



Speech by

**Dr DAVID WATSON**

**MEMBER FOR MOGGILL**

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Hansard 25 August 1998

### **COALITION BUDGET, GST BLACK HOLES**

**Dr WATSON** (Moggill—LP) (Leader of the Liberal Party) (11.30 a.m.): I fear that Budget day will be a black day for Queenslanders. I say this because it is patently obvious that the Treasurer, the honourable member for Ipswich, is softening us up for increased taxes and charges. He is softening us up with his black hole strategy. It is a simple strategy. He keeps saying that there are black holes in the Budget and he keeps refusing to rule out any higher taxes or charges. That way, when he brings down a Budget full of pain he can blame the black holes.

Well, I do not buy it and I do not think that the people of Queensland should have to buy it, either. The fact is that the black holes are nothing but Hamill hallucinations. First we had the black hole in the coalition Budget—a Hamill hallucination! Then we had the black hole in the GST package—another Hamill hallucination!

**Mr Hamill:** That was more alliteration.

**Dr WATSON:** It is alliteration but it comes from us, not from the Treasurer. These black holes are merely an excuse to hit Queenslanders with higher taxes and charges and to cover up the fact that Labor needs to find an extra \$1.5 billion to fund its election promises.

Allow me to present the facts about these so-called black holes. The first supposed black hole was \$725m. I notice that this so-called black hole was mentioned in the Australian Financial Review today.

**Mr Hamill:** I didn't read it.

**Dr WATSON:** The Treasurer did not read it? He should. On 16 July the Treasurer claimed that in the coalition's May Budget there was a funding shortfall of \$725m on eight State Government projects. The only shortfall was one of comprehension on the part of the Treasurer. He cannot read the Budget papers and he cannot add up.

Let me deal in detail with that alleged \$725m shortfall. First of all there was Briztram, which had already been canned by Labor at the time when the Treasurer attacked it. That gave the Treasurer a \$32m surplus to begin with. Our Budget also made provision for \$67m to cover the full capital cost of the South Bank redevelopment over the next couple of years. Some \$28m of that will be recouped through land sales, as previously announced. That constitutes money in the bank as well. In other words, on these two projects alone, which Labor scrapped, the present Government is \$60m in front, not behind.

Then we have the matter of the supposed \$120m shortfall in funding for the Pacific Highway upgrade. Our Budget papers show clearly that the total provision, past and present, was \$750m. It was increased from \$630m in 1997-98 to accommodate the recommended enhancements approved by State Cabinet earlier this year. Even the new Minister for Transport's own press release listed the project at \$750m, so clearly the alleged shortfall is a huge Hamill hallucination.

Another project listed as unfunded by the Treasurer was the Cultural Heritage Trails project. The fact is that this project was to be funded mainly through \$50m from the Commonwealth's Federation Fund. Yesterday, the Premier had the audacity to re-announce it with increased funding. Some black hole!

Full provision had also been made for the \$320m Queensland Cultural Centre project, again listed by the Treasurer as unfunded. Our Budget papers show an allocation of \$10m for planning in

1998-99, with the balance of \$310m set aside in the out years, which are covered by Treasury's forward planning estimates. The previous Treasurer, the member for Caloundra, had announced the project as a 10-year project, allowing on average \$30m per year as shown in the Forward Estimates.

Also named on the black hole list was the Roma Street redevelopment. The net cost of the Roma Street redevelopment has been covered by a notional Treasury carryover of \$70m since the project was first announced by the Goss Government during the 1995 election. That \$70m will more than bridge the difference between the construction cost and the future revenue from the International Garden Festival. Another inclusion on the list of so-called unfunded projects was the "Heart of the City" at Surfers Paradise.

**Mr Hamill:** Don't forget the Magistrates Court.

**Dr WATSON:** Don't worry, I will get to that. The "Heart of the City" project was a comparatively modest and very long-term commitment of \$21m and no funding was required until after the next State election in 2001. That was clearly identified in the coalition's costings delivered before the last election.

**Mr Gibbs:** I don't think you're going to make it, son!

**Dr WATSON:** I do not know what the Minister is talking about. The Treasurer is clearly clutching at straws if he wants to pretend that it will have any real impact on the Budget process. We have also provided funding of \$1.2m for planning the new Magistrates Court complex in Brisbane. This project has absolutely no implications for the forthcoming State Budget.

**Mr Hamill:** You plan it but you don't build it.

**Dr WATSON:** We provided the \$1.2m. In our election costings we said that it was not going to take place until June 2001. That \$1.2m was included in our Budget and does not affect in the forthcoming Budget. We have it in black and white that there is no black hole in the coalition Budget.

Let us now turn to the other black hole, the supposed \$350m black hole caused by the GST. The Treasurer and the Premier claim that, if a GST is introduced, Queensland will lose its low-tax status. The only way Queensland could possibly lose its low-tax status is if the Premier and the Treasurer fail to pass on to Queenslanders the benefits of the new tax reform package. The Prime Minister has stated clearly that Queensland's unique position will be taken into account. Last week on radio the Treasurer said that he wants a guarantee that Queensland will not be disadvantaged. He has a guarantee in black and white from the Prime Minister. I quote from a letter to Mr Beattie from John Howard dated 13 August—

"The GST revenue will be distributed in accordance with horizontal fiscal equalisation principles. The Commonwealth Grants Commission will continue to determine the formula. In calculating the formula, the Grants Commission will have to reflect the capacities and needs of each State and Territory as well as the fact"—

and this is the important part—

"... that not all States and Territories currently levy the whole range of taxes to be eliminated."

The Prime Minister has stated unequivocally that the Grants Commission will be required to take into account the fact that Queensland does not levy some taxes which other States do levy.

**Mr Hamill:** Is that the same guarantee that we get full money back for the school subsidy?

**Dr WATSON:** I will tell the Treasurer one thing: it is far better than the I-a-w tax guarantee that Labor gave during the 1993 Federal election. Labor changed its guarantee soon after the election. This should put to bed once and for all the ridiculous assertion that Queenslanders will have to pay for the removal of the New South Wales bed tax.

Queensland will benefit from the GST because the GST is a growth tax and we are a growth State—or at least we were before Labor got back in. It is clear that there are no black holes. The only holes are in the Treasurer's credibility. I say again that Budget day will be a black day because that will be the day when Labor raises taxes and charges. Queenslanders will then have the right to see red.

I wish to continue with the subject of comprehension shortfalls. I want to refer to the Premier because this time the comprehension shortfall applies to him. I quote from an article by John Lehmann in the Courier-Mail of Saturday, 15 August headlined "Asian trade and tirades threaten crisis". The article reads—

"After running hard during the election on his ambitious goal of cutting unemployment to 5% in three to five years, Mr Beattie said his 'heart sank' when visiting polling stations on the Saturday morning of the election."

The Premier restated this today. The article continues—

" 'I got a pager message that Japan was in recession while I was at the Wilston State School,' he recalled. 'I thought, that's a smack in the head we don't need. It will make it much harder to achieve the jobs target—I'd be dishonest if I didn't say that.' "

Does the Premier seriously expect us to believe that the Japanese recession caught him unawares? Does the Premier seriously expect us to believe that he was the only Australian political leader who did not see the Japanese recession coming? The coalition saw it coming. Queensland business saw it coming. In fact, any child at Wilston State School with a Year 2 reading level could have seen it coming.

Japan's gross domestic product had been on a downward spiral since the fourth quarter of 1996. It dipped below zero in the last quarter of 1997. The BIS Shrapnel Economic Outlook dated March 1998 said that export volume growth for Asia for 1998-99, previously forecast at around 9% in September last year, will be cut back to around 5%. We recognise Japan as our biggest customer. It takes 27% of our exports. A recession in Japan has a direct effect on Queensland jobs. We took this into account in our Budget. We did not make immoral promises to vulnerable Queenslanders. We told the truth.

If the Premier did not know that Japan was heading for recession, he desperately needs help in economics. If he did know that Japan was heading for a recession but nevertheless made the jobs promise, he should immediately apologise to all the unemployed people in Queensland who were sadly misled by him.

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