



Speech by

Hon. D. HAMILL

MEMBER FOR IPSWICH

Hansard 30 July 1998

MOTION OF CONFIDENCE

Hon. D. J. HAMILL (Ipswich—ALP) (Treasurer) (12.04 p.m.): Labor in Queensland has an enviable record of sound financial management. This Government is committed to maintaining the high standards of financial management that were achieved by the Goss Labor Government, which delivered State Budgets in surplus on six consecutive occasions. I might add that it was also the Goss Labor Government that delivered Queensland's zero net debt position.

Labor will uphold its reputation as Queensland's most responsible economic manager. Notwithstanding a somewhat uncertain economic climate in which the rest of the world is also looking at the implications for the world economy arising from issues in Japan and other east Asian economies and notwithstanding the structural problems that we inherited from the coalition's flawed 1998-99 Budget framework, this Labor Government will deliver on its commitments.

In May, the coalition presented a proposal for a Budget. It was cynically drafted to mislead Queensland taxpayers and avoid parliamentary scrutiny of a variety of unfunded coalition promises. Indeed, the very timing of the Budget was clearly designed to circumvent any scrutiny of this cobbled-together document, particularly as the election was held so quickly afterwards. In its Budget framework, the coalition left \$725m in capital infrastructure commitments unfunded, including the Roma Street parklands, the Pacific Motorway and the cultural heritage centre, not to mention its failure to provide adequate dollars for service delivery.

It was very interesting to listen to the honourable member for Toowoomba South who spoke in the debate just a few moments ago. As Minister for Health, the honourable member for Toowoomba South tried to outdo Jim Hacker of Yes, Minister fame. It was in Yes, Minister that Jim Hacker had the perfect hospital. That was one without patients: no patients, no complaints. However, the former Minister for Health who sits opposite tried to go one better. In relation to the hospitals for Robina and Noosa, he decided that it would be much better to have hospitals without staff and patients. That way he did not have any industrial relations issues either. In other words, he came up with the perfect hospitals. According to Mr Horan, the perfect hospitals were hospitals without operating budgets.

That is the same coalition that now seeks to besmirch this Labor Government's economic responsibility. On 19 March 1996 in Brisbane, the then newly appointed Treasurer, Mrs Sheldon, addressed the Conservative Club outlining the then coalition Government's approach to financial management. She used the occasion to attack the former Labor Government's Budget for relying on one-off sources of funding totalling \$137m. There will always be one-off sources of funding in a Budget. However, the same coalition Treasurer brought down Budgets in which, to quote Queensland Treasury—the same organisation that this morning was so praised by the Leader of the Opposition—the coalition Government's financial position was held together through one-off transactions. More importantly, in its advice the Treasury said that that strategy was unsustainable. What were the sorts of transactions to which the Treasury was referring? They were the \$850m which was taken out of the electricity industry through the debt for equity swap last year and, of course, the sell-down of Suncorp-Metway to pump up expenditure commitments in the Budget. Treasury warned that that was unsustainable in an ongoing fashion. It warned further that, therefore, there will be a deteriorating Budget position in the out years when those one-off transactions ran out.

This is the same coalition that in the last couple of weeks has tried to make political mileage out of the \$34m blow-out in the Fire and Rescue Authority budget—the same coalition whose leader and his colleagues were advised over a year ago about the blow-out but did nothing about it. Not only did they take no action; they also attempted to conceal the advice from the Queensland public. In March this year when the then Opposition Leader, the honourable member for Brisbane Central, attempted to inquire about the difficulties facing the Fire and Rescue Authority and seek information as to whether new taxes and charges were being required to fill the gap, the then Treasurer, the honourable member for Caloundra, said—

"There is no such tax, levy or any other thing that one might want to call it even being contemplated."

The members opposite are silent. Why should they not be silent, because their track record on the Fire and Rescue Authority is surely an embarrassment to each and every one of them.

Labor in Government and in Opposition took a very responsible approach to economic management. We undertook through KPMG a rigorous costing process to ensure that our election policies remained fully costed and fully funded within the existing budgetary framework. That costings document, which was approved by KPMG and provided to the member for Nicklin and to other interested parties, explicitly stated a number of assumptions. There are two important assumptions in that document which need to be recognised. One of the assumptions was—

"The projections are prepared on a no policy change basis with the exception of the specific initiatives that Labor has identified."

The other key assumption was—honourable members should listen to this, because it is very important—that the existing programs of the coalition Government, both capital and recurrent, were fully funded.

We were very much aware that we had to treat the coalition Budget with caution, because for two years we had witnessed the former Government attempting to sweep unfunded promises and black holes under the rug while evading the appropriate scrutiny of Parliament. I say here and now to each and every member of the Parliament that this Government will not play political games over economic management, as the coalition did, and we will not shirk the responsible decisions that good Governments are required to make.

Within weeks of our taking office our commitment to prudent economic management was demonstrated by our decision to return the compulsory third-party insurance scheme to full actuarial funding. Despite receiving advice in February this year from the Motor Accident Insurance Commissioner, the previous Government did nothing to address the unfunded position of the compulsory third-party insurance scheme. In fact, had the then Government acted on the advice it received, there would have been a \$13 increase in CTP premiums on 1 July. Nothing happened, and the increase had to be made \$16 just to get the fund back on balance. We do not resile from that because we have a firm commitment to ensure that the unfunded and contingent liabilities of Government are fully funded under a Labor Government.

On the subject of the position of Queensland motorists, I am sure all honourable members and Queensland taxpayers would be interested in the done deal—or should I say the "dumb deal"—that was done between the coalition Government in Brisbane and the coalition Government in Canberra over fuel excise.

On 5 August last year, the High Court handed down a decision that effectively invalidated State franchise fees on tobacco and liquor and, in the other States, fuel. At the request of the States and Territories, the Commonwealth implemented safety net measures by increasing excise duties on tobacco and petroleum and wholesale sales tax on liquor, with additional revenue generated to be returned to the States and Territories, and by introducing into Queensland a 100% windfall gain tax on refunds paid prior to 5 August 1997.

In the press release dated 13 October 1997 announcing this arrangement between Mr Borbidge, Mrs Sheldon and Mr Howard, it was stated by the Prime Minister that the safety net arrangement was such that no State or Territory was financially advantaged or disadvantaged. All States and Territories have suffered under the arrangements. This is largely associated with changes in the timing of taxpayers' liabilities and the transition from the business franchise fee regime to the safety net arrangements.

In addition to all of those losses, the then Borbidge Government allowed Queensland to incur losses of some \$69.3m as a result of fuel subsidy payments far exceeding Queensland's fuel safety net receipts. That \$69.3m in fuel losses in 1997-98 was managed in a budgetary sense by a drawdown on departmental carryover funds.

Mr Johnson: That is not right.

Mr HAMILL: It is right, and the honourable member knows it. As these funds will be required by departments this year, that drawdown represented only a temporary solution to the problem. Beyond this, there is an ongoing loss for Queensland of around \$60m per annum. That represents a contribution by Queensland taxpayers of \$5m a month to fund the "dumb deal" that was done between Messrs Borbidge, Costello, Howard and, of course, Mrs Sheldon, the former Treasurer. That is just an intolerable situation.

What is more, the Commonwealth promised that there would be a review of these arrangements within six months to fix up any problems that may have occurred. At the March Premiers Conference, the former Government and the other State Governments just charged out, so that particular issue was not addressed. It has come to my attention that the Commonwealth may now be intending to welsh on its undertakings to the former coalition Government of Queensland. That is why I have written to the Federal Treasurer, the Honourable Peter Costello, seeking his urgent advice and his reaffirmation of the Commonwealth's commitments.

The important point is that the \$60m cost to Queensland taxpayers in revenue forgone is actually revenue that was included in the revenue Forward Estimates of the coalition Budget—and that is a fact. We need a reaffirmation from Treasurer Costello that Queensland will be fully compensated under the agreement as he and the former coalition Government in Queensland promised.

I note that the member for Caloundra is leaving the Chamber. Before she goes, she might like to reflect upon something else she told the Conservative Club lunch in 1996. She criticised the former Goss Government over the level of budgetary carryovers. Mrs Sheldon said—

"The Coalition will make sure the entire capital works budget each year is in fact spent ..."

Again, the record tells a very different story indeed. I table for the information of all honourable members details of Consolidated Fund outlays and carryovers. I seek leave to have the table incorporated in Hansard for the information of all members.

Leave granted.

Queensland Consolidated Fund Outlays and Carryovers

Year	Recurrent Outlays (\$M)	Recurrent Carryover (\$M)	Recurrent Carryover as % of Outlays
1991-92	7,972.4	101.7	1.3%
1992-93	8,163	157.1	1.9%
1993-94	8,618.4	182.7	2.1%
1994-95	9,212.1	261.9	2.8%
1995-96	10,153.7	261.9	2.6%
1996-97	11,532.6	402.5	3.5%
1997-98	11,970.8	504.9	4.2%
Year	Capital Outlays (\$M)	Capital Carryover (\$M)	Capital Carryover as % of Outlays
1991-92	1,023.8	62.4	6.1%
1992-93	1,422.0	59.5	4.2%
1993-94	1,397.4	128.4	9.2%
1994-95	1,563.5	154.8	9.9%
1995-96	1,493.3	178.5	12.0%
1996-97	1,955.0	160.0	8.2%
1997-98	2,275.6	231.5	10.2%
Year	Total Outlays (\$M)	Total Carryover (\$M)	Total Carryover as % of Outlays
1991-92	8,996.2	164.1	1.8%
1992-93	9,585.0	216.6	2.3%
1993-94	10,015.8	311.1	3.1%
1994-95	10,775.6	416.7	3.9%
1995-96	11,647.0	440.4	3.8%
1996-97	13,487.6	562.5	4.2%
1997-98	14,246.4	736.4	5.2%

Mr HAMILL: The table shows a very sorry state of affairs indeed. It shows that, for the 1997-98 year—these are figures that have just been produced by Treasury—5% of all Consolidated Fund expenditure could not be delivered last financial year by the coalition Government. That 5.2% of non-

delivery of outlays is a new record. The total carryover was actually \$736.4m. The carryover in the previous year of the coalition Government was \$562.5m, or 4.2% of total Consolidated Fund outlays.

On the capital side of the Consolidated Fund budget, the coalition's lack of performance last year was second only to its capital works freeze, which it delivered to the Queensland economy upon taking office in 1996. Of the Consolidated Fund allocations for capital works, more than 10% were not delivered by the coalition Government in its last year in office. That is a shameful performance because jobs, services and facilities have not been delivered to the people of Queensland.

The lacklustre performance of the coalition was simply not good enough and the Beattie Government will put its money where its mouth is. We will outperform the coalition in the area of capital works. We are determined to do so. Certainly there will be no capital works freeze under Labor. There has not been and there will not be.

I make another point arising out of those figures. Under the coalition we saw the continued ramping up of the capital works budget but in a deceitful way. Even though coalition members came into this House and talked about capital programs of \$4.5 billion and \$4.8 billion, the then Government was never able to get capital expenditure up to \$4 billion. What is the good of coalition members running around the State saying, "We are spending \$4.5 billion in capital works", or \$5 billion in capital works—we could even say \$7 billion or \$8 billion in capital works—when they know and we know that the then Government was not able to spend even \$4 billion in capital works? I think it is time for the deceit to end. I think it is time we went back to a basis of honesty and integrity. As a Government, we pledged ourselves to delivering on capital works. We will increase the effort on capital works, but we are not going to do as the coalition did and try to con people into believing that works are happening when in fact works are not happening.

Last week I spent considerable time speaking with representatives of the financial markets in Sydney and Melbourne to explain Labor's fiscal framework and economic policies. In the light of the election it is fair to say that the financial markets have viewed Queensland with some concern. In particular, some of the economic policies being peddled by some of the parties before the election raised real questions in the minds of those in the financial markets. That perception of uncertainty resulted in the value of Queensland Treasury Corporation bills falling by five basis points, which directly affects the cost of Queensland Government borrowings. That decline in the value of our bills effectively eliminated our advantage over New South Wales. Had the markets continued to view Queensland in that way, it would have cost the State an additional \$8m to \$9m per year to undertake the responsible borrowings needed to fund our economic growth.

I am pleased to advise that, following our message of economic certainty and fiscal responsibility being delivered, the markets have responded very favourably indeed. By the end of last week, QTC bills had recovered to a two to three point advantage over the bills of other States. We will increase that advantage further as we get our message into the international arena. The Beattie Government will continue to press home this message to the benefit of Queensland and Queenslanders.

The following are the principles within which we will frame our September Budget. Firstly, we will deliver and we will maintain Queensland's competitive tax environment. We have a low-tax status, and we will ensure that our taxes, charges and so on remain below the average of the other States. Secondly, we will fully fund employee entitlements and the other contingent liabilities of Government. That is what we did with compulsory third-party insurance, and the markets recognised that. However, we will also deliver in relation to workers compensation and public service superannuation.

Thirdly, in relation to borrowings the Government will ensure that borrowings—and, I might say, the financial arrangements equivalent to borrowings—are restricted to those bodies, projects and activities that can service those obligations from their revenue streams. Fourthly, we will maintain an overall State Government surplus not only in the Consolidated Fund but also in GFS terms. Fifthly, and very importantly as we move to accrual output budgeting, we will at least maintain, and seek to increase, total State net worth.

The Beattie Labor Government has committed itself to fiscal policy principles that will ensure that Queensland's financial position remains among the best of any provincial Government in the world. Those principles are bona fide proof of the Government's respect for the importance of sound fiscal management as the cornerstone on which good government can be built.

This morning we heard a lot from the Leader of the Opposition about mandates and what sort of support parties had in the Parliament. I remind the Leader of the Opposition that he speaks for about one in seven Queenslanders. At the recent election the National Party vote plummeted to around 15%. The Liberal vote was not much better. I remind the official Opposition in this place that collectively they represent fewer than one in three Queenslanders. How shameful it was to have the Leader of the Opposition trying to suggest that this Government does not have a mandate to deliver on its commitments, to deliver on jobs and on sound financial management.

The undertaking that the Premier gave the honourable member for Nicklin in his letter of 25 June was an undertaking that we would provide sound fiscal management for Queensland. The principles that I read out—the principles that I extolled to the financial markets—embody that commitment. And we will go further. I will be proposing a charter of fiscal and social responsibility that will encapsulate those principles, along with a strict regime of financial accountability and reporting, to further protect the State's position and to ensure that Queensland, under Labor, maintains its reputation as Australia's best run regional economy—the powerhouse of growth in Australia.
