



Speech by

GRANT MUSGROVE

MEMBER FOR SPRINGWOOD

Hansard 17 September 1999

1999 STATE BUDGET

Mr MUSGROVE (Springwood—ALP) (3.22 p.m.): I thank the Deputy Speaker for his kind words on this occasion.

There is absolutely no question that this Budget is a balanced Budget, with a net operating surplus in GFS terms of some \$27m. Claims by members of the Opposition that this Budget is in deficit have no foundation and show a complete lack of understanding of accrual budgeting.

Opposition members have placed much credence on the news release issued by Standard and Poor's on 15 September. That news release explicitly analyses the Budget in cash terms. The Opposition has indicated that it supports, and indeed initiated, the move to accrual accounting. That is to be applauded because, quite simply, accrual accounting is a vastly superior and transparent means by which the State's net financial position can be recorded. All of the headline figures in relation to the Standard and Poor's press release are on a cash basis.

The fact is that this Budget addresses community service obligations that have accumulated over a number of fiscal years, while the cash transaction to pay those community services obligations will be made in the 1999-2000 fiscal year. Those opposite should know that those community service obligations had accumulated over a number of years and properly should be recorded over a number of years. Accrual accounting assigns expenditures to the period in which they occurred and not simply in the period in which the cash transaction was made. That is why accrual accounting is just so very superior to cash accounting.

The fact is simply this: in accrual terms this Budget is balanced—indeed, it has a slight surplus—and that accurately reflects the financial position of the State of Queensland. In cash terms there is a slight deficit but, as I have said, that does not accurately reflect the financial position of Queensland this year. If the Opposition supports accrual accounting, then it must support the Budget's bottom line. It cannot have it both ways. It cannot support accrual accounting and yet point to a cash deficit.

The real deficit in Queensland is a skills deficit and knowledge deficit. Traditional neoclassical approaches to economic analysis over the past 20 years or so have focused on the tackling of the twin deficits—that is, the public sector deficit, usually reflected by the public sector borrowing requirement, and the external deficit, reflected in the current account deficit. Traditional theory has argued, somewhat fallaciously in my view, that the public sector is responsible for the private sector debt. It is argued that by increasing the public sector's savings private sector debt will decrease proportionately. This view restricts the amount of money available for the public sector both nationally and within Australia's States and Territories. The bottom line, of course, is that low private savings are the problem, not low public savings. Indeed, as this Budget indicates, Queensland's public savings are among the best in the world.

The mindless pursuit of the twin deficit theory by the Howard Government restricts the amount of resources that Government can bring to bear on the real deficit in this country, that is, the knowledge deficit. In this context, the rate of technological change and innovation is not a traditional goal of fiscal policy. Neoclassical economics treats only land, labour and capital as factors of production. Within this framework, technological change and innovation occurs exogenously. The only alternative to this

analysis has been the equally fallacious mercantilist policy prescriptions for domestic innovation utilising tariff protection to drive industry expansion.

Old style mechanisms of industry policy actively reduce employment creation. Tariffs lead to a misallocation of resources across the entire economy and reduce growth. However, that is not to say that economic nationalism is wrong. It just needs a new expression, and this new expression is in knowledge-based nationalism. Closing the knowledge deficit will reduce the twin deficits.

The private sector alone is unlikely to meet the knowledge and innovation costs in Australia. This is because of our historically low savings rates and the historically high cost of importing capital to Australia. This in turn leads to risk averse corporate behaviour as companies facing higher interest costs than their overseas competitors seek relatively short-term returns on borrowed capital.

Mr Lucas: That is the great importance of national superannuation.

Mr MUSGROVE: That is right.

Mr Lucas: It increases the level of savings.

Mr MUSGROVE: It increases the level of savings for the entire economy. This is why action by Government to reduce the knowledge and skills deficit is needed. That is why this Smart State Budget represents a watershed in Government economic policy in Australia.

It has often been said in this debate and others that so-called hot money or footloose capital is unforgiving, and this is very true. Many studies have indicated that one of the core determinants of the location of footloose capital is the knowledge base of the citizens in the jurisdiction under consideration. In the new global economy, citizens are able to attract remuneration proportional to the value added to the production process. Capital is drawn to where the knowledge workers are in the new global economy, because that is where the highest rates of return are achieved.

In an act of monumental stupidity, the Howard Government has slashed Budget allocations in critical knowledge areas by things such as massive cuts to our higher education system. Changes to the tax regime in relation to R & D are just absolute madness because they have been done in pursuit of the twin deficits hypothesis. Many OECD economies spend 2.5% to 3% of GDP on research and development. The Howard Government is driving our contribution to R & D down towards a measly 1% of GDP. This Smart State Budget will go some way to reversing that trend.

The local IT industry in the electorate that I am proud to represent has received a boost. The Springwood campus of the Logan Institute of TAFE will receive special funding for Internet skills training, including web site development and multimedia training. Some \$120,000 of additional money has been allocated to train locals in areas of key information technology skill shortages.

This Smart State Budget will mean that locals will have access to world-class training and facilities and exciting new areas such as e-commerce. The teaching team at the Springwood campus of Logan TAFE are accredited to the highest international standards, and this Smart State Budget will give them the tools they need to create local jobs and make sure that our local businesses are world beaters.

Other areas of increased funding include telecommunications, biotechnology and far-reaching education initiatives, such as setting a target of one computer for every five students. Of course, the reality is that many of our State's unemployed will not realise employment in IT or biotechnologies. The fastest growing sector of the economy is the service sector, which can be usefully divided into two categories of workers: firstly, knowledge workers and, secondly, lower skills workers employed in other growth industries, such as entertainment and leisure, security, hospitality, child care, home maintenance and the community sector—all of which are labour intensive and are substantial employment generators. There has been very strong growth in the last 10 years in the provision of services to knowledge workers, and this trend is likely to accelerate. The good news in all this is that the overworked and the unemployed both benefit from the trend. The bad news is that there is increasingly a new knowledge divide—a dual labour market—which produces very different outcomes in relation to take-home pay.

The concept of a living wage and our award system must remain intact and, indeed, increase to protect lower skilled workers in the international global economy and to provide effective aggregate demand to drive economic growth. The sad reality in today's global economy is that one's life's prospects are often determined by one's postcode. Geographical mobility for unemployed people is critical to determining their chances of securing employment. This Budget delivers one of the Goss Government's initiatives to improve public transport in my community of Springwood.

The new Springwood bus interchange will come a step closer to reality with a \$1.5m additional funding allocation. This bus interchange, initially announced by the Goss Government, will mark a turning point in the provision of public transport in the Springwood community and in the geographical mobility of people seeking employment. I am determined to get this project up and running within the next 18 months.

Unemployment in my community and around Logan City has been too high for too long. The consequences of this long-term unemployment for too many people are just horrific. Drug abuse, social dislocation and social dysfunction lead inevitably to lawlessness and other forms of antisocial behaviour. The community has a right to expect adequate protection and adequate law enforcement and policing. This State Budget provides half a million dollars to expand the Slacks Creek Police Station. One of the first things I did when I was elected was to talk to our local police and find out what their needs were. The fact is that our police have been packed into the Slacks Creek Police Station like sardines, and with our community set to get its share of the 325 new police in the State Budget the overcrowding will only get worse. I have spoken to my local police, and they are over the moon with the half a million dollar expansion plan. The new expanded station will complement the Police Beat shopfront in last year's Budget and now operating at the Arndale Shopping Centre. The money for the station expansion comes in addition to my six-point plan to tackle crime in my local community.

Mr Roberts: As a result of good representation from the local member.

Mr MUSGROVE: I thank the member for Nudgee. My plan includes, firstly, more police on the beat; secondly, the new police shopfront; thirdly, the establishment of a police community consultative committee, so that local residents can have their say on policing issues that affect them; fourthly, more recreational facilities for our young people; fifthly, the development of the State Crime Prevention Strategy; and finally, expanding the Neighbourhood Watch program.

Of course, at the end of the day, the best way to reduce crime is to provide jobs. That is why this Budget is a visionary Budget. In my electorate, it focuses on the critical issues of information technology training of my local community; public transport, so that they may be geographically mobile to go out and get the high-growth jobs; and law and order and policing initiatives, so they can remain secure in their own homes. Point scoring over accounting methodologies is not going to help the people of Queensland move into the next millennium with confidence and prosperity. This Budget will. I commend the Bills to the House.
