for many people in Queensland Treasury who had long prided themselves on running a very, very sound budgetary position to just, on a whim, throw away what had been jealously guarded for a long, long time. People who have served the state of Queensland over decades—people like Sir Leo Hielscher—have made comments in relation to the dangers of losing the AAA credit rating. Even recently Sir Leo has been on radio and in the media talking about it. He said—

> It's very, very important to have a balanced book, or it slightly in surplus, a running Budget. The running Budget is like your own Budget at home, if you haven't got it, you don't spend it. And you certainly don't borrow to pay for the goods from the baker or whatever. And you have to borrow for the budget that's in deficit. Which is just it's not right.

This is Sir Leo Hielscher, 49 years a public servant of the people of Queensland. He went on—

> It's just an absolutely wrong thing to do, to borrow and to put the bill onto the future generation to cover your dinner costs, for example.

We were doing that as a state. Under the guidance of the Labor Party, that is what was happening: borrowing to put dinner on the table. As a result, the credit rating agencies looked at what was going on and said, 'This is not right. You need to stop it and we will send you a signal.' The signal was the downgrading of the credit rating.

So it is a very important thing. Indeed, the member for Mulgrave at the time—I have quoted from his own Mythbusters document—knew that it was going to cost the state of Queensland an extra $270 million because of that downgrade. A further credit rating downgrade would cost the taxpayers of Queensland much more.

When we came to government, one of the very real risks we were warned about by Treasury was that we were facing yet another credit rating downgrade. If we had not taken disciplined decisions in order to save the budget from a further deterioration, if we had not set about achieving a path back to surplus, my very firm view is that we would have been downgraded. Perhaps I might ask the Under Treasurer to give you some more information in relation to what the consequences of a further credit rating downgrade might be for Queensland.

Mr Gray: Going back to some comments that the Queensland Treasury Corporation provided to the incoming government in 2012, they indicated that if all public sector borrowings were refinanced at the margins at that time the premium paid by the state relative to pre-GFC levels would cost Queensland around $750 million per annum. More recent analysis shows that Queensland's borrowing costs were approximately $419 million higher than AAA credit rated states between 2008-09 and 2013-14. So that is $419 million over that period. This cost was reduced because of the government's immediate and substantial fiscal repair undertaken when it came to office.

In the unlikely event that Queensland's credit rating is downgraded from AA+ to AA, the state's average borrowing rate relative to other states would increase even further. However, the extent of this increase would depend on a range of market factors as well as the extent to which the government took action to improve the fiscal position beyond that point. Just as a general rule of thumb, though, every five basis point change in borrowing rates equates to about a $25 million per annum increase in borrowing costs.

CHAIR: Under Treasurer, pages 49 to 54 of Budget Paper No. 2 refer to the revenue downgrade. Can you outline the revenue collapses identified in the budget papers and how this compares to relevant revenue trends and revisions?

Mr Gray: Unfortunately, we are in a period of fairly subdued revenue growth. That is not just for Queensland but also for other states and across Australia as a whole. As a result it has been necessary for us to write down some of our revenue projections over the past couple of years.

As the Treasurer indicated in response to an earlier question, some of the previous revenue projections were unduly optimistic. This was a finding also of the Commission of Audit at the time. For the period 2013-14 to 2015-16 there has been a reduction of around a billion dollars in Queensland's key revenue sources of taxation, GST and royalties—this is in the 2014-15 budget—relative to what we previously reported in the 2013-14 Mid Year Financial and Economic Review in December last year.

In terms of the major changes of that $1 billion, there were downward revisions to royalties of $1.1 billion, largely associated with changes in global coal prices; there was a downward revision of almost $700 million in state taxes in areas such as payroll tax; and there was an offsetting increase in Queensland's share of GST of around $700 million. The budget shows that over the four-year period 2012-13 to 2015-16, forecasts of these key revenue sources have been revised downwards by a total of $5.4 billion, or 2.8 per cent of total revenue. That is since the 2012-13 budget. Of that $5.4 billion, $3.8 billion is due to reductions in royalty revenue.

For the comparable four-year period there have been revisions of around $107 billion, or 6.5 per cent of total revenue, in the 2014-15 Commonwealth budget relative to the 2012-13 Commonwealth budget. So over that comparable period the Commonwealth budget has written down revenue of $107 billion, or 6.5 per cent, compared to the comparable figure of 2.8 per cent for Queensland. On a comparable basis that takes into account the fact that Commonwealth revenue is substantially higher than Queensland's, the extent of the Commonwealth revisions are some 2.7 times higher than those in the Queensland budget.

There is no doubt that factors such as coal prices and levels of property market activity can be extremely volatile and therefore very difficult to forecast. Treasury forecasts are independent and are based on external comparators where possible. In addition, Treasury's methodology attempts to smooth out volatility by anchoring key variables such as the exchange rate to long-term indicators of fair value.

Looking forward, coal price assumptions are benchmarked on external forecasts and tax growth projections are comparable to other states facing similar problems due to the similar revenue bases but with some stronger GSP outlook for Queensland. The coal price forecasts have been significantly downgraded since both the 2012-13 budget and MYFER and the 2013-14 MYFER, but the reductions are very much consistent with the revisions in the outlook by Consensus Economics forecasters. For example, chart 3.5 on page 54 of Budget Paper No. 2 shows that the revisions made by Queensland Treasury to coal prices are consistent with revisions by private sector forecasters. Consensus Economics' Energy and Metals survey forecasts cover more than 40 energy and metals analysts every second month across over 30 commodities, so we benchmark against that.

In last year's MYFER Treasury used forecasts for coking coal prices of US$154 for 2013-14 increasing to US$172 in 2014-15. Around the time of the MYFER Consensus Economics forecasts had prices of US$154 in 2013-14, the same as Treasury, and slightly less optimistic for 2014-15 at US$166. In the 2014-15 budget the estimates for 2014-15 have been reduced to US$142, which is, in fact, identical to the Consensus Economics forecasts.

Transfer duty receipts have recovered after several years of subdued activity. Looking ahead, transfer duty growth is expected to be modest relative to that experienced between 2000-01 and 2007-08. Low interest rates and a strengthening economic outlook are expected to support recovery in the property market. However, this is expected to occur at a gradual pace, particularly in the non-residential sector.

The payroll tax receipts were lower than forecast in 2013-14, reflecting both cyclical and structural factors, including changes in employment composition and patterns. Nevertheless, payroll tax has a relatively stable base and relationship to the underlying strength in economic conditions compared with the volatility associated with transfer duty and obviously with royalties. Over the forward estimates, growth in payroll tax is expected to be moderated by slower than historical growth in employment and wages and changes in the composition of the payroll tax base, including relatively low growth in the resources sector.

CHAIR: I would like to take this opportunity to welcome the member for Inala and Leader of the Opposition, Annastacia Palaszczuk, to the estimates hearing. I have no doubt you have a question.

Ms PALASZCZUK: Yes, thank you, Chair, just a few to the Treasurer. Good afternoon, how are you? I refer to government owned corporations, if I may. I understand in relation to some questions that were asked on Tuesday and today that we have been able to ascertain from some GOCs the extent of the job losses over the last financial year.

Today we were able to ascertain that from Energex there were 200 job losses, from Ergon Energy 199 job losses and, I think from memory, from Queensland Rail about 600 job losses. Treasurer, could you please detail for this committee the number of job losses from GOCs over the last financial year?

Mr NICHOLLS: I thank the member for the question. I know she is keen to get on, but I do not yet know that we are in the afternoon. It is still the morning.

Ms PALASZCZUK: It is a long day. It has been a long few days.

Mr NICHOLLS: You may wish it to be a quarter past 12 and be enjoying lunch, but we are not there yet. My voice would certainly agree with you too. I obviously do not have the detail that you say you have received from other hearings. The Premier, if I recall correctly, took a question on notice on Tuesday in relation to a question that had been asked in the transport portfolio estimates around Queensland Rail. I understand that Minister McArdle is sitting today in relation to—

Ms PALASZCZUK: And I just asked those questions and got those answers.

Mr NICHOLLS: In terms of the answers, the answers are appropriately given by them. My role as a shareholding minister in relation to that is how it impacts on, if you like, the state's overall finances. In terms of the policy operations of those departments, as you are aware—you may have been a shareholding minister at some stage—the operational side of it is conducted by those ministers.

Ms PALASZCZUK: But as the Treasurer of the state could I ask you to please take on notice to provide this committee with the detail of the job losses in all of the GOCs over the past financial year?

Mr NICHOLLS: Firstly, can I say this. It is not referred to either in my SDS or in my budget papers so I do not know that it is relevant to this estimates and questioning, although within Treasury we have the shareholding monitoring unit that looks at those sorts of things.

Ms PALASZCZUK: That is right.

Mr NICHOLLS: But operationally those sorts of things tend to be looked after by the policy minister. In electricity that will be Minister McArdle. In rail that will be Minister Emerson. For ports that will be Minister Emerson, and so forth.

The other thing I would say in terms of the operation of those businesses is that, as you know, they operate as fully commercialised operations. The boards of those businesses run them according to the needs of those businesses and the management run those businesses exclusive to government—that is, they are run on commercial principles.

I said throughout the state that I, as the financial shareholding minister of those businesses, expect them to be run in the most effective and efficient way possible because to do otherwise is to add to or increase the cost of living for Queenslanders. Having an electricity company run inefficiently means that people are paying more in their power bills. Having a port run inefficiently means that businesses are paying more for charges and are unable to employ more people.

I have said quite clearly on a number of occasions that I expect those businesses to be run effectively and efficiently. That is the purpose for which they were set up. They were set up to run that way without the heavy hand of government interference in how they ought to be run. My instruction to all of those businesses is to do that.

In terms of their employment levels and their staff and how they are run it is something that is reported annually by those companies in their annual reports. Those annual reports are made available each year and they detail how they are to run and where they are to run and equally they also lodge their statements of corporate intent.

Whilst the shareholding monitoring unit does have responsibility, if you like, at a whole-of-government level for the operation of things like QIC and others, the day-to-day operations are handled by management. I would expect that their report in relation to their job numbers will be something that they report in their annual report. You can go and look at last year's, the one for the year before and this year's when it is produced. They will provide you with the numbers.

Ms PALASZCZUK: As you could appreciate, I am finding it quite frustrating to get these job loss numbers on the record. I think Queenslanders have a right to know. On Tuesday, the Premier said to me—

The other thing is, of course, that the Treasurer, who will be appearing before the committee later, who runs the GOC monitoring unit—I am happy to commit, if you wish, to ask the Treasurer to provide that—

I did get an answer from the Premier, which was very short. But I am now asking you: as Treasurer of this state, will you please provide to this estimates committee the total number of job losses in government owned corporations? Why is this a secret? The government owned corporations unit sits under you. I am happy for you to take it on notice?

Mr NICHOLLS: Indeed. I am not aware of the number that you are after because I do not run those businesses. I do not have day-to-day operational control of those businesses.

Ms PALASZCZUK: But you can ask them.

Mr NICHOLLS: We appoint boards to run them. We appoint boards to manage them. Secondly, the way those businesses operate is the same way the commercial sector operates. That is that they provide annual reports. Their employment numbers, I assume, are to meet the operational needs of those businesses. They go up and they go down.

We know, for example, at Swanbank where they closed the gas fired generators that redundancies were offered to the staff. It met the operational requirements of the Stanwell Corporation. According to Stanwell, from what I read in the papers, it made more sense for the gas to be sold and to recommission the Tarong Power Station. More jobs were created at Tarong because they reopened two of the units there that were generating electricity, but the employees at Swanbank took the voluntary redundancies that were offered by management.

That was all done in accordance with enterprise bargaining agreements. I presume the unions that organise and represent those employees contemplate these sorts of things occurring. They contemplate that there will be operational reasons why things like what happened at Swanbank occur and they write into their enterprise bargaining agreements safety net provisions so that if it does occur an employee is offered a voluntary redundancy and that employee can take that voluntary redundancy. I understand at Swanbank that all employees who were affected chose to accept voluntary redundancies. You will see a reduction in the number of employees as a result of that decision but that was something that was agreed to and contemplated through the enterprise bargaining agreement that was put in place by the union representatives with the company.

Each day there will be changes. That is why the annual report is the most appropriate place to find out what the company reports on and what it says it is doing in terms of its employee numbers. I do not have that figure. It is variable. At the point in time that you want to know it, which I presume is 30 June, that will be reported in the annual report which will be made available, tabled in the House and available online.

Ms PALASZCZUK: It is like drawing water from a stone. It is so hard for us to get this basic information. We have to ask the CEOs. The ministers do not have this information.

Mr NICHOLLS: I think it is blood out of a stone. Nonetheless, the information is provided through the companies through their annual returns. That is the appropriate way. I do not know what it is. The companies keep a running day-to-day operational tab, I presume, of their staffing requirements. They may be scheduling to increase jobs or scheduling to reduce some jobs. I do not know. That is the operational decision of management.

Ms PALASZCZUK: I am happy to move on. I do not think we are getting far there. I now want to move on to an issue that the Premier said I should ask you about today which is the cost of the Strong Choices campaign. Could you please explain to this committee how much has been allocated to the Strong Choices campaign to date?

Mr NICHOLLS: Thank you. I think this was answered in question on notice No. 2. The answer has been provided by Treasury. If you look at the measures document you will see, as I indicated when we launched the Strong Choices campaign, that we said that the first stage of the campaign would be around $6 million. We said that the second stage of the campaign would be additional expenditure of, I think, $5.2 million. You can see in question on notice No. 2 the project costs for 2014-15 of $4.2 million.

As I said when I was giving an answer to another question, we have a very, very substantial problem. That problem is the $80 billion worth of accumulated debt. People acknowledge that that is a problem. The independent Commission of Audit said it was a problem. The independent officers of Treasury in the incoming government brief said it was a problem. The Queensland Treasury Corporation, over and above what the Under Treasurer said in an earlier answer, also said that Queensland, with its volume of debt on issue together with the anticipated level of debt and the anticipated interest rate payable, was entering unchartered waters.

We know that our credit rating was downgraded because gross debt was on an upward trajectory. We were very concerned upon coming to government that we would be downgraded. We need to do something to tackle that problem. In tackling that problem, have we had to spend some money? Yes, we have. Were we clear when we launched this campaign that it would cost money? Yes, we were. Has it been important to engage the people of Queensland about a problem that affects them on a daily basis? Yes, it has.

We have done some things that are new and different in terms of engaging people. We did not believe that just sending out a media release was going to solve the problem. That is why we engaged the Strong Choices campaign. Things like developing—

Ms PALASZCZUK: It is a large amount of taxpayers' funding.

Mr NICHOLLS: Indeed, it is.

Ms PALASZCZUK: It is a large amount.

Mr NICHOLLS: Indeed, and I have not shied away from that. Believe you me, I have done something like 27 meetings around the state where people have been engaged. I have had representatives of the community present. I have had representatives of the union movement present. I think I have had the ETU either inside or outside every meeting I have been to. I acknowledge and I have acknowledged that people are interested in this topic. I think that actually validates the government's decision to spend some money to engage people in this.

We can have shouting from the sidelines, we can have seven second grabs on the news or we can actually have an informed debate. Think about this country. When we consider things like changes to the Constitution we have an informed debate and the government funds the arguments for and against that debate. When we have sought to change our Constitution in Queensland in the past we have tried to have informed debate.

This is a significant problem. This goes to the heart of the financial sustainability of the state. That is why in my view and the government's view, notwithstanding that it is a lot of money, it is a conversation well worth having, because—and you would have experienced it yourself—the decision the previous government made aroused a lot of debate and there is a lot of the fear factor out there. But there are people on both sides of the fence who have views about this campaign, and I can refer of course to people like—

Ms PALASZCZUK: But, Treasurer, is it possible to get a breakdown of that funding like how much is television?

Mr NICHOLLS: The answer is question on notice No. 2. Let us look at some of the things people say about privatisation, and this goes to show you some of the detail. Paul Howes, a former AWU national secretary—not a person who would run up the blue flag on a daily basis, let me say—said—

Enter privatisation. Unfortunately, this remains the kind of issue that sends many unionists running out the door and straight onto a picket line. For them, selling any government-owned assets amounts to selling off the family farm and must therefore be resisted at all costs.

Today, this reaction is less ideological than it is reactionary.

…

… the big picture reveals that the labour movement has nothing to fear from privatisation—unless we choose to stubbornly remain on the sidelines with our arms crossed refusing to help mould the circumstances under which it can occur.

Steve Bracks, a former Labor Victorian Premier—again, unlikely to be someone running up a blue flag every day—said—

'There are some assets that states don't need to hold on to any longer,' Mr Bracks told *The Australian* yesterday. 'It's hard to make the case for states continuing to own a port or infrastructure like the Snowy Hydro scheme.

'There's no reason why assets like those can't be offered for sale via an initial public offering or a private equity investment.'

He goes on—

Then those governments would have the capacity to invest in the new infrastructure which is desperately needed.

Daniel Andrews, the current Leader of the Opposition in Victoria, on the decision to promote policy to privatise the port of Melbourne—so this is a current policy of a current Labor government in Victoria—said—

'This is not an easy decision for the Labor Party to make. I want to be the leader of a modern Labor Party,' Mr Andrews said …

He said that it is not an easy decision for the party to make but it is a 'critically important' one. He said—

It's very important that we recycle the value in one, if you like, transport asset—the port—into lots of other transport assets and projects—level crossings, improving safety, improving road congestion.

He goes on to say—

We will have widespread support. I don't see this as a problem. It needs to be done and it will be done.

Michael Costa, who more than any probably bore the brunt of the statements that Paul Howse says the unions do—running straight out the door and on to a picket line; they ran straight to the party conference, if I recall, in New South Wales—said—

The unions have opposed every privatisation of New South Wales assets. Their refrain is always the same—prices will increase and jobs will be lost. The evidence is to the contrary. The privatisation of FreightCorp, which was opposed by the unions, led to an expansion of a Hunter Valley rail network and hundreds of new jobs in the coal industry. Electricity prices in New South Wales have been increasing largely as a result of government policies such as the carbon tax, gold plating of electricity assets and John Robertson's failed Solar Bonus Scheme. It's disingenuous for the unions to say otherwise.

A familiar refrain. Martin Ferguson, who was here in Queensland only last night, said—

… privatisation is politically unpopular, yet with so many benefits to the community it should be possible to persuade voters that it is in their interest …

He says that the major gain in privatising assets is the revenue the state governments receive from the sale. He says that the additional benefits of privatisation—

… are a more competitive generation and retail market that encourages innovation and drives efficiencies to bring down costs. This is because investments in assets like power stations will be more efficient if they occur on the basis of market signals rather than the whims of the electoral cycle. In my view, Queensland, Western Australia and New South Wales should follow the advice of the Productivity Commission and embark on the sale of remaining state owned assets. As Victoria has demonstrated in practice, there is no compelling reason to maintain government ownership of energy assets.

So there are many views and I think people want to know that that is the case. Equally, as I have acknowledged and I acknowledge in the result of the choices campaign, there are people who want to see increases in taxes, and we saw that in the information that we provided in the response to the choices campaign. We have already done that in certain circumstances. We have increased the royalty regime for coal. We have increased some of the fees and taxes on gambling. We have increased some of the fees payable on transfer duty. We believe that there is a limit to how far you can go. Others want to see that occur. I pointed out earlier this morning that Mr Quiggin, who advises the ETU, a union which have rushed to the picket line—it did not even need a starters gun to do that—has done that. That is their view and I understand that that is their view, but it is not everyone's view. In terms of dealing with an unprecedented $80 billion Labor debt problem, we are entitled, I think, to speak to the people of Queensland in a mature, sensible and constructive way about the choices we face.

Ms PALASZCZUK: I have one final question to the Under Treasurer. I refer to Budget Paper No. 4 which details new funding for the next round of the Strong Choices campaign. I note that Budget Paper No. 4 does not always detail internal reallocations in the accompanying text, although that was the standard practice under the former government. What are the total internal reallocations to the Strong Choices campaign in addition to the new funding set out in Budget Paper No. 4? Mr Gray, what I am getting at here is what is the total amount allocated of taxpayers' money for the Strong Choices campaign?

Mr Gray: Thank you for the question. In 2014-15 the allocation is as reported in response to question on notice No. 2—that is, $4.2 million.

CHAIR: Thank you. My question is for the Treasurer, and it is a great segue into Strong Choices because we have some questions regarding Strong Choices. Treasurer, with regard to the Strong Choices campaign, can you explain the reasoning behind the campaign? Obviously this has been a major part of this year's budget process. What were the aims of the campaign and what did it achieve?

Mr NICHOLLS: Thank you very much for the question, Mr Chairman. I think it is important that we do really understand what it is that we face—the choices that we face—in terms of dealing with that $85 billion. The choices campaign has been a major part of this year's budget process. I want to take the time to thank the officers of Treasury who have also been part of this. Not only this year again have we had to construct a budget that is financially and fiscally responsible that charts a course back to that fiscal surplus that I spoke about, but the officers of Treasury I think have done an outstanding job in supporting the government's policy around it. This is of course the government's decision and a policy decision to do that. The officers are then, as is their requirement, obliged to work with the government to implement the government's policy. They have been outstanding in their support of what we are doing.

I mentioned before that I have travelled some almost 20,000 kilometres around the state. I should have mentioned that, whilst I have been accompanied by my own ministerial staff, I have also been accompanied by Treasury staff and I think there are many Treasury staff who have enjoyed the experience of moving outside the hallowed confines of level 9 and visiting places such as Emerald and having dinner at the Emerald Maraboon Hotel with the member for Gregory, Vaughan Johnson, who of course did indicate on a number of occasions that he would be happy to take them out to the farther reaches of his electorate. I am not sure if anyone has taken up that offer yet, but certainly they have seen the width and breadth and depth of Queensland and certainly local communities' passion for their areas. Treasury staff have also been instrumental in helping us work through these figures, as you would expect, in terms of being able to present a comprehensive case that does put the facts forward.

I turn to the reasoning behind the campaign. Why indeed does the government need to do it? I have spoken about the challenges we face, the risk to growth and the economy. Queensland is on the cusp of strong growth. We are growing at three per cent this year. We will grow at six per cent next year and that will taper to four per cent, and we believe that is about the average that we will see over the forward forecasts. We are expecting the population to grow to over seven million in just over 20 years, but that future prosperity is threatened by that $80 billion worth of debt that accumulates as a result of the 10 years of poor planning and waste by the previous governments. The interest cost—and we have not spoken about that much yet—is $4 billion a year. That is $4 billion a year that is going out the door to the banks and the financiers of the world who have financed the previous spending splurge by the previous government. Part of that $4 billion if we did not have that debt would be able to be spent on schools, hospitals, roads, infrastructure and the things that a growing population needs. We came to office with a commitment to repair the finances and we appointed a Commission of Audit to help us do that. What the Commission of Audit reported was that we needed to reduce debt by between $25 billion and $30 billion, and that confirmed advice that I was also provided by the independent officers of Treasury.

Doing nothing in relation to that debt would leave us in an unenviable position. I hesitate to use the phrase 'is not an option', but doing nothing would only compound the errors of the past. It would condemn not only us but our children and their children to a worse standard of living than we enjoyed and we would hope to leave for them. So we think Queenslanders deserve to be informed about the choices. The choices are simple. They are very straightforward: massively increase fees, taxes and charges; reduce services; sale or lease or private sector investment into some assets; or some combination of those three, and that is what we have been talking to Queenslanders about. So why are we embarking on the Strong Choices campaign? Because it is a big problem. We embarked on it because Queenslanders need to know what it means for them in their day-to-day lives, and what does it mean to them in their day-to-day lives? It means if you do not deal with the debt problem you end up with the highest car registration in Australia. It means you end up with higher payroll tax which means fewer jobs. It means you end up with higher land tax which means less investment in the state and less economic activity. The states only have a narrow and inefficient band of taxes and all of them in fact are unpopular, I can tell you. I get most of the letters across my desk, as many of you on the committee know, but someone has to administer them and someone has to raise the revenue. But we do not want to make the cost of living for Queenslanders worse. So Strong Choices is about how we fix that $80 billion problem and how we do it in the best and most effective way possible. That is why we believe that for a great state like Queensland our plan is not only the strongest plan but the smartest plan for a bright future for Queensland.

Dr FLEGG: Treasurer, the Strong Choices draft plan identifies three choices available to reduce debt. What about the other option? There has been some commentary around a fourth option being growing the pie or growing the economy. Why was that not included as one of the options?

Mr NICHOLLS: I thank the member for Moggill. It is an issue that has been raised, and again I refer to the civic leaders meeting we had in Gladstone with the member for Gladstone and the mayor and deputy mayor of Gladstone in relation to why do we not just hang on and grow the economy. In March, as I indicated before, I released our Economic and Fiscal Challenges document and that document takes into account and makes assumptions in relation to the growth in the state of the economy and it shows the growth that we are working on, and growth is important. Many of us have heard the Premier and the Deputy Premier and myself on occasions talk about supercharging the economy—that is, getting that next wave of investment and building on an education foundation to deliver the growth that we know we need if we are going to provide employment, jobs, opportunities and prosperities for Queenslanders. But growth by itself will not be enough. Queensland's economy will grow faster than any other state economy over the next decade and it will enable us for a short period of time to get the budget back to a surplus but it will not, over the longer period of time, enable us to maintain that surplus. The pressures of a growing state will continue to drive expenditure growth.

Dr Flegg, you yourself know that the costs of medical inflation are far greater than the costs of normal inflation. Medical equipment and the responses that we expect from people like myself who have their knees reconstructed is surgery that 10 years ago would not have been done; you would have just battled on.

Dr FLEGG: New technology.

Mr NICHOLLS: Yes, new technology. I was speaking to my local hardware operator at Hendra Hardware, Chris, who had a pacemaker put in and he was in one day and out the next. Remarkable technology is being put in place, but it does come at a cost. Those 650,000 people over the age of 65 that I talk about are not going to become any less demanding. In fact, if they are like you and I, member for Moggill, I suspect they are going to become more demanding. They are going to want to ride their bikes longer and ride their skateboards a bit more riskily.

Budget surpluses are not going to be there for the future as we build in that cost and expense. Education is the same. In 2010, people first heard about iPads. Now, schools are demanding almost as of right that their kids have iPads. If they are like my kids, their use of these devices makes your mind boggle. It is only going to continue to grow. The previous government introduced the cabinet bag program on iPads. So something that was not even thought of half a decade ago is now changing the way we live our lives. That will cost more. We will not be able to sustain that just by operating surpluses with the current debt level. So that is why growth, whilst it is important—and vitally important—is not going to be sufficient to be able to deliver the numbers necessary, the sums of money necessary, to pay down that debt. There are a variety of other issues that come into it. We have, of course, the reform of the federal-state financial relations, which is being considered by a white paper and tax reform being considered by a white paper.

So in answer to your question, the $80 billion worth of debt is not a short-term problem; it is a long-term problem. If we do not deal with it, the projections show that, by 2023, our debt will be $121 billion. If it is costing us $4.1 billion to pay interest on $80 billion, imagine how much more it will cost us on $121 billion and imagine how much more difficult the task will be, given the changes in demography that we are facing in dealing with that debt problem and how much more difficult it would be for us to create a lifestyle that we believe Queenslanders should have. That is the reason growth, important as it is, is not the answer solely to the problem that we face.

Dr FLEGG: Thanks. Just following on, in relation to increasing tax, we are all aware of the impacts increased taxes will have on the cost of living. Was there any specific economic modelling done around the impact of increasing taxes as a way of reducing debt and, if so, what did that modelling show?

Mr NICHOLLS: Very much so. We looked at the impacts—again, a thorough, planned and methodical approach to the choices that we face. Given that my voice is rapidly approaching the end of its allotted time span, I might on this issue, because it does involve areas that the Under Treasurer does have expertise in, ask if it is acceptable to you for the Under Treasurer to respond with the details of the modelling that we undertook.

Mr Gray: I make the first point that the government has already taken some actions in respect of revenue items. Coal royalty rates were increased from 10 per cent to a value above $100 per tonne. It was increased to 12.5 per cent on the value between $100 and $150 per tonne and 15 per cent on the value above $150 per tonne. That was done in the first budget.

In addition, there were increased transfer duty rates on properties valued over $1 million from 5.25 per cent to 5.7 per cent. There is also a range of other revenue measures which have already been undertaken. As a result of that, those have helped to reduce the forecast borrowings as at 30 June 2016 to be around $9.2 billion lower than estimated by the Commission of Audit. Those increases were considered by the government to be necessary as part the fiscal repair task.

In determining the appropriate level for those increases, the guiding principle was to maintain a balance between achieving a return to surplus whilst not increasing taxes to a point where they would inhibit economic growth or unfairly increase cost-of-living pressures. Those decisions have significantly slowed the growth of debt, but they have not resulted in any reduction in the level of debt per se.

The Strong Choices campaign considered a number of taxing options. The People’s Budget tool provided 15 options to pay down debt by increasing taxes. Selecting all of those choices would have achieved a debt reduction of $58.7 billion over the period 2014-15 to 2016-17. So if we take some of those individual options in the Strong Choices People’s Budget tool, such as payroll tax, a 50 per cent increase in payroll tax would raise $7.4 billion over three years. That would impact on mum-and-dad small businesses by increasing the cost of doing business and it would be a disincentive for investment and job creation. The flow-on effects on the economy were that businesses would pass on the increased tax, or lower wages or fewer jobs, resulting in lost household income. So there are increasing flow-on effects of increasing payroll tax.

It would have negative effects while having a limited impact on debt reduction. Our modelling shows that an increase in the payroll tax rate from the current 4.75 per cent to six per cent would raise an extra $1 billion. However, the modelling shows that, in the year following the tax increase, Queensland’s economy would be some $800 million worse and almost 10,000 fewer jobs would be available. In the long run, firms will attempt to maintain profitability by increasing prices and/or cutting staff or otherwise moderating wage growth. This would push the burden of tax increase onto households by reducing real wage growth and fuelling cost-of-living pressures. The modelling also shows that a reduction in annual wages of $439 for the average Queensland worker would result from an increase in payroll tax of that sort of magnitude. As a result, real consumption is projected to be around $1.3 billion lower in 2025 under that scenario than it otherwise would have been. This would be an equivalent to a loss of $221 for every Queenslander. They are the economic impacts of increases in payroll tax that were considered as part of the People’s Budget tool.

I turn to property taxes. One of the options was to increase property taxes through transfer duty. A 75 per cent increase, for example, would raise some $6.2 billion over that three-year period, 2014-15 to 2016-17. Removing the family home concession would raise $1.1 billion over that same three-year period. Removing first home buyer concessions would raise $736 million over three years and would reduce the affordability of homes. Increased transfer duty would also discourage investment activity and commercial activity and businesses.

Another option would be increasing land tax. A 75 per cent increase would raise $2.4 billion over three years or applying land tax to all properties would raise $10.55 billion over three years. This would increase the cost of property ownership, including the family home.

Another option would be to increase royalties. Over 75 per cent of royalty revenues come from coalmines. A 75 per cent in all royalties would raise some $8.8 billion over three years. It would make Queensland based resource companies less competitive on the world market. These companies would close mines and abandon the development of others. This would also have an indirect impact on businesses as industries that support the mining industry would contract, households would be impacted through the associate loss of jobs and the overall economy would experience a reduction in investment and the loss of exports would reduce economic growth. Analysis conducted for the Queensland Resources Council found that, even without an increase in royalty rates, low coal prices mean that 10 per cent of Queensland's coal is currently being produced at a significant loss.

Another option would be to increase motor vehicle registration. For example, a doubling of registration fees would raise $5.9 billion over three years. This would increase the cost of running the family car as well as transport and business costs resulting, again, in cost-of-living pressures. Doubling the fee would increase the cost of registration for a six-cylinder family car from $492 to $984. This would compare with a registration cost of $482 in New South Wales, or $238 in Victoria. Businesses may take advantage of this by registering vehicles in other states, resulting in revenue leakage.

In summary, there is a range of tax increases that were considered as part of the People's Budget tool and those are some of the impacts that that would have.

Mr NICHOLLS: If I could just conclude. We did undertake a very substantial modelling regime. As I say, most of our taxes are inefficient. All of them are unpopular. That was the modelling that undertook it. But there is one tax that I am very pleased to talk about right now and that is to advise the committee and other members that the Senate has just passed, under Tony Abbott's government, the repeal of the carbon tax, thereby saving Queenslanders a massive increase in their power bill from 1 July. So I think that is very good news. I am particularly pleased to share that information with the members of the committee and the House. I know that most of you will support the removal of the carbon tax, because it does make it easier for families to afford the cost of living here in Queensland.

CHAIR: The member for Mulgrave has a question. We have five minutes to go.

Mr PITT: I will probably only get the one question in prior to the lunchbreak. My question is to the Under Treasurer. I refer to page 136 of Budget Paper No. 2 that provides projections for dividends from different GOC sectors. This in some respects is following on from an earlier question from the member for Gladstone. On that same page it states—

> The growth in dividends is predominantly due to substantial increases forecast in CS Energy and Stanwell profits. These improvements are driven by forecasts of improved wholesale electricity prices as a result in increased demand from the LNG industry. SunWater, Gladstone Ports Corporation Limited and Port of Townsville Limited's profitability also contribute to the increased dividend payments to Government.

Could you provide a table splitting out the estimated actual and projected dividends from the Port of Townsville, the Gladstone Ports Corporation, Ergon, Energex, Powerlink, Stanwell, CS Energy and SunWater separately from 2013-14 through to 2017-18? The reason I ask this is that, given these are presented in Budget Paper No. 4, there has clearly been work done to reach those larger aggregated amounts. If they were able to be listed separately, that would be very informative for the committee.

Mr Gray: Thank you, honourable member. Table 7.3 provides the dividends and table 7.4 obviously provides the tax equivalents rolled up for electricity networks, electricity generation, transport, water and other. If I can just clarify your question? You are asking for a further breakdown of those same items?

Mr PITT: Correct—the component parts of those GOCs that make up those areas of electricity, transport et cetera. Clearly, to reach those figures there has been the other work done underneath and it would be valuable to this committee to have that information provided. If you cannot provide that on the spot, which I know you cannot, I would be happy for you to take the question on notice under standing order 183.

Mr Gray: Thank you. I think that information can be provided and we are happy to provide it, I think, later in the day.

Mr PITT: Thank you.

CHAIR: Do you have another short question?

Mr PITT: It might be a short question, but I am not sure how short the answer will be.

CHAIR: Okay.

Mr PITT: Under Treasurer, again, page 13 of the SDS references increased spending in 2013-14 on the Strong Choices campaign. Why did the Strong Choices website not tell Queenslanders that the private funding model for the electricity network would involve the transfer of the existing debt of those businesses and that it may involve private sector board positions and a lien over existing assets? It was presented, it seems, as the private sector giving the state $28 billion practically for free. I ask why it has been presented in this way when there clearly is more to the story.

Mr Gray: Can you just clarify exactly what the question is? It is a bit unclear, sorry.

Mr PITT: The question is: why was the detail that relates to the private sector funding model for the electricity networks, which involves the transfer of the existing debt of those businesses and may involve private sector board positions and a lien over existing assets, not provided to provide the whole picture of what this would mean in terms of the $28 billion? It is Budget Paper No. 2.

Mr Gray: I think it has been provided. It is provided in the SDS. Can you refer—

Mr PITT: It does not make reference—

Mr Gray: So it is on page 13 of the SDS?

Mr PITT: Page 13 of the SDS. It relates to the Strong Choices campaign. We are in Budget Paper No. 2

Mr Gray: So page 13 of the SDS. My page 13 has a whole series of footnotes. It is one of the footnotes?

Mr PITT: No, that is the section on the Strong Choices campaign. That is just to make sure that we are able to speak about this in relevant terms.

Mr NICHOLLS: I would actually ask: what is the relevance of this? Firstly, we made it abundantly clear in relation to these proposals that the strongest choice documents are not budget documents. They do not involve the expenditure of funds. In fact, the budget does not take up any of the proposals in relation to the sales here. I know Fitch Ratings agency thought that it did, but it does not. In terms of the material that was placed on the website together with the response booklet, the response booklet I think identifies what would be involved in a private sector equity investment through a hybrid scheme and similarly—

Mr PITT: The response does, but not in the first instance.

Mr NICHOLLS: On a number occasions I have also answered questions in relation to what the hybrid model would mean. In terms of what goes up on the website for the People's Budget choice tool that you are talking about, what we said there is, 'These are the range of options.' In terms of private sector equity investment, that was the option. In terms of the sale of those businesses, there are a number of ways of the sale. We did not say 'IPO', we did not say 'Trade sale', we did not say each of the combinations of things. We said, 'Here are the broad choices that we as a government face: tax, reduce services, sale, lease, private sector equity investment into those businesses.' We have not yet determined, firstly, whether that will happen, because we are waiting for the people of Queensland to tell us that. But in doing that, there are a number of models and options that are available and that has not yet been determined. But when we talk about a hybrid instrument, one of the things that we have said is that we will retain, importantly, 100 per cent ownership of the common shares in the company. The private sector will be able to invest up to 49 per cent and in exchange for that they will receive a share in the incomes. That does lead to the deconsolidation—we say this in the document—of the debt from the state balance sheet and help reduce our debt. It also means that the private sector would be involved in the financing of new debt, expansion of the network and, also, obviously, for someone who is making such a large investment, they would expect to have a say in what is going on. So that involves an opportunity to be on the board and I suspect, as always, there will be contracts and agreements in place. But to put all of that on to the website I think would have been, firstly, a mammoth task and, secondly, would not have aided, in fact, in the decision-making process and the consideration of the choices that we face. The choices are broadly the same and that is you are either increasing taxes or reducing services or you are selling or leasing or getting private sector equity investment into those assets. Complicated financial and legal—

CHAIR: We are going to have to wrap it up.

Mr PITT: One final point—

Mr NICHOLLS: Complicated legal structures—

Mr PITT: One final point—

CHAIR: I call the meeting to a close for the lunchbreak. Thank you very much. We will resume from the lunchbreak at 1.15 pm.

Proceedings suspended from 12.01 pm to 1.15 pm

CHAIR: Thank you, Treasurer. Welcome back. The committee will now resume its examination of the portfolio of the Treasurer and Minister for Trade, including Queensland Treasury and QIC Limited. I call the member for Mulgrave.

Mr NICHOLLS: Just before we adjourned for lunch there was a question in relation to the GOCs and the break up.

CHAIR: Yes.

Mr NICHOLLS: The Under Treasurer has an answer and I think he is prepared to put that into the record right now.

CHAIR: Thank you, Under Treasurer.

Mr Gray: Thank you, Chairman. The information that was requested was in relation to further disaggregation of figures in Budget Paper No. 2. In respect of dividends I will read the figures across for the various years. This is 2013-14 estimated actual, 2014-15 forecast, 2015-16 forecast, 2016-17 forecast and 2017-18 forecast. I will do that for each of the dividends for each of the entities. For CS Energy Limited dividends will be zero in 13-14, 14-15, 15-16—

CHAIR: Mr Gray, would you like to table that or just read it?

Mr Gray: Just read it.

CHAIR: Okay.

Mr PITT: With respect, it is more difficult to ensure that there are no mistakes made. I think for clarity a tabled document would be appreciated.

Mr NICHOLLS: It will be in Hansard.

CHAIR: He is providing the answer. That was the answer to the question. So, continue.

Mr Gray: For each of the years up till 16-17 the dividend for CS Energy Limited is zero. In 16-17 it is forecast to be 49.1. In 17-18 it is forecast to be 48. For Energex Limited the figures are 370.2, 370.8, 203.3, 187.1, 318.0. For Ergon Energy Corporation Limited the figures are 393.2, 461.7, 378.0, 362.0, 395.7. For Powerlink Queensland 165.4, 174.9, 179.9, 218.0, 164.3. For Stanwell Corporation the figures are 69.8, 98.2, 194.5, 217.9 and 236.7. For Ports North the figures are 4.3, 3.5, 3.7, 3.1, 5.7. For Gladstone Ports Corporation Limited 47.5, 49.1, 64.1, 81.4, 84.1. Far North Queensland Bulk Ports Corporation Limited 20.9, 15.4, 19.9, 22.4, 24.0. For Port of Townsville Limited 12.9, 14.8, 19.3, 23.8, 27.1. Queensland Rail 167.3, 181.3, 188.9, 197.9, 177.4. For SunWater Limited 33.0, 41, 63, 49 and 60. For Seqwater zeros across all the years. For other water 4.7, 9.7, 10.1, 9.7 and 9.6. That gives a total for the GOC sector of 1289.1 in 13-14 estimated actual, 1420.3 in 14-15 forecast, 1324.7 15-16 forecast, 1421.4 16-17 forecast and 1550.6 17-18 forecast and they reconcile with the numbers in Budget Paper 2 Table 7.3.

Turning to a disaggregation of the tax equivalent payments from Table 7.4 in Budget Paper 2, again reading across the years, for CS Energy Limited 0, 0, 0, 23.8, 20.2. For Energex Limited 109.6, 53.4, 194.2, 195.0, 212.3. For Ergon Energy Corporation Limited 0, 247.4, 202.5, 193.9 and 212.0. For Powerlink Queensland 87.4, 88.5, 90.2, 111.9, 82.8. For Stanwell Corporation Limited 84.7, 56.2, 112.3, 126.5, 145.1. For Ports North 4.5, 2.9, 2.5, 3.9, 4.3. For Gladstone Ports Corporation Limited 26.3, 26.3, 34.3, 43.6, 45.1. Far North Queensland Bulk Ports Corporation Limited 11.3, 8.9, 11.4, 12.8, 13.6. Port of Townsville Limited 7.1, 8.1, 10.2, 13.4, 15.4. For SunWater Limited zeros across all years except 44.4 in 17-18. Queensland Bulk Water Supply Authority, Seqwater, zeros across all years and other water 6.6, 6.9, 6.8, 6.7 and 6.6. Giving total tax equivalent payments for all GOCs of 432.1 in 13-14 estimated actual, 604.3 in 14-15 forecast, 755.5 in 15-16 forecast, 829.4 in 16-17 forecast, 891.0 in 17-18 forecast. Again reconciling with the bottom line in Table 7.4 of BP2.

CHAIR: Thank you. Just to ensure accuracy and for the help of Hansard could we table that for the sake of *Hansard*?

Mr NICHOLLS: We are happy to check *Hansard* when it comes out.

CHAIR: Okay. Fantastic. Thank you very much. Member for Mulgrave?

Mr PITT: Thank you, Mr Chair. I just might say that if I haven’t seen an example of trying to delay release of information before then that is certainly a very good example. I am astonished that the committee’s time needed to be taken when a document could have been tabled.

CHAIR: Do you have a question?

Mr PITT: I refer again, Under Treasurer, to the answer you provided to the Leader of the Opposition with regards to internal reallocations in the Strong Choices campaign. You provided, from my recollection, a 2014-15 figure and certainly we have read the question on notice answer provided. We are seeking to get what the full allocation is, including internal reallocations for this campaign. Will you provide that?

Mr NICHOLLS: Mr Chairman, we have answered a question on notice, question on notice No. 2, we have budget measures paper No. 4 which has got the details of the spending that has been made by the document. The Under Treasurer has already answered the question and said the figures are the figures that are presented in the budget papers. It is a little difficult to see what more he wants. I have said we are spending a considerable amount of money in respect to the Strong Choices campaign. We have detailed that with an $80 billion problem that is costing us $4 billion a year in interest this is a campaign that we believe ought to be strongly supported by the government to ensure people are informed. I am not sure how much more information in that sense that we can give to the honourable member.

Mr PITT: We are simply seeking a full allocation. I don’t think, with respect, that the question around internal reallocations has been answered in full. We were provided with a 2014-15 figure.

CHAIR: That is the Treasurer’s answer, member for Mulgrave.

Mr PITT: I will move on. Thank you. Under Treasurer, in the Strong Choices advertising campaign Queenslanders are presented with what could be potentially funded with a $4 billion per annum investment in the event that the state had no debt. So we are talking here about what could be spent using the $4 billion in savings as it has been suggested yet the government’s proposed asset divestments are to lower interest costs by $1.3 billion per annum which is likely to be cancelled out by the loss of dividends, competitive neutrality fees and tax equivalent payments from the businesses sold. Why was the advertising framed as if the options presented were to remove all state debt and why weren’t the loss of returns from government businesses mentioned at all?

Mr Gray: Thank you, Mr Chairman. The $4 billion interest cost was illustrative of the costs that would be avoided if the $80 billion of debt could be totally removed. Obviously removing $80 billion of total debt is extremely difficult to achieve and that is not intended. The $4 billion was simply an illustration of what it is costing the government at this point in time. The $1.3 billion is the cost savings from reducing the debt by $25 billion. The Strong Choices document doesn’t indicate at any point that the $1.3 billion will be spent on new infrastructure. The new infrastructure proposals of $8.6 billion in expenditure come from the proceeds of the asset sales.

Mr PITT: Under Treasurer, again referring to page 15 of Budget Paper 2 which says that the proceeds from the government’s proposed asset divestments ‘could potentially deliver $33.6 billion’ and that ‘this would result in the debt estimate in 2017-18 of $82 billion being around $57 billion’. I note that this advice is contradicted in the answer to question on notice No. 6 to this committee which said that the debt would go from $80 billion to $55 billion. On Treasury’s fact sheet on the non-share equity interest model for the electricity network it states that ‘the private sector contribution will equate to the net funding for the capital expenditure requirement and therefore represents new capital injections’. Under Treasurer, what is the net funding requirement or expected private sector contribution for the electricity network to 2017-18?

Mr Gray: The financing requirement will be (a) to refinance the debt of the existing entities so that the QTC debt will be replaced by private sector debt. My recollection, and I stand to be corrected, I think there is something around $15 billion in debt, but I would need to check that figure, something like $15 billion in debt, which would need to be—the term is actually deconsolidated or QTC debt refinanced with private sector debt. Then there would be the need to finance the future capex requirements of those entities over that period of time. There was a figure I think some time ago of about $14 billion. I think that has been reduced as a result of efficiencies and changes in the capital requirements of those entities, but it is in the vicinity of $10 billion to $14 billion.

CHAIR: A question for you, Treasurer: the Toowoomba second range crossing is another important piece of infrastructure linking the Darling Downs, the Lockyer Valley and other parts of south-western Queensland. Can the Treasurer outline what sort of milestones we can expect to see in the crossing’s development?

Mr NICHOLLS: Thank you, Mr Chairman. Can I say the Toowoomba second range crossing is one of the substantial achievements of this government and also of our colleagues at a federal level, something that has been promised and spoken about for years—probably two decades—and that the former government singularly failed to deliver: drew plans up, did business cases, but never actually achieved anything. We are now in a position where, as a result of the hard work that we have done, and in particular the work of Projects Queensland within Treasury—if you like, the commercial advisory arm within Treasury—we are now in a position where we have entered into an MOU with the federal government, the federal coalition government also recognising the importance of opening up those vast productive regions of the Darling Downs and the Surat Basin. So, an approximately $1.7 billion project linking the Darling Downs, the Lockyer Valley and other parts of south-western Queensland, a 41-kilometre road and tunnel project joining the Gore Highway west of Toowoomba, just beyond that other piece of privately financed infrastructure, the Wellcamp Airport, or as the developers, the Wagners, euphemistically describe it, Brisbane West. But nonetheless, it just indicates the opportunities in Queensland, the opportunities to grow two of the productive sectors almost immediately, agriculture and resources, but also looking then at what we are able to do around tourism by opening up direct flights into Toowoomba and providing a faster and speedier connection from Toowoomba to Brisbane and other parts of the region, opening up that part of the world—and, of course, during the phase of building it supporting the construction industry as well. So really hitting on all four pillars that this government is working on.

I am pleased to say that the procurement for the Toowoomba second range crossing is well underway and we are getting on with the job of delivering that for the people of Toowoomba and its surrounds. The infrastructure will boost economic activity in the region by about $2.4 billion and it will create 1,800 full-time equivalent jobs.

It will take approximately 4,000 trucks around the city centre. Instead of that traffic jam, as anyone who has been in Toowoomba in recent times knows, from 3 o'clock onwards through Margaret Street and James Street, it will take those trucks out of the heart of the town and move them around the city centre, not only saving time for the trucks but, importantly, improving the quality of life for the people of Toowoomba and reducing the operating costs by about 25 per cent, thereby helping reduce the cost of freight, the cost of goods and the cost exports. About 80 per cent of the heavy and super-heavy vehicles will be redirected away from the existing crossing and that will contribute to a safer network for the region. It will link Brisbane, as I said, with the food bowls of the Darling Downs and the resource-rich Surat Basin, and it will increase freight efficiencies. It is one of the top 3 infrastructure priorities for this government. We went to the last election with this as one of the top 3 infrastructure priorities and we are delivering on it, as we said to the people Queensland we would.

Before we go too much further, it is important that we go through what we have been able to achieve. On 31 January this year, the Commonwealth and the Queensland governments released the registration of interest and announced joint funding for the project. By the close of the period for registrations of interest on 7 March, we had received more than 60 submissions and those submissions were from all around the world. This demonstrated the strong interest there is from local, national and international contractors, financiers and operators in delivering this project. The Commonwealth and Queensland governments have committed to fund the cost of the project on an 80\20 basis, subject to the bids received, demonstrating value for money. Again, if I can just return to the theme of this government, which is that these things are done in a very planned and methodical manner. This is not some rush to build a water grid that leaves gravel lying on one side of the road and pipes lying on the other side of the road, and orders going backwards and forwards and being done on a do-and-charge basis—'Just send us the bill at the end of the day'—like the former government indulged in. This is being done to a plan, in conjunction with our federal colleagues, to ensure we get good value for money for the people of Queensland and the people of Australia, who are also making a contribution to it. This is no headstrong rush or headlong rush into building things for the sake of building them. This is part of our plan to build the economy with proper well-costed infrastructure.

On 13 May, the federal budget confirmed $1.285 billion available for this project and on 3 June in my budget we followed suit, confirming $321.25 million of commitment for the project. We issued the invitations for expressions of interest on 4 June, that is, the day after I released the budget to the House. We had up to 130 consortia representatives, along with various financiers, operators and contractors attend the industry briefing a little over a week later on 12 June. I was unable to be there, but in attendance was the Acting Prime Minister, the Hon. Warren Truss. I thank Warren, the Deputy Prime Minister and then Acting Prime Minister, for his willingness to work with us on this very important project. Also in attendance were the Minister for Transport and Main Roads, the Hon. Scott Emerson, and the member for Groom, the Hon. Ian Macfarlane. Together with the member for Toowoomba North, Trevor Watts, and the member for Toowoomba South, the Hon. John McVeigh, they have been fierce advocates for making this project a reality for their region. Also present was the member for Lockyer, Ian Rickuss. Of course, the road commences in the Lockyer Valley before progressing up the range and joining the Gore Highway. We also had the new senator for Queensland, Matthew Canavan, who I note delivered his first speech to the Senate last night. I was fortunate enough to be emailed a link to that interesting speech. I commend to members viewing Matthew's 25-minute contribution. Also present was Toowoomba Regional Council Mayor, Paul Antonio, who is also very keen to see the project conclude.

The period for expressions of interest closed just yesterday and Projects Queensland will now evaluate the submissions to identify suitably qualified and experienced parties to be short listed for the next stage of the procurement process, the request for proposals phase. We expect to announce the short listed proponents in September and release the request for proposal documentation shortly thereafter. The short listed proponents will also be invited to participate in an interactive tender process with the state during the latter part of this year. We will be seeking innovative proposals from the private sector that can deliver a world-class asset and drive value for money. RFP proposals are due for submission in the first quarter of 2015, following which we will evaluate the proposals with the aim of having the preferred proponent selected and the contracts closed or reaching financial close shortly thereafter, probably by mid-2015. Construction will commence soon after contract award and it is expected to be a big project and take three years to complete. It should be operational in mid to late 2018.

I believe that it is a testament not only to this government but also to the Commonwealth government that we have been able to progress something that had languished for 20 years to the stage where we will have people on the ground digging holes next year. It is such a short period for what is undeniably an enormous project. In fact, it is probably the largest Commonwealth and state jointly funded transport infrastructure project ever undertaken in regional Australia, let alone Queensland. We have funding commitments supporting the delivery of the project. We have the attention of contractors, not only from here in Australia and not only the Asia-Pacific region, but also from around the world, from Spain, from Italy, from the United Kingdom and from France. A strong bidding field will support competition and enable, we believe, the delivery of value-for-money outcomes, thus opening up that great region, that mighty part of Queensland, that is in many ways the food bowl for the south-east corner, as well as providing the economic benefits of the LNG boom.

CHAIR: Thank you, Treasurer. The member for Stretton has a question.

Mrs OSTAPOVITCH: Thank you. I have a question for the Under Treasurer. Could you please outline the Queensland Treasury and Trade achievements for 2013-14? What are the QTT's objectives for 2014-15?

Mr Gray: Thank you for the question. At the outset, can I say that I am very proud to have the opportunity to lead an organisation with an outstanding record of serving various governments over a very long period. In my memory, that dates back to the legendary Sir Leo Hielscher, whom the Treasurer mentioned this morning. As I say, over a long period it has been an outstanding organisation with highly professional people.

In 2013-14, Queensland Treasury and Trade has been heavily focused on contributing to the government's primary objectives of building the state's financial strength and boosting economic growth. Our headline achievement for the year was delivering the 2014-15 state budget, which presents the government's strong plan for a brighter future and forecasts a genuine fiscal surplus the following year, 2015-16; the first in a decade. That budget was formulated in the context of the government's Strong Choices campaign, which will evolve into a plan of action for resolving Queensland's $80 billion debt problem. The Treasurer has indicated that the final plan will be scheduled for release in September and we will be working on that.

In direct response to a Commission of Audit recommendation, Queensland Treasury and Trade is leading a government-wide program of reforms that will promote best practice in social services investment and provide service providers with a better way of doing business with the Queensland government. We successfully launched the procurement process for the Toowoomba second range crossing, which the Treasurer has just talked about. It is the largest Australian government commitment to a single regional road project in Queensland history. We also awarded contracts for major infrastructure projects, including PPPs for new generation rolling stock, a package of 10 new schools in South-East Queensland and the government wireless network that will be in place for the G20 summit later this year. Through the Office of State Revenue, we managed some $12.6 billion in both revenue and grants, including reaching a total of over $96 million in Great Start grants for first homebuyers. In fact, by the end of this calendar year we will have paid out over 7,000 grants. In keeping with the government's position on maintaining a business friendly environment, we continued our leadership of the government's red tape reduction program, including releasing an interactive database of red tape reforms and keeping business and communities informed with a series of red tape report cards.

Our statisticians provided the government with a sound basis for decision making with a range of statistical products and services. During the year we released the index of retail prices in Queensland regional centres for 2013, which allows the government to compare the cost of living between Brisbane and selected regional centres. We also helped the Queensland Schools Planning Commission by updating demand maps for school infrastructure, enabling the government to identify schools most in need of infrastructure funding and support. We have also made some organisational refinements to build on our core strengths, clarify lines of accountability and improve our capacity to play a more proactive and leading role in delivering the government's renewable agenda.

The coming year will present some challenges for the Queensland economy and also for the department in supporting the government. Volatility in financial and economic conditions, both globally and at home, will remain and the impacts from the Australian government budget decisions and the National Commission of Audit recommendations are yet to be fully understood and realised. Pressure on business and personal finances may impact on debt recovery and variations in receipts based on coal, oil and gas and mineral royalties are likely to manifest in ongoing revenue volatility. The bill from natural disasters of recent years also remains or our books and is yet to be worked through fully.

So for 2014-15, our overriding objective is to continue to support the government's drive for secure finances and a strong economy. We will bring to fruition many of the challenges we set during 2013-14 and commenced the task of doing during that year, including supporting the government on finalising the Strongest and Smartest Choice plan of action for release in September; drafting a charter of budget accountability that will address the government's commitment to strong fiscal management accountability and transparency; delivering the social services reform program, including improvements to grants administration; continuing with the infrastructure and services Queenslanders need, including selecting the private sector proponents for the Toowoomba second range crossing, and the bus and train project will also get underway; implementing a new business model for the State Penalties Enforcement Registry that will include private sector involvement, particularly in the debt recovery function; beginning a program of reform in the Insurance Commission that will look at issues in Queensland's compulsory third party scheme and service delivery options, again involving potential private sector participation in things such as claims management; reducing red tape and streamlining regulatory processes to reduce the burden of compliance for industry and community and also, critically, reducing the cost for government. We will continue to support the Queensland government's interests in the area of Commonwealth/state financial relations. Particularly in 2014-15 we will be engaging very actively with the Commonwealth Grants Commission in its 2015 methodology review for the distribution of the GST, doing our best to ensure that Queensland gets its fair share when the methodology is determined. There is a great body of work going on at this point in time; complex methodological issues that we are addressing in consultation with the commission. All of our achievements and objectives are underpinned by our commitment to public sector renewal and support for the government's goal of creating the most responsive and respected public service in the nation.

CHAIR: Thank you, Under Treasurer. The member for Gladstone has a number of questions.

Mrs CUNNINGHAM: Thank you, Mr Chairman. Treasurer, in the 2014 budget and in the forward estimates, are income levels for these financial years predicated on increased royalties for commodities, including coal and bauxite, and are there any proposals to increase or change, as I have said, royalties or the domestic royalty differential?

Mr NICHOLLS: Sorry: are there any proposals to increase royalties or to—

Mrs CUNNINGHAM:—or to change the domestic royalty differential?

Mr NICHOLLS: Domestic royalty differential: no.

Mrs CUNNINGHAM: That was quick. I believe previously you have confirmed that the contractual rights of people involved at the port, both business and council and community, will be preserved and protected in any long-term lease of the port. However, if the government effectively creates an unregulated monopoly by the lease process, how could potential problems such as port congestion, the cost pressures such a monopoly could create, and potential opportunity loss impacts on Queenslanders through reduced revenue to the state, impact the operation of major industries in my electorate, with job losses that would be the result? How will that be forestalled?

Mr NICHOLLS: I thank the member for raising an issue of considerable weight in terms of the consideration of the sale of things. We have seen here in Queensland with the former government's sale of the Port of Brisbane that there has been continued investment in the port at Brisbane and continued expansion of the facilities there.

So rather than, in fact, turning off the switch, the new lessees of the port of Brisbane, under a long-term lease, are in fact continuing the expansion of the port. If you go on the other side of the river from my electorate you can actually see the expansion of the port wall and the bunded areas as they continue to reclaim more land in order to expand port operations down there. In fact, if you go on the river you will also find some very good fishing up against the new port walls down there. I know that that is a place where you can get some good squire on a good day with the tide running the right way. So the investment we would expect to see in the port will continue.

In Gladstone, of course, the large bulk of the recent expenditure has been private expenditure. Curtis Island has been built not by taxpayers but by the companies themselves. More recently, the Wiggins Island coal terminal has been built by private funds, not by the state. This really indicates the appetite for the private sector to grow a business. It is my firm belief that the private sector, particularly in these infrastructure assets, invests to grow those businesses, not to see them become smaller. I reflect on some of the comments I made previously, including the comment about the New South Wales Hunter Valley coal network, which in fact grew and employed many hundreds more people.

In terms of the regulatory environment, I think it is fair to say that the provisions of either the Queensland Competition Authority legislation or the national competition authority legislation in relation to a monopoly asset would apply. That is, if someone in a monopoly position was in fact engaging in monopolistic behaviour—that is, not acting in a competitive way—they would be subject to regulation or the threat of regulation by either the Treasurer of the state of Queensland—myself—or the national competition authority. So there is a very big sword of Damocles hanging over the head of someone who acts in a monopolistic way to either restrict competition at the port or charge economic rents by overcharging for the use of that facility. We have a number of mechanisms to deal with monopolistic behaviour in a port. They are the Queensland Competition Authority—the threat of regulation; that is, the government and the QCA working to set a price—and the national competition authority, operating under the national competition principles, who have a similar power to ours in order to do that.

This is, I guess, one of the considerations that government will look to in terms of setting up the framework should we receive a mandate to proceed with the lease of the port of Gladstone and similarly the port of Townsville. I do make the point that in Queensland we have a variety of ports up and down the coast, including bulk-coal-handling ports, whether that is at Dalrymple Bay, Hay Point or Abbot Point. Brisbane itself is a coal-exporting terminal, as is Townsville potentially, to a limited extent, although probably less likely.

There are a couple of, I guess, policy issues that have to be determined in relation to competition, together with the existing powers that the state holds through the Queensland Competition Authority and the Queensland competition act, to regulate a monopoly, together with the national competition policies. In effect, there are a number of restraints, if you like, on an owner or an operator of a port acting in an anticompetitive way either to frustrate expansion or to charge economic rents—to charge above what would be deemed to be a commercial price for the delivery of those services.

Mrs CUNNINGHAM: Thank you. We have heard a lot today and previously in parliament about the benefits to Queenslanders with the sale of these assets or the lease of these assets. Indeed, I asked a question in May about how the Gladstone community could be confident that there would be benefits to them. You stated—

The community of Gladstone is likely to benefit from the allocation of money to that region from the Strong Choices Investment Program.

Whilst it could be argued this is not a direct budget issue, much of the success of the budget into the future is predicated on those privatisations and long-term leases. The Gladstone community has been spectacularly unsuccessful in the Royalties for the Regions rounds, even though it met all of the criteria in terms of being a region impacted by LNG. Whilst you say in this particular answer that 'Gladstone is likely to benefit', if one of those pieces of industry is intrinsic to Gladstone, because of both its geographical location and its operation over time with the community, can there be a more confirmed way of showing the people that if they lost the port, which is how they view it, there would genuinely be a benefit to them rather than 'is likely to benefit'?

Mr NICHOLLS: Let me go back, if I might, to the original premise of your question—that is, the success of the budget is predicated on the Strong Choices program. The budget does not include any numbers from the Strong Choices program. The budget numbers for 2014-15 and the forward forecasts are on the basis of a no-asset-transactions program. If there were to be no change to the way we are doing things then the budget repair task we have outlined would continue, subject to whatever any subsequent government might choose to do. So our budget already sets out the plan to return to a fiscal surplus in 2015-16, and it does that without the need for these asset transactions. None of the numbers we are talking about in the Strong Choices program is incorporated into any of the budget figures that we have in front of us here.

The work we have done in the budget to fix the state's finances is the culmination of the decisions we made on coming to government in our first budget and the continuation of those decisions in our second budget. The current budget and the forecasts are all predicated on not proceeding with asset transactions. I guess that is the issue. If we do not proceed with asset transactions, once we get a little further down the track then we start going back into the red. That is what the economic choices document shows us. That is the document that I mentioned, which I tabled in March and I provided at the community meetings that we went to around the state. It shows the descent back into debt and deficits that we would face because we will not be able to earn enough revenue, on the current forecast, to meet our obligations into the future. I think it is important that we get that straight. The budget is not forecast on the asset transactions that we are proposing; it is forecast on what we know and what the current state growth is likely to be. I think that is important.

The reason we are undertaking the asset transactions is that we want to get a better outcome longer into the future. We need to pay down that $80 billion worth of debt so that we can build the schools. We have 10 schools being built over the next four years under a PPP, but we are going to need more. We have hospitals currently being built, but we are going to need more. Gladstone is a perfect example, and we have had a discussion about that. That is what the Strong Choices program is about.

In terms of your electorate, as I understand it there is $1.3 million going to ensure communities have access to essential services during backwater flooding from the Awoonga Dam by constructing a bypass road. There is $12.7 million to upgrade the Kin Kora roundabout to a four-way signalised intersection. Over and above that, this year there is funding, as I am sure you will appreciate, for reconstruction works on the Benaraby-Rockhampton stretch of the Bruce Highway. There is $2 million to improve the highway intersection north of Benaraby. That is federal money. We are looking at the Mount Larcom road north of Gladstone, the Dawson Highway-Kin Kora intersection upgrade and various other roadworks. There has also been an increase for Central Queensland hospital and health funding of $850,000 for the Gladstone Ambulance Station refurbishment, as I understand it. There is additional funding of $1.76 million to schools in the Gladstone electorate under the Great Results Guarantee program. There is $3 million of up to $6.6 million for education facilities at Gladstone State High School for the move of year 7, and there is $1.75 million of $4 million to improve the health of the Gladstone harbour and further funds to ensure inspection and compliance of CSG activities.

There are some substantial amounts of money going to Gladstone. In terms of the proceeds of it, we have put together a fund of funds and we have allocated $1½ billion notionally to the Rural and Regional Roads Fund. We have a future schools fund of a billion dollars and a community hospitals fund of $300 million together with a Local Government Co-Investment Fund of $500 million. We are asking people all across the state until 15 August to send us in their suggestions for where those funds should be allocated. I would encourage all members and all people interested in those funds to send in their submissions, whether they are local, regional or statewide. Then the government will commence the process of allocating those funds so that people can have some certainty about what they can expect as a result of these asset transactions, should they proceed.

At this stage we are still in the process of making that decision. Having said that, I have indicated to you before that I am very alert to the feelings of the Gladstone community. I did take on board the comments that were made to me by the mayor and the deputy mayor in relation to it and your comments, particularly concerned around the provision of additional hospital services and the state of the Gladstone Hospital and the value that that adds to the decisions made by international companies about where to employ people and what services they provide. While we are going through that process, I would not like to pre-empt the information that we are seeking from people. That decision will be made on 15 August. We will be making it clear how we believe those funds should be spent well in advance of any decision that needs to be made by the people of Queensland.

I do take into account your comments. I also have similar comments, it is no surprise to you, in relation to the port of Townsville. I know that the mayor of Mount Isa believes that he should receive a share of it because things that are shipped out through Townsville originate in Mount Isa. I also have comments in relation to the Stanwell energy corporation in relation to the location of the generating assets there and their contribution. I think you can accept very much that I am aware of the competing claims that are going to be made on any potential funds out of those areas. I do note your comments about Gladstone.

Dr FLEGG: Treasurer, could you outline for the committee the increased funding for key front-line departments—what they have received since the Newman government came to office? Could you point to any data that would show that the Newman government's plan to revitalise front-line services is bearing fruit?

Mr NICHOLLS: Thank you, member for Moggill. In light of my rapidly deteriorating vocal cords, I might at this stage ask if it would be acceptable to you if the assistant minister, who is briefed on these matters, responds on my behalf.

Dr FLEGG: The assistant minister would be more than adequate.

Mrs FRANCE: Thank you, Treasurer. As the member for Moggill knows, the government went to the 2012 election with a promise to revitalise front-line services for families. I am pleased that the 2014-15 budget continues on the strong progress we have already made in this regard. As a result of strong decisions, a disciplined approach to expenditure and better management have been able to invest more in the delivery of services across Queensland. In the 2014-15 budget, education funding increased by seven per cent to $11.8 billion. This was in addition to the 6.6 per cent increase in the 2013-14 budget. The 2014-15 budget provided for 267 new police officers, and this was in addition to the 267 new police added in the 2013-14 budget. This is part of our commitment to provide an additional 1,100 police officers over four years.

In the 2014-15 budget Health funding increased by six per cent to $11.6 billion. This was in addition to the 4.5 per cent increase in the 2013-14 budget. The Health budget is now more than $2 billion larger than when the LNP came to government. This increase in funding is certainly welcomed in my community and particularly in my family given I had to take my five-year-old to Caboolture Hospital two weeks ago. I was very pleased to see that there was excellent, professional and very fast service provided by the doctors and nurses at Caboolture Hospital.

This year I was particularly proud to see the $406 million funding commitment to ensure the successful implementation of the recommendations from the Carmody inquiry into child protection. The Newman government's plan to revitalise front-line health services has also resulted in Queensland having the lowest median wait for elective surgery in Australia of 27 days compared to the average for the other states of 40 days.

Queensland's emergency department presentations completed within four hours improved to 75 per cent in 2013, up from 63 per cent in 2011. Ambulance response times improved by 66 seconds from 2012 to 2014. We have slashed the long-term dental wait list from 62,513 to 103. That is a decrease of 99.8 per cent. For those people needing to use hospitals across Queensland it now means that they get an ambulance quicker and they certainly get treated at hospital a lot quicker. That is exactly what you want if you are sick.

The Newman government's plan to revitalise front-line services has also resulted in the number of trains running on time increasing from 85 per cent in 2012 to 96 per cent in 2014. Social housing waiting list applications have fallen by 36 per cent from March 2012 to March 2014.

In terms of increasing the number of police on the beat, as at 31 May 2014 police numbers have increased by 764. Crime rates are down across-the-board. The overall rate of total crime reported a two per cent decrease and offences against the person reported a six per cent decrease. The rate of offences against property decreased by 11 per cent.

We have also allocated an extra 761 new teachers and teacher aides in the budget. This has certainly been welcomed by the schools in my electorate.

Trains are now running on time in South-East Queensland, with 95.8 per cent on time running performance for rail services across South-East Queensland. We also have a thousand more rail services a week. These are all significant achievements and they signify what can be achieved and delivered if a government shows a strong commitment to budget discipline, efficiency and achieving value for money.

CHAIR: I call the member for Moggill.

Dr FLEGG: My question is to the Treasurer or assistant minister. Could you highlight how recent changes to the Duties Act 2001 will provide greater flexibility to Queensland farmers when it comes to their succession planning?

Mr NICHOLLS: Thank you, Dr Flegg. We have made some changes to the way we treat, for concessional purposes, interfamily transfers for primary production. Previously the concession was only available where the property was gifted from lineal descendants—so father and mother to son or daughter, more normally father to son, but that is changing, or parent to child or grandparent to grandchild.

We know that times are changing and that that is not necessarily the easiest way to ensure the continuation of the family farm. In order to support that and following a number of representations made to me at a number of community cabinet meetings held around the state, we thought it would be worth having a look at. As a digression, this goes to show the value of our community cabinet consultations. As we travel around the state we realise that there are different issues that affect different people, whether they be in North Queensland—in Cooktown where community cabinet recently went following the floods and cyclone up there—or in regional areas such as Toowoomba, Warwick and other places we have travelled to.

An issue that has certainly been raised with me and my previous assistant minister, the member for Nanango, is how we can more easily facilitate interfamily transfers of the family property. The previous concession, as I said, was for a direct line—parent to child or grandparent to grandchild. It would not take into account, for example, one member of a family transferring it to a niece or nephew. In many instances, particularly with rural properties, that is the ownership structure. Perhaps two sons inherit a property off a father. Then they have gone and built that property up. One family's children may not be particularly interested in staying on the property—they have gone and made other career choices—but another one's is. They then become the owners. You can see how it would fracture as it goes down through the generations. It inherently costs more and leads to more complex structures, trusts, family companies and those sorts of things.

For the sake of a simple amendment to the Duties Act we are now able to facilitate gifts between non-lineal family members. As part of the budget this year we introduced changes to the Duties Act 2001 so that an owner can now gift farming land and property to their niece or nephew or their brother or sister.

There are quite a number of opportunities for that concession to occur. I will use the technical terms. I have the Commissioner for State Revenue here so she will be pleased to know that I am following her instructions. A spouse can now be included. Parents can be included. Parents in-law can be included. A step-parent can be included. A brother or brother-in-law or their spouse can be included in the transfer. A sister or sister-in-law or their spouse can be included as the transferee. A nephew or niece or their spouse or a transferees spouse can be included or an aunt or uncle. As a result of this amendment we are more than doubling the number of people who can be transferees without incurring a duty.

It goes some way to helping people in the bush who often times suffer the cycles of drought, flood and famine. At the moment we have a drought which is causing substantial hardship on the land. We are doing what we can in a practical way to alleviate that by facilitating interfamily transfers and ensuring that the family farm does remain in the family. We are supporting small businesses and the productive family unit without imposing additional duty on them for what I think most people would regard are common-sense transfers amongst the parties. This is something that we have been very pleased to be able to do in this budget to support people in the regions and on the land.

CHAIR: The member for Stretton had a question.

Mrs OSTAPOVITCH: Treasurer, could you outline the red-tape reduction initiatives planned for 2014-15 and the engagement program with Queensland businesses?

Mr NICHOLLS: Mr Chairman, as we have the Assistant Minister for Finance and Regulatory Reform with us—and this is one of the areas that she will be asked to consider in her new role—again I might ask her to report back on what we have done so far, if that is acceptable.

Mrs FRANCE: The government will progress a wide range of major red-tape reduction initiatives in 2014-15 as part of its ongoing commitment to reduce unnecessary or burdensome regulation. Many of these reforms will support the four pillars of our economy—tourism, agriculture, construction and resources.

In tourism, planned reforms will streamline national park permit processes, increasing access to parks and other public lands and reducing the administrative burden for customers and staff. A single authority and tourism permit for commercial operators in the Great Barrier Reef World Heritage Area will reduce administrative costs for operators while providing one interface with government in relation to permitting requirements.

In agriculture, the review of the beef industry regulation will identify where best practice regulatory outcomes are being achieved and where reforms can further reduce compliance costs. The fisheries review will deliver a better and more simplified regulatory framework for the state's commercial and recreational fishers.

In construction, reviewing and amending the Building Act, the Plumbing and Drainage Act and the Queensland Development Code will further reduce red tape. The review of Queensland's property laws will reduce regulation, removing duplication and streamlining the process for buying and selling and managing property. Amendments to the State Development and Public Works Organisation Act will streamline development assessment and approval processes in state development areas.

In resources, planned amendments to the Building and Construction Industry (Portable Long Service Leave) Act will provide more transparent guidelines and reduce industry costs. Resource tenure reform will consolidate and reprioritise existing reform initiatives to deliver on the government's commitment to modernising Queensland's tenure framework. This has certainly been welcomed by the resources sector in Queensland. Changes to the mining lease notification and objection process will remove duplication for industry participants.

Many other reform initiatives are also planned or are already progressing across all key sectors of the economy, including reducing red tape for our vital not-for-profit and community organisations as well as families and individuals.

In 2014-15 the government will continue to consult with Queensland businesses on red tape and regulatory reform issues through our business advisory forums, red tape round tables and special events such as Queensland's Small Business Week. The government will also continue direct consultation with industry peak bodies and individual business owners to identify opportunities to make it easier to do business here in Queensland. In addition, businesses, not-for-profit organisations and individuals can provide feedback at any time on unnecessary or ineffective regulation through the Office of Best Practice Regulation's red-tape feedback mechanism.

The government also strongly encourages businesses to have their say on all major reforms through the release of formal discussion papers, regulatory impact statements and direct consultation with affected stakeholders and interested parties. We will also continue to provide advice to businesses on the progress of the government's regulatory reform efforts through regular red-tape report cards and the government's interactive database of key red-tape reforms, both of which are available on the Treasury and Trade websites.

CHAIR: I thank the assistant member. The member for Mulgrave has a number of questions.

Mr PITT: Treasurer, how much has Treasury spent on the Phillips Group consultants to date? Will you release the full list of all consultancy costs in the consultancy register from 1 January 2014 to 30 June 2014 so that Queenslanders can know how much of their taxpayers' dollars are going to pay for these consultants?

Mr NICHOLLS: In terms of the Phillips Group—

Mr PITT: In doing so, I wish to table a *Brisbane Times* article that relates to the Phillips Group and the hiring of them as consultants.

Mr NICHOLLS: In November 2013 Treasury approached the market to engage a strategic communications consultant. Invitations were issued to five parties and four submitted offers. We asked five groups to submit offers and four chose to do so. We then went through a merit based process. The Phillips Group was appointed in January 2014 on the basis of a value for money assessment, including best understanding of the nature of the task.

The initial engagement was for a period of six months. However, this has been extended to the end of September 2014 to meet operational requirements. Two consultants are currently embedded full-time in the department and are supported by additional consultants, presumably externally, for extra capacity if needed. This was work that was undertaken primarily at the request, as I understand it, of the Under Treasurer. I do not know whether the Under Treasurer may wish to provide some further information on that? I am happy to pass to him.

Mr PITT: That would be appreciated.

Mr Gray: Thank you, Treasurer. Just to add to that, yes, what the Treasurer has indicated is the process that was followed. I had initiated this process because, when I first joined the department in November last year, in assessing the needs and capacity of the department I felt that there was a need to supplement our existing resources in communications and build an additional strategic capacity to handle a large number of issues that the department was confronting, so that led to that process which the Treasurer has described. I think in answer to the specific question of the honourable member, the cost of the contract to 30 June was $384,389 excluding GST.

Mr PITT: Thank you, Under Treasurer. I want to move quickly to Infrastructure Australia. In their October 2012 report on the sale of assets to invest in infrastructure, it is stated—

Obviously transfer should ... only occur where the proceeds from sale exceed the retention value of the asset.

Has Treasury calculated a retention value for each asset identified as part of the proposed $33.6 billion divestment program and, if so, will these retention values be released publicly and if not why not?

Mr NICHOLLS: I am happy to give a bit of a general answer. In terms of where this fits into the question of expenditure given that there is no aspect of asset transactions that is reflected in any of the budget documents—that is, there is no expenditure based on any asset transactions—nor, as I indicated to the member for Gladstone, are any of the assumptions in the Strong Choices program taken up in these documents, I am a little sort of in your hands as to how this relates to proposed expenditure by the department. Let me say this though—

Mr PITT: Not to be difficult, but I just thought I would point out, Treasurer, that page 9 of the SDS refers to scoping and management of divestments and outsourcing arrangements within Projects Queensland. Given that it is a—

Mr NICHOLLS: Indeed.

Mr PITT: There is an expenditure with Projects Queensland. Of course it relates to this.

Mr NICHOLLS: And you are not being difficult. In terms of where we are coming from, firstly, let us go back. We have to address a problem. Unlike other states, our problem is the debt problem. I have had this debate on a number of occasions and in many instances. Our problem is that while we have that $80 billion worth of debt it is holding us back from investment into infrastructure. It certainly stops us regaining our AAA credit rating and it costs us a heck of a lot more as a result of the loss of that AAA credit rating. You yourself indicated $270 million. The Under Treasurer indicated that if we had to refinance at the then marginal rate as a result of the loss of the AAA credit rating it would have been in the order of $700-plus million and probably today it is around about $490 million. So our problem is debt. We need to reduce debt.

In terms of income, the income to the state from these businesses is something in the order of around about two per cent to 2.3 per cent of the state's total income. So we have to make a value assessment about whether the loss of that income is better than continuing to have to pay the outgoings over a much longer period of time and also the investment—that is, the further debt that would be required by the state—in order to make those assets grow and perform into the future. So these are not static businesses. For example, at Stanwell the Hitachi electronic control systems that control the operations of the Tarong Power Station are coming up for review and renew and they will require not just $1 million, $2 million, $3 million or $5 million but many tens, if not hundreds, of millions of dollars worth of investment by the state. So we will have to incur that over the long term if we are to continue to own those assets. Similarly, each of those units will continue to need to incur debt because they have a limited life span and they have to be taken offline and be replaced. So we have two things. We have got income and we have got capital expenditure. So, yes, we do, as I understand it, understand the calculations that need to be made. So you have the value retention calculation, you have the income calculation, you have the credit calculation and you have the debt calculation. Those calculations are all part of the consideration of the government—

Mr PITT: And will they be released though, Treasurer, the retention values?

Mr NICHOLLS: They are like the scoping studies. To release them would be to imperil any proposed decision that we make and certainly to imperil the state being able to achieve the best value that it can. So the value of those businesses at the moment is the book value. That is the value that we have got those assets on the books for. That is the value that we are working with. That is the value that we have used for the purposes of certainty and reality and those are the values that we think we ought to use. In terms of releasing that sort of information, it is, as I have indicated to you, commercial-in-confidence. The reason it is commercial-in-confidence is that to disclose it would indeed give a potential purchaser or a potential lessee or a potential investor a market advantage. As I say, we are very much keen to deliver the best outcome we can for Queenslanders. That is what we are talking about and that is why—

Mr PITT: But the book value of the seven CBD office buildings was not deemed to be relevant at that time for that sale?

Mr NICHOLLS: Very much, but you have asked that question on a number of occasions and I have answered that question on a number of occasions.

CHAIR: Thank you, Treasurer. I welcome the member for Gaven, Dr Alex Douglas. He has one question to ask.

Dr DOUGLAS: Thanks very much, Mr Chair, and I appreciate the committee's and the Treasurer's gift of giving me leave to appear. I have a single question, Treasurer. It is really looking at the whole of the accounts. The change to the accrual accounting system occurred five years ago. Irrespective of what department one examines, it is now impossible to say what the actual expenditure for this year in any one area is. Therefore, the accounts are almost impossible to understand or very difficult. I ask: how does the minister know what you are really spending?

Mr NICHOLLS: Thank you, member for Gaven. Member for Gaven, the budget documents are prepared according to the Australian accounting standards. If memory serves me correctly, they are Australian accounting standard No. 1097; I could be wrong. They are the Australian accounting standards for the presentation of government accounts. We also prepare and present in accordance with the nationally agreed uniform presentation framework rules—that is, there is no other way to present them that is recognised by the Australian Accounting Standards Board—and as agreed amongst all states to enable comparisons to be made between the expenditure and revenue and capital projects of New South Wales, Victoria, Tasmania and South Australia. I also understand that the premise of your question was that we moved to accrual accounting five years ago. My understanding is that we moved to accrual accounting in 1998. That has been underway here. Accrual accounting is the accounting standard that is applied to corporations listed on the Stock Exchange. It is used by private companies. I am sure your trustee company for your family private trust will use the Australian accounting standard for accrual accounting.

How do we know what is being spent? We, in a budget sense, allocate expenditure to departments. In a practical sense, departments each month close off. We reconcile to the budget. We reconcile back to a cash book, I presume, and then at the end of the year the Auditor-General conducts a thorough review of the state accounts and then the Auditor-General presents his report on the state accounts to the parliament. We also submit the Consolidated Fund financial report where we explain expenditure. As well as that, we present these documents here to you and to the people of Queensland for interrogation, review and reference. If there are overs and unders, we also report that through a process called unforeseen expenditure which must go to the Governor in Council for sign-off and that then is taken up in the appropriation bills where we pick it up. So other than complying with the Australian standard, complying with the uniform presentation framework, presenting a budget, having it interrogated by doing a soft close at the end of each month with the accounts, reconciling that with the cash book, providing the Auditor-General with an account and also providing the Consolidated Fund financial report into the parliament every year, I am not sure how much more we can do in order to work out what we are spending money on.

Dr DOUGLAS: I am a significant investor; I do not deny that. Corporations generally provide a document called source and application of funds to explain accounts. Governments do not provide those, but certainly the Treasury does do it. You have just given me a dissertation on accounting principles, and I ask: how do you review those documents and will you agree to table them, because it is the only way that I think you can follow these accounts? I can get to the Auditor-General's point that that is the issue of the work in progress. I have worked out that primarily that is used as a flag to them, but having said that that is the idea of approving expenditure. Without the source and application of funds, these accounts make no sense.

CHAIR: Treasurer, I believe you have answered the question.

Mr NICHOLLS: Mr Chairman, they seem to have made sense to treasurers past of both political parties for some considerable time. They certainly seem to make sense to the Auditor-General. I do have the chief financial officer of the Treasury here. I have the Deputy Under Treasurer, Mr Alex Beavers, here. Does anyone want to give assistance to the member for Gaven to aid his understanding of documents written in English, presented according to Australian accounting standards and meeting the uniform presentation frameworks that he has trouble understanding?

Mr Gray: Treasurer, if I could just add maybe just one brief comment. In terms of the sources and application of funds, in government public finance terms that is effectively the revenue items which are articulated very clearly in Budget Paper No. 2—that is, the source of funds—and the application funds or the use of funds is in fact the expenditure of the government.

Dr DOUGLAS: So you are saying that in terms of the documents we have if you assemble those two that is the source and application of funds within it?

Mr Gray: Exactly. It is all documented in Budget Paper No. 2—the source and application of funds—and our operating statement is effectively equivalent to the P&L statement of a business. Our balance sheet is equivalent to the balance sheet of a business.

CHAIR: Thank you, Under Treasurer. Thank you, member for Gaven.

Mr STEWART: Can the Treasurer provide an update on the government's progress in reducing red tape, noting the commitment to reduce it by 20 per cent?

Mr NICHOLLS: I thank the member for the question. I am still recovering from the previous question, so I might ask the member for Pumicestone to answer. Before I do so, I thank the member for Gladstone, who has my wellbeing at heart. She has not only provided me with rapid action honey and lemon throat-clears—nonsugar I must say, obviously being sweet enough—but also provided me with what I hope is a hot rum and lemon but I suspect may just be a hot cup of tea. Thank you very much, Mrs Cunningham. I do appreciate it. My health needs have been duly attended to. I thank the committee for their indulgence and I ask my assistant minister, who has responsibility for regulatory reform, perhaps to answer if that is acceptable to the committee.

Mrs FRANCE: Thank you, Treasurer. I will let you enjoy your cup of tea. Prior to the last state election the government made a commitment to reduce red tape by 20 per cent by 2018. Cutting red tape is a critical area of micro-economic reform to improve Queensland's productivity, increase business investment and promote innovation, which are all key drivers of economic growth. Importantly, the government's focus on reducing red tape is not about reducing regulation indiscriminately. We will not remove necessary consumer, environmental and safety protections. A basket of measures is used by the government to estimate progress towards achieving the 20 per cent reduction target, including changes in the number of requirements imposed by state regulation, pages of legislation and dollar estimates of the benefits delivered by red-tape reforms. The government has now implemented or is currently progressing more than 450 red-tape reduction initiatives. These range from major legislative reforms to specific administrative changes. More than 300 of these reforms have already been implemented, delivering significant savings and benefits across all key sectors of the Queensland economy. The independent Office of Best Practice Regulation's 2012-13 annual report on reducing the burden of regulation showed a 3.5 per cent reduction in regulatory requirements over the 15 months leading up to June 2013. This benefited 9,400 businesses.

OBPR's report also showed a net decrease of 429 pages of legislation since March 2012. The report also included several detailed case studies of specific reform, with OBPR's independent analysis indicating substantial net economic benefits to Queensland, in some cases hundreds of millions of dollars in the upcoming years.

Significant red tape reduction reforms have been implemented in the four pillars of the Queensland economy, including approval processes and regulatory requirements have been reduced and simplified at all stages of the construction cycle: planning, development, construction and real estate sales; development approval and reporting processes for the mining and resource sectors have been streamlined and simplified; red and green tape has been cut significantly in the agricultural sector, including reforms to environmental regulation and land and vegetation management; and the regulatory environment for tourism operators and investors has been substantially improved, including major reductions in ecotourism and liquor and gaming regulations. Other key focuses of the government's red tape reduction efforts include streamlining and simplifying reporting requirements and processes for our not-for-profit sector and a range reforms aimed specifically at making it easier for small business to do business here in Queensland.

The OBPR's initial annual report highlighted that, while much has been achieved already, there is a lot of hard work still to be done to reach that 20 per cent target. The government's red tape reduction initiatives will not stop here. Agencies are continuing to identify opportunities to further reduce red tape and unnecessary regulation where possible and the government will continue to implement red tape reduction initiatives on an ongoing basis.

Mr NICHOLLS: I may have inadvertently misled this committee in relation to the accounting standard that I referred to and I want to correct it. I note that the member, without making any comment, is no longer here. I note for the member for Gaven, who asked that question that I think we are all still struggling with, that the background and interpretation of the uniform presentation framework is described in page 161 of Budget Paper No. 2. It refers to Australian accounting standard 1049. I think I said 1097. It is indeed 1049, 'Whole of Government and General Government Sector Financial Reporting' developed by the Australian Bureau of Statistics based on international statistical standards used by the International Monetary Fund manual on government finance statistics and the United Nations system of national accounts. It is difficult to understand what someone would not understand about using those sorts of standards in preparation of our documents.

Mr STEWART: If I could have a follow-up question and ask: what are the benefits of the government's red tape reform agenda?

Mr NICHOLLS: Many and varied and the assistant minister is going to tell you about them.

Mrs FRANCE: Thank you, Treasurer and thank you, member for Sunnybank. The government's red tape reform agenda is critical to ensure that Queensland's future economic growth is not constrained by unnecessary regulation. An efficient regulatory system frees up time and money so that business, community and individuals can invest in more productive and innovative pursuits. A commitment to reduce red tape by 20 per cent by 2018 is focused on delivering significant, tangible benefits for all Queenslanders while ensuring that necessary consumer, environmental and safety protections are maintained.

Over the past two years the government has implemented substantial red tape reforms across all sectors of the Queensland economy, including the four pillars of tourism, resources, construction and agriculture. The independent Office of Best Practice Regulation's 2012-13 annual report highlighted the benefits to business and the community from key red tape reforms, including $1.1 billion in economic benefits over 40 years by removing requirements for new houses to install rainwater tanks; $290 million in economic benefits over five years from closure of the Queensland Gas Scheme; $135 million in savings to developers over 10 years from streamlining development application and assessment processes; $130 million in cost savings to the coal industry over 40 years from simplifying regulatory approvals; and $18 million per annum in savings to industry through simplified regulation of routine plumbing works.

Other examples of the benefits from key reforms include reducing major project approval times for the construction sector by approximately 50 per cent; significantly streamlining processes and reducing the time involved in considering development applications through the establishment of the single assessment referral agency; reducing unnecessary red tape and regulation for the petroleum and gas sector through land tenure reform, allowing companies to get on the ground faster with tenures that are more flexible and meet their commercial needs. We have removed the need for irrigators to prepare land and water management plans, which allows them to self-manage risks and saves around $7 million each year over the next 25 years.

Substantial reforms in the liquor and gaming industries to help foster a more competitive tourism industry have also been made. We have also simplified funding applications for disability service providers and made savings of up to thousands of dollars a year for many businesses across all key sectors of the industry by abolishing the waste levy. These are examples of just some of the hundreds of red tape reduction initiatives implemented to date by this government delivering direct, tangible benefits to both industry and the community and helping drive the state's ongoing economic growth.

CHAIR: Thank you.

Mr GULLEY: The government recently approved that the State Penalties Enforcement Registry, or SPER, undergo a reform process. Can the Treasurer outline why there is a need for reform and the proposed new model?

Mr NICHOLLS: I thank the member. As we all know, the operation of SPER is something that has defied the efforts of governments past to be brought under control. In fact, there were many issues in relation to the debt that ought to have been collected but that was not being collected. I think at some stage the debt was heading towards north of $750 million.

In recent years we have seen very significant growth in the volume and the complexity of debts referred to it from a variety of agencies. People may not realise that we collect debts on behalf of not only state agencies such as the Department of Transport and Main Roads but also local councils. We also collect debts on behalf of the operators of the toll roads, tunnels and universities throughout the state. Obviously, with the volume and the increase in the number of people using roads such as Airport Link, Clem7, the Gateway Motorway expansion and those sorts of things, it has had a significant impact on the growth of unpaid fines. The pool stands at $842 million as of 30 June 2014.

As part of this government's commitment when we came to power we believed that it was appropriate that we take steps to collect those outstanding fines. We introduced a number of reforms together with a transition of the SPER officers from the Department of Justice and Attorney-General to Treasury on the basis that Treasury has significant skills in collecting revenue. One of our key functions, of course, is the operation of the Office of State Revenue and the collection of state taxes, including royalties and other taxes. So we put in place a program to do that under the machinery-of-government transfer and we now have a renewal reform program, which has been developed and which we hope will deliver a better outcome. Perhaps I might ask our new Commissioner of State Revenue, Ms Liz Goli, who has joined us here at the front table to focus best on what the issues were with SPER and what steps we are taking following our first trial to reform the operations and collections by the State Penalties Enforcement Registry agency.

Ms Goli: The difficulties with SPER have been debts being driven by population growth; the increasing use of technology for automatic infringement detection, for example, for red light, speed and toll road cameras; and the establishment of new infringement types, as the Treasurer mentioned—toll evasion and the introduction of the courts offender debt levy as well. In particular, the toll roads have had a significant impact on the growth of our unpaid fines.

One of the issues that we have with SPER is that the ICT system that supports it has reached the end of its useful life and a significant reinvestment in ICT systems will be required unless we adopt some alternative model for service delivery for SPER. The SPER reform program has been developed under the government's renewal program and it will implement a new service delivery model. The model involves the outsourcing of some debt recovery to a broker, who will manage a panel of debt collection agencies. Under this model, SPER will focus on what it is best placed to do, which is dealing with debt that requires escalated enforcement for debtors who can, but who will not, pay and the management of debtors who simply cannot pay. The private sector will deal with the remaining debt, which it is well placed to do.

The new model is scalable so that it can respond to the growing volumes more easily by spreading peak loads across a number of debt collecting agencies. The new model will also address the end-to-end fine collection processes across the various referring government departments and other entities. It will also implement processes to address the significant age legacy debt within the SPER debt pool, including increased use of stronger enforcement options such as wheel clamping and seizure and sale.

Mr PITT: Treasurer, on your visit to Charleville as part of the Strong Choices campaign it is reported that you have said that private investment in Ergon would see the company's board of directors changed to have three from the state government, three from private investors and one independent board member. Is this the model to effectively provide the private sector with a controlling management stake over the electricity network being considered? If so, why was this information not included on the Strong Choices website as part of background information?

Mr NICHOLLS: I think we dealt with this. It might have been a question that was asked of the Premier, if my memory serves me correctly, in parliament. The Premier responded in parliament in question time in relation to questions, if memory serves me correctly, from if not yourself then the member for Mackay, I think, who asked a question about it. I am not sure of the source of your information. You say it was mentioned in discussions. Are you referring to a report, or are you referring to someone who whispered it in your ear? I am not sure. If you can tell me—

Mr PITT: It is information that had been provided—that it was said during the visit to Charleville.

Mr NICHOLLS: So it is hearsay? Is someone telling you what they think they heard me say?

Mr PITT: I am asking you if this is the model that may be looked at. If the answer is no—

CHAIR: It is hypothetical.

Mr PITT: There have been plenty of hypotheticals put forward about what may or may not have happened under the previous government if they were re-elected. I think a little bit of latitude with something as important as private sector control of boards would be something worthy of consideration.

Mr NICHOLLS: Mr Chairman, if I might, I actually did discuss this a little earlier when we discussed—

Mr PITT: I am sorry if I did not pick that up. It has been very difficult hearing you today, Treasurer. I apologise if that is the case.

Mr NICHOLLS: No trouble. I am happy to provide assistance. I discussed that there were a number opportunities and models around what we would be potentially considering in relation to private sector equity investment. I indicated that we would retain 100 per cent ownership of the common shares in the Energex, Ergon and Powerlink businesses. That is maintaining our position. In relation to those, we also said that we would not take action without a mandate and we are doing that.

In terms of what might have happen, there might be any number of requirements or opportunities around those networks. Importantly, we will retain ownership of those networks. An investor seeking to invest some billions of dollars will, I think, want to have some say in how that money is spent. That is absolutely normal. You would not invest in something without having some say in it. The degree of say and the degree of control will be something that I would suggest to you would be part of the commercial negotiations and the terms around the final deal. Ultimately, the ownership of the shares, the common shares, remains with the state of Queensland. This allows a private sector investor to put up to 49 per cent in the model that we are discussing into the businesses. It moves a substantial portion of the debt off our balance sheet, as the Under Treasurer said, through the process of deconsolidation and it provides further capital in terms of cash dollars to reduce debt and to invest in the $8.6 billion.

The final form of it is yet to be determined. I would not want to speculate on exactly what that final form is, but I would expect at some stage that someone putting in some billions of dollars would want to have some say in how that business runs. Whether that is through some contractual arrangement, whether that is through the operation of management, or the operation of the board, that is something that has not yet been determined and may be determined as part of the process should the people support that at an election.

CHAIR: Thank you. We are now going to take a break until 3.15, and well-deserved break at that, I think. So thank you.

Sitting suspended from 2.44 pm to 3.15 pm

CHAIR: The committee will now resume its examination of the portfolio of the Treasurer and Minister for Trade, including Queensland Treasury and Trade and Investment Queensland. I call on the member for Mulgrave?

Mr PITT: Thank you, Mr Chair. Following on from the discussion just prior to the break where we were talking about the potential for private equity investment and controlling stakes in boards, Treasurer, notwithstanding the comments you made before about the model not being finalised, I just wanted to draw your attention to Fitch Ratings' director of energy and utilities who questioned the $28 billion in expected proceeds from the network. He said, 'I'm not sure how this structure will work but the private sector will want to put money where they have control over it.' This was backed up by the chief executive of your scoping study, consultant ACIL Allen, who said that 'stumping up equity risk capital without having a say over how the business is going to be run is going to be very unattractive'. My point is, Treasurer, if those two statements are an indication of how attractive this may or may not be, and you said that people will want to have a significant say in how the businesses are run, if there is evidence that this is not going to be something that is attractive and will not be a good deal for Queenslanders at the end of the day, will you rule out a controlling stake being offered to these as part of this process?

Mr NICHOLLS: I know that I keep going back to it, but the issue is this: we have a problem. The problem is an $80 billion debt. We have to find a solution to it. The solutions that we have put forward, and I have been all around the state, involve increasing taxes, reducing services, sale, lease or private equity participation of assets or some combination of those three. At all of the public meetings that I have attended, at all of the discussions that I have had, even when they have not been public meetings, even when I have been talking to people just generally on the street about it, I say, 'You tell me the fourth solution. You give me an answer that you reckon is practical and deliverable that is going to reduce debt by between $25 billion and $30 billion so that we can get the state's finances righted, we can have sufficient resilience if there is a storm, if there is a cyclone, if there is a natural disaster, if there is a financial disaster. You tell me what it is.' We have discussed the options about growth in the economy, and earlier today in answer to a question I think from the member for Moggill I explained growth is important but it is not going to pay down the debt. We talked about increasing taxes, which is proposed by some: the Queensland Council of Unions, the ETU, Professor Quiggan. The member for Mulgrave has talked about working on the revenue side; we have talked about what impact that would have on the economy, on jobs, on take-home wages. We have looked at services and what that would mean in terms of the delivery of health and hospital services, education services and the impacts that would have on a growing state with an ageing population. Then we have looked at the opportunities around the sale or lease of assets and we have discussed how we could go about that. We have spoken about the options that we have put forward in our strongest choice, smartest choice document which is available to everyone. We have said that in our view the strongest choice and the smartest choice is the private equity injections into the power companies where we retain 100 per cent of the share capital so the people of Queensland still own the business. We have spoken about the long-term lease of things such as the Port of Townsville and the Port of Gladstone and the Townsville to Mount Isa railway line and we have spoken about the sale or lease in some way, shape or form of the electricity generators. We have been upfront and discussed all of those issues. Now in terms of the distribution networks—Ergon, Energex and Powerlink—we have also discussed the models that might be applicable to doing that. I am sorry if I sound a little like Kermit the frog. I hope I don't go green or lose all my hair. The issue then is if we go down that path with those power distributors what would a prospective investor look for? How would we make sure that we maximise the return for Queenslanders whilst still at the same time ensuring that we retain ownership—that 100 per cent ownership? The model we have spoken about is a hybrid equity instrument that allows investment by the private sector into that model but only 49 per cent—deconsolidation, moving it off our balance sheet. Now, as an investor, is someone going to want to have a say in how those businesses are run? Of course they are. We are not denying that will be the case. How that will occur is yet to be determined because we haven't gone down the process of saying to the market, 'This is what we are offering to you. Tell us how you want it to work and we will tell you if this is acceptable to us as a government representing the people of Queensland.'

Now, a number of models are put forward and there are a number of options. You can have a term sheet and a document agreeing on certain reserve powers. You can have a model in relation to how the board is structured and how decisions are made. You can have shareholders' agreements that are put in place and you can have executive agreements that are put in place that determine things like how the executive would work. We haven't yet determined those sorts of things. It is conceivable that some or any of those might be options that are put to us by prospective investors. I am alert to what the honourable member has said in relation to comments. I must say I am less inclined to take up the position with Fitch simply because they so spectacularly got their assessment wrong when they issued a so-called credit rating in relation to, if memory serves me correct, CS Energy where in their report they said we had already as a government taken into our budget the proceeds of asset transactions when, in fact, we hadn't. Further inquiry revealed to us that their analysis was based on the Budget at a Glance document. So, Fitch Ratings agency has based their entire analysis of the Queensland budget on a misreading of our 'at a glance' document distributed as part of the budget papers.

Mr PITT: I think you said they were totally wrong. That was the quote.

Mr NICHOLLS: Absolutely. They were wrong because in their analysis they said the government has already taken up the sales in its budget papers when, in fact, we hadn't. In fact, we said quite the opposite. In the budget speech I said 'This budget does not include these asset transactions.' So, we have actually taken that up with Fitch in relation to the accuracy of their analysis. But on other matters about interest in the businesses, recently—in fact last year—as part of my duties, as part of the selling of Queensland's financial position, at the Treasury presentations to people like superannuation funds and ratings agencies, which is done annually by treasurers, I spoke to people and they indicated that they were very keen to have a look at these businesses. They indicated the parameters in which they would be keen to look at them. Not all of them sought control. Not all of them were prepared to accept investment without some form of control. So, there is a wide universe of investors out there and it would be foolish for us to say, A, B or C is the model we will use when what we really want to do is make sure we get the best outcome for Queenslanders.

I take the member's point, and it is a valid consideration, but it is not something that the government is yet prepared to make a decision on because we haven't seen what the investors are going to be putting on the table in terms of any deal they put to us, and the reason for that is we maintain our commitment not to do these transactions without having a mandate from the people of Queensland first.

Mr PITT: Thank you, Treasurer, and thank you for that detailed explanation. I want to table a chart. It is a chart showing that in total fiscal deficits have worsened by $884 million from 2011-12 to 2014-15 under the Newman LNP government compared with the projections in the 2011-12 MYFER.

For the period 2012-13 to 2014-15 this deterioration in fiscal position is $2.7 billion. Considering this deterioration is on your preferred measure of a fiscal balance, Treasurer, how can the government claim to have lowered the debt trajectory at all without relying entirely on the proceeds of asset sales and lower infrastructure spending?

Mr NICHOLLS: Mr Chairman, I look to the growth in debt in the non-financial public sector borrowing since March 2012 and comparisons to 2011-12 and what I see there is that the debt has increased from 30 June 2012 from $62 billion to $76 billion. But the previous government had, in fact, proposed that that debt would increase from $62 billion to $81 billion. So, yes, the debt has increased; yes, it has increased since we were elected, but it has increased because of decisions that had been previously made. So, for example, when you look at what has occurred, employee numbers were on the up and the wages that were paid were already locked in through EB agreements. No-one is seriously suggesting that we would not honour those agreements and not continue to make those decisions. Nurses negotiations were underway when we were elected and we finalised negotiations. Those negotiations have seen nurses on average receive increases of better than three per cent a year each year for the three years of the term of this government such that now a quarter of nurses employed by the Queensland government are now earning more than $100,000 a year. Those sorts of things are the sorts of things that are locked in that this government has had to manage and had to deal with in an atmosphere of declining revenue. We have had to meet those obligations and we will continue to meet those obligations. That is part of the reason why, in terms of the numbers that the honourable member is raising, we have had that problem. We have also, I guess, had to manage the very substantial reduction in income, and again we have discussed how much the income has been written down since this government was elected, and we have had to deal with revenue collapse in terms of both the coal price, we have had to deal with revenue collapse in terms of transfer duty. But, Mr Chairman, can I say I would be prepared to allow the Treasury officers who are here the opportunity to have a look at that document and perhaps provide some more information before the end of the session.

CHAIR: Thank you. Mr Treasurer, before the break government members were referring to some of the reforms in SPER. I would like to know and ask you how will the new model ensure more people pay their fines?

Mr NICHOLLS: Thank you. I think this is something that the commissioner can more properly answer and will have more detail on. I want to make sure the committee does get all the appropriate information so I might ask the commissioner to respond to that question.

Ms Goli: Thank you, Treasurer and Mr Chairman. The new reform model will leverage and adopt contemporary commercial debt collection practices without SPER having to invest in new technology. In my previous answer I mentioned the legacy system that we have for ICT. The broker will have the industry experience to manage the performance of debt collection agencies to ensure recovery rate targets are achieved through a combination of active enforcement by SPER and active follow up of debts by the debt collection agencies. Debt collection agencies have the capacity to actively pursue debt recovery in a more timely way, including through the use of out-bound calls and text messages. The new model allows SPER to focus on what it is best placed to do, which I mentioned before, which includes escalated enforcement for the won't-pay debtors and management of can't-pay debtors. There is a growing contingent of won't-pay debtors who need more active enforcement than SPER has been able to pursue in the past. A key focus of SPER will be the introduction of business intelligence. The use of historical data and predictive technologies will enable SPER to better understand the potential behaviour of debtors and to decide on appropriate and tailored enforcement strategies. Many agencies are involved in issuing and managing fines. The reform program also includes initiatives to improve the end-to-end fine collection across government. An efficient fine collection service is essential. There are community expectations that offenders pay their fines and it is important that it is done efficiently so that the costly court and imprisonment options are minimised.

CHAIR: As a follow-up question, given the size of the debt pool and the growing number of aged debts, is SPER considering any other increased enforcement actions to target recidivist debtors?

Ms Goli: SPER is investigating possible vehicle immobilisation and seizure and sale as an enforcement action for targeted noncompliant debtors with debts of $5,000 and over. Other enforcement options used in other jurisdictions, but which are either not available or not used in Queensland presently, will be investigated and further analysis undertaken. These include vehicle registration suspension, work and development orders which are a wider range of community service options than we have currently, and court sentencing options that take account of the SPER debt. Other enforcement oppositions that are available to SPER include driver licence suspension, fine collection notices or garnishee arrangements, registered interests over property and arrest warrant and imprisonment. An efficient fine collection service is essential, as I said before, and there are community expectations that our offenders pay their fines and it is important that it is done efficiently so that costly court and imprisonment options are minimised.

CHAIR: Thank you.

Mr NICHOLLS: Mr Chairman, in summary, I think the community rightly has expectations of people who get a fine. None of us like getting one and many of us have had them, myself included, and we do the right thing: we pay the fine by the due date. However, where people are deliberately accumulating fines or failing to pay their debts of over $5,000, that is simply unacceptable to the community. Whilst we account for them on an accrual basis, every dollar that is not collected has to be financed by us, and that means the taxpayers of Queensland. If there is a message to come out of the work that the commissioner and the team in Treasury are doing it is that we will not hesitate to take action to enforce the recovery steps that are available to us to make sure fines are appropriately and properly paid. I would simply say to all those who have outstanding debts to make every effort to repay them at the earliest possible opportunity, because it is an unacceptable burden on the rest of those who do the right thing, who pay their debts, pay them on time and strive to seek to comply with the law. It is vitally important that we do not allow this $800-plus million debt to get worse, and that is what Treasury will be doing.

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

Mr GULLEY: Thank you, Chairman. Treasurer, I would like to move topic a little and talk about Trade and Investment Queensland, TIQ. How does TIQ and the Queensland government's export agenda form part of the government's strong plan to build a brighter future for Queensland?

Mr NICHOLLS: I thank the member for the question. You are right: part of our strong plan and real action to deliver a brighter future for Queensland is the reforming of TIQ. I note that the other day the Premier spent some 18 minutes answering a question and I managed to see aspects of his early childhood understanding water and investigating sand and things. I was like many of you: I know that you were enthralled and enthused by his foray into science.

Mr PITT: I just note that Hansard does not pick up sarcasm.

Mr NICHOLLS: That is an area that I am similarly enthusiastic about. Having said that, I anticipate from the looks on committee members' faces that 18 or 19 minutes of my enthusiasm for Trade and Investment Queensland is perhaps not something that you are necessarily wanting to see.

On coming to government, one the big things we wanted to do was to refresh the Trade and Investment Queensland portfolio. It was our view that, notwithstanding the fine work that many in that office were doing, it was not being utilised to advance the interests of Queensland in the most efficient, effective and best way possible, matching small businesses with opportunities overseas and sourcing overseas investment effectively here for Queensland. Certainly I took a very active interest in it. As you know, we commissioned Mr Geoffrey Thomas, a successful businessman with interests not only here in Australia but also interests in the United States and Indonesia, together with the former trade minister and former Speaker of the parliament, the Hon. John Mickel, to undertake a review of Trade and Investment Queensland. That body made a number of recommendations.

I might ask the assistant minister, as my voice rapidly crumbles, to give you some detail on it. I will also ask Mr Andrew Tulloch, who joins us at the head table, the new Chief Executive Officer of Trade and Investment Queensland, to perhaps add some further detail in due course. Perhaps if I could ask the assistant minister, who will no doubt be happy to do some of the heavy lifting on this particular issue.

Mrs FRANCE: Thank you, Treasurer. The Newman government's trade agenda focuses on growing our exports and attracting foreign investment into the state. These simple but focused objectives will ultimately deliver long-term economic growth for the state and contribute towards the creation of an internationally competitive business environment and highly skilled workforce. To that end, the government established Trade and Investment Queensland as an independent statutory body with the vision to be the best trade and investment organisation in Australasia and the Newman government has made every effort to ensure that the agency is well positioned to achieve this aim.

TIQ now operates under the Trade and Investment Queensland Act 2013 with four clear objectives: promoting brand Queensland to the world, identifying new opportunities and partners for Queensland exporters, encouraging global companies to invest in Queensland to strengthen the local economy and coordinating the Queensland government's global presence. As a statutory body since 1 February this year, TIQ now has the autonomy and the flexibility to operate efficiently and effectively in a contemporary and competitive global business environment.

The new expertise based TIQ board, chaired by Mr Mark Stockwell, has already demonstrated strong and innovative leadership on many fronts. TIQ's organisational structure has been completely realigned so that TIQ officers are better able to respond to clients within the agency's five designated priority sectors, with these being international education and training, food and agribusiness, mining and resources, infrastructure and construction, and emerging industries and international aid and development business.

The 2013-14 financial year has seen important changes in TIQ's international network. In accordance with recommendation 39 of the TIQ review, TIQ opened a new office in Jakarta to give Queensland an on-the-ground presence in the rapidly growing Asian region, providing Queensland businesses with ready linkages to economic powerhouses such as Singapore and Malaysia, and the emerging economies of Indonesia, Thailand, Vietnam and the Philippines. TIQ also established a new North American office in Houston, Texas responsible for the USA, Canada and Mexico. Houston was identified as a growing trade port for that region and a global player in the energy sector, and North America generally as a key source of foreign direct investment. TIQ currently has representation in 14 locations worldwide and eight regional locations across Queensland. Excellent export ideas can and do come from any part of Queensland so TIQ's regional presence is a vital part of its success in helping establish local companies to access overseas market opportunities.

The revitalised TIQ is now well placed to pursue its objectives of promoting export-ready companies through its global network and of facilitating investment into Queensland. In 2014, TIQ will be taking every opportunity offered as Queensland hosts the G20 finance ministers and central bank governors meeting in September Cairns, followed by the G20 leaders summit in Brisbane in November. These events will place Queensland squarely in the international spotlight and TIQ will proactively profile Queensland business and industry through key showcasing initiatives, in partnership with key allies, to make the most of this once-in-a-lifetime opportunity.

CHAIR: Thank you. Dr Flegg, the member for Moggill.

Dr FLEGG: Thank you, Mr Chairman. To the Treasurer or Assistant Treasurer: a key recommendation that came out of the review into Trade and Investment Queensland was that TIQ transition to a statutory body. Could you provide an update on that transition? Who did the government appoint to the TIQ board and what qualifications made those people suitable for that position?

Mr NICHOLLS: Thank you, Dr Flegg. Perhaps a couple of us can give you a more fulsome answer. I will start off and then I might ask Mr Andrew Tulloch to make a few comments on TIQ's achievements in terms of transitioning to a statutory body. TIQ officially started operating as a fully functional statutory body on 1 February 2014. It reports to a board. The board is made up of, as the assistant minister indicated, Mr Mark Stockwell, Ms Josie Angus, Professor Ian O'Connor and Mr Geoffrey Thomas, together with the Under Treasurer and the Director-General of the state Department of Infrastructure and Planning. TIQ is now the lead Queensland government agency for assisting the growth of Queensland exports and for attracting investment into the state. With 15 offices around the world, if you want to invest in Queensland TIQ is the place to go to. If you are a Queensland business wanting to export and you want assistance, TIQ is where you go. As Treasurer and Minister for Trade, I do retain a reserve power of direction to provide a mechanism to ensure that TIQ's strategic objectives and priorities match the government's economic development priorities, so that TIQ is, in fact, able to meet the requirements of the government of the day and not just this government.

On 1 February 2014, TIQ employees ceased to be public servants employed by Queensland Treasury and Trade and were instead employed under the provisions of the Trade and Investment Queensland Act. Under my direction, the staff transferred with all their current employment terms and conditions to the new statutory body. Mr Tulloch was engaged after a wide search and his duties as TIQ's chief executive officer commenced on 3 February. I think it is fair to say that, with the advent of the G20 finance leaders meeting in September and the G20 leaders summit here in November, working with officers from the Premier's department in the G20 area, officers from Austrade, the department of trade out of Canberra and DFAT, he has had a very rapid induction into the needs and requirements.

At the same time, we are also about creating brand Queensland. That is not just a logo but, if you like, a package of materials that will enable any of us, whether it is a department or whether it is a member of parliament travelling, to go out and see the rest of the world and show them a uniform face of what Queensland is and what Queensland offers. I might ask the chief executive officer perhaps to elaborate a little more on his senior leadership team and some of the actions and activities undertaken to date, including the move to new headquarters at 400 George Street, and I should say relocating to vacant premise that were already leased by government.

Mr Tulloch: Thank you, Treasurer. As has been indicated, we were formed as a statutory body on 1 February. There has been a lot of work going on to implement the separation from Treasury and take life as a statutory body. We have also spent a lot of time implementing the recommendations of the review that you referred to, so we have so far approved and agreed to implement 75 of the 86 recommendations of the review. A lot of work has gone on in doing that.

As the Treasurer mentioned, we have appointed a new board, appointed a CEO and also appointed two general managers and a CFO to provide senior leadership to the organisation. We have also undertaken a restructure—from a geographic structure to industry lines, which is in line with what we believe is appropriate for carrying out the trade and investment function and indeed matches well with the four-pillars strategy of the state for economic development.

On the administrative side, in addition to the formal establishment as a statutory body we have also implemented a new hardware system. This is very important for conducting an operation which has a network throughout regional Queensland and throughout the world. For the first time we are now on one IT network, so we are completely unified from Bundaberg to London on one system, which is actually hugely significant. We are also now on a new finance system—a much more modern system which will enable us to be more effective in our operations. This has been a huge issue when dealing with international offices and the change will enable us to reduce a lot of administration that was occurring offshore in these precious positions that we have.

We have also implemented a customer relationship management system. This is, again, extremely important for the operation of the organisation, in line with the review. This system enables all our staff, whether in regional Queensland, in Asia or in Europe, to record information and be aware of what is happening elsewhere. This is a very important part of this organisation, so that everyone is familiar and dealing with the same information and so that there are accurate records of what each element of the organisation is doing. We aim to roll out this system next month. It will be a cloud based system. This is a very important step in our capability.

The final point I would raise is something the Treasurer remarked on—the move from 111 George Street to 400 George Street. It has been a big change. We are now all on the one floor. It is a dramatic improvement in terms of the set-up for the staff. That has been a very positive way to launch the organisation as a new statutory body.

Mr NICHOLLS: I should say that the move is also saving rent of approximately $315,000 per annum. So there is a move to new and better premises, consolidation on one floor and the saving of money at the same time. Mr Tulloch perhaps is not being quite as fulsome as he could be in terms of the move to the customer relationship management system. People may not recall, but the review indicated that the staff were keeping details of their contacts on a Microsoft Excel spreadsheet. That was the status of TIQ. It had been created as an orphan department. It had been pushed and pulled from pillar to post. In many cases, as I say, it was only because of the hard work of the staff in actually keeping their own records on an Excel spreadsheet that we were able to contact people to let them know what was going on.

We are now moving very rapidly into the 21st century, adopting ICT as a service outcome in relation to the operations of customer relationship management. The system, as I understand it, has also been cleansed so that businesses that are no longer around and new businesses that have come on are now on a system that we can effectively use to promote Queensland's great small and medium enterprise sector throughout the state, throughout the country and throughout the world. These are the sorts of things that occur in the back office, that you often do not hear about but that are absolutely vital to delivering a system. I commend Andrew, the board and the employees for a tremendous transformational challenge in delivering what I am sure will be a much more effective organisation in terms of assisting our exporting small and medium businesses around the world.

Mr PITT: Treasurer, I want to draw your attention to something with regard to Projects Queensland. I table Projects Queensland website information on the Royal Children's Hospital site project which states that the government was expected to consider the business case for a planned procedure centre with possible private sector involvement and the disposal of land on the site in late 2013. Assuming that the business case has been finalised—I will not ask for that update unless you wish to provide it—I am looking for a guarantee that one-third of this existing Herston site which will be needed for future expansions will not be sold off to the private sector, as indicated on the map on the Projects Queensland website.

Mr NICHOLLS: I thank the member for the question. With the closure of the Royal Children's Hospital site and the decision to relocate staff, which I understand has started occurring in fact in the last two weeks, to the new Queensland children's hospital—the Lady Cilento hospital at Mater Hill—it is appropriate to consider the future uses of the old Children's Hospital site.

I have a close and abiding attachment to that site. My wife's grandfather was in fact one of the early superintendents of the Children's Hospital and many babies delivered in the thirties here in Queensland were delivered by him. In fact, there is a ward there named after him. And her father, who was an imaging specialist—a radiologist—also has the accident and emergency imaging ward at the royal Brisbane hospital named after him. It is a site that we have a lot of connection with on that basis.

In terms of the project, the government was concerned to maximise the utility and benefit of that land. There are a number of very significant constraints on that land including the old nurses quarters, which are heritage listed. That has presented some considerable challenges as to how that site can be best utilised. In order to get the best utilisation out of that site and to ensure the values of the site were appropriately preserved, the government has probably spent more time on this project than originally would be the case if it was a simple redevelopment.

We are in the final throes, if I can put it that way, of the business case. The business case will have to take into account the retention of a large portion of the land in relation to the nurses quarters, the Lady Lamington building. We have also spoken to and sought advice from experts in health planning, in property use and in town planning and obviously from our own environment people in relation to the operation of that site. So I would expect that we would be making an announcement in relation to that site in the very near future, being very cognisant of the need to appropriately preserve the historical aspects of the site.

Mr PITT: I will move to the next question in a moment. Just for clarification, I was seeking a guarantee if possible about that one-third of the site which has been set aside for future expansion for health purposes. I understand the point you raised about the historic—

Mr NICHOLLS: Sorry. Certainly in discussions with the health minister it is our view that the site should have a combined use. It should have uses for a health precinct together with some commercial uses to support the development of the health precinct. An example might be the Prince Charles Hospital, where the Prince Charles operates as a public admissions hospital but also has Holy Spirit co-located on part of its land, so you get the mixture of those two things. You might have a situation where it is appropriate to provide health accommodation for families who are visiting seeking services and have to stay for a considerable period of time. It might be more appropriate for the private sector to develop that but for that to be part of the health precinct in order to deliver that service. You may have co-location with a private medical health provider, HOCA for example, who do a lot of work around haematology and oncology services. You may know them. They provide exceptional services and are also co-located with places such as the Wesley Hospital. We envisage that that type of use will be there. As to the exact break-up of it, that is something we will be waiting for people to tell us is the most effective way of going about it.

Mr PITT: The next question also relates to Projects Queensland. It is about the projected traffic figures for the Toowoomba second range crossing and what private investors are being told in relation to expected toll revenue and traffic projections. That certainly is of interest, but I also want to check if you stand by your comments that the toll will only be for operational costs and what the operational costs would be for that road.

Mr NICHOLLS: I might get the Projects Queensland officer responsible, Mary-Anne Curtis, to give you a bit of an idea. I think the document has gone out. The document is jointly agreed between ourselves and the federal government. It is the case that, in the first instance, we are looking at the opportunity for private sector proponents to join with us in a public-private partnership. There are a variety of ways that can be done. Obviously the important thing is that, after 20 years, we are getting on with this project and the money has been clearly allocated. The federal government in its budget has allocated funds, I know. I note that Senator Ludwig I think in the Senate some time ago made comments in relation to there not being funding available. Quite clearly funding is available. It was made available in the federal budget in May. I understand that the candidate in Toowoomba North, the former member who was unable to achieve the delivery of the Toowoomba second range crossing, also raised doubts about it. I am happy to say that, in accordance with our ethos, we are getting on with the job. We have allocated the funds. The federal government, under the coalition, has allocated the funds. We are practically underway. I might ask Mary-Anne to make some comments in relation to what the EOI is seeking from proponents and that can assist you. I understand that is a publicly available document, as has been discussed.

Ms Curtis: The EOI document that has been released is seeking proponents to demonstrate their capability and capacity to deliver the road. It is outlined that we are seeking somebody to design, construct, operate and maintain the road for a period of 25 years. That document has gone out and, as I think the Treasurer mentioned earlier, EOIs have now closed.

In relation to the tolling question, we have publicly said that the road will have a toll applied. I think the Treasurer referred to that earlier as well. The tolling revenue will be applied to the operations costs of the road, and further details about the tolling arrangements will be made available.

Mr PITT: I think there has been a statement made previously that the toll would be only for operational costs. Is that correct? What are those operational costs of the road? What are the projected costs?

Ms Curtis: The operational costs will obviously relate to the cost of operating and maintaining the road over the 25-year period of the concession, and the toll revenue will be applied to those operation and maintenance costs.

Mr NICHOLLS: I think what we are saying with it is that the operation and maintenance costs for it should be covered by the toll. The rate of the toll will depend, obviously, on the submissions that are made by the proponents, but we would expect that the toll revenue will meet the ongoing 20-year life of the operation and maintenance. That is, the taxpayers will not pay for it; it will be user pays in that sense. But the contribution that we and the Commonwealth are prepared to make to it is the $1.7 billion that we have identified previously.

How that actually lines up is something that obviously the tenderers will put forward to us. The idea of going to market on this is that there may be innovation in financing. There may be innovation in design. There may be innovation in operations and maintenance. We are asking the private sector to tell us how they think it can best be delivered and we will measure it up against, as is the normal course of events in these things, a series of criteria, weighted accordingly to those things, before we go then to an RFP process. In effect, we expect that it would be done in the most effective and efficient way possible to deliver that road.

Mr PITT: My final question is to the Treasurer and relates to the issue of SPER, which was discussed earlier. I was not quite in the right block to raise it at the time it was being discussed. Treasurer, at last year's estimates hearing you said that the trial use of mercantile agents for debt collection would 'result in a substantially higher amount of work being provided to mercantile agents and a substantially higher recovery of debts'. Why, then, has the government decided to defer funding for the use of mercantile agents and engage in a market contestability review? Why has revenue from fines and forfeitures fallen from $401 million in 2012-13 to $375 million in 2013-14, as set out on page 70 of Budget Paper No. 2?

Mr NICHOLLS: Sure. We did undertake a trial, as we said we would. I think the benefit of a trial is that if there are things that need to be improved and if we are not getting it right we can fix those things up. One of the things that came through in relation to the trial was that the data that we held was not in a fit state to enable the mercantile agents to effectively recover as much of the debt as we had hoped. This is how it has been put to me—and I will ask the commissioner to add to this so that you are aware of it. For example, if there were three Curtis Pitts on the SPER—

Mr PITT: Heaven forbid, Treasurer.

Mr NICHOLLS: Indeed.

Mr PITT: I might have needed three of me to get around to the committees week, but that is another story.

Mr NICHOLLS: I do not know whether you travel in the slow lane or the fast lane. I will leave that to you. Nonetheless, if there were three Curtis Pitts, for example, without details such as date of birth it is very difficult for SPER to identify which Curtis Pitt is the person they should go after.

We do not employ people to go and knock on doors. What we do is send out registered mail and go through that process. It is a very long and painful process. Indeed, if Curtis Pitt is no longer in Mulgrave but is, in fact, in Ashgrove then that would be difficult for us to track down. Mercantile agents not being able to access appropriate data has made that trial a more difficult proposition.

When we reviewed it we reviewed a number of models for the recovery of fines. There are a number of models that are available. In Western Australia they use the model that we are looking at—that is, a broker model. One person looks at the debt, the style of debt and the type of debtor and then allocates the work to an agent to go out and do it. Part of that will be some reforms that we will need to make to legislation to enable departments to be able to capture the right information to enable that to occur. It can be things as simply as date and place of birth. It can be as simple as a mobile phone number so that notices can be sent to people via their mobile phone.

These days if you have an account with an electricity or phone company they will send you a reminder notice via a text message on your mobile phone.

Mr PITT: The quality of data that you talk about, though, would that not have been known when you were looking at undertaking this trial and would that not have been part of that arrangement in terms of improving the revenue collected?

Mr NICHOLLS: I think there were certain deficiencies in that data that were known, but until you run it and do a trial of it and come back and say, 'This is where the big hole is. This is where the big lapse in data is,' it is difficult to formulate the response.

Can I suggest to you, heaven forbid, that you would not want to do a Health payroll system and just have the whole thing collapse in a screaming heap. You need to go through a proper process. That is what we have done. That is the reason for it.

We also have to upgrade some of our hardware as the commissioner mentioned earlier. We have an ageing system that, in the style of things past, the government had to own every bit of. We now know with the advent of cloud computing and ICT as a service—the model now being adopted by governments and businesses around the world—that that is a better model to go to. Nonetheless, we still need to update some our equipment. Commissioner, do you want to add to where we are at perhaps in answer to the honourable member's question?

Ms Goli: Thank you, Minister. The first mercantile trail was successful but it did establish in relation to the sorts of data problems that we have with identifying debtors in certain circumstances that the debt collectors had just as much trouble collecting as we did. Our current ICT system does not have the capacity to do the business intelligence, data washing and those types of things. It was not built into the ICT system at the time it was built. Part of the reform is to actually look at the aged debtors that we have and to do that data washing and business intelligence to get it up to a better standard so that it can be collected. Because the mercantile trial was successful and we knew that it could work we have gone forward with contestability to adopt those modern debt collection practices.

CHAIR: The member for Moggill now has a question.

Dr FLEGG: I thought we were going to try to spare the Treasurer a little bit.

CHAIR: We are going to continue on.

Dr FLEGG: I ask the Treasurer, or assistant minister as medical need requires: how do trade delegations help Queensland companies connect directly with the global marketplace? Are there any examples from the Premier's recent trade mission to the US?

Mr NICHOLLS: Thank you, Dr Flegg. I might seek a diagnosis from you later. Trade missions are a vitally important part of Trade and Investment Queensland's business. I would argue that they are a vitally important part of the Queensland government's business. I have long said that that is the case, irrespective of who is in government. I think reasonable, properly planned trade missions that focus on activities are well worth undertaking. I might ask the assistant minister to indicate some of successes from the trade missions.

Mrs FRANCE: Trade missions remain one of Trade and Investment Queensland's most significant services provided to Queensland exporters looking to enter a market and to develop or expand their export business. Trade missions are also an effective and cost competitive way to promote Queensland as a pro-business state and an attractive investment destination.

Trade missions provide an opportunity for Queensland companies to showcase their competitive advantage in the global marketplace through attending key industry and trade show exhibitions, one-on-one meetings with local buyers, networking events with key decision makers and site visits. Through TIQ's industry expertise and networking of 14 overseas locations, trade missions are designed to connect Queensland goods and services to international markets.

Participants on trade and investment missions are selected based on their organisation's relevance to the market and their likelihood of achieving an outcome. In the lead-up to a trade mission a range of support services, including premission market briefings and export skills development, are also provided, which ensure that delegates are prepared and ready to take advantage of the opportunities that are presented to them in the market. Export and investment deals from trade missions often take months even years to be finalised and reported back to TIQ.

TIQ organised trade missions, including those led by the Premier and ministers, are critical for driving the economic development of Queensland through international promotion of the state, fostering high-level relationships and supporting Queensland's trade and investment objectives overseas. These missions provide exporters access and introductions to key industry and government bodies that they would not be able to access on their own, especially in the Asian and emerging markets. The presence and standing of the Premier or ministers gives the government imprimatur to Queensland export and investment attraction activities at the highest levels.

In March this year the Premier led a TIQ organised trade and investment mission to the United States, looking at opportunities with the American energy, oil and gas industry and with transport and natural disaster planning operators. The Premier hosted an investment and venture capital round table with leading capital and investment firms to promote Queensland as the preferred state for their entry into Australia and to invest in local technologies and ventures.

The Premier and senior business leaders attended high-level meetings and networking events with a number of American oil and gas heavyweights, including ConocoPhillips, the BG Group, ExxonMobil, Baker Hughes and Kinder Morgan. Access to these global companies provides the platform to encourage significant future investment in Queensland which grows our economy and generates the high-value jobs of the future. It also provides the opportunity to promote Queensland's expertise in mining, equipment, technology and services, METS, to the global supply chains of these large multinationals.

A highlight of the mission was the Premier, together with the Governor of Texas, Rick Perry, opening the North American Trade and Investment Office in Houston and signing a sister state agreement. The ability to secure such a high-ranking, foreign government representative to attend networking receptions with the mission delegates puts Queensland on the global stage and opens doors to new business opportunities.

CHAIR: We now have a question from the member for Sunnybank.

Mr STEWART: Can the Treasurer advise of any other export and investment initiatives introduced since the statutory body was created? I am happy for the assistant minister to answer that for you, if you like?

Mr NICHOLLS: I might ask the assistant minister to take that, if that is okay?

Mr STEWART: Not a problem.

Mrs FRANCE: As the Queensland government's lead export and investment agency, TIQ has a major role in maximising the economic benefits arising from Queensland's hosting of the G20 events. The G20 Leaders Summit will attract around 4,000 delegates and 3,000 media to Brisbane, providing an injection of direct expenditure in our local economy through the patronage of hotels, restaurants, cafes, retail outlets and other local providers. The finance minister's meeting will provide a similar boost to the local economy in Cairns.

TIQ is working closely with the Queensland 20—a voluntary independent committee comprised Queensland's top corporate and university leaders, which has been established to showcase Queensland. A major Q20 initiative was held earlier this week on 15 July—the Queensland Construction Day.

This involved Queensland's property and construction sector showcasing its major developments to a large international delegation of business and media representatives. Some 46 international delegates from China, Japan, Korea and New Zealand participated in this event, which incorporated a site visit to greater Springfield, a dedicated CityCat cruise past Brisbane's river side urban renewable landmarks and a tour of post world expo development at South Bank. It culminated in an industry reception, which the Treasurer attended, at the Queensland Performing Arts Centre hosted by the Property Council of Australia.

A G20 Queensland trade and investment summit will be held on 15 October 2015 to provide an opportunity for industry in the state to engage on the major G20 and B20 themes. The Treasurer will speak at the luncheon as will well-known demographer Bernard Salt.

TIQ is also working across government to support the rollout of the other G20 aligned initiatives, including the Queensland Globe for G20 which is a world-leading, open data initiative which will take media and visitors from all parts of the globe into the heart of Queensland.

In addition to the G20 initiatives, in March this year TIQ hosted the Queensland AgInvest Forum where more than 200 leading national and international agricultural business representatives were briefed on investment opportunities here in Queensland.

Also in March, TIQ, in collaboration with Projects Queensland, the Department of State Development, Infrastructure and Planning and the Department of Transport and Main Roads, delivered an infrastructure investment teleconference forum that was hosted in 10 Austrade offices around the world. The forum involved 80 investor representatives from the United Kingdom, France, Spain, Italy, Japan, Korea, the United Arab Emirates and China discussing major infrastructure investment opportunities here in Queensland.

As you are aware, there are a number of major infrastructure projects across Queensland. TIQ has identified robust investor interest for the $5 billion Brisbane underground Bus and Train Tunnel, the $16.8 billion Bruce Highway upgrade, the $1.6 billion Toowoomba range second crossing, the Abbot Point port expansion and rail opportunities associated with the development of major coal projects in the Galilee and Surat basins and also Queen's Wharf and various integrated resort developments here in Queensland.

In education and training TIQ launched a major international marketing campaign in March 2014 called the 'Ultimate Gap Year Queensland Australia' competition in the form of a Facebook video contest targeting five of Queensland's top source markets for international students which are Korea, Brazil, Japan, Colombia and Taiwan. There was an overwhelming response, with over 300 applications and 150,000 votes received. The Facebook fan page alone reached almost 4.5 million people and received 42,000 likes. The winners were announced on 7 July 2014. The five winners will arrive in Queensland on 14 September 2014 and begin their journey around Queensland spending time at the Gold Coast, the Sunshine Coast, Cairns and Brisbane, where they will promote our great state in their role as honorary Queensland international student ambassadors.

Under the working banner brand Queensland, TIQ is developing a whole-of-government Queensland brand. Brand Queensland will ensure a consistent and contemporary approach to promoting this state's capabilities. It will be launched during the G20 leaders summit in Brisbane in November 2014. Brand Queensland will underpin the Queensland government's push into international export and investment markets.

Mrs OSTAPOVITCH: Treasurer or assistant minister, how does TIQ's international presence compare with other states and territories?

Mr NICHOLLS: If it is all right, I might ask the assistant minister to respond to that one.

Mrs FRANCE: Thank you, Treasurer. Trade and Investment Queensland has more market coverage than any other state or territory. TIQ has a network of 14 overseas offices located across 11 markets, 10 countries, China, Hong Kong and one country with the two markets. Queensland is the only state with an office in Latin America in Santiago, Chile. In comparison, Victoria has 15 overseas offices in nine markets, Western Australia 10 offices in eight markets, and New South Wales four offices in three markets. In 2014 Trade and Investment Queensland opened two new offices—one in Jakarta, Indonesia, that will service the greater ASEAN region, and a North American office located in Houston, Texas, servicing the USA, Canada and Mexico.

Mr NICHOLLS: We compare very well with the rest of the world. On my inaugural trade mission I visited Shanghai, Beijing and Hong Kong. I have subsequently been to London. The Deputy Premier has done Bangalore and Mumbai. I have been to Jakarta to scout out the early opening of the office over there and I will be proposing to head back later this year to do the official opening as well as liaise with our sister-state agreement in Central Java, particularly around education. Tokyo is well represented by Mr Tak Adachi, who is well known to businesses here. I have also visited Seoul in South Korea. I think the education minister and the Premier have both been to Abu Dhabi. I am yet to go to Santiago in Chile, but I understand the Deputy Premier has been there as well. Of course, the Premier recently opened the office in Houston. So you can see that we are doing what we can to support business, once again reinforcing this government's attitude that we are open for business, not only for business from overseas that is coming here but also to assist businesses here in Australia that are exporting.

I might just reflect on one of the great success stories of Trade and Investment Queensland as part of our promotion of Queensland as the best place to live, work and do business, and that is PWR Performance Products at Yatala. This is a company that in 2008 at the height of the GFC decided to take their radiator manufacturing business that they had operating in Yatala and try and sell their radiators to the US NASCAR racing teams. Can you imagine a small business at the back of the Gold Coast heading off to Charlotte, South Carolina, to try and sell their cooling systems? Now every US NASCAR racing team uses PWR radiators fabricated right here in Queensland. On top of that, the Red Bull Formula One team does the wind tunnel testing of their oil and water radiators right there at the Yatala premises. One of the leading Formula One teams in the world has invested with them on wind tunnel processes to develop their product. That is a fantastic business developed over the last 20 years exporting to the world and being supported by our Trade and Investment Queensland officers, and not just by this government but previously.

We now have a clear focus about what we can deliver, what we can produce and also I think putting a lie to the line that we cannot make things in Queensland and we cannot export them when quite obviously in niche markets with elaborately transformed manufacturers where we use our brains as well as our brawn we can match it with the best in the world with what we make here. That is a tremendous story and those companies and others such as Cook Medical and NOJA Power as well as Bundaberg Brewed Drinks are exporting products to the world and doing a tremendous job with the support of Trade and Investment Queensland. I know that Mr Tulloch has recently come back. He may wish to add his commentary in relation to how our presence compares with other states. He also has experience with Austrade as well, so perhaps he can bring that perspective to the answer to the question.

Mr Tulloch: Thank you, Treasurer. There is no doubt that a presence on the ground makes an enormous difference to businesses. There is no substitute even in the day of electronic communication for personal networks. In particular, for companies that are small businesses that do not have a reputation overseas, being introduced by a government representative makes an enormous difference. The example that the Treasurer cited is absolutely indicative of what we can achieve. It is certainly our objective to broaden the number of companies in Queensland that are exporting and that are taking advantage of this network, because there is an opportunity there for very skilled people with good relationships in market to put them in front of customers who will actively consider their proposition in a way that they would not achieve if they went on their own. So we are very proud of our network. We have an outstanding team overseas and it is very important for this state that we have such a large network that we do. Just one final comment that I would make is that it is a very significant addition to the team that we have appointed a general manager of international, Michelle Wade, who had 16 years working overseas for Austrade in various posts. So we have real talent back here in Queensland who understand the role of working overseas in an offshore post and we are very keen to make the most of it over the next period.

Mrs OSTAPOVITCH: I concur with you and the Treasurer. I have been to three of these trade offices myself and they are doing an outstanding job, especially Hong Kong.

Mr NICHOLLS: The member also has one of the great export success stories in Cook Medical in her electorate.

Mrs OSTAPOVITCH: Yes, indeed.

Mr NICHOLLS: They do a great job down there with their medical implant devices.

CHAIR: The member for Gladstone has a number of questions.

Mrs CUNNINGHAM: I have two that I will roll into one given your voice and one completely unrelated. The first two are in relation, again, to the port. I want to table a couple of press releases that refer to the concerns from the MUA and Maersk shipping. They have outlined in part in these press releases, which I table, the increased cost of transportation and freight costs after the sale of Port Botany and Port Kembla to the same company when they were privatised. They became then pretty much a monopoly. The ACCC has also expressed concerns. Is there any chance that Gladstone and Townsville could end up either with the same purchaser or consortia? The second part to that question is: once those two ports are privately managed, what can be put in place or what will be put in place to constrain transport charges once it becomes a private business in a private business context? What calculations have Projects Queensland, QTC or Treasury done to examine the potential of these increased costs to both Queensland families through increased commodity price, businesses and producers and also the possible loss of international competitiveness for those companies that are trade exposed? If those calculations have not been done, why not?

CHAIR: Treasurer, there are a lot of what-ifs in that question, but feel free to answer what you can.

Mr NICHOLLS: Sure. I will attempt to answer it in that sense. Member for Gladstone, I think it is the case that when businesses and assets such as ports are put up for long-term lease there are those who would seek to extract economic rent—that is, to pay less than the value that a thing is worth. Those who typically seek that are the users of that item who believe that they can manipulate governments far more easily than they can manipulate private corporations. They are typically called rent seekers. Rent seekers can involve very large corporations that seek taxpayer subsidies for their operations. Typical rent seekers might seek very cheap power prices, less than would be paid by a comparable business. Rent seekers seek land at little or no cost compared to someone who has already invested, developed, subdivided and worn the risk of bringing land to market and operating it. I would say to you that in terms of other rent seeking there are those who rent seek around employment prospects—that is, they seek not to have to work under the same conditions that others work under. They have to work under conditions that do not require them to work the same hours. They seek to work under conditions that protect them from competition and that protect them from delivering the service at the best price possible. So when I see stories like this and press releases from people I am always wary about what it is they are after. Inevitably, self-interest guides their commentary in relation to those sorts of things.

In terms of recent sales, in New South Wales we are aware and conscious of the opportunities and the requirements around those operations. I would say to you that, as I indicated in an earlier answer, there are remedies for people who believe that there are monopolies acting in a monopolistic way. It is not just the existence of the monopoly that you need to be aware of; it is also the activity that is undertaken that again seeks to extract more than the price that a thing is worth. Those remedies are under the Queensland Competition Authority Act and also under the National Competition Policy guidelines. I note that the chairman of the ACCC recently sought to challenge the activities of the New South Wales government around their energy privatisations process. I also note that that opposition was in fact thrown out by the competition tribunal—that is, the objections raised by Mr Sims were not validated and did not stand up to scrutiny in relation to the comments he made, particularly around the exercise of monopoly power. So there are always two sides to the story in what is a very complex argument in relation to competition. There are those who seek for their own purposes to minimise the price that they would pay in effect to get a subsidy. Often times they find it easier to manipulate governments than they do to manipulate private businesses, and so they seek to avoid private businesses taking over because they know they get a softer or sweetheart deal from government. That means that taxpayers are in effect being ripped off. They are not getting the full return that they ought to get on the money that they have invested in that asset. So we need to be careful about those statements.

Whilst there are and will remain competition concerns, we are very alert to those competition concerns and it is something that we, in terms of whatever offer we might receive from whomsoever we might receive it, will take into account in our assessment of what deal is the best deal to do for the people of Queensland. When we make that assessment, we will take into account the impacts on competition, the impacts on price, the impacts on service delivery and obviously ultimately what it means in terms of the sale or lease of that asset. We will have to make that judgement call based on the best advice that I can receive from the officers of Treasury and also from our merchant bank advisers and other financial and accounting advisers.

Mrs CUNNINGHAM: Thank you. My last question is on a completely different issue and from a completely different perspective. The Premier outlined on Tuesday the funding allocation for the policy development fund to the LNP, the ALP and KAP. All other parties or Independents were excluded. Treasurer, even though the community do not support paying parties to do their own work—that is, policy development work—how will these parties be required to account for this $3 million plus per year? How will they be required to acquit?

Mr NICHOLLS: I think the Premier expressed his view also about the utility of taxpayers paying for political parties. This is something that the Premier and I have discussed on many occasions because it is something that I actually agree with him about, not surprisingly. But I as a matter of philosophy do not believe taxpayers' funds should be used to support the activities or undertakings of political parties. Political parties rise or fall on their ability to formulate policy, to present it to the public and to garner support. However, we had in place a plan that had been put in place by the previous government that, in my view, saw extraordinarily large amounts of money flowing to political parties. I think I made the comment at the time it would lead to parties building Taj Mahals on taxpayers' dollars, and I do not think that that is appropriate either.

But there is also equally a view—and many academics and other put this view—that taxpayer funding ought to be mandatory for all activities of political parties and elected representatives, that they should be supported to free them from the taint of having to go out and actually raise money. That is a point of view that is put forward and it was obviously previously accepted by the prior government. It saw, if I recall correctly, something in the order of $24 million being made available for the political parties in the last full election campaign.

We decided that it would be far better to reduce that component of funding. We decided that, in terms of the contest that is put forward for political parties, there are two points of view. There is the point of view of the government and there is the point of view of the opposition and both of those strive to put their policy position to the electorate. In reality, not in any way decrying the contribution made by members who are not members of political parties, government is formed by either the government of the day being re-elected or the opposition obtaining the Treasury benches by virtue of their policy position being put forward. It is therefore appropriate to assist the development of good policy. I recall the Premier indicating the development, for example, of the independent public schools policy—something that Dr Flegg championed. It is something that he and I discussed many times—a model undertaken under the charter school model in various guises in the United States and also in the United Kingdom and adopted in the Scandinavian countries much more widely. Developing a policy like that requires time, it requires effort, it requires imagination and it does require money. So we felt that, in terms of developing viable alternative policy scenarios, it was appropriate to fund those. It is a model that is used in the United Kingdom, where payments to political parties are made to assist in policy development. It certainly does not cover the whole cost, but it assists in doing so. So we feel that it is an appropriate allocation of scarce taxpayer resources to do that. In terms of the allocation that is being made this year, the allocation will save between, I think, $4 and $6 million. I might ask the Deputy Under Treasurer to give some more certainty around those numbers, but I know that it does save taxpayers about $4 to $6 million over the previous model.

In terms of the acquittal, which is what you are asking about, ultimately, as in all of these things, I believe and we believe that the electorate is the final arbiter of the acquittal of those things. They are the arbiter of the acquittal by virtue of the fact that they either support your policy or they do not. So the acquittal process will be by virtue of the parties promoting their policies to the public and the public considering those policies and making their decision at the ballot box as they always do. If they feel a party has failed to deliver a policy, an alternative policy, or the continuation of a policy, they will cast their vote on election day in order to do that. We think that is the appropriate way to do it. Of course, expenditure will continue to be monitored by the Australian Electoral Commission.

So I understand that this is one part only of the funding model. There still remains the other funding component and that is the payment per vote received, which will still apply in order to support Independents and others along those lines. But, ultimately, in a democracy we remain answerable to the people and the people support policy or they oppose policy or they support your opponent's policy. That is why we felt that it was appropriate to go that way. I might ask Alex Beavers to perhaps give some more certainty around those numbers.

Mr Beavers: I would just like to confirm that I have done some calculations—some indicative calculations—based on some publicly available information and, as the Treasurer suggested, we put the savings at in excess of $4 million over the course of an electoral cycle on comparing the previous government's model to the new government's model.

Mr STEWART: I probably will not get much of an opportunity to ask another question of the Treasurer, so I would like to thank him for his time today, especially given his voice. I have a question in relation to TIQ's new Houston office and how it will support Queensland businesses based in Houston and whether the assistant minister would like to answer that for me.

Mr NICHOLLS: I will just take a part of that question, because I have some familiarity, particularly around the Los Angeles office operation. The operation of the Los Angeles Trade and Investment Queensland office was a source of much inquiry by me when I sat at that table and asked my predecessor questions simply because, notwithstanding the fact that the then trade commissioner to the Americas, the Hon. Peter Beattie, had in an email clearly recommended against re-signing a lease for the Los Angeles office, a lease for the Los Angeles office was re-signed. The commissioner then, I think, had some disagreement with head office about the reasons for doing that. The office for the Americas was relocated to Santiago with a representative office in Belo Horizonte. I understand that our most recent decision has been that our representative there, whose contract has come to an end, will not be renewed simply because I think the volume of work there did not justify it at that stage.

The previous government signed an extension on the previous office facility housing Mr Beattie for a further period of 10 years commencing in 2011 and expiring in December 2021. That cost the Queensland taxpayers in US dollar terms $10,815 per month. By comparison, our new offices in Houston cost 20 per cent less at US$8,720 per month. The difficulty with this is that, by 2011, we no longer actually required a Los Angeles office. We were paying almost $11,000 a month for an office that we did not require and we had a 10-year lease on. So to offset the cost we have sought to sublease those premises and we have done so until 2016 based on revised market rates that has resulted in us offsetting those costs by about $7,000 per month. So we are saving as a result of the actions of the government about US$50,000 a year as a result of those activities. So we are doing our best to minimise exposure.

I might ask, having covered off on that area of history, the assistant minister perhaps to cover off on the Houston office and Mr Tulloch may be able to provide some assistance there. But can I say, in terms of Houston, we are again leading the way, because I understand that DFAT is now considering opening its next office with a consul general in Houston, Texas. So over to the assistant minister.

Mrs FRANCE: Thank you, Treasurer. The United States of America is one of Australia's most important economic partners and our trade and investment links have deepened under the Australia-United States Free Trade Agreement. In 2012-13 the USA was Queensland's fourth largest two-way merchandise trade partner and Australia's third largest two-way merchandise trade partner and the largest source of inward investment into Australia. Houston Texas is the energy headquarters in the USA and a world centre for most segments of the oil and gas industry. More than 3,000 energy related establishments, including over 500 exploration and production firms and more than 150 pipeline transportation establishments and hundreds of manufacturers and wholesalers of energy sector products, are located within the greater Houston area. Houston is a key centre for Queensland to partner with in developing Queensland's CSG to LNG industry and to develop collaboration opportunities in unconventional gas research for Queensland organisations.

The Trade and Investment Queensland commissioner for the Americas was previously based in Santiago, Chile, and was responsible for North America. The TIQ review recommended that North and South America be split and a dedicated trade commissioner be appointed for North America based out of Houston, Texas. TIQ North America will service the USA, Canada and Mexico and, given the strong trade ties between Mexico and Texas and that Houston is central to each market, it is much easier for TIQ staff to service these markets.

As I mentioned earlier, the Premier opened the new office in Houston on 12 March 2014 along with the Texas Governor, the Hon. Rick Perry. During the ceremony, the Premier and Governor signed a five-year bilateral sister-state agreement between Queensland and Texas. The finalisation of the sister-state agreement with Texas also makes Houston a logical location for TIQ's North American office. Texas is the second largest state economy in the USA, with a consistent track record of strong growth. The sister-state agreement provides a prominent positioning for Queensland in this key market and the location of office will enable TIQ to capitalise on this relationship.

Mr NICHOLLS: I might ask if Mr Tulloch can add more to what is a very strategic location in the Trade and Investment Queensland world domination plan.

Mr Tulloch: Thank you, Treasurer. That is certainly what we aspire to. I think an important validation of the decision to move to Houston is, in addition to the sister-state agreement, which really is quite a valuable asset for the state, Texas being one of the most pro business states in the US and a state with enormous growth momentum, there is a lot of currency in having an alignment with a state like that. The other point to note is the significant Queensland companies that are established in the US. Companies like Cardno have over 4,000 employees in the US now. There are a lot of companies that are leading the way for the next generation of Queensland companies going offshore. So the US is very dynamic in that sense and this office is very much there to make a pathway for the next companies coming through.

To that end I am pleased to report that, since it has been launched in March from a standing start, the team there has developed an excellent pipeline. We have 10 quality investment leads already coming out of our Houston office and also 11 export leads. So this office has definitely hit the ground running. I think there is enormous opportunity in the country, but in particular in Texas and Houston, and the team that has been recruited there is already making very good progress.

CHAIR: There is a direct flight now to Houston out of Australia; is that right?

Mr Tulloch: Dallas.

CHAIR: Right.

Mr NICHOLLS: Mr Chairman, I do not mean to presume, but if there are no further questions for the Commissioner of State Revenue, might it be acceptable if she was excused from the balance of the hearing?

CHAIR: Yes.

Mr NICHOLLS: Thank you, Treasurer.

Mr GULLEY: Continuing on the Trade and Investment Queensland conversation, what are the benefits that the new trade office in Jakarta can provide to Queensland businesses?

Mr NICHOLLS: Many and varied. The new trade office in Jakarta was, again, a recommendation of the Trade and Investment Queensland review undertaken by the Hon. John Mickel and Mr Thomas. It is, in fact, the case that Queensland previously did have a Trade and Investment Queensland office in Jakarta. It was my view that, with the economic reforms that we were seeing in Indonesia and the growth in ASEAN, that we ought to consider an office that serviced the ASEAN region—not just Indonesia but, Indonesia making up about half of the ASEAN GDP, it was important that we be located in that region—also including Singapore, Vietnam, the Philippines and Malaysia. So I think opening an office will be important.

Certainly, in my visit there re-establishing ties after the, I must say, completely destructive actions of the former federal Labor government when they banned live cattle exports on the basis of a 30-minute ABC TV program without any fact or rhyme or reason, that necessitated the re-establishment of ties with Indonesia to promote that live cattle export, which is back on its feet again. So it is a very valuable office there. I am sure that the assistant minister will be able to provide you with further detail in relation to what that office will be able to achieve and what we are doing with the Jakarta office, if that is acceptable to you.

Mr GULLEY: Yes.

Mrs FRANCE: Thank you, Treasurer. The purpose of the new office in Jakarta is to promote trade and investment between Queensland and Indonesia and the wider ASEAN region. The strategic location of this office will serve as a gateway for Queensland companies targeting opportunities in these markets. It will build brand Queensland and ready our exporters to be the first to capitalise when ASEAN forms the ASEAN Economic Community, a single market and production base.

TIQ's Jakarta office became operational in February this year and planning has commenced for the official opening later this year. The Trade and Investment Queensland review recommended that a new office be opened in Jakarta to tap into the maturing Indonesian economy and the broader shift of capital out of Europe into the ASEAN markets. Indonesia is the largest economy in the ASEAN region. It consistently ranks among the world's most impressive emerging market and has outperformed many of its export oriented peers in the Asia Pacific region. It is currently the 16th largest economy in the world and is projected to be the fifth largest by 2030.

Our office will actively guide Queensland companies to identify and target commercial opportunities in Indonesia and ASEAN. Australia's two-way trade in goods and services with ASEAN countries totalled around $92 billion in 2012-13. Queensland's merchandise exports to the ASEAN markets grew by 16.2 per cent, or $460 million, from $2.83 billion in 2008-9 to $3.29 billion in 2012-13.

The METS companies have been the focus of TIQ's assistance in Indonesia but increasingly Queensland companies from other sectors, such as education and training, food and agribusiness, manufacturing and professional services, are seeking export advice and assistance. Key Queensland industry sectors supported by this office across ASEAN include mining and resources, food and agribusiness, international aid and development business, education and training, infrastructure and construction and investment attraction.

The growing importance of the ASEAN region was highlighted last year when Australia appointed its first resident ambassador to ASEAN based in Jakarta. Mr Marah Hoessein Salim was appointed Trade and Investment Commissioner ASEAN in February 2014. The commissioner has been actively promoting Queensland as a premier investment destination and assisting Queensland companies to identify the right in-market partners with which to target key projects. The commissioner is supported by a dedicated ASEAN team in Brisbane. The commissioner has travelled to Queensland twice in the past six months to meet with Queensland companies to discuss their plans for the ASEAN region and undertook a regional visit to Gladstone for a briefing on Queensland's LNG and port capabilities. Recently the commissioner provided in-market support to a defence mission led by Mr Lindsay Pears, defence industry envoy, to attend the Defence Services Asia 2014 Exhibition and Conference in Kuala Lumpur from 12 to 17 April and to attend additional meetings in Singapore between 10 and 12 April. The commissioner provided in-market support to the Singapore leg of the education trade mission to Singapore, United Arab Emirates and Qatar from 9 to 16 March 2014 led by the Hon. John Paul Langbroek, Minister For Education, Training and Employment.

TIQ's ASEAN team identified and introduced an in-market partner to Queensland company BEC Feed Solutions which in October 2013 opened an Indonesian office to service the Indonesian market. Tourism and Events Queensland has appointed a marketing manager who is also based out of TIQ's representative office in Jakarta to promote Queensland as a Premier tourist destination.

Mr NICHOLLS: The importance of this office, just quickly, is that what is occurring in ASEAN in relation to creating a single market will create a single market comparable to what you get in Europe—the ASEAN common market, effectively. We ignore it at our peril. Having a trade office in the leading country in ASEAN, namely Indonesia and Jakarta, is quite vitally important. I don't know if Mr Tulloch can add to that.

Mr Tulloch: Thank you, Treasurer. The comment I would make is that the opening of this office has been very well received both in Indonesia and here. We recently had a visit from the president of the KADIN, the employer body in Indonesia, and they were very, very positive about the appetite in Indonesia for doing business with Queensland. The other thing is that we have a very active Indonesia Australia Business Council here in Queensland and they are extremely supportive of this office. The reports that we are getting from the market are that the recent election, which has only just been held, is the perfect opportunity to, in fact, be entering the market. There will be a reset of opportunities all over the board. So, we are very focused on making full use of this office.

One final point is that we are also co-located with the University of Queensland who have also opened an office with us. So, there is really a 'team Queensland' push going on and I think the signs are very strong that we can capitalise on this very important market.

CHAIR: Thank you very much. Member for Mulgrave, you have a number of questions?

Mr PITT: Treasurer, given your voice has gone past the Tommy Raudonikis stage and gone straight through to nothing I will try to steer clear of you where I can. My question is to the Under Treasurer. I refer to page 128 of Budget Paper 2 which details the earnings before interest and tax for the public non-financial corporations sector. It is my understanding that the state's GOCs would have a lower credit rating with a stand-alone credit profile. Notwithstanding the Treasurer's statement that Fitch Ratings are totally wrong for downgrading the outlooks of Stanwell, CS Energy and Ergon Retail to negative, Under Treasurer, isn't it the standard practice from a credit ratings agency that it is factoring in the possibility that these businesses will soon have a stand-alone credit profile?

Mr Gray: Sorry, could you just repeat that last part of the question?

Mr PITT: Isn't it standard practice from a credit ratings agency that it is factoring in the possibility that these businesses will soon have a stand-alone credit profile?

Mr Gray: Well, there is no need for a stand-alone credit profile because ultimately they are guaranteed by the Queensland government. Whilst the credit rating is used for management purposes and to assess a competitive neutrality fee which we apply to those businesses to effectively create a cost of capital comparable to the private sector, the stand-alone credit rating is simply an internal management tool and doesn't have any great relevance beyond that.

Mr PITT: Thank you.

Mr NICHOLLS: Your question was in relation to Fitch's recent statement?

Mr PITT: Correct.

Mr NICHOLLS: I don't know that the Under Treasurer understood your question as I heard it.

Mr PITT: Notwithstanding the fact that you made your point clear earlier that they were totally wrong, the downgrading of outlooks of Stanwell, CS Energy and Ergon Retail, the view is that this would be assumed to be standard practice in terms of their future given what we already know.

Mr NICHOLLS: What Fitch did is they issued, if I can put it this way, a speculative rating on an assumption that the government was proceeding to the sale of those businesses.

Mr PITT: Correct.

Mr NICHOLLS: That was based on their misreading of the Budget at a Glance document by their analyst in Sydney. And by the way we don't engage Fitch here in Queensland. I think the previous government might have terminated the arrangement. What they said, as I understand it, is the government is planning to sell, they have included the proceeds in their budget. It was in relation to CS Energy, if I recall correctly, not the others.

Mr PITT: Yes, but I have packaged those as part of that arrangement, if you like.

Mr NICHOLLS: I think they said CS was the one they were looking at. That CS Energy, were it to separate from government and the inherent government backing of that company, that they would rerate its debt at BBB instead of BBB plus, if I recall correctly. Yes, that is what they said.

Mr PITT: Yes.

Mr NICHOLLS: Yes, they did say that. Now, the gearing of those companies at any stage will be determinative of whatever their credit rating might be post a transaction. So, like anything—let us take, for example, the Queensland government—if you incur too much debt or you look like you are going to incur too much debt your credit rating gets downgraded. So in 2009, when the then government looked like it was incurring too much debt and continued to incur debt, in February 2009 the ratings agencies that we do engage with, Moody's and Standard & Poor's, downgraded Queensland's credit rating because it had too much debt, certainly that it was spending more than its earnings. They were the metrics they look at. What Fitch have simply said is, all things being equal, what we know at the moment, if CS is not part of the government then we would downgrade its credit rating. Well, excuse me for a blinding glimpse of the obvious, what Fitch are saying is 'we don't know much about what is going on but when we read the Budget at a Glance document we get that wrong anyway and so we are now rerating or putatively rerating CS Energy on a transaction that may or may not go ahead'. I mean, really. I'm happy to respond on that basis, because most of it was hypothetical and all of it was based on assumptions that Fitch have no knowledge of and, in fact, the things that they do have knowledge of they get wrong.

Mr PITT: Thank you, Treasurer. This will probably be the last question. I will try to bundle this into two to make sure that we do this the right way. Referring to page 17 of the SDS which is detailing the department's future IT model being under review—I am happy for the Under Treasurer to come in if the Treasurer is unable to answer this, but on Treasury's ICT Dashboard on the Queensland government website it details that the Enterprise Content Management program which started on 21 May last year has blown its budget by $611,800 and is classified as amber, or an initiative that is 'still within tolerance but pushing the bounds'. Then there is the replacement of policy and claims management systems in Treasury which has blown out in cost by $684,000. It is also classified amber. My question would be why have these projects gone over budget, what has contributed to the blow-out in costs, will the projects meet their planned delivery dates of 30 June this year and what is the department doing to manage costs?

CHAIR: We have about two minutes because we have a bit of housekeeping to do right at the end.

Mr NICHOLLS: A very good question, and I would like to know the answer to it. Let me say we will get some information for you on that one because it is not one that I know a great deal about. You will appreciate, of course, honourable member, my complete and utter wariness when it comes to IT systems. Fortunately at this stage we are not in a situation where we have a payroll system that started off at $60 million and is costing $1.2 billion to remedy.

Mr PITT: Including operating costs, but that is another discussion.

Mr NICHOLLS: I don't know if the Under Treasurer is able to answer that but we will take that on notice and come back to you about it. Happy to do that. I think there is one other quick thing that the Under Treasurer will respond to in relation to the question you asked about the cumulative debt.

CHAIR: That was one of the housekeeping issues.

Mr NICHOLLS: If he finishes that quickly I would then like to say one or two quick things at the end.

Mr Gray: Thank you, Mr Chairman. I refer to the document that was tabled by the member for Mulgrave and confirm that the numbers he has presented in there are consistent with numbers that we have published previously in various documents. If I could just make several comments about the figures there, to compare the fiscal balance estimates from the 2011-12 MYFER to the 2014-15 budget you basically need to take into account two factors, I suppose: the fact that the world hasn't stood still since then and, secondly, that the outcomes projected in the 2011 MYFER could actually be achieved. So, for example, the Queensland independent Commission of Audit seriously questioned whether the 2011-12 MYFER estimates could be achieved. Both the revenue and the expenses estimates were considered to be overly optimistic. For example, I have already spoken this morning about the revenue write-downs that the government has had to undertake amounting to $5.4 billion. And I note in that regard that the coking coal price is no longer $200 per tonne which it was at the 2011-12 MYFER but is now around $140 per tonne as indicated this morning.

On the expenditure side, I note that over the decade to 2011-12 expenses increased on average by 8.9 per cent per annum. The 2011-12 MYFER assumed that own-purpose expense growth would be only 1.9 per cent in 2012-13, three per cent in 2013-14 and 1.4 per cent in 2014-15 despite being 11.4 per cent in 2010-11 and 9.1 per cent in 2011-12. So I just refer back to that $5.4 billion in revenue write-downs. If it wasn't for those write-downs we would be in fiscal surplus in this year. I think the Treasurer indicated earlier on it was with deep regret that he has been unable to achieve a fiscal surplus this year. It is certainly very disappointing to me as well, but barring any further unforeseen developments we are on track to achieve that fiscal surplus in 2015-16.

I make the additional point that the 2011-12 MYFER did indicate a projection of gross debt of $85 billion. In the 2014-15 budget, that gross debt figure will be $79.956 billion. Despite the revenue setbacks and despite the difficult situation confronting the government, debt is already $5 billion less than it would have been under the 2011-12 MYFER.

CHAIR: Thank you, Under Treasurer.

Mr NICHOLLS: I am operating on the basis that we are just about at the end of this, Mr Chairman.

CHAIR: We are, Treasurer.

Mr NICHOLLS: With your indulgence, firstly, I thank the committee for the opportunity to lose my voice with you here today and answer questions, and I thank you for your courtesy during the course of the day. I particularly thank my own ministerial staff team who have been invaluable in assisting me. I also thank all the staff from Treasury and the agencies for which I have responsibility, in particular, the Under Treasurer, Mark Gray, and the Deputy Under Treasurer, Mr Alex Beavers, to his right. I make particular mention of Mr Liam Gordon, who has been a long and faithful servant of Treasury, but obviously that faith has been sorely tested and this is now the last of the budget estimates sessions that he will have to sit through, for some time anyway. Liam, for your expertise, assistance and skill on behalf of the government, and not only this one but others I am sure, we thank you for your hard work and wish you all the best. We have not forgotten you and we will not be taking our eye off you, either.

I thank Mary-Anne Wilson, the Director of the Under Treasurer's office, who has no doubt seen and heard it all; Mr Warwick Agnew, the new COO; and Dennis Molloy from the fiscal branch of the Assistant Under Treasurer, who regretted the fact that he was not able to be up here to explain in greater detail coal pricing and its projections going forward. We have, of course, the agency staff here. Most recently, we have Andrew Tulloch and his team who are here; Damian Frawley was here earlier in the day but was not required; the officers of the Office of State Revenue and Projects Queensland, an organisation and part of Treasury of I which I am exceptionally proud and this government is proud, that is delivering projects effectively, and the new CEO, Mr David Quinn; and Mary-Anne Curtis who answered questions. To all who have made a contribution to today's estimates hearing, to the budget and to the wellbeing of this state, I say thank you. Finally, I thank my assistant minister who assisted more than I think she expected she would have to this morning in making sure we were able to get through today. Thank you, one and all, for your support and thank you, Mr Chairman

CHAIR: Thank you, Treasurer. There are a couple of questions on notice. One was regarding the probity adviser and one was just put on.

Mr NICHOLLS: We will come back to you on those.

Mr Gray: Mr Chairman, I can confirm that the statutory adviser for the scoping studies was Argyle, as I mentioned this morning. It was Argyle and the individual was Mr Peter Bruton.

CHAIR: Thank you very much.

Mr NICHOLLS: I also thank all the parliamentary staff and attendants. I hope Hansard has not struggled too much. If you send me the transcript, I will edit it and make sure it is absolutely correct for you.

CHAIR: The allotted time for the consideration of the proposed expenditure for the areas of responsibility administered by the Treasurer and Minister for Trade has expired. On behalf of the committee, I thank the minister and the departmental officers for their cooperation. The committee has resolved that answers to any questions taken on notice or additional information must be provided to the committee secretariat by 4 pm on Friday 18 July 2014. The committee has concluded its examination of the matters relating to the Treasurer and Minister for Trade and related entities referred to it by the parliament. On behalf of the committee, I thank the officers of the Parliamentary Service for their assistance with today's hearing and I declare the hearing closed. Thank you very much.

Committee adjourned at 5.03 pm