



Speech by

**Hon. D. HAMILL**

**MEMBER FOR IPSWICH**

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Hansard 8 June 1999

**FINANCIAL ADMINISTRATION LEGISLATION AMENDMENT BILL**

**Hon. D. J. HAMILL** (Ipswich—ALP) (Treasurer) (4 p.m.), in reply: I thank honourable members for their contributions to the debate this afternoon. This is important legislation. I know that the member for Moggill was having a bit of a joke about this legislation having a long gestation period. However, the fact of the matter is this: in Opposition we committed ourselves to a charter of social and fiscal responsibility.

I draw the attention of the House to the report brought down by the former coalition Government's Commission of Audit. The Commission of Audit recommended that there ought to be a charter of fiscal responsibility. The former Government never really acted on that recommendation. It was one of a whole host of recommendations that were perhaps a little too hot to handle. It never got around to doing anything about it. It was certainly my view and that of the then Labor Opposition that a charter of fiscal responsibility was a lopsided charter, because it focused wholly and solely on economic management.

I believe that the community expects sound and responsible economic management from its Governments. However, the community expects also that Governments will deliver on the very economic and social programs that make up the platform on which they were elected. Therefore, I do not accept the proposition put by the member for Moggill that Labor Governments abrogate their fiscal responsibilities and will use social objectives to get around them. As I said, if that is the view expressed by the member for Moggill, perhaps I would not be too uncharitable if I said that Governments of which he would be a member would abrogate their social responsibilities all in the name of fiscal responsibility.

**Mr Fouras:** That's how they think.

**Mr HAMILL:** That is indeed how they think, but that is not how this Government thinks or acts. The very point of having a charter of social and fiscal responsibility is to make the point very clear that the two are intertwined; that fiscal responsibility goes hand in hand with social responsibility. I cannot think of anything that is more socially irresponsible than to wreck the economic base of the State. To do so would be to inflict a whole range of social problems on the community.

**Mr Littleproud** interjected.

**Mr HAMILL:** The retiring member for Western Downs has a comment to make?

**Mr Littleproud:** What about former Premiers Bannon and Cain? What about their track record?

**Mr HAMILL:** The honourable member continues to disappoint.

**Mr LITTLEPROUD:** I rise to a point of order. I find that remark offensive and I ask that it be withdrawn.

**Madam DEPUTY SPEAKER** (Dr Clark): Order! The honourable member has asked for a withdrawal of the remark.

**Mr HAMILL:** I withdraw the remark "retiring" or "disappointing"—whatever bit he did not like.

**Mr Schwarten:** He can give it out, but he can't cop it.

**Mr HAMILL:** He is leaving, anyway. But that is beside the point.

Social responsibility goes hand in hand with economic and fiscal responsibility. In terms of delivering social responsibility, of course sound economic management is a part of it. But what is sound economic management on its own? It is an abrogation of the fundamental responsibilities of Government to the people—the people who elect Governments. That is why the charter is all about linking the two and demonstrating that with one goes the other, and that is why this Government is being absolutely transparent about its agenda.

At this point I will take the opportunity to respond to a number of the comments made by the member for Gladstone. The very essence of the charter is to be found in clause 7, or proposed new section 6C, which is in Part 1A of the Bill. That clause mentions important economic concepts such as transparency and accountability in reporting. This addresses the very point that the member for Moggill was on about in relation to reporting mechanisms and ensuring that the Parliament and the wider community know what the Government is on about in terms of its accounting processes.

The Bill mentions the efficient allocation of resources. Governments make decisions about how the resources at their disposal shall be deployed, for example, whether they go towards building a dam or a school or whether they deliver funding to health, education or fire services. The point raised by the honourable member for Gladstone is a very important one. It would be socially and fiscally irresponsible for this generation, or indeed this Parliament or Government, to squander the birthright of coming generations or the discretion of future Parliaments. If we are going to incur debts, let it be that those debts are incurred for long-term infrastructure that will serve the community into the future.

One of the points that we adhere to very strongly in relation to raising debt, for example, is the very point that was canvassed in the Commission of Audit report, that is, if we are going to raise debt for some sort of asset we should not still have the debt when the asset has outlived its usefulness or is clapped out. Whether we are talking about dams, power stations, schools or whatever, once that asset is no longer of economic or social value, the future generation should not continue to pay for something which is of no value to it. That is what intergenerational equity is about. It is a very important principle, particularly when we are talking about having proper accrual accounting. We are not just dealing with the accounts as they come in and out; we are making proper provision for the life of the asset and the full cost of delivering the service year after year. That is very important in terms of transparency and proper accountability.

The other point made in the charter concerns a prudent management of risk. That is obviously vital for government. I know that the member for Moggill was concerned that this was yet another canvassing of the notion of a charter rather than getting down to the nitty-gritty of what is in it. However, what we have sought to do is provide a framework that will outlive even this Government. This provides a framework for this Government and its successors. That is the other point that I wished to address in relation to the issues raised by the member for Gladstone.

Proposed section 6E mentions the amendments to the charter or producing a new charter. The very issues that may cause myself as Treasurer to amend the existing charter or a successive Treasurer to do so are all about the change of priorities of Government. We are not so presumptuous as to say that the charter that I would table in this Parliament as a piece of subordinate legislation is binding on successive Governments. What the charter will do, though, is provide that link that I was referring to earlier—the link between our social objectives and our fiscal management principles. It will be here for all and sundry. If the Opposition or anybody else wants to move its disallowance, they may do so if they disagree with the priorities that are established in it.

For example, it may be a Government of a radically different political persuasion that may not share the same sorts of fiscal or social objectives that this Government adheres to. However, it will enable a future Treasurer to come in here and it will be up to them to put their money where their mouth is and present in this place their charter so we can all see just how responsible their charter is in terms of addressing the fundamental social issues facing the people of this State and addressing the important fiscal management issues that face this State. It is all about transparency. It is all about accountability. But it is also about, as I said, having it on the table here and being transparent. That is why those provisions are there—to put in place a framework for the future.

There were some specific issues raised regarding the funding of depreciation. What is required, of course, under the accrual Budget framework is proper provision for the management of the asset over its lifetime. It does not mean, for example, squirrelling away dollars and dollars and dollars unrelated to the ongoing maintenance requirements of an asset which is continuing in operation. What we will have through the accrual budgeting framework is an obligation that is being met by departments to, in fact, have in front of the Parliament and in front of the community their investment program so that we, as members of Parliament, can question Ministers more closely in respect of any individual departmental budget estimates and see how the assets of that portfolio are being managed. If there are insufficient funds there for the proper maintenance of the assets, then it is competent for members of the House and the members of the Estimates committees to take that matter up with the responsible

Minister. The community as a whole can see whether sufficient provision is being made to maintain important assets.

Obviously, investment decisions by departments will involve at times recognising that assets have outlived their usefulness and that maybe certain land assets or others may be disposed of. We will see there in terms of the decisions made by departments the decisions that are taken with respect to the management of the assets. We do not really see that now in the way in which the accounts are presented. We do not see quite clearly the management issues that are there in the capital works budget. We see a lump sum there for capital works and we really do not know how much of that is truly maintenance and how much of that is new capital formation and how much of it might be some sort of net proceeds from disposal of assets and acquisition of new assets. It is just not there and it is not clear.

There was an issue raised—a very specific issue—about what may happen in the case of a particular hospital where it has some income which is really about an issue pertaining to that hospital site through co-location. As it stands now, for the hospital to retain those funds, it has to get special permission from the Treasurer. Under this accounting framework, it would not have to get that special permission. It would be part of the controlled accounts of the department, controlled assets or controlled accounts for that hospital. It is that internal income that is being generated, if you like, by the department which can be retained by the department. It really just corrects something of an anomaly in the way in which accounting is currently done.

Overall, this legislation is not the panacea for all ills. We do not profess that it is. But it certainly is a significant step forward. Accrual accounting has been talked about in various Australian jurisdictions now for a number of years. I remember sitting around the Cabinet table, I think in 1991 or 1992, when the decision was made that we were going to go to a full accrual basis for the presentation of accounts. It does take time. It is a very difficult process. I had experience of it in a number of Government owned corporations. There are some very significant issues in terms of asset valuation and so on that have to be wrestled with. I want to commend the officers of our departments who have been wrestling with those very critical issues, and they are doing a fine job.

When the Budget is presented this year, honourable members will see quite clearly the sort of work that has been done. Not only will the new Budget be presented in accrual format, but there will be the comparability there with the accounts of the last Budget also presented on an accrual basis so that members of the Parliament and the community can properly judge and compare like with like in terms of the accounts for next year and the accounts for this year, and that is important. I might say that that has not been the practice of a number of other jurisdictions when they have made the leap to accrual accounting. We are committed to transparency. We are committed to accountability, and this legislation is all about that. I thank honourable members for their support for it.

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